

# OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION  
DAWN CASH, DIRECTOR



PHONE (405) 521-3133  
FACSIMILE (405) 522-0063

August 11, 2009

Re: LR-09-076 (Sales Tax) Taxability of certain supplies and equipment.

Dear

This letter is in response to your inquiry regarding the taxability of supplies and equipment used in the process of drilling oil and/or gas wells which are permanently lost within the wellbore during the drilling phase. As stated in your letter the drilling contractor bills the operator for the value of the lost items. It was also verified in a phone conversation with you on July 6<sup>th</sup> that the transaction is separately stated in the drilling contract.

For the fact that Oklahoma Sales Tax is levied upon the sale or transfer of tangible personal property and that Oklahoma Statutes do not specifically exempt the sale or transfer of lost in hole items, billing the operator for such tools makes the transaction subject to Oklahoma Sales Tax.

If you should have any questions or need additional information you may contact me at 405-521-3133.

This response applies only to the circumstances set out in your request of May 27, 2009. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon only by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

Sincerely,

*OKLAHOMA TAX COMMISSION*

Mark Hendrix  
Tax Policy Analyst

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IT IS OUR MISSION TO SERVE THE PEOPLE OF OKLAHOMA BY PROMOTING TAX COMPLIANCE THROUGH QUALITY SERVICE AND FAIR ADMINISTRATION