

WDOR

Reconciliations

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# Introduction

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- Shed light on the Gross Products & Severance reconciliations for oil & gas currently performed by our office
  - Why are the reconciliations performed?
    - Ensure consistent reporting by the taxpayer and correct processing by the DOR.



# Main Reconciliations

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- Operator's Annual Gross Products return vs. TIK interest owner's Annual Gross Products return
- WOGCC Form 2 vs. DOR-Annual Gross Products return
- Gross Products vs. Severance
- Crude/Stripper Gross Products classification vs. Severance classification

# Reconciliation Team- Point of Contacts

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- Operator/TIK Reporting
- WOGCC/Gross Products Reporting
- Gross Products/Severance Reporting & Crude/Stripper Exceptions
- Kim Jenkins  
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- Tracy Bagby  
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# OPERATOR/TIK REPORTING

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- ❑ Operator designates on the Gross Products return specific volumes as taken in-kind and deducts them from their taxable volume on a particular property.
- ❑ TIK interest owner designates on the Gross Products return what their take in-kind volume is and report it as their gross sales volume on a particular property.
- ❑ The difference, if any, between these volumes, is a TIK discrepancy.



# OPERATOR/TIK REPORTING

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- To administer this Reconciliation, the DOR assumes that the operator's GP return is the authority, unless an appeal is outstanding on the property in question.



# OPERATOR/TIK REPORTING

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- ❑ After certification, master notices are issued to TIK interest owners and operators to inform of all discrepancies (60 days to resolve).
- ❑ After 60 day notices lapse, 30 day “assessment” notices issued to all TIK interest owners on discrepancies that remain where the tik volume is less than what is reported by the operator.



# OPERATOR/TIK REPORTING

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- After 30 days have lapsed, DOR GP & Severance returns are prepared on all discrepancies that are unresolved and have not been appealed to the Wyoming State Board of Equalization (SBOE) by the TIK interest owner.
  - DOR returns increase the sales volume of the applicable TIK company on a particular property to equal the volume reported by the operator and apply the current or average price of oil/gas to the volume increase to determine the taxable value increase.

# OPERATOR/TIK REPORTING

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- DOR GP returns subsequently processed in Notice of Valuation Changes for the applicable counties and DOR Severance returns result in Severance tax billings.
- Production period then monitored to ensure future amendments don't create additional TIK discrepancies.
  - Rejection of TIK returns may be required.
- Appealed assessments are tracked & worked through entire appeal process.

# OPERATOR/TIK REPORTING

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- Key item to eliminate discrepancies from DOR perspective
  - Communication-needs to happen early (by the second Monday in February per DOR rules, Chapter 6, Section 6(b)(i), (ii) and (iii)) and be sustained throughout the 3 year statute of limitations for a given production year.
    - DOR receives only a handful of copies of “exchange of information data” between companies each year.
    - Based upon the reaction of many taxpayers, the DOR master notice is being utilized for the initial information exchange by the respective companies.



# OPERATOR/TIK REPORTING

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- Other TIK items

- DOR does not grant extensions on 60 & 30 day notices.

- Amendments should be filed as early as possible to allow time to post & in case there happen to be rejections of any amendments.

# FORM 2/GROSS PRODUCTS REPORTING

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- Designated operator reports 100% of sales volume on the WOGCC Form 2 (operator's monthly report of wells) for the particular wells(API#), which are subsequently totaled to the Mineral Group reporting level used by the DOR.
- Designated operator reports 100% of sales volume on the Gross Products return (the operator reported TIK volumes + the operator reported sales volume) for a particular property.
- The difference, if any, between the Form 2 mineral group total sales volume and the GP mineral group total sales volume is a WOGCC discrepancy.

# FORM 2/GROSS PRODUCTS REPORTING

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- After certification, master notices are issued to the operators to inform of all discrepancies (60 days to resolve).
- After 60 day notices lapse, 30 day “assessment” notices issued to operators on discrepancies that remain where the total GP volume (tik volume + gross sales volume) is less than the reported Form 2 sales volume.

# FORM 2/GROSS PRODUCTS REPORTING

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- After 30 days has lapsed, DOR GP & Severance returns are prepared on all discrepancies that are unresolved and have not been appealed to the SBOE by the operator.
  - DOR returns increase the sales volume of the operator on a particular property to equal the volume reported by operator on the Form 2 and applies the current or avg. price of oil/gas to the volume increase to determine the taxable value increase.

# FORM 2/GROSS PRODUCTS REPORTING

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- DOR GP returns are subsequently processed in Notice of Valuation Changes for the applicable counties and DOR Severance returns result in Severance tax billings.
- Each production period then monitored throughout 3 year statute of limitations to ensure future amendments don't create additional WOGCC discrepancies.
  - Rejection of operator returns may be required.
- Appealed assessments are tracked & worked through entire appeal process.

# FORM 2/GROSS PRODUCTS REPORTING

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- Key Item to eliminate discrepancies from DOR perspective
  - The operator's Form 2 reporting must be consistent with the operator's GP & Severance reporting (If Jan.-June on Form 2 must report Jan.-June on GP & Severance forms).
  - The following forms that relate to a change in operator do not supersede the Form 2.
    - MTD Form 3-well status notification change
    - WOGCC Form 6-designation of agent or operator
    - WOGCC Form 7-notice of change in owner
    - BLM Form 3160-sundry notice effective dates

# FORM 2/GROSS PRODUCTS REPORTING

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- Other WOGCC items
  - Any Form 2 originals/amendments filed with WOGCC after issuance of the DOR master notice, which may put a discrepancy into balance, must be submitted to the DOR as well.
    - Internet filers, when submitting electronic originals/amendments to WOGCC, should carbon copy the text file to Tracy Bagby with the DOR at [Tracy.Bagby@wy.gov](mailto:Tracy.Bagby@wy.gov)
  - Upon receiving WOGCC notices from the DOR, please discuss with Tracy Bagby any information you are in disagreement with.

# GROSS PRODUCTS/SEVERANCE REPORTING

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- ❑ Operator and TIK interest owner designate on the Gross Products return what their taxable value is on a particular property.
- ❑ Operator and TIK interest owner designate on the Severance return what their taxable value is on a particular property, which is subsequently totaled by DOR due to monthly and/or multiple rate code reporting.
- ❑ Valuation methods identical for Gross Products and Severance.
- ❑ The difference, if any, between these values, is a GP/Sev discrepancy.

# GROSS PRODUCTS/SEVERANCE REPORTING

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- After certification, master notices issued periodically to all taxpayers with GP/Sev discrepancies (60 days to resolve).
- After 60 day notices lapse, 30 day “assessment” notices issued to all taxpayers on all GP/Sev discrepancies that remain.

# GROSS PRODUCTS/SEVERANCE REPORTING

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- After 30 days lapse, DOR GP & Severance returns prepared on all discrepancies that are unresolved and have not been appealed to the SBOE by the taxpayer.
  - DOR returns increase the taxable value to balance to the higher GP or Severance taxable value.
- DOR GP returns are subsequently processed in Notice of Valuation Changes for the applicable counties and DOR Severance returns result in Severance tax billings.
- Appealed assessments are tracked & worked through entire appeal process.

# GROSS PRODUCTS/SEVERANCE REPORTING

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- Key item to eliminate discrepancies from DOR perspective
  - When amending Severance, please keep in mind that a change in “rate code” requires both an amended report for the originally reported “rate code” and an original report for the new “rate code”.
    - Results in duplicate reporting if both returns are not filed.

# CRUDE/STRIPPER REPORTING

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- ❑ Operator designates in section C on the Gross Products return (Form 4101) if requesting the stripper rate on a particular property.
- ❑ Operator and TIK interest owner designate on the Severance return by reporting under the S10 or S15 rate code when requesting the stripper rate on a particular property.
- ❑ If Gross Products return filed by the operator does not qualify for stripper and the Operator and/or TIK interest owner reports the Severance return under S10 or S15, it is a Crude/Stripper<sub>22</sub> discrepancy.



# CRUDE/STRIPPER REPORTING

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- If Gross Products return filed by the operator does qualify for stripper and the Operator and/or TIK interest owner reports the Severance return under BAS, it is also a Crude/Stripper discrepancy.

# CRUDE/STRIPPER REPORTING

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- After certification, master notices issued to TIK & Operators to inform of all discrepancies (60 days to resolve).
- After 60 days lapse, 30 day “assessment” notices issued to all TIK & Operators on properties where the GP return does not qualify for stripper and the Severance return is reported under S10 or S15.

# CRUDE/STRIPPER REPORTING

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- After 30 days lapse, DOR Severance returns prepared on all discrepancies that are unresolved.
  - DOR Severance returns transfer the monthly volumes and values previously reported under the S10 or S15 rate code to the BAS rate code.
- DOR Severance returns result in Severance tax billings.

# CRUDE/STRIPPER REPORTING

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- Key items to eliminate discrepancies from DOR perspective
  - A well must be an oil well, not a gas well, and must have produced at least one day during the applicable production year to be counted as an active producing well in the stripper calculation.
    - WOGCC determines whether a well is an oil well or gas well.

# IN CONCLUSION

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- Please keep in mind that when a Gross Products and/or Severance amendment is filed, the Wyoming Department of Revenue (DOR) may require supporting information to substantiate the amendment.
  - Supporting information typically includes, but is not limited to, a written explanation for the amendment, along with a revenue report from your system that was utilized to prepare the amendment in question.
  - The revenue report should not be in the form of excel spreadsheets.
- When a situation with an amendment arises that the (DOR) deems supporting information is warranted, the (DOR) will inform the taxpayer of this requirement and provide the taxpayer thirty (30) days in which to supply this additional information to allow the amendment to be processed.