

Take In-Kind Production

An interest owner must affirmatively exercise an option under a lease or operating agreement to separately market his share of the production to qualify as take in-kind. If an option to separately market is not exercised by the interest owner the interest owner is not considered to be a take in-kind interest owner and the operator must report the interest owner's portion of the production.

Any interest owner taking production in-kind shall file all reports and information required relating to the sale or use of production taken in-kind and the actual quantity taken (not entitlement), including the exempt royalty burden, for which they are responsible.

A take in-kind interest owner may elect for operator reporting of the interest owner's production if, on or before January 1st of the production year in which operator reporting shall commence, the take in-kind interest owner notifies the operator and the mineral division in writing of the intent to have the operator report and remit on behalf of the take in-kind interest owner. The operator or other entity reporting and remitting the interest owner's gross product (ad valorem) tax must also report and remit severance tax.

Take in-kind interest owners and operators now have exchange of data and discrepancy notification deadlines pursuant to department of revenue rules, chapter 6, section 6.

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