NORTH DAKOTA

North Dakota Reporting Instructions

Oil & Gas Taxes

Form T-12 Oil Reporting

Form T-13 Gas Reporting

Condensate Reporting

Injected Oil Reporting

Reclaimed Oil Reporting

Volume Gains Reporting

Office of State Tax Commissioner
600 E Boulevard Ave.
Bismarck, ND 58505-0599

www.nd.gov/tax
oiltax@nd.gov

Table of Contents

Registration 1
Who Must File 1
How To File 2
Filing Due Date 2
Remittance of Tax 2
Electronic Funds Transfer 3
Extension of Time for Filing a Report or Paying the Tax 3
Penalty for Failure to File a Report 3
Penalty and Interest on Delinquent Tax 4
Amended Reports 4
Procedure for Claiming a Tax Credit 4
Procedure for Claiming a Tax Refund 5
Notices of Assessment and Credit or Refund Denials 5
Statute of Limitations 5
18-Month Certification Requirement 5
T-12 Coversheet Instructions 6
T-12 Worksheet Instructions 7
T-13 Coversheet Instructions 11
T-13 Worksheet Instructions 12
Procedure for Reporting Condensate 15
Procedure for Reporting Injected Oil 15
Procedure for Reporting Reclaimed Oil 16
Procedure for Reporting Volume Gains 16

Registration for Oil and Gas Tax Reporting

Producers and purchasers are required to submit an **Oil and/or Gas Company Registration** form to the Tax Commissioner (Commissioner) which provides the necessary information to establish an oil or gas account. Producers and purchasers that are required to submit a monthly oil or gas report must submit an **Electronic Filing Registration** form prior to filing an electronic tax report. This registration must be signed by a person authorized to sign a company tax report and is deemed to be the signature on all electronic reports. Purchasers are required to file all tax reports electronically.

Two electronic filing options are available:

1) Excel spreadsheets – templates are provided by the Commissioner
2) Electronic data interchange (EDI) – refer to EDI Filing Guide for reporting instructions and contact our office for testing

Monthly reports are submitted by attaching the electronic file to an email addressed to **oiltax@nd.gov**.

Registration forms, filing instructions, monthly oil and gas reports, publications, and electronic filing and payment options are available on the Commissioner's website at **www.nd.gov/tax** or by contacting the Commissioner's Office by e-mail at **oiltax@nd.gov.**

Contacts:

Oil and Gas Tax Section:	**oiltax@nd.gov** 701.328.3126
Ken Herman	Phone: 701.328.2705 Email: kherman@nd.gov
Shannon Fleischer	Phone: 701.328.3431 Email: sfleischer@nd.gov

- Send written requests and questions to the following address or submit by email:

  Oil & Gas Tax Section
  Office of State Tax Commissioner
  600 E. Boulevard Ave., Dept. 127
  Bismarck, ND 58505-0599

- For questions regarding state government royalties, contact the North Dakota Land Department at 701.328.2800.

- For questions regarding federal government royalties, contact the North Dakota State Auditor's Office at 701.250.4681.

- For questions regarding the Form 5, Oil Production Report, or Form 5B, Gas Production Report, or for certification procedures for oil extraction tax exemptions and rate reductions, contact the North Dakota Industrial Commission at 701.328.8020.

General Reporting Instructions
For
Oil and Gas Taxes

WHO MUST FILE

Producer/Operator/In-Kind Interest (collectively producer):

The producer is required to file a monthly oil and/or gas report on a producing property unless they have been granted a waiver of the requirement to file by the Commissioner. To request and be granted a waiver, a producer must complete an oil and/or gas waiver form and submit it to the Commissioner for approval. If a producer has been granted a waiver, the producer agrees that:

- The purchaser/processor (collectively purchaser) will report and pay all tax due on forms prescribed by the Commissioner.
- All tax due on production and sales of oil or gas, not subject to the purchaser's monthly reporting, must be reported and paid by the producer.
- Production and sales information must be remitted by the producer on a timely basis to the North Dakota Industrial Commission (N.D.I.C.).
- The producer must continue to maintain production and sales records for inspection by the Commissioner and must respond in a timely manner to all requests for information.
- The purchaser's reports filed for the producer's wells will determine the statutory dates within which the Commissioner must assess additional tax found due or the purchaser must file for a refund of a tax overpayment (see Statute of Limitations).
- The producer will provide the producer's valid Federal Identification Number to the purchaser for use in the reporting of purchased interests.

The operator of a well is required to submit Schedule T-82 to notify the Commissioner when production is taken in-kind from a well. An updated Schedule T-82 needs to be submitted when take-in-kind ownership or percentages change.

Purchaser:

The purchaser is required to file a monthly oil and/or gas report for purchases from a producing property.

For processed gas, the purchaser of gas delivered to a processing plant must file a monthly report. For unprocessed gas, the pipeline company into whose possession the gas is delivered must file a monthly report.

A purchaser, who recovers condensate from a gas stream after the custody transfer meter, but before processing at a gas plant, must file a monthly oil report. Instructions for reporting are included in this booklet.

Oil Reclaimer:

Entities selling reclaimed oil must file a monthly oil report. Instructions for reporting are included in this booklet.

<u>Oil Transporter</u>:

Operators of oil pipelines must file an annual volume gain and loss report. Instructions for reporting are included in this booklet.

Pursuant to North Dakota Century Code (N.D.C.C.) § 57-51-06, statements must be filed on forms prescribed by the Commissioner. All tax information for oil activities will be submitted on the T-12 Oil Report and gas activities will be submitted on the T-13 Gas Report. Both reports consist of the following:

- A coversheet.
- One or more worksheets showing individual well entries.

HOW TO FILE

To facilitate reporting, the Commissioner will accept reports filed using the following options:

- A producer may submit a report using the printed forms provided by the Commissioner or choose to file reports electronically. An Excel spreadsheet template conforming to the format of the printed forms and provided by the Commissioner is required to be used. Electronic reports may also be submitted using electronic data interchange (EDI).

- A purchaser is required to file reports electronically using EDI or the provided Excel spreadsheet template.

FILING DUE DATE

The monthly T-12 Oil Report and payment of gross production and oil extraction tax are due on or before the twenty-fifth day of the month following the month of production.

The monthly T-13 Gas Report and payment of gross production tax are due on or before the fifteenth day of the second month following the month of production.

NOTE: If the due date for filing a report and paying the tax falls on a Saturday, Sunday, or legal state holiday, the report and payment are due the next business day.

A report or payment is delinquent if it is postmarked after the due date. Reports filed electronically are delinquent if transmitted after the due date. Electronic payments are considered delinquent if a request for immediate disbursement of funds is not submitted to the bank on or before the due date of the return.

REMITTANCE OF TAX

The purchaser is primarily responsible for submitting the T-12 Oil Report and remitting tax due on all oil sold at the time of production. The Commissioner may accept payment of the tax from the producer, but failure of the producer to pay the tax will not relieve the purchaser of liability for the tax.

The producer must submit a T-12 Oil Report and remit the tax on all oil not sold at the well, including any oil used, lost, stolen, or otherwise unaccounted for after it has been produced.

The purchaser must submit the T-13 Gas Report and remit the tax on all gas delivered to a processing plant net of gas or gas products physically returned to the lease.

The producer must submit a T-13 Gas Report and remit the tax on any part of the following categories that are not exempt from the tax:

- Wet gas flared or used on the lease.
- Wet gas delivered to a purchaser and physically returned to the lease prior to processing at a gas plant.

- Residue gas and liquid products physically returned to the lease from a gas plant.
- Unprocessed pipeline quality wet gas that is delivered directly into a pipeline system.

The tax remitted with a monthly report must be equal to the tax due for that report less any credits applied. Estimated payments will not be accepted.

N.D.C.C. § 57-51-19.1 states that a remittance of tax need not be made and any assessment or collection of tax may not be made unless the amount is at least $5.00, including penalties and interest. The $5.00 is based on the calculated amount due on a monthly report coversheet, **not** on each individual well entry.

ELECTRONIC FUNDS TRANSFER

An electronic funds transfer (EFT) program is available for Automated Clearing House (ACH) credits. An addenda record, which provides processing information, must be provided with an ACH credit payment. The addenda record will include the taxpayer identification number, tax type code, production period, form type, and amount. A separate addenda record must be submitted for each report. The Tax Payment (TXP) Banking Convention layout required for the addenda record is available on the website.

The American Bankers Association (ABA) bank transit routing number is “091300285” and the account number to which funds should be transferred is “0910231.”

NOTE: It is required that you contact your banking institution to send a prenotification to test the accuracy of the TXP format before you send an actual tax payment (i.e., $0.00 ACH credit transaction).

Indicate in the space provided on the T-12 Oil Report and the T-13 Gas Report coversheets to specify that a payment will be submitted electronically.

EXTENSION OF TIME FOR FILING A REPORT OR PAYING THE TAX

Pursuant to North Dakota Administrative Code (N.D.A.C.) § 81-09-02-05:

- A request may be submitted to extend the due date for payment of the tax by a maximum of fifteen days. A request may also be submitted to extend the due date for filing a report. However, if tax is due with the report, the due date can only be extended by a maximum of fifteen days.

- An extension may be requested either verbally or in writing. A verbal request must be made on or before the due date and a written request must be received by the Commissioner on or before the due date. Both a verbal and written request must include an explanation as to why the extension of time is needed.

- If an extension is approved, extension interest must be paid on the tax due at a rate of 12% per annum. The daily interest rate is .000333 and interest is computed from the original due date of the report to the date the tax is paid, which is the date the payment is mailed or electronic payment is received.

The Commissioner will bill extension interest that is not paid with the report

PENALTY FOR FAILURE TO FILE A REPORT

Any person or entity required to file a tax or information report is subject to a penalty of $25.00 per day for each well or unit that is not reported. This penalty is in addition to the 5% penalty imposed on delinquent tax payments.

PENALTY AND INTEREST ON DELINQUENT TAX

The penalty on delinquent tax is 5% of the tax or $5.00 whichever is greater. Penalty does not apply to delinquent tax reported on an amended report if both of the following conditions are met:

- 90% of the total tax liability accumulated on the original report and all amended reports was paid with the taxpayer's original report, and
- The amended report is filed, and all delinquent tax is paid, within sixty days of the due date of the original report.

Interest is imposed on delinquent tax at a rate of 1% per month for each calendar month or any part of a month in which the tax remains unpaid. Interest is not imposed in the month the delinquent tax became due. Penalty and interest are computed as follows:

Coversheets:

- Penalty and interest rates are applied separately to delinquent gross production and oil extraction tax for each production period reported.
- Gross production or oil extraction tax underpayments and overpayments for different production periods **will not** be combined or offset to calculate penalty and interest.
- Gross production or oil extraction tax underpayments and overpayments reported on separate coversheets for the same production period **will not** be offset.

Worksheets:

- Gross production or oil extraction tax underpayments and overpayments for individual well, group, or unit entries on a single coversheet **will be** offset within the same tax type and the penalty and interest computed on the net delinquent tax.

Penalty and interest not paid with the report will be billed. The Commissioner may grant a waiver of penalty and interest on either a verbal or written request in accordance with N.D.A.C. §§ 81-01.1-01-09 and 81-01.1-01-10.

AMENDED REPORTS

Pursuant to N.D.A.C. § 81-09-02-04, if a taxpayer is required to file an amended report, the amended report is due on the date set by the Commissioner. The amended report is delinquent if the postmark/transmission date is after the due date.

Amended data for prior periods will not be accepted on an original report, it must be submitted on an amended report. **Original entries will be replaced with those reported on amended reports; no back-out entries are required.** The API, group, or unit number **must** include the same sequence number as that of the previously filed entry. A sequence number is required if there is more than one entry for an API, group, or unit number in order for amended reports to be submitted and matched correctly.

PROCEDURE FOR CLAIMING A TAX CREDIT

The Commissioner will provide notification of approved tax credits. The Commissioner will maintain a balance of processed tax credits that can be applied to future tax due amounts. Amended reports claiming tax credits need to be filed in a timely manner to insure that the tax credit is processed and available before being claimed on a tax due report. **The Commissioner does not have the authority to pay interest on a tax credit.**

Indicate the "credit" type on the coversheet and submit the amended report to the Commissioner within the time period prescribed by statute to claim a credit (see Statute of Limitations).

PROCEDURE FOR CLAIMING A TAX REFUND

N.D.C.C. § 57-51-19.1 states that the Commissioner may not issue a refund to a taxpayer unless the amount to be refunded, including interest, is at least $5.00. This applies only to the total gross production tax or total oil extraction tax due on a coversheet and not to each individual lease entry. When either a gross production or oil extraction tax refund total is over $5.00, both tax type refunds will be issued even if one tax type refund total is below $5.00. If both tax type refunds are below $5.00, no refund will be issued.

Refund interest accrues from sixty days after the due date of the report, the date the report was filed, or the date the tax was fully paid, whichever comes later, through the date the refund is mailed to the taxpayer.

Indicate the "refund" type on the coversheet and submit the amended report to the Commissioner within the time period prescribed by statute to claim a refund (see Statute of Limitations).

NOTICES OF ASSESSMENT AND CREDIT OR REFUND DENIALS

The procedures and time requirements to be followed by the Commissioner for issuing a notice of assessment, or notice of credit or refund denial, and the appeal process to be used by a taxpayer are provided for by N.D.A.C. §§ 81-09-02-02 and 81-09-02-03. Additional information is also available in the North Dakota Taxpayer Bill of Rights.

STATUTE OF LIMITATIONS

N.D.C.C. §§ 57-51-09 and 57-51-19 state that the time to assess additional tax or file a claim for credit or refund is three years after the due date of the original return or three years after the original return is filed, whichever period expires later. Amended returns extend the assessment period for two years after the amended return is filed; however, this does not limit or restrict other time periods prescribed by statute. If there is a change in tax liability on any report by an amount in excess of 25% of the amount of tax liability on a report, a claim may be filed, or a notice issued, within six years after the due date of the original report or six years after the original report was filed, whichever period expires later.

18-MONTH CERTIFICATION REQUIREMENT

To receive an oil extraction tax exemption or tax rate reduction from the first day of eligibility, N.D.C.C. § 57-51.1-03.1 requires that a certification of qualifying well status, prepared by the N.D.I.C., be submitted to the Commissioner within 18 months of qualifying.

If the N.D.I.C. certification is not submitted to the Commissioner within the 18-month period specified, the tax exemption or rate reduction does not apply for the production periods for which the certification is not on file. When the certification is submitted to the Commissioner after the 18-month period, the tax exemption or rate reduction applies to prospective periods only and is effective the first day of the month in which the certification is received by the Commissioner.

T-12 COVERSHEET INSTRUCTIONS

Original or Amended Report:

- Indicate only one.
- No amended entries for prior reporting periods may be reported on an original monthly report.
- Individual T-12 coversheets and worksheets must be submitted for each monthly period being reported. Do not combine months on the same report.

Producer or Purchaser Report:

- Indicate only one.

Year/Month: Enter numerals, e.g. 201801 for January 2018.

Federal I.D. Number: Enter nine-digit Federal I.D. number.

Name, Address, and Telephone Number: Enter company name and address (including a nine-digit zip code). Enter telephone number of individual completing report.

Line 1. **Gross Production Tax Paid with Report:** Total of the "Production Tax Paid With Report" entries on the T-12 worksheets (round to two decimal places).

Line 2. **Penalty on Gross Production Tax:** N.D.C.C. § 57-51-10 provides that a penalty of $5.00 or 5% of the tax due, whichever is greater, is imposed on delinquent oil taxes due. Penalty will not be imposed if all of the following conditions are met:

- The original report was filed and paid by the due date.
- An amended monthly report is filed within sixty days of the due date of the original report and the tax reported and paid on the original report was 90% or more of the total tax due for the month.

Line 3. **Interest on Late Gross Production Tax:** N.D.C.C. § 57-51-10 provides for the payment of interest on all late payments of the gross production tax at the rate of 1% of the tax due per month, for all or part of each calendar month the delinquency continues, except for the month in which the tax became due. N.D.C.C. § 57-51-05(1) provides further that any taxpayer who requests and is granted an extension of time for filing a report shall pay interest at the rate of 12% per annum (daily rate of .000333) from the date the tax was due to the date the tax is paid.

Line 4. **Total Due:** Add lines 1, 2, and 3.

Line 5. **Oil Extraction Tax Paid with Report:** Total of the "Extraction Tax Paid With Report" entries on the T-12 worksheets (round to two decimal places).

Line 6. **Penalty on Oil Extraction Tax:** Same as gross production tax.

Line 7. **Interest on Late Oil Extraction Tax:** Same as gross production tax.

Line 8. **Total Due:** Add lines 5, 6, and 7.

Line 9. **Total Due with Report:** Line 4 plus line 8.

Line 10. **Tax Credits Claimed:** Enter the credit to be applied as a positive. Line 10 may not exceed line 9.

Line 11. **Total Paid with this Report:** Line 9 minus line 10.

Credit or Refund on Amended Report: If line 11 is a negative number, indicate "credit" or "refund" to designate how the overpayment is to be processed.

Electronic Payment: Indicate in the coversheet field if payment is being submitted electronically.

T-12 WORKSHEET INSTRUCTIONS

Year & Month: Enter numerals, e.g. 201801 for January 2018.

Federal I.D. Number: Enter the reporting entity's nine-digit Federal I.D. number.

Taxpayer Name: Enter the company name.

Separate Worksheet Entries are Required in the Following Situations:

- Oil produced from different reservoirs (i.e., pools).
- Exempt and nonexempt oil reported in the same period.
- Oil subject to different monetary arrangements

API Number: The API, group, or unit number **must** be provided to process the lease detail information.

Sequence Number: The sequence number is required if there is **more** than one entry for each API, group/unit number, and pool code in order for amended reports to be submitted and matched correctly (i.e., 001, 002, etc.).

Condensate: If reporting condensate, indicate yes; otherwise, leave this space blank.

<u>**Gross Production Tax**</u>**:**

Block 1. Barrels of Oil Purchased/Sold: Volume of oil purchased/sold (round to two decimal places).

Block 2. Value of Oil Purchased/Sold: Enter the gross value paid for the oil pursuant to the valuation provisions in N.D.C.C. § 57-51-02.3 (round to the nearest cent).

Block 3. Value of Exempt Government Royalties: Enter the value of exempt federal, state, other municipality, and Indian royalties actually paid. The value should not exceed the amount calculated by taking the royalty percentage times the value of oil purchased reported in Block 2.

Block 4. Taxable Value of Oil: Block 2 minus Block 3.

Block 5. Total Production Tax Due: Multiply Block 4 by the 5% gross production tax rate.

Block 6. Production Tax Previously Paid: On an original report, leave this space blank. On an amended report, enter the production tax previously paid for an API, group/unit, pool code, and sequence number.

Block 7. Production Tax Paid by Others: Enter production tax paid by others.

Block 8. Production Tax Paid with Report: Block 5 minus Blocks 6 and 7.

NOTE: The total of Blocks 6, 7, and 8 must equal Block 5.

<u>Oil Extraction Tax</u>:

Block A. **Pool Code:** Enter the pool code assigned by the Commissioner. If reporting oil production from a well that produces from more than one pool, complete a separate entry using the applicable code assigned to each pool. (A list of pool codes is available on the website.)

Block B. **Well Code:** Use the appropriate well code assigned by the Commissioner pursuant to N.D.C.C. chapter 57-51.1 and N.D.A.C. chapter 81-09-03 as follows:

Code S1 **A qualified stripper well/property, with average daily production of oil not exceeding 10 barrels per day for wells of a depth of 6,000 feet or less, is exempt from oil extraction tax.**

Code S2 **A qualified stripper well/property, with average daily production of oil not exceeding 15 barrels per day for wells of a depth of more than 6,000 feet, but not more than 10,000 feet, is exempt from oil extraction tax.**

Code S3 **A qualified stripper well/property, with average daily production of oil not exceeding 30 barrels per day for wells of a depth of more than 10,000 feet, is exempt from oil extraction tax.**

Code S4 **A qualified stripper well/property, with average daily production of oil not exceeding 35 barrels per day for completions in the Bakken/Three Forks formations after July 1, 2013, from a depth of more than 10,000 feet, is exempt from oil extraction tax.**

Code R1 **Used by producers for qualified enhanced recovery reporting of production subject to 5% gross production and 0% oil extraction tax** (see Enhanced Recovery Instructions)**.**

Code RN **A qualified new well drilled and completed in a formation other than the Bakken or Three Forks, and at least 10 miles from a field containing a Bakken or Three Forks spaced well, is eligible for an oil extraction tax rate of 2% for the earlier of 18 months or 75,000 barrels.**

Code T5 **The rate of tax is 5% of the gross value at the well.**

Code T6 **The rate of tax is 6% of the gross value at the well.**

Block 9. **Taxable Value of Oil:** For S1, S2, S3, S4, and R1 enter zero and for T5, T6, and RN enter the value from Block 4.

Block 10. **Total Extraction Tax Due:** Multiply the value in Block 9 by the applicable oil extraction tax rate:

- 2% - Well code RN
- 5% - Well code T5
- 6% - Well code T6

Block 11. **Extraction Tax Previously Paid:** On an original report, leave this space blank. On an amended report, enter the extraction tax paid for an API, group/unit, pool code, and sequence number.

Block 12. **Extraction Tax Paid by Others:** Enter the extraction tax paid by others.

Block 13. **Extraction Tax Paid with Report:** Block 10 minus Blocks 11 and 12.

NOTE: The total of Blocks 11, 12, and 13 must equal Block 10.

Block 14. **Other Party Federal I.D. Number(s):** Enter the Federal I.D. number of the party that produced/purchased the oil for each lease. A total of four may be entered.

Block C. **Oil Gravity:** Enter the average oil gravity for this lease (round to one decimal place).

Block D. **Posting Code:** Enter the applicable posting code used for calculating value (An updated list of posting codes is available on the website, contact the Commissioner if an applicable posting code is not listed).

Block E. Additional Value: Enter the per barrel value added to the posted price (i.e., bonus, differential, etc.).

Block F. Transportation Deduction: Enter the per barrel transportation deduction as allowed under N.D.C.C. § 57-51-02.3.

Block G. Other Deductions: Enter the per barrel other deductions (i.e., gravity, differential, etc.).

SPECIAL T12 INSTRUCTIONS

- A separate return is required for reporting condensate purchases – do not report regular and condensate entries on the same return.
- It is mandatory that all multiple entries for each API, group/unit number, and pool code include a unique "sequence number."
- Amended reports will replace previously filed data by matching the API or goup/unit number and pool code; complete worksheet entries are required. No back out entries are allowed.
- Do not enter an API, group, or unit number if you are not submitting data for that well or lease.
- All required blocks must be completed; incomplete reports may be returned to the reporting party for completion. Incomplete reports that are returned are not considered to be timely filed.
- Zeros must be entered after a decimal for cents (i.e., $1.00, not $1 or $1.--).

T-13 COVERSHEET INSTRUCTIONS

Original or Amended Report:

- Indicate only one.
- No amended entries for prior reporting periods may be reported on an original monthly report.
- Individual T-13 coversheets and worksheets must be submitted for each monthly period being reported. Do not combine months on the same report.

Producer or Purchaser Report:

- Indicate only one.

Year/Month: Enter numerals, e.g. 201801 for January 2018.

Federal I.D. Number: Enter nine-digit Federal I.D. number.

Name, Address, and Telephone Number: Enter company name and address (including a nine-digit zip code). Enter telephone number of individual completing report.

Line 1. **Gross Production Tax Paid with Report:** Total of the Block 12 entries on the T-13 worksheets (round to two decimal places).

Line 2. **Penalty on Gross Production Tax:** N.D.C.C. § 57-51-10 provides that a penalty of $5.00 or 5% of the tax due, whichever is greater, is imposed on delinquent oil and gas taxes due. Penalty will not be imposed if all of the following conditions are met:

- The original report was filed and paid by the due date.
- An amended monthly report is filed within sixty days of the due date of the original report and the tax reported and paid on the original report was 90% or more of the total tax due for the month.

Line 3. **Interest on Late Gross Production Tax:** N.D.C.C. § 57-51-10 provides for the payment of interest on all late payments of the gross production tax at the rate of 1% of the tax due per month, for all or part of each calendar month the delinquency continues, except for the month in which the tax became due. N.D.C.C. § 57-51-05(1) provides further that any taxpayer who requests and is granted an extension of time for filing a report shall pay interest at the rate of 12% per annum (daily rate of .000333) from the date the tax was due to the date the tax is paid.

Line 4. **Total Due With This Report:** Add lines 1, 2, and 3.

Line 5. **Tax Credits Claimed:** Enter the credit to be applied as a positive value. Line 5 may not exceed line 4.

Line 6. **Total Gross Production Tax Remitted With This Report:** Line 4 minus line 5.

Credit or Refund on Amended Report: If line 6 is a negative number, indicate "credit" or "refund" to designate how the overpayment is to be processed.

Electronic Payment: Indicate in the coversheet field if payment is being submitted electronically.

T-13 WORKSHEET INSTRUCTIONS

Year & Month: Enter numerals, e.g. 201801 for January 2018.

Federal I.D. Number: Enter the reporting entity's nine-digit Federal I.D. number.

Taxpayer Name: Enter the company name.

API Number: The API, group, or unit number **must** be provided to process the lease detail information.

Sequence Number: The sequence number is required if there is **more** than one entry for an API, group/unit number, or pool code in order for amended reports to be submitted and matched correctly (i.e., 001, 002, etc.).

REPORT ALL VOLUMES AS WHOLE MCFs – NO DECIMALS ARE ALLOWED

Block 1. Natural Gas Delivered/Sold:

- For processed gas, enter the total volume of wet gas delivered to the purchaser, as measured by the custody transfer meter.
- A producer or third party operating a lease site gas recovery system is considered the first purchaser of the gas for tax reporting purposes. Enter the total volume of wet gas delivered from the wellhead.
- For unprocessed pipeline quality gas, enter the total volume of wet gas delivered into the pipeline company's possession, as measured by the custody transfer meter.
    - The entity taking possession of this gas must complete Blocks 1 through 6.
    - The producer must report and pay tax on all unprocessed gas.
- For nonexempt flaring or lease use enter the total volume of:
    - Nonexempt flared gas.
    - Nonexempt lease use gas.
    - Nonexempt wet gas, nonexempt residue, and nonexempt liquids (see formulas in number 2, 3 and 4 below for calculation of MCFs to be reported).

  The producer must report and pay tax on all nonexempt gas.

Block 2. Natural Gas Returned To Lease: Enter the volume of wet gas delivered to a purchaser and physically returned to the lease prior to processing at a gas plant. When liquid products are recovered from wet gas before the gas is returned to the lease, the volume in Block 2 is calculated by using the following conversion formula:

$$\text{Wet Gas Returned MCF} \times \frac{\text{BTU per cubic foot of Wet Gas Returned}}{\text{Wellhead BTU from Block 14}}$$

Block 3. Residue Returned To Lease: Enter the volume of residue gas physically returned to the lease calculated by using the following conversion formula:

$$\text{Residue Gas Returned MCF} \times \frac{\text{BTU per cubic foot of Residue Gas}}{\text{Wellhead BTU from Block 14}}$$

Block 4. Liquids Returned To Lease: Enter the volume (in MCFs) of liquids physically returned to the lease. This volume is calculated by using the following formulas for conversion of propane or butane gallons to MCFs of gas:

$$\text{Propane Gallons} \times .03629 \times \frac{\text{Avg. BTU per cubic foot of Propane}}{\text{Wellhead BTU from Block 14}}$$

Butane Gallons X .03171 X $\frac{\text{Avg. BTU per cubic foot of Butane}}{\text{Wellhead BTU from Block 14}}$

NOTE: The propane conversion factor of .03629 MCF per gallon and the butane conversion factor of .03171 MCF per gallon are computed from the table of Physical Constants of Paraffin Hydrocarbons and Other Components of Natural Gas, GPA Publication 2145-89.

Block 5. Condensate Reported As Oil: Enter the volume (in MCFs) of condensate (e.g., scrubber oil, drip liquids, drip gasoline, drips, etc.) recovered by the purchaser and reported as oil. This volume is calculated by using the following formula for conversion of condensate barrels to MCFs of gas:

Condensate Barrels X 42 X .02548 X $\frac{\text{Avg. BTU per cubic foot of Condensate}}{\text{Wellhead BTU from Block 14}}$

NOTE: The condensate conversion factor of .02548 MCF per gallon is computed from the table of Physical Constants of Paraffin Hydrocarbons and Other Components of Natural Gas, GPA Publication 2145-89.

Condensate volumes and values must be reported on the T-12 Oil Report.

Block 6. Net Delivered/Sold: Block 1 minus Blocks 2, 3, 4, and 5.

DO NOT COMPLETE BLOCKS 7 through 12 if you are an entity reporting unprocessed pipeline quality gas delivered directly into your pipeline system or exempt gas qualified for the 25 month lease site exemption.

Block 7. Exempt Royalty Percentage: Enter the decimal fraction (rounded to seven decimal places) of exempt federal, state, other municipality, and Indian royalty interests. (Example: a 12.5 royalty percentage must be reported as 0.1250000).

Block 8. Exempt Royalty MCF: Multiply Block 6 by the decimal in Block 7 (round to the nearest whole number).

Block 9. Taxable Volume MCF: Block 6 minus Block 8.

DO NOT COMPLETE BLOCKS 9 through 12 if you are a producer filing a gas report for informational purposes only.

Block 10. Tax Due: Multiply Block 9 by the tax rate per MCF in effect for the period being reported. The rate per MCF will be adjusted annually pursuant to subsection 2 of N.D.C.C. § 57-51-02.2. Taxpayers will be notified in writing on or before June 1 of each fiscal year. Fiscal year rates are also available on our website.

Block 11. Tax Previously Paid: On an original report, leave this space blank. On an amended report, enter the gross production tax paid for an API, group/unit, pool code, and sequence number.

Block 12. Tax Paid With Report: Block 10 minus Block 11.

NOTE: The total of Blocks 11 and 12 must equal Block 10.

- **The purchaser reporting taxable gas is required to remit the tax computed in Block 10.**
- **An entity taking possession of and reporting unprocessed pipeline quality gas is not to remit tax.** If the gas from all wells on this report is unprocessed pipeline quality gas, enter zero on line 1 of the T-13 Gas Report coversheet.
- **A producer reporting unprocessed pipeline quality gas is required to remit the tax computed in Block 10.**

Block 13. Pool Code: Enter the pool code assigned by the Commissioner. If reporting on a well that produces from more than one pool, a separate entry is required for each pool code. (A list of pool codes is available on the website.)

Block 14. Wellhead BTU: Enter the average wellhead BTU content per cubic foot of delivered gas rounded to the nearest whole number (i.e., report 1250.43 as 1250).

NOTE: BTU content is for a dry ideal gas at standard conditions of 60° Fahrenheit and at a pressure base of 14.73 P.S.I. Absolute.

Block 15. Other Party Federal I.D. Number(s): Enter the Federal I.D. number of the party that produced/purchased the gas for each lease. A total of three may be entered.

SPECIAL T13 INSTRUCTIONS

- It is mandatory that all multiple entries for each API, group/unit number, and pool code include a unique "sequence number."
- Amended reports will replace previously filed data by matching the API or goup/unit number and pool code; complete worksheet entries are required. No back out entries are allowed.
- Do not enter an API, group, or unit number if you are not submitting data for that well or lease.
- All required blocks must be completed; incomplete reports may be returned to the reporting party for completion. Incomplete reports that are returned are not considered to be timely filed.
- Zeros must be entered after a decimal for cents (i.e., $1.00, not $1 or $1.--).

PROCEDURE FOR REPORTING CONDENSATE

FORMS REQUIRED

Note: Condensate must be reported on a separately registered oil account.

The T-12 Oil Report is used to report and pay the gross production and oil extraction tax due on condensate. When reporting condensate, indicate "yes" in the T-12 worksheet field and use the **CON1** posting code. To claim exemptions or rate reductions, the individual API, group/unit number, and pool code must be used. If reporting by station with a group number assigned by the Commissioner, use the applicable well code **T5** or **T6** and pool code **99.**

Producer: A producer who recovers condensate from a gas stream must file a monthly T-12 Oil Report if:

- The condensate is recovered from a gas stream not sold to a processor, or
- The condensate is recovered from a gas stream prior to the sale to a processor at a custody transfer meter.

A producer is not required to file a T-12 Oil Report for condensate recovered by a processor after the custody transfer meter.

Purchaser: A purchaser who recovers condensate from a gas stream after the custody transfer meter, but before processing at a gas plant, must file a monthly T-12 Oil Report. This includes condensate recovered at the lease site, gas gathering lines, compressor station, and inlet separator of a processing plant.

The 100% volume of condensate is subject to taxation; no contract allowances or deductions may be taken.

Pursuant to N.D.A.C. § 81-09-02-10, certain costs incurred to recover the condensate from a gas stream, after the custody transfer meter, may be deducted from the gross value of the condensate. The costs of recovery must be calculated and deducted from the gross value of the condensate under either of the following methods:

- By multiplying 15% times the gross value of the condensate, or
- By using reasonable actual costs incurred to recover the condensate from a gas stream after the custody transfer meter. The costs of recovery under this method must be fully substantiated upon request and are subject to audit by the Commissioner.

PROCEDURE FOR REPORTING INJECTED OIL

Pursuant to N.D.A.C. § 81-09-02-07, injected oil includes, but is not limited to, what is commonly known as power oil, frac oil, and load oil.

FORMS REQUIRED

The T-12 Oil Report is used to report and pay the gross production and oil extraction tax due on injected oil. When oil is produced from one well but transported for use at a second well:

- The volume of transported oil must be reported, and tax paid, by the producer on the T-12 Oil Report in the month that the oil is transferred from the producing well. Use the API, group, or unit number of the well that originally produced the oil.
- The transferred oil must be reported at the market value (i.e., average price per barrel) of other oil sold from the producing well in the month of transfer. The gross production and oil extraction taxes are calculated on market value and remitted by the producer.

- In the month the transferred oil is recovered from the second well, the total sales volume should be reduced by the transferred volume prior to being reported on the T-12 Oil Report.

- The producer must retain adequate documentation to substantiate the transported oil's initial production, transfer to a second well, recovery from the second well, and ultimate sale. The producer is responsible for certifying to the purchaser the transported oil volume that may be subtracted from the total sales volume.

PROCEDURE FOR REPORTING RECLAIMED OIL

The operator of a reclaiming plant must report and pay tax on the gross value of oil reclaimed from tank bottoms, pit oil, and saltwater pursuant to N.D.C.C. § 57-51-05.1.

- The gross value of oil reclaimed from tank bottoms and pit oil is the purchase price of the material from which the oil is reclaimed. If no cash price is paid for the tank bottom and pit oil material, the reclaimed oil has no value at the well.

- The gross value of oil reclaimed from saltwater (i.e., skim oil) is the sales price received from the purchaser of the reclaimed oil.

FORMS REQUIRED

The T-12 Oil Report is used to report and pay the gross production and oil extraction tax due on reclaimed oil. Refer to the T-12 Oil Report instructions for completing this report. Special instructions used for reporting reclaimed oil are:

Block 1. Barrels of Oil Purchased/Sold: Total barrels purchased and/or sold during the reporting month.

Block 2. Value of Oil Purchased/Sold: Net value of oil purchased and/or sold.

- Cash price paid for tank bottoms or pit oil; if no cash price, enter zero.
- Sales price received for oil reclaimed from saltwater (i.e., skim oil).

Block A. Pool Code: Use the pool code **99** if the producing pool is unknown.

Block B. Well Code: Use the applicable well code **T5** or **T6** if the applicable well code is unknown.

API Number: Use the group number **D999** preceded by the county code number (i.e. 053-D999 for reclaimed oil from McKenzie county). If the county of production is unknown, use county code number 201 for unknown source (see Exhibits for a list of county code numbers).

Block D. Posting Code: Use the posting code **REC1** if the oil is not purchased and/or sold subject to a published North Dakota posting.

PROCEDURE FOR REPORTING VOLUME GAINS

Volume gains and losses are calculated on a monthly basis by subtracting the total amount of oil received by the purchaser or transporter, as measured at the well or at the trunkline, from the total amount of oil delivered and measured at a subsequent point. If this calculation results in a positive number, there is a volume gain. If this calculation results in a negative number, there is a volume loss. For purposes of calculating a volume gain or loss, a volume gain cannot be decreased and volume loss cannot be increased by oil lost due to spillage, leakage, fire, theft, or any other event resulting in a physical loss of oil.

FORMS REQUIRED

<u>Oil Purchaser</u>:

The Schedule T-83 is used to calculate monthly volume gains or losses and is due the 25th day of the month following the month the gain or loss is realized.

Oil purchasers must submit a gain or loss information report for each month using the Schedule T-83 (see Exhibits). A purchaser may choose to submit a monthly over and short report compiled during the ordinary course of business in place of the Commissioner's Schedule T-83; however, this schedule must contain the following information applicable to each station**:**

- North Dakota loss carryforward from the last period.
- Total station gain/loss for the current period.
- Percent of gain/loss applicable to North Dakota.
- North Dakota loss carryforward ending balance.
- Average station price.

If the monthly calculation on the information schedule results in a gain, tax is due and is reported on the T-12 Oil Report. If the monthly calculation on the information schedule results in a loss, the purchaser is only required to file the information schedule.

A volume loss may be carried forward to offset a volume gain in subsequent periods. A volume loss may be carried forward for three years after the due date of the return for the production month in which the loss was incurred.

The T-12 Oil Report is used to report and pay the gross production and oil extraction tax due on a volume gain. Refer to the T-12 Oil Report instructions for completing this report. Special instructions used for the reporting of volume gains on the T-12 Oil Report are:

Block 1. Total barrel gain from information schedule or from Block 6 on the Schedule T-83.

Block 2. Use the average price per barrel paid by the purchaser for the period reported to calculate the value.

Block A. Pool Code: Use pool code **99**.

Block B. Well Code: Use the applicable well code **T5** or **T6**.

API Number: Use the group number assigned by the Commissioner to report system-wide volume gains (i.e., 33-201-Z123).

Block D. Posting Code: Use posting code **VOL1.**

NOTE: No exempt government royalty may be claimed, as the source of this oil is unknown. Lease Name, Oil Gravity, or Other Party Federal I.D. Number fields are not required.

<u>Oil Transporter</u> :

Each operator of an oil pipeline in North Dakota must provide the Commissioner with information showing its volume gains and volume losses for the calendar year. The information may be submitted in the form of the pipeline's "over and short" report compiled during the ordinary course of business. The annual information must be submitted by the twenty-fifth day of February following the end of the calendar year.

General Reporting Instructions
For
Oil and Gas Taxes

WHO MUST FILE

<u>Producer/Operator/In-Kind Interest (collectively producer)</u>:

The producer is required to file a monthly oil and/or gas report on a producing property unless they have been granted a waiver of the requirement to file by the Commissioner. To request and be granted a waiver, a producer must complete an oil and/or gas waiver form and submit it to the Commissioner for approval. If a producer has been granted a waiver, the producer agrees that:

- The purchaser/processor (collectively purchaser) will report and pay all tax due on forms prescribed by the Commissioner.
- All tax due on production and sales of oil or gas, not subject to the purchaser's monthly reporting, must be reported and paid by the producer.
- Production and sales information must be remitted by the producer on a timely basis to the North Dakota Industrial Commission (N.D.I.C.).
- The producer must continue to maintain production and sales records for inspection by the Commissioner and must respond in a timely manner to all requests for information.
- The purchaser's reports filed for the producer's wells will determine the statutory dates within which the Commissioner must assess additional tax found due or the purchaser must file for a refund of a tax overpayment (see Statute of Limitations).
- The producer will provide the producer's valid Federal Identification Number to the purchaser for use in the reporting of purchased interests.

The operator of a well is required to submit Schedule T-82 to notify the Commissioner when production is taken in-kind from a well. An updated Schedule T-82 needs to be submitted when take-in-kind ownership or percentages change.

<u>Purchaser</u>:

The purchaser is required to file a monthly oil and/or gas report for purchases from a producing property.

For processed gas, the purchaser of gas delivered to a processing plant must file a monthly report. For unprocessed gas, the pipeline company into whose possession the gas is delivered must file a monthly report.

A purchaser, who recovers condensate from a gas stream after the custody transfer meter, but before processing at a gas plant, must file a monthly oil report. Instructions for reporting are included in this booklet.

<u>Oil Reclaimer</u>:

Entities selling reclaimed oil must file a monthly oil report. Instructions for reporting are included in this booklet.

Oil Transporter:

Operators of oil pipelines must file an annual volume gain and loss report. Instructions for reporting are included in this booklet.

Pursuant to North Dakota Century Code (N.D.C.C.) § 57-51-06, statements must be filed on forms prescribed by the Commissioner. All tax information for oil activities will be submitted on the T-12 Oil Report and gas activities will be submitted on the T-13 Gas Report. Both reports consist of the following:

- A coversheet.
- One or more worksheets showing individual well entries.

HOW TO FILE

To facilitate reporting, the Commissioner will accept reports filed using the following options:

- A producer may submit a report using the printed forms provided by the Commissioner or choose to file reports electronically. An Excel spreadsheet template conforming to the format of the printed forms and provided by the Commissioner is required to be used. Electronic reports may also be submitted using electronic data interchange (EDI).

- A purchaser is required to file reports electronically using EDI or the provided Excel spreadsheet template.

FILING DUE DATE

The monthly T-12 Oil Report and payment of gross production and oil extraction tax are due on or before the twenty-fifth day of the month following the month of production.

The monthly T-13 Gas Report and payment of gross production tax are due on or before the fifteenth day of the second month following the month of production.

NOTE: If the due date for filing a report and paying the tax falls on a Saturday, Sunday, or legal state holiday, the report and payment are due the next business day.

A report or payment is delinquent if it is postmarked after the due date. Reports filed electronically are delinquent if transmitted after the due date. Electronic payments are considered delinquent if a request for immediate disbursement of funds is not submitted to the bank on or before the due date of the return.

REMITTANCE OF TAX

The purchaser is primarily responsible for submitting the T-12 Oil Report and remitting tax due on all oil sold at the time of production. The Commissioner may accept payment of the tax from the producer, but failure of the producer to pay the tax will not relieve the purchaser of liability for the tax.

The producer must submit a T-12 Oil Report and remit the tax on all oil not sold at the well, including any oil used, lost, stolen, or otherwise unaccounted for after it has been produced.

The purchaser must submit the T-13 Gas Report and remit the tax on all gas delivered to a processing plant net of gas or gas products physically returned to the lease.

The producer must submit a T-13 Gas Report and remit the tax on any part of the following categories that are not exempt from the tax:

- Wet gas flared or used on the lease.
- Wet gas delivered to a purchaser and physically returned to the lease prior to processing at a gas plant.

- Residue gas and liquid products physically returned to the lease from a gas plant.
- Unprocessed pipeline quality wet gas that is delivered directly into a pipeline system.

The tax remitted with a monthly report must be equal to the tax due for that report less any credits applied. Estimated payments will not be accepted.

N.D.C.C. § 57-51-19.1 states that a remittance of tax need not be made and any assessment or collection of tax may not be made unless the amount is at least $5.00, including penalties and interest. The $5.00 is based on the calculated amount due on a monthly report coversheet, **not** on each individual well entry.

ELECTRONIC FUNDS TRANSFER

An electronic funds transfer (EFT) program is available for Automated Clearing House (ACH) credits. An addenda record, which provides processing information, must be provided with an ACH credit payment. The addenda record will include the taxpayer identification number, tax type code, production period, form type, and amount. A separate addenda record must be submitted for each report. The Tax Payment (TXP) Banking Convention layout required for the addenda record is available on the website.

The American Bankers Association (ABA) bank transit routing number is "091300285" and the account number to which funds should be transferred is "0910231."

NOTE: It is required that you contact your banking institution to send a prenotification to test the accuracy of the TXP format before you send an actual tax payment (i.e., $0.00 ACH credit transaction).

Indicate in the space provided on the T-12 Oil Report and the T-13 Gas Report coversheets to specify that a payment will be submitted electronically.

EXTENSION OF TIME FOR FILING A REPORT OR PAYING THE TAX

Pursuant to North Dakota Administrative Code (N.D.A.C.) § 81-09-02-05:

- A request may be submitted to extend the due date for payment of the tax by a maximum of fifteen days. A request may also be submitted to extend the due date for filing a report. However, if tax is due with the report, the due date can only be extended by a maximum of fifteen days.
- An extension may be requested either verbally or in writing. A verbal request must be made on or before the due date and a written request must be received by the Commissioner on or before the due date. Both a verbal and written request must include an explanation as to why the extension of time is needed.
- If an extension is approved, extension interest must be paid on the tax due at a rate of 12% per annum. The daily interest rate is .000333 and interest is computed from the original due date of the report to the date the tax is paid, which is the date the payment is mailed or electronic payment is received.

The Commissioner will bill extension interest that is not paid with the report

PENALTY FOR FAILURE TO FILE A REPORT

Any person or entity required to file a tax or information report is subject to a penalty of $25.00 per day for each well or unit that is not reported. This penalty is in addition to the 5% penalty imposed on delinquent tax payments.

PENALTY AND INTEREST ON DELINQUENT TAX

The penalty on delinquent tax is 5% of the tax or $5.00 whichever is greater. Penalty does not apply to delinquent tax reported on an amended report if both of the following conditions are met:

- 90% of the total tax liability accumulated on the original report and all amended reports was paid with the taxpayer's original report, and
- The amended report is filed, and all delinquent tax is paid, within sixty days of the due date of the original report.

Interest is imposed on delinquent tax at a rate of 1% per month for each calendar month or any part of a month in which the tax remains unpaid. Interest is not imposed in the month the delinquent tax became due. Penalty and interest are computed as follows:

Coversheets:

- Penalty and interest rates are applied separately to delinquent gross production and oil extraction tax for each production period reported.
- Gross production or oil extraction tax underpayments and overpayments for different production periods **will not** be combined or offset to calculate penalty and interest.
- Gross production or oil extraction tax underpayments and overpayments reported on separate coversheets for the same production period **will not** be offset.

Worksheets:

- Gross production or oil extraction tax underpayments and overpayments for individual well, group, or unit entries on a single coversheet **will be** offset within the same tax type and the penalty and interest computed on the net delinquent tax.

Penalty and interest not paid with the report will be billed. The Commissioner may grant a waiver of penalty and interest on either a verbal or written request in accordance with N.D.A.C. §§ 81-01.1-01-09 and 81-01.1-01-10.

AMENDED REPORTS

Pursuant to N.D.A.C. § 81-09-02-04, if a taxpayer is required to file an amended report, the amended report is due on the date set by the Commissioner. The amended report is delinquent if the postmark/transmission date is after the due date.

Amended data for prior periods will not be accepted on an original report, it must be submitted on an amended report. **Original entries will be replaced with those reported on amended reports; no back-out entries are required.** The API, group, or unit number **must** include the same sequence number as that of the previously filed entry. A sequence number is required if there is more than one entry for an API, group, or unit number in order for amended reports to be submitted and matched correctly.

PROCEDURE FOR CLAIMING A TAX CREDIT

The Commissioner will provide notification of approved tax credits. The Commissioner will maintain a balance of processed tax credits that can be applied to future tax due amounts. Amended reports claiming tax credits need to be filed in a timely manner to insure that the tax credit is processed and available before being claimed on a tax due report. **The Commissioner does not have the authority to pay interest on a tax credit.**

Indicate the "credit" type on the coversheet and submit the amended report to the Commissioner within the time period prescribed by statute to claim a credit (see Statute of Limitations).

PROCEDURE FOR CLAIMING A TAX REFUND

N.D.C.C. § 57-51-19.1 states that the Commissioner may not issue a refund to a taxpayer unless the amount to be refunded, including interest, is at least $5.00. This applies only to the total gross production tax or total oil extraction tax due on a coversheet and not to each individual lease entry. When either a gross production or oil extraction tax refund total is over $5.00, both tax type refunds will be issued even if one tax type refund total is below $5.00. If both tax type refunds are below $5.00, no refund will be issued.

Refund interest accrues from sixty days after the due date of the report, the date the report was filed, or the date the tax was fully paid, whichever comes later, through the date the refund is mailed to the taxpayer.

Indicate the “refund” type on the coversheet and submit the amended report to the Commissioner within the time period prescribed by statute to claim a refund (see Statute of Limitations).

NOTICES OF ASSESSMENT AND CREDIT OR REFUND DENIALS

The procedures and time requirements to be followed by the Commissioner for issuing a notice of assessment, or notice of credit or refund denial, and the appeal process to be used by a taxpayer are provided for by N.D.A.C. §§ 81-09-02-02 and 81-09-02-03. Additional information is also available in the North Dakota Taxpayer Bill of Rights.

STATUTE OF LIMITATIONS

N.D.C.C. §§ 57-51-09 and 57-51-19 state that the time to assess additional tax or file a claim for credit or refund is three years after the due date of the original return or three years after the original return is filed, whichever period expires later. Amended returns extend the assessment period for two years after the amended return is filed; however, this does not limit or restrict other time periods prescribed by statute. If there is a change in tax liability on any report by an amount in excess of 25% of the amount of tax liability on a report, a claim may be filed, or a notice issued, within six years after the due date of the original report or six years after the original report was filed, whichever period expires later.

18-MONTH CERTIFICATION REQUIREMENT

To receive an oil extraction tax exemption or tax rate reduction from the first day of eligibility, N.D.C.C. § 57-51.1-03.1 requires that a certification of qualifying well status, prepared by the N.D.I.C., be submitted to the Commissioner within 18 months of qualifying.

If the N.D.I.C. certification is not submitted to the Commissioner within the 18-month period specified, the tax exemption or rate reduction does not apply for the production periods for which the certification is not on file. When the certification is submitted to the Commissioner after the 18-month period, the tax exemption or rate reduction applies to prospective periods only and is effective the first day of the month in which the certification is received by the Commissioner.

T-12 COVERSHEET INSTRUCTIONS

Original or Amended Report:

- Indicate only one.
- No amended entries for prior reporting periods may be reported on an original monthly report.
- Individual T-12 coversheets and worksheets must be submitted for each monthly period being reported. Do not combine months on the same report.

Producer or Purchaser Report:

- Indicate only one.

Year/Month: Enter numerals, e.g. 201801 for January 2018.

Federal I.D. Number: Enter nine-digit Federal I.D. number.

Name, Address, and Telephone Number: Enter company name and address (including a nine-digit zip code). Enter telephone number of individual completing report.

Line 1. **Gross Production Tax Paid with Report:** Total of the "Production Tax Paid With Report" entries on the T-12 worksheets (round to two decimal places).

Line 2. **Penalty on Gross Production Tax:** N.D.C.C. § 57-51-10 provides that a penalty of $5.00 or 5% of the tax due, whichever is greater, is imposed on delinquent oil taxes due. Penalty will not be imposed if all of the following conditions are met:

- The original report was filed and paid by the due date.
- An amended monthly report is filed within sixty days of the due date of the original report and the tax reported and paid on the original report was 90% or more of the total tax due for the month.

Line 3. **Interest on Late Gross Production Tax:** N.D.C.C. § 57-51-10 provides for the payment of interest on all late payments of the gross production tax at the rate of 1% of the tax due per month, for all or part of each calendar month the delinquency continues, except for the month in which the tax became due. N.D.C.C. § 57-51-05(1) provides further that any taxpayer who requests and is granted an extension of time for filing a report shall pay interest at the rate of 12% per annum (daily rate of .000333) from the date the tax was due to the date the tax is paid.

Line 4. **Total Due:** Add lines 1, 2, and 3.

Line 5. **Oil Extraction Tax Paid with Report:** Total of the "Extraction Tax Paid With Report" entries on the T-12 worksheets (round to two decimal places).

Line 6. **Penalty on Oil Extraction Tax:** Same as gross production tax.

Line 7. **Interest on Late Oil Extraction Tax:** Same as gross production tax.

Line 8. **Total Due:** Add lines 5, 6, and 7.

Line 9. **Total Due with Report:** Line 4 plus line 8.

Line 10. **Tax Credits Claimed:** Enter the credit to be applied as a positive. Line 10 may not exceed line 9.

Line 11. **Total Paid with this Report:** Line 9 minus line 10.

Credit or Refund on Amended Report: If line 11 is a negative number, indicate "credit" or "refund" to designate how the overpayment is to be processed.

Electronic Payment: Indicate in the coversheet field if payment is being submitted electronically.

T-12 WORKSHEET INSTRUCTIONS

Year & Month: Enter numerals, e.g. 201801 for January 2018.

Federal I.D. Number: Enter the reporting entity's nine-digit Federal I.D. number.

Taxpayer Name: Enter the company name.

Separate Worksheet Entries are Required in the Following Situations:

- Oil produced from different reservoirs (i.e., pools).
- Exempt and nonexempt oil reported in the same period.
- Oil subject to different monetary arrangements

API Number: The API, group, or unit number **must** be provided to process the lease detail information.

Sequence Number: The sequence number is required if there is **more** than one entry for each API, group/unit number, and pool code in order for amended reports to be submitted and matched correctly (i.e., 001, 002, etc.).

Condensate: If reporting condensate, indicate yes; otherwise, leave this space blank.

<u>**Gross Production Tax**</u>**:**

Block 1. **Barrels of Oil Purchased/Sold:** Volume of oil purchased/sold (round to two decimal places).

Block 2. **Value of Oil Purchased/Sold:** Enter the gross value paid for the oil pursuant to the valuation provisions in N.D.C.C. § 57-51-02.3 (round to the nearest cent).

Block 3. **Value of Exempt Government Royalties:** Enter the value of exempt federal, state, other municipality, and Indian royalties actually paid. The value should not exceed the amount calculated by taking the royalty percentage times the value of oil purchased reported in Block 2.

Block 4. **Taxable Value of Oil:** Block 2 minus Block 3.

Block 5. **Total Production Tax Due:** Multiply Block 4 by the 5% gross production tax rate.

Block 6. **Production Tax Previously Paid:** On an original report, leave this space blank. On an amended report, enter the production tax previously paid for an API, group/unit, pool code, and sequence number.

Block 7. **Production Tax Paid by Others:** Enter production tax paid by others.

Block 8. **Production Tax Paid with Report:** Block 5 minus Blocks 6 and 7.

NOTE: The total of Blocks 6, 7, and 8 must equal Block 5.

Oil Extraction Tax:

Block A. **Pool Code:** Enter the pool code assigned by the Commissioner. If reporting oil production from a well that produces from more than one pool, complete a separate entry using the applicable code assigned to each pool. (A list of pool codes is available on the website.)

Block B. **Well Code:** Use the appropriate well code assigned by the Commissioner pursuant to N.D.C.C. chapter 57-51.1 and N.D.A.C. chapter 81-09-03 as follows:

Code S1 **A qualified stripper well/property, with average daily production of oil not exceeding 10 barrels per day for wells of a depth of 6,000 feet or less, is exempt from oil extraction tax.**

Code S2 **A qualified stripper well/property, with average daily production of oil not exceeding 15 barrels per day for wells of a depth of more than 6,000 feet, but not more than 10,000 feet, is exempt from oil extraction tax.**

Code S3 **A qualified stripper well/property, with average daily production of oil not exceeding 30 barrels per day for wells of a depth of more than 10,000 feet, is exempt from oil extraction tax.**

Code S4 **A qualified stripper well/property, with average daily production of oil not exceeding 35 barrels per day for completions in the Bakken/Three Forks formations after July 1, 2013, from a depth of more than 10,000 feet, is exempt from oil extraction tax.**

Code R1 **Used by producers for qualified enhanced recovery reporting of production subject to 5% gross production and 0% oil extraction tax** (see Enhanced Recovery Instructions)**.**

Code RN **A qualified new well drilled and completed in a formation other than the Bakken or Three Forks, and at least 10 miles from a field containing a Bakken or Three Forks spaced well, is eligible for an oil extraction tax rate of 2% for the earlier of 18 months or 75,000 barrels.**

Code T5 **The rate of tax is 5% of the gross value at the well.**

Code T6 **The rate of tax is 6% of the gross value at the well.**

Block 9. **Taxable Value of Oil:** For S1, S2, S3, S4, and R1 enter zero and for T5, T6, and RN enter the value from Block 4.

Block 10. **Total Extraction Tax Due:** Multiply the value in Block 9 by the applicable oil extraction tax rate:

- 2% - Well code RN
- 5% - Well code T5
- 6% - Well code T6

Block 11. **Extraction Tax Previously Paid:** On an original report, leave this space blank. On an amended report, enter the extraction tax paid for an API, group/unit, pool code, and sequence number.

Block 12. **Extraction Tax Paid by Others:** Enter the extraction tax paid by others.

Block 13. **Extraction Tax Paid with Report:** Block 10 minus Blocks 11 and 12.

NOTE: The total of Blocks 11, 12, and 13 must equal Block 10.

Block 14. **Other Party Federal I.D. Number(s):** Enter the Federal I.D. number of the party that produced/purchased the oil for each lease. A total of four may be entered.

Block C. **Oil Gravity:** Enter the average oil gravity for this lease (round to one decimal place).

Block D. **Posting Code:** Enter the applicable posting code used for calculating value (An updated list of posting codes is available on the website, contact the Commissioner if an applicable posting code is not listed).

Block E. **Additional Value:** Enter the per barrel value added to the posted price (i.e., bonus, differential, etc.).

Block F. **Transportation Deduction:** Enter the per barrel transportation deduction as allowed under N.D.C.C. § 57-51-02.3.

Block G. **Other Deductions:** Enter the per barrel other deductions (i.e., gravity, differential, etc.).

SPECIAL T12 INSTRUCTIONS

- A separate return is required for reporting condensate purchases – do not report regular and condensate entries on the same return.

- It is mandatory that all multiple entries for each API, group/unit number, and pool code include a unique "sequence number."

- Amended reports will replace previously filed data by matching the API or goup/unit number and pool code; complete worksheet entries are required. No back out entries are allowed.

- Do not enter an API, group, or unit number if you are not submitting data for that well or lease.

- All required blocks must be completed; incomplete reports may be returned to the reporting party for completion. Incomplete reports that are returned are not considered to be timely filed.

- Zeros must be entered after a decimal for cents (i.e., $1.00, not $1 or $1.--).

T-13 COVERSHEET INSTRUCTIONS

Original or Amended Report:

- Indicate only one.
- No amended entries for prior reporting periods may be reported on an original monthly report.
- Individual T-13 coversheets and worksheets must be submitted for each monthly period being reported. Do not combine months on the same report.

Producer or Purchaser Report:

- Indicate only one.

Year/Month: Enter numerals, e.g. 201801 for January 2018.

Federal I.D. Number: Enter nine-digit Federal I.D. number.

Name, Address, and Telephone Number: Enter company name and address (including a nine-digit zip code). Enter telephone number of individual completing report.

Line 1. **Gross Production Tax Paid with Report:** Total of the Block 12 entries on the T-13 worksheets (round to two decimal places).

Line 2. **Penalty on Gross Production Tax:** N.D.C.C. § 57-51-10 provides that a penalty of $5.00 or 5% of the tax due, whichever is greater, is imposed on delinquent oil and gas taxes due. Penalty will not be imposed if all of the following conditions are met:

- The original report was filed and paid by the due date.
- An amended monthly report is filed within sixty days of the due date of the original report and the tax reported and paid on the original report was 90% or more of the total tax due for the month.

Line 3. **Interest on Late Gross Production Tax:** N.D.C.C. § 57-51-10 provides for the payment of interest on all late payments of the gross production tax at the rate of 1% of the tax due per month, for all or part of each calendar month the delinquency continues, except for the month in which the tax became due. N.D.C.C. § 57-51-05(1) provides further that any taxpayer who requests and is granted an extension of time for filing a report shall pay interest at the rate of 12% per annum (daily rate of .000333) from the date the tax was due to the date the tax is paid.

Line 4. **Total Due With This Report:** Add lines 1, 2, and 3.

Line 5. **Tax Credits Claimed:** Enter the credit to be applied as a positive value. Line 5 may not exceed line 4.

Line 6. **Total Gross Production Tax Remitted With This Report:** Line 4 minus line 5.

Credit or Refund on Amended Report: If line 6 is a negative number, indicate “credit” or “refund” to designate how the overpayment is to be processed.

Electronic Payment: Indicate in the coversheet field if payment is being submitted electronically.

T-13 WORKSHEET INSTRUCTIONS

Year & Month: Enter numerals, e.g. 201801 for January 2018.

Federal I.D. Number: Enter the reporting entity's nine-digit Federal I.D. number.

Taxpayer Name: Enter the company name.

API Number: The API, group, or unit number **must** be provided to process the lease detail information.

Sequence Number: The sequence number is required if there is **more** than one entry for an API, group/unit number, or pool code in order for amended reports to be submitted and matched correctly (i.e., 001, 002, etc.).

REPORT ALL VOLUMES AS WHOLE MCFs – NO DECIMALS ARE ALLOWED

Block 1. Natural Gas Delivered/Sold:

- For processed gas, enter the total volume of wet gas delivered to the purchaser, as measured by the custody transfer meter.

- A producer or third party operating a lease site gas recovery system is considered the first purchaser of the gas for tax reporting purposes. Enter the total volume of wet gas delivered from the wellhead.

- For unprocessed pipeline quality gas, enter the total volume of wet gas delivered into the pipeline company's possession, as measured by the custody transfer meter.

  - The entity taking possession of this gas must complete Blocks 1 through 6.
  - The producer must report and pay tax on all unprocessed gas.

- For nonexempt flaring or lease use enter the total volume of:

  - Nonexempt flared gas.
  - Nonexempt lease use gas.
  - Nonexempt wet gas, nonexempt residue, and nonexempt liquids (see formulas in number 2, 3 and 4 below for calculation of MCFs to be reported).

  The producer must report and pay tax on all nonexempt gas.

Block 2. Natural Gas Returned To Lease: Enter the volume of wet gas delivered to a purchaser and physically returned to the lease prior to processing at a gas plant. When liquid products are recovered from wet gas before the gas is returned to the lease, the volume in Block 2 is calculated by using the following conversion formula:

$$\text{Wet Gas Returned MCF} \times \frac{\text{BTU per cubic foot of Wet Gas Returned}}{\text{Wellhead BTU from Block 14}}$$

Block 3. Residue Returned To Lease: Enter the volume of residue gas physically returned to the lease calculated by using the following conversion formula:

$$\text{Residue Gas Returned MCF} \times \frac{\text{BTU per cubic foot of Residue Gas}}{\text{Wellhead BTU from Block 14}}$$

Block 4. Liquids Returned To Lease: Enter the volume (in MCFs) of liquids physically returned to the lease. This volume is calculated by using the following formulas for conversion of propane or butane gallons to MCFs of gas:

$$\text{Propane Gallons} \times .03629 \times \frac{\text{Avg. BTU per cubic foot of Propane}}{\text{Wellhead BTU from Block 14}}$$

Butane Gallons X .03171 X $\frac{\text{Avg. BTU per cubic foot of Butane}}{\text{Wellhead BTU from Block 14}}$

NOTE: The propane conversion factor of .03629 MCF per gallon and the butane conversion factor of .03171 MCF per gallon are computed from the table of Physical Constants of Paraffin Hydrocarbons and Other Components of Natural Gas, GPA Publication 2145-89.

Block 5. Condensate Reported As Oil: Enter the volume (in MCFs) of condensate (e.g., scrubber oil, drip liquids, drip gasoline, drips, etc.) recovered by the purchaser and reported as oil. This volume is calculated by using the following formula for conversion of condensate barrels to MCFs of gas:

Condensate Barrels X 42 X .02548 X $\frac{\text{Avg. BTU per cubic foot of Condensate}}{\text{Wellhead BTU from Block 14}}$

NOTE: The condensate conversion factor of .02548 MCF per gallon is computed from the table of Physical Constants of Paraffin Hydrocarbons and Other Components of Natural Gas, GPA Publication 2145-89.

Condensate volumes and values must be reported on the T-12 Oil Report.

Block 6. Net Delivered/Sold: Block 1 minus Blocks 2, 3, 4, and 5.

DO NOT COMPLETE BLOCKS 7 through 12 if you are an entity reporting unprocessed pipeline quality gas delivered directly into your pipeline system or exempt gas qualified for the 25 month lease site exemption.

Block 7. Exempt Royalty Percentage: Enter the decimal fraction (rounded to seven decimal places) of exempt federal, state, other municipality, and Indian royalty interests. (Example: a 12.5 royalty percentage must be reported as 0.1250000).

Block 8. Exempt Royalty MCF: Multiply Block 6 by the decimal in Block 7 (round to the nearest whole number).

Block 9. Taxable Volume MCF: Block 6 minus Block 8.

DO NOT COMPLETE BLOCKS 9 through 12 if you are a producer filing a gas report for informational purposes only.

Block 10. Tax Due: Multiply Block 9 by the tax rate per MCF in effect for the period being reported. The rate per MCF will be adjusted annually pursuant to subsection 2 of N.D.C.C. § 57-51-02.2. Taxpayers will be notified in writing on or before June 1 of each fiscal year. Fiscal year rates are also available on our website.

Block 11. Tax Previously Paid: On an original report, leave this space blank. On an amended report, enter the gross production tax paid for an API, group/unit, pool code, and sequence number.

Block 12. Tax Paid With Report: Block 10 minus Block 11.

NOTE: The total of Blocks 11 and 12 must equal Block 10.

- **The purchaser reporting taxable gas is required to remit the tax computed in Block 10.**
- **An entity taking possession of and reporting unprocessed pipeline quality gas is not to remit tax.** If the gas from all wells on this report is unprocessed pipeline quality gas, enter zero on line 1 of the T-13 Gas Report coversheet.
- **A producer reporting unprocessed pipeline quality gas is required to remit the tax computed in Block 10.**

Block 13. Pool Code: Enter the pool code assigned by the Commissioner. If reporting on a well that produces from more than one pool, a separate entry is required for each pool code. (A list of pool codes is available on the website.)

Block 14. **Wellhead BTU:** Enter the average wellhead BTU content per cubic foot of delivered gas rounded to the nearest whole number (i.e., report 1250.43 as 1250).

NOTE: BTU content is for a dry ideal gas at standard conditions of 60° Fahrenheit and at a pressure base of 14.73 P.S.I. Absolute.

Block 15. **Other Party Federal I.D. Number(s):** Enter the Federal I.D. number of the party that produced/purchased the gas for each lease. A total of three may be entered.

SPECIAL T13 INSTRUCTIONS

- It is mandatory that all multiple entries for each API, group/unit number, and pool code include a unique "sequence number."
- Amended reports will replace previously filed data by matching the API or goup/unit number and pool code; complete worksheet entries are required. No back out entries are allowed.
- Do not enter an API, group, or unit number if you are not submitting data for that well or lease.
- All required blocks must be completed; incomplete reports may be returned to the reporting party for completion. Incomplete reports that are returned are not considered to be timely filed.
- Zeros must be entered after a decimal for cents (i.e., $1.00, not $1 or $1.--).

PROCEDURE FOR REPORTING CONDENSATE

FORMS REQUIRED

Note: Condensate must be reported on a separately registered oil account.

The T-12 Oil Report is used to report and pay the gross production and oil extraction tax due on condensate. When reporting condensate, indicate "yes" in the T-12 worksheet field and use the **CON1** posting code. To claim exemptions or rate reductions, the individual API, group/unit number, and pool code must be used. If reporting by station with a group number assigned by the Commissioner, use the applicable well code **T5** or **T6** and pool code **99.**

Producer: A producer who recovers condensate from a gas stream must file a monthly T-12 Oil Report if:

- The condensate is recovered from a gas stream not sold to a processor, or
- The condensate is recovered from a gas stream prior to the sale to a processor at a custody transfer meter.

A producer is not required to file a T-12 Oil Report for condensate recovered by a processor after the custody transfer meter.

Purchaser: A purchaser who recovers condensate from a gas stream after the custody transfer meter, but before processing at a gas plant, must file a monthly T-12 Oil Report. This includes condensate recovered at the lease site, gas gathering lines, compressor station, and inlet separator of a processing plant.

The 100% volume of condensate is subject to taxation; no contract allowances or deductions may be taken.

Pursuant to N.D.A.C. § 81-09-02-10, certain costs incurred to recover the condensate from a gas stream, after the custody transfer meter, may be deducted from the gross value of the condensate. The costs of recovery must be calculated and deducted from the gross value of the condensate under either of the following methods:

- By multiplying 15% times the gross value of the condensate, or
- By using reasonable actual costs incurred to recover the condensate from a gas stream after the custody transfer meter. The costs of recovery under this method must be fully substantiated upon request and are subject to audit by the Commissioner.

PROCEDURE FOR REPORTING INJECTED OIL

Pursuant to N.D.A.C. § 81-09-02-07, injected oil includes, but is not limited to, what is commonly known as power oil, frac oil, and load oil.

FORMS REQUIRED

The T-12 Oil Report is used to report and pay the gross production and oil extraction tax due on injected oil. When oil is produced from one well but transported for use at a second well:

- The volume of transported oil must be reported, and tax paid, by the producer on the T-12 Oil Report in the month that the oil is transferred from the producing well. Use the API, group, or unit number of the well that originally produced the oil.
- The transferred oil must be reported at the market value (i.e., average price per barrel) of other oil sold from the producing well in the month of transfer. The gross production and oil extraction taxes are calculated on market value and remitted by the producer.

- In the month the transferred oil is recovered from the second well, the total sales volume should be reduced by the transferred volume prior to being reported on the T-12 Oil Report.

- The producer must retain adequate documentation to substantiate the transported oil's initial production, transfer to a second well, recovery from the second well, and ultimate sale. The producer is responsible for certifying to the purchaser the transported oil volume that may be subtracted from the total sales volume.

PROCEDURE FOR REPORTING RECLAIMED OIL

The operator of a reclaiming plant must report and pay tax on the gross value of oil reclaimed from tank bottoms, pit oil, and saltwater pursuant to N.D.C.C. § 57-51-05.1.

- The gross value of oil reclaimed from tank bottoms and pit oil is the purchase price of the material from which the oil is reclaimed. If no cash price is paid for the tank bottom and pit oil material, the reclaimed oil has no value at the well.

- The gross value of oil reclaimed from saltwater (i.e., skim oil) is the sales price received from the purchaser of the reclaimed oil.

FORMS REQUIRED

The T-12 Oil Report is used to report and pay the gross production and oil extraction tax due on reclaimed oil. Refer to the T-12 Oil Report instructions for completing this report. Special instructions used for reporting reclaimed oil are:

Block 1. Barrels of Oil Purchased/Sold: Total barrels purchased and/or sold during the reporting month.

Block 2. Value of Oil Purchased/Sold: Net value of oil purchased and/or sold.

- Cash price paid for tank bottoms or pit oil; if no cash price, enter zero.
- Sales price received for oil reclaimed from saltwater (i.e., skim oil).

Block A. Pool Code: Use the pool code **99** if the producing pool is unknown.

Block B. Well Code: Use the applicable well code **T5** or **T6** if the applicable well code is unknown.

API Number: Use the group number **D999** preceded by the county code number (i.e. 053-D999 for reclaimed oil from McKenzie county). If the county of production is unknown, use county code number 201 for unknown source (see Exhibits for a list of county code numbers).

Block D. Posting Code: Use the posting code **REC1** if the oil is not purchased and/or sold subject to a published North Dakota posting.

PROCEDURE FOR REPORTING VOLUME GAINS

Volume gains and losses are calculated on a monthly basis by subtracting the total amount of oil received by the purchaser or transporter, as measured at the well or at the trunkline, from the total amount of oil delivered and measured at a subsequent point. If this calculation results in a positive number, there is a volume gain. If this calculation results in a negative number, there is a volume loss. For purposes of calculating a volume gain or loss, a volume gain cannot be decreased and volume loss cannot be increased by oil lost due to spillage, leakage, fire, theft, or any other event resulting in a physical loss of oil.

FORMS REQUIRED

Oil Purchaser:

The Schedule T-83 is used to calculate monthly volume gains or losses and is due the 25th day of the month following the month the gain or loss is realized.

Oil purchasers must submit a gain or loss information report for each month using the Schedule T-83 (see Exhibits). A purchaser may choose to submit a monthly over and short report compiled during the ordinary course of business in place of the Commissioner's Schedule T-83; however, this schedule must contain the following information applicable to each station**:**

- North Dakota loss carryforward from the last period.
- Total station gain/loss for the current period.
- Percent of gain/loss applicable to North Dakota.
- North Dakota loss carryforward ending balance.
- Average station price.

If the monthly calculation on the information schedule results in a gain, tax is due and is reported on the T-12 Oil Report. If the monthly calculation on the information schedule results in a loss, the purchaser is only required to file the information schedule.

A volume loss may be carried forward to offset a volume gain in subsequent periods. A volume loss may be carried forward for three years after the due date of the return for the production month in which the loss was incurred.

The T-12 Oil Report is used to report and pay the gross production and oil extraction tax due on a volume gain. Refer to the T-12 Oil Report instructions for completing this report. Special instructions used for the reporting of volume gains on the T-12 Oil Report are:

Block 1. Total barrel gain from information schedule or from Block 6 on the Schedule T-83.

Block 2. Use the average price per barrel paid by the purchaser for the period reported to calculate the value.

Block A. Pool Code: Use pool code **99**.

Block B. Well Code: Use the applicable well code **T5** or **T6**.

API Number: Use the group number assigned by the Commissioner to report system-wide volume gains (i.e., 33-201-Z123).

Block D. Posting Code: Use posting code **VOL1.**

NOTE: No exempt government royalty may be claimed, as the source of this oil is unknown. Lease Name, Oil Gravity, or Other Party Federal I.D. Number fields are not required.

Oil Transporter :

Each operator of an oil pipeline in North Dakota must provide the Commissioner with information showing its volume gains and volume losses for the calendar year. The information may be submitted in the form of the pipeline's "over and short" report compiled during the ordinary course of business. The annual information must be submitted by the twenty-fifth day of February following the end of the calendar year.