

News from Senator

BOB DOLE



(R - Kansas)

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DOLE APPLAUDS TREASURY ACTION ON STRIPPER WELL TAX PROBLEMS

WASHINGTON -- Senator Bob Dole (R.-Kan.) today applauded the Treasury Department's responsiveness in addressing the concerns raised by the proposed regulations relating to the taxation of so-called "stripper wells" under the crude oil "windfall profit" tax.

"Since the proposed stripper well regulations were issued on January 20, 1983, a number of legitimate concerns have been brought to my attention by independent producers from Kansas and elsewhere," Senator Dole stated. "Over the past several months I and a number of other Senators have been working with the Treasury to make sure that the problems raised were considered in the Department's normal review of those regulations."

"I am pleased to report that the Treasury Department has considered the objections that have been raised and has assured me that the proposed regulations were not intended to change the general thrust of the Department of Energy rules. In particular, the Treasury Department has advised me that the final regulations will address the following concerns:

(1) The rule requiring producers to elect newly-discovered property treatment for new reservoirs will impact on workovers of wells which pass through more than one reservoir. The Treasury has stated that it does not intend to have this rule apply to workovers of existing wells.

(2) The proposed rule was retroactive but only with respect to production from properties subject to the option after 1980. The Treasury has stated that the new rules (as modified above) will only apply prospectively with respect to new reservoirs.

(3) The gas/oil ratio test for determining whether a well was an oil well (which enters into the calculation of stripper well property) and a gas well (which does not) was not consistent with industry practice. Treasury has stated that it will accept the gas/oil ratio test used by the States of Texas and Oklahoma (100,000 cubic feet of gas per barrel of oil).

(4) The definition of "working interest" used in the proposed regulations required that to qualify as exempt independent producer stripper oil, the working interest must have been in existence on January 1, 1980. Treasury has stated that it will drop that requirement. This is good news for independents -- I know that this was the number one concern with Kansas stripper well operators and I am pleased we could respond to their needs."

A public hearing on the proposed regulations is scheduled to be held in the Internal Revenue Service auditorium on April 27, 1983, at 10:00 am. Additional comments made at the public hearing and other comments submitted to the IRS will be fully considered before final regulations are issued. Any inquiries concerning the hearing or comments regarding the regulations should be submitted to the Commissioner of Internal Revenue, Attn: CC:LR:T (LR-227-81), Washington, D.C. 20224