

Oil and Gas Tax Syllabus
University of Houston Law Center
SPRING, 2014

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Texts

Patrick A. Hennessee and Shawn P. Hennessee, *Oil and Gas Federal Income Taxation*, CCH, 2014 Ed.

Denney L. Wright, *Oil and Gas Taxation . . . Back to the Basics* (2014) (unpublished draft casebook – available online at the Oil & Gas Tax class site on UH Blackboard)

Oil and Gas Tax Course Overview

Oil and Gas Tax covers the United States federal income taxation of domestic oil and gas operations and transactions. The course examines taxation associated with the operational life cycle of oil and gas operations including exploration, development, production and abandonment. The study of transactions involving oil and gas interests analyzes acquisition, disposition, structuring and investment. Course participants learn the historical context and development of oil and gas provisions in the U.S. tax law as a basis for learning the laws and regulations that apply today. Current tax legislative proposals and/or final legislation affecting the oil and gas industry will be addressed as warranted throughout the semester. The emphasis is on federal income taxation of domestic oil and gas transactions, although certain international tax aspects of the oil and gas business will be referenced and contrasted throughout the class.

Prerequisites

Oil and gas law and basic federal income taxation are helpful prerequisites but not required.

General Class Guidelines:

A full assignment sheet is attached to this syllabus and will be supplemented from time-to-time online at the Oil & Gas Tax site on UH Blackboard -- the central communication tool for the class. The Hennessee text will provide an overall background on each topic and the Wright draft casebook will provide specific cases, rulings, statute and regulation references as well as problems on each topic. Materials from the Wright draft casebook will serve as the primary discussion materials for each class.

Please prepare for each class by reading the assigned pages in the Hennessee text as a background introduction. Students should focus on cases, rulings, statutes, regulations and other materials in the Wright draft casebook posted on the Oil and Gas Tax site. Each topic has problems in the Wright text, and these will be discussed in detail during each class.

Class will be conducted utilizing a mixture of lecture and random recitation on the cases, problems and other assigned materials. Active participation will be expected by all students. If you are not prepared for class, please let me know in advance, but class attendance is strongly recommended whether or not prepared. **Active participation in classroom discussion and problems may be reflected positively in your final grade -- excessive lack of preparation or absences may be reflected negatively in your final grade.**

Office Hours:

I will generally be available before or after class each week. If you desire to meet, please send an email requesting an appointment. Should you have questions on the materials covered during class, feel free to send an email and I will provide input either by return email or during the next class meeting.

Final Exam:

A two hour final examination will be administered to determine your class grade. The exam will consist of multiple problems -- short answer questions counting for approximately 30% of the grade, essay/computational questions--generally one page essay or short computations--counting for approximately 50% of the grade and true/false questions counting for approximately 20% of the grade. The exam will be open book and open notes and calculators may be used. You are responsible for anything covered in class as well as any assigned reading materials whether or not highlighted in class.

Student Contact Information/Background:

Please fill out a student information sheet (posted online on the Oil & Gas Tax class site with this syllabus) and bring it to our first class--extra copies will be available in class as well. The information requested includes your name, undergraduate course of study, law school status, current/past relevant experience in oil and gas, tax background (if any), and current (or past) employment if relevant. This information will enhance communications and will provide background information which should be helpful in focusing classroom discussion. As noted above, *the primary communication tool for class materials and announcements will be online at the Oil & Gas Tax class site to be provided.*

SPRING 2014 CLASS TOPICS & ASSIGNMENTS

Class 1 January 13	Introduction to oil & gas operations and associated tax issues including discussion of standard lease forms and discussion of state vs. federal law regarding federal income tax matters	Pages 1-23 Hennessee; Chapter 1 Wright, including problems
January 20	MLK HOLIDAY	
Class 2 & 3 January 27 & February 3	In depth discussion of the economic interest concept – the cornerstone of oil and gas taxation	Pages 25-45 Hennessee; Chapter 2 Wright, including problems
Class 4 February 10	Survey of oil and gas interests including in depth discussion of shooting rights, options, bonus, delay rentals, & royalties	Pages 55, 60-64, 67-75, 79-103 Hennessee; Chapter 3, Sections A-F Wright, including problems
Class 5 February 17	Continued survey of oil and gas interests including in depth discussion of production payments, net profits interests and other payments and acquisition costs	Pages 117-135, 64-67, 75-76 Hennessee; Chapter 3, Sections G-L Wright, including problems

Class 6 February 24	Discussion of oil and gas sharing arrangements including dry hole and bottom hole agreements, carried interests, farmin and farmout transactions and the pool of capital doctrine	Pages 197-214, 45-52 Hennessee; Chapter 4 Wright, including problems
Class 7 March 3	Discussion of tax treatment of geological and geophysical costs (G & G)	Pages 145- 154 Hennessee; Chapter 5 Wright, including problems
March 10	SPRING BREAK	
Classes 8 & 9 March 17 & March 24	Discussion of tax treatment of intangible drilling & development costs (IDC)	Pages 155 -196 Hennessee; Chapter 6 Wright, including problems
Class 10 March 31	Discussion of property unit and tax elections as well as oil and gas unitization and pooling agreements	Pages 247-263, 357-366 Hennessee; Chapters 7 & 8 Wright, including problems
Classes 11 & 12 April 7 & April 14	Discussion of general depletion concepts and cost and percentage depletion issues in detail	Pages 215-245, 265-355 Hennessee; Chapters 9 & 10 Wright, including problems
Class 13 April 21	Discussion of sales and exchanges of oil and gas properties including lease and sublease transactions. Discussion of property abandonments and claims of worthlessness	Pages 367-398 Hennessee; Chapter 11 Wright, including problems
Class 14 April 28	Semester review including open question and answer forum	
April 30 - May 9	FINAL EXAMS	