



TIM RUSSELL
Commissioner

State of Alabama Department of Revenue

(www.revenue.alabama.gov)
50 North Ripley Street
Montgomery, Alabama 36132
June 4, 2009

CYNTHIA UNDERWOOD
Assistant Commissioner
LEWIS A. EASTERLY
Secretary

NOTICE

ALL OIL & GAS OFFSHORE SEVERANCE TAX FILERS

Revised Oil & Gas Offshore Producer's Tax Return & Schedules

Governor Bob Riley signed Act 2009-147 into law on March 25, 2009. This Act became effective May 1, 2009. The first return to incorporate the revised taxes will be due **July 15th for May 2009 production**. Enclosed is a set of new Oil & Gas Offshore Producer's Tax Returns and Schedules. Forms in PDF format will also be available on the Department's website June 15, 2009. The following is a summary of the filing procedures for the new returns:

- Both deep and shallow well producers will be reporting taxes on the same return with two different schedules being utilized for the two separate taxation methods.
- Computer generated returns not conforming to the Department's returns will not be accepted.
- Production occurring within the corporate limits of Dauphin Island will also be reported on the same return with no need for the use of a supplemental return. Dauphin Island wells will be reported on a schedule separate from any of the other wells and the taxes reported on a separate line of the O&G Offshore-1.
- One of the boxes at the top of each schedule must be checked to show the county and/or municipality of severance. Only one county or municipality may be reported per page.
- Offshore production occurring at depths of 8,000 feet or less and continuing to be taxed at the 2% production and 4% or 6% privilege rates will be reported on the O&G Offshore-2. These taxes will be carried forward to the corresponding sections of the O&G Offshore-1.
- Offshore production occurring at depths greater than 8,000 feet and being taxed at the new production rate of 1.66% and privilege rate of 3.65% of gross proceeds will be reported on the O&G Offshore-3. These taxes will be carried forward to the corresponding sections of the O&G Offshore-1.
- Both deep and shallow wells should be reported on one O&G Offshore-1 by placing the tax amounts in the corresponding tax sections and county/municipality lines. Both schedules are then attached to the same O&G Offshore-1.
- The original tax rates would apply to amended returns for periods prior to the enactment of the new tax.
- Please note that all amended returns should now be a replacement for the entire prior return filed. Amendments reversing only one entry or well are no longer acceptable. A complete replacement return should be filed showing all of the volumes, values and taxes as they should be for all wells.

Please read the directions on the back of the O&G Offshore-1 carefully before filing the first return. If there are any questions please contact:

Anita Gregory, Severance & License Section
Sales, Use & Business Tax Division
P. O. Box 327560
Montgomery, Alabama 36132-7560
(334) 242-9660
anita.gregory@revenue.alabama.gov