

BP AMERICA PRODUCTION CO.
f/k/a Amoco Production Company
P.O. Box 591
Tulsa, OK 74102,

Taxpayer,

v.

STATE OF ALABAMA
DEPARTMENT OF REVENUE.

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STATE OF ALABAMA
DEPARTMENT OF REVENUE
ADMINISTRATIVE LAW DIVISION

DOCKET NO. MISC. 02-595

FINAL ORDER

This appeal involves a disputed refund of oil and gas severance tax requested by BP America Production Company, formerly known as Amoco Production Company (“Amoco”), for March 1994 through July 1997. The case involves the workback method for determining the wellhead value of Amoco’s gas produced at the Oak Grove field in West Central Alabama during the subject period. Specifically, the issue is what processing-related costs or expenses should Amoco be allowed to deduct from the first arm’s-length sale price of the gas in determining the value of the unprocessed gas at the wellhead.

A hearing was conducted on April 28 through 30, 2004. The parties filed briefs, and the Administrative Law Division entered an Opinion and Preliminary Order on May 12, 2005. The Order identified the various deductions that should be allowed, and how they should be calculated. It also directed Amoco to recompute its liability for the subject period, and the resulting refund due, based on the findings in the Order.

Amoco submitted its refund calculations per the May 12 Order on June 24, 2005. See, Amoco’s Refund Calculations Per Order. Amoco indicated that it is due a refund of \$997,820.75, which included interest through July 15, 2005.

The Department responded to Amoco's refund calculations on August 12, 2005. See, Department's Response to Taxpayer's Refund Calculations. The response itself does not address Amoco's calculations. Rather, it disputes the findings of fact and legal conclusions in the Opinion and Preliminary Order. I disagree with the assertions in the Department's response. However, the issues have been adequately addressed, and I leave it to the circuit court and Alabama's appellate courts to decide those issues on appeal.

The Department's response also included comments from the Department's Severance Tax Section which pointed out two discrepancies in Amoco's computations. Those discrepancies concern Amoco's capital expenditures (paragraph (2) in the comments) and the operating expenses of the Taurus operated wells (paragraph (4) in the comments). The Department otherwise did not dispute Amoco's calculations.

Amoco replied to the Department's response on September 23, 2005. See, Amoco's Reply to Department's Response to Refund Calculations. Amoco conceded that its June 24, 2005 calculations overstated its capital expenditures by approximately \$28,000. Concerning the Taurus operating expenses, Amoco contended that the June 24, 2005 figure is correct, but that based on the evidence (Ex. 2) submitted at the hearing, the allowed amount should be approximately \$241,000 less than originally claimed. With those two adjustments, the refund due is \$962,375.91, which includes interest through October 15, 2005.¹ The Department is directed to issue Amoco a refund in the above amount.

¹ Amoco's Reply also addressed the Department's objections concerning the factual and legal conclusions in the Opinion and Preliminary Order. See, Amoco's Reply at 4 – 14. Not surprisingly, I generally agree with Amoco's reply. However, as indicated, the issues have
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Additional interest is also due after October 15, 2005. Judgment is entered accordingly.

This Final Order may be appealed to circuit court within 30 days pursuant to Code of Ala. 1975, §40-2A-9(g).

Entered October 12, 2005.

BILL THOMPSON
Chief Administrative Law Judge

been fully analyzed, and it is now for the circuit court and Alabama's appellate courts to ultimately decide those issues.