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The Enhanced Oil Recovery Credit Is Yours for the Taking!

Are you a working interest owner? If the answer is yes, you may be eligible to take advantage of the Enhanced Oil Recovery (EOR) Credit. The EOR Credit is 15% of costs incurred for qualifying tertiary oil recovery projects. This credit can have limitations, as determined by oil prices in the previous year; however, for tax years beginning in 2017, there is no reduction of the credit!

What Costs Qualify?

Costs integral to the project, such as depreciable property, intangible drilling costs, tertiary injectant expenses, and construction costs for certain Alaskan natural gas treatment facilities, are qualifying costs for this credit.

What Projects Qualify?

For the project to qualify, it must take place in the U.S. or U.S. waters, must begin after 1990, must be accompanied by a petroleum engineer's annual certification that the project meets and continues to meet all requirements, and must be expected to result in a more than insignificant increase in recovered oil using one of the following methods:

- Immiscible nonhydrocarbon gas displacement
- Steam drive injection
- Cyclic-steam injection
- In situ combustion
- Miscible fluid displacement
- Carbonated water flooding
- Microemulsion flooding
- Alkaline (or caustic) flooding
- Polymer-augmented water flooding
- Any other method approved by the Secretary of the Treasury

The EOR Credit may be claimed within 3 years from the due date of your return, on either an original or amended return, and follows the General Business Credit rules for carryback and carryforward periods. This credit also reduces the qualifying deductions or capitalized expenditures by the amount of the credit. The certifications required to claim the credit must be submitted to the Ogden Submission Processing Center by the extended due date of your tax return.

If you have any questions or would like to discuss if you may be eligible for the EOR credit, please reach out to Megan Williams – MeganW@gmpcpa.com.