

TaxNewsFlash

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IRS notices: Oil and gas—reference prices for 2021, inflation adjustment factor and phase-out for enhanced oil recovery credit

The Internal Revenue Bulletin (IRB) 2022-18 (dated May 2, 2022) includes three IRS notices providing information for taxpayers in the oil and gas sector.

The IRB synopses summarize the three notices as follows:

- Notice 2022-17 publishes the reference price under section 45K(d) (2)(C) for calendar year 2021. The reference price applies in determining the amount of the enhanced oil recovery credit under section 43, the marginal well production credit for qualified crude oil production under section 45l, and the applicable percentage under section 613A to be used in determining percentage depletion in the case of oil and natural gas produced from marginal properties.
- Notice 2022-18 provides the applicable reference price for qualified natural gas production from qualified marginal wells during tax years beginning in calendar year 2021 for the purpose of determining the marginal well production credit under section 45l. The applicable reference price for tax years beginning in calendar year 2021 is \$1.52 per 1,000 cubic feet. The notice also provides the credit amount used for the purpose of determining the marginal well production credit. The credit amount for tax years beginning in calendar year 2021 is \$0.67 per 1,000 cubic feet.
- Notice 2022-19 announces the inflation adjustment factor and phase-out amount for the enhanced oil recovery credit for tax years beginning in the 2022 calendar year. Because the reference price for the 2021 calendar year (\$65.90) exceeds \$28 multiplied by the inflation adjustment factor for the 2022 calendar year (\$28 multiplied by 1.8607 = \$52.10) by \$13.80, the enhanced oil recovery credit for qualified costs paid or incurred in 2022 is phased-out completely.

Read the IRS notices in [IRB-2022-18](#) [PDF 844 KB]

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