

## Potential Tax Benefits

- **Intangible Drilling Costs (IDC):** 100% Tax Deductible in the Year Incurred.
- **Tangible Drilling Costs:** 100% Tax Deductible Over the Life of the Well.
- **Depletion Allowance:** 15% of Production Income is Tax-Free Over the Life of the Well.
- **Active Income Deductions:** Can be Taken Against Business Income, Salaries, Capital Gross Income, and Interest Income.

## Example

Investment (Drill & Test)	\$335,000
Intangible Drilling Costs (56% x \$335,000)	\$187,600
First Year Tax Reduction (37% x \$187,600)	\$69,412
New Investment Basis (\$335,000 - \$69,412)	\$265,588

\*Investors should contact their personal tax advisors and review tax aspects in the Confidential Information Memorandum.  
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