

Department of the Treasury
Internal Revenue Service

► Attach to your tax return.

Name(s) shown on return

Identifying number

Part I Current Year Credit

| | | | | | |
|---|---|---------------|--|----------|--|
| 1 | Qualified enhanced oil recovery costs (see instructions) | | | 1 | |
| 2 | Multiply line 1 by 15% (.15) | | | 2 | |
| 3 | Enhanced oil recovery credits from pass-through entities: | | | | |
| | | If you are a— | Then enter the total of the current year credits from— | | |
| | | a Shareholder | Schedule K-1 (Form 1120S), Box 13, code G, H, or V | 3 | |
| | | b Partner | Schedule K-1 (Form 1065), Box 15, code G, H, or U | | |
| 4 | Current year credit. Add lines 2 and 3 | | | 4 | |

Part II Allowable Credit (See Who must file Form 3800 to find out if you complete Part II or file Form 3800.)

| | | | | | | |
|----|---|---|-----------|-----------|--|--|
| 5 | Regular tax before credits: | | | | | |
| | • Individuals. Enter the amount from Form 1040, line 43 | } | | 5 | | |
| | • Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the amount from the applicable line of your return | | | | | |
| | • Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your return | | | | | |
| 6 | Alternative minimum tax: | | | | | |
| | • Individuals. Enter the amount from Form 6251, line 35 | } | | 6 | | |
| | • Corporations. Enter the amount from Form 4626, line 14 | | | | | |
| | • Estates and trusts. Enter the amount from Form 1041, Schedule I, line 56 | | | | | |
| 7 | Add lines 5 and 6 | | | 7 | | |
| 8a | Foreign tax credit | | 8a | | | |
| b | Credits from Form 1040, lines 47 through 53 | | 8b | | | |
| c | Possessions tax credit (Form 5735, line 17 or 27) | | 8c | | | |
| d | Credit for fuel from a nonconventional source | | 8d | | | |
| e | Qualified electric vehicle credit (Form 8834, line 20) | | 8e | | | |
| f | Add lines 8a through 8e | | | 8f | | |
| 9 | Net income tax. Subtract line 8f from line 7. If zero, skip lines 10 through 13 and enter -0- on line 14 | | | 9 | | |
| 10 | Net regular tax. Subtract line 8f from line 5. If zero or less, enter -0- | | 10 | | | |
| 11 | Enter 25% (.25) of the excess, if any, of line 10 over \$25,000 (see instructions) | | 11 | | | |
| 12 | Tentative minimum tax (see instructions): | | | | | |
| | • Individuals. Enter the amount from Form 6251, line 33 | } | 12 | | | |
| | • Corporations. Enter the amount from Form 4626, line 12 | | | | | |
| | • Estates and trusts. Enter the amount from Form 1041, Schedule I, line 54 | | | | | |
| 13 | Enter the greater of line 11 or line 12 | | | 13 | | |
| 14 | Subtract line 13 from line 9. If zero or less, enter -0- | | | 14 | | |
| 15 | Credit allowed for the current year. Enter the smaller of line 4 or line 14 here and on Form 1040, line 54; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 14 is smaller than line 4, see instructions | | | 15 | | |

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

Use Form 8830 to claim the enhanced oil recovery credit.

An owner of an operating mineral interest may claim or elect not to claim this credit any time within 3 years from the due date (excluding extensions) of its return on either its original or an amended return. This credit is part of the general business credit.

Amount of Credit

The credit generally is 15% of qualified costs for the year, but is reduced when the reference price per barrel exceeds the base value of \$28 (as adjusted by inflation). For 2004, there is no reduction of the credit.

Definitions

Qualified enhanced oil recovery costs means:

1. Any amount paid or incurred during the tax year for tangible property—
 - a. That is an integral part of a qualified enhanced oil recovery project and

b. For which depreciation (or amortization) is allowable.

2. Any intangible drilling and development costs—

a. That are paid or incurred in connection with a qualified enhanced oil recovery project and

b. For which the taxpayer may make an election under section 263(c). For an integrated oil company, this includes intangible drilling costs required to be amortized under section 291(b).

3. Any qualified tertiary injectant expenses (as defined in section 193(b)) paid or incurred in connection with a qualified enhanced oil recovery project for

which a deduction is allowable for the tax year. Qualified tertiary injectant expenses includes expenditures related to the use of a tertiary injectant as well as expenditures related to the acquisition (whether produced or acquired by purchase) of the tertiary injectant. However, it does not include costs that would have been paid or incurred in the development or operation of a mineral property if an enhanced oil recovery project had not been implemented with respect to the property. Costs that are related to the use of a tertiary injectant and that also are related to other activities (for example, primary or secondary recovery) must be reasonably allocated among the tertiary injectant and the other activities to determine the amount of tertiary injectant expenses paid or incurred for the tax year. For more details, see Rev. Rul. 2003-82, 2003-30 I.R.B. 125.

Qualified enhanced oil recovery project means any project involving the application of one or more tertiary recovery methods defined in section 193(b)(3) (and listed below) that can reasonably be expected to result in more than an insignificant increase in the amount of crude oil that will ultimately be recovered. The project must be located within the United States, including the seabed and subsoil adjacent to the territorial waters of the United States over which the United States has exclusive rights by international law for exploration and exploitation of natural resources (see section 638(1)). The first injection of liquids, gases, or other matter must begin after 1990. However, any significant expansion after 1990 of a project begun before 1991 is treated as a project where the first injection begins after 1990.

Additionally, the operator or designated owner must file a certification from a petroleum engineer, who is registered or certified by a state, that the project meets the above requirements. The operator or designated owner also must file a certification each subsequent year indicating that the project continues to be implemented substantially in accordance with the petroleum engineer's certification.

If the application of a tertiary recovery method is terminated, the operator or designated owner must file a notice of project termination for the tax year when the project terminates.

Send these filings to the Ogden Submission Processing Center, P.O. Box 9941, Ogden, UT 84409, by the due date of the operator's or designated owner's Federal income tax return. See Regulations section 1.43-3 for the information required in the notice and certifications.

Tertiary recovery methods qualifying for the credit include:

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

- A carryback or carryforward of any of those credits.

See the instructions for Form 3800 to find out which credits are included in the general business credit.

Line 11

See section 38(c)(5) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 12

Although you may not owe alternative minimum tax (AMT), you generally must still compute the tentative minimum tax (TMT) to figure your credit. For a small corporation exempt from the AMT under section 55(e), enter zero. Otherwise, complete and attach the AMT form or schedule and enter the TMT on line 12.

Line 15

If you cannot use all of your credit because of the tax liability limit (line 14 is smaller than line 4), carry the unused credit back 1 year and then forward up to 20 years. See the instructions for Form 3800 for details.

Specific Instructions

Part I

Current Year Credit

Figure any enhanced oil recovery credit from your own trade or business on lines 1 and 2. Skip lines 1 and 2 if you are only claiming a credit that was allocated to you from an S corporation or a partnership.

S Corporations and Partnerships

Figure the total credit on lines 1 through 4. Then allocate the line 4 credit among the individual shareholders or partners in the same way that income and loss are shared. Electing large partnerships include this credit in "general credits."

Line 1

Enter the total of the qualified costs paid or incurred during the year in connection with a qualified enhanced oil recovery project. See *Definitions* above.

Reduce the otherwise allowable deductions for line 1 costs by the line 2 credit attributable to these costs. Also, if any part of the line 1 costs are for expenditures that increase the basis of property, reduce the otherwise allowable basis increase by the line 2 credit attributable to these costs.

Part II

Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit unless you must file Form 3800, General Business Credit.

Who must file Form 3800. You must file Form 3800 if you have:

- An enhanced oil recovery credit from a passive activity,
- More than one credit included in the general business credit (other than a credit from Form 8844, Form 8884, or Section B of Form 8835), or

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 5 hr., 15 min.
- Learning about the law or the form** 53 min.
- Preparing and sending the form to the IRS** 1 hr., 1 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.