

## **Got Oil & Gas?**

By: Sandra E. Schieffer

I don't know about you but I'm getting scared to even glance at the price of gasoline at the corner store. I prefer to just drive in, get my gas, and leave as quickly as I can - maybe if I hurry it won't hurt as much.

Of course, the record prices for gasoline reflect the record price of oil. And, while we tend to focus on the obvious, the cost of energy has had one positive impact – it has reignited interest in oil and gas drilling. If you are thinking about investing in a drilling deal, you need to consider all the issues before taking the plunge.

An investment in a successful oil and gas deal can be very rewarding – payout (the time it takes to recoup your investment) can be quick compared to other investments and the string of payments can continue for years. Further, as explained in another article nearby, the tax benefits to a drilling investment can be enticing.

Of course, there are downsides as well. The price of oil and gas can change rapidly. There is an ever-present danger of a dry hole. Assorted operating problems can reduce or eliminate production or lead to costly and unanticipated repairs. Finally, the tax laws applicable to the industry can change at the drop of a hat. What Congress gives, it can take away. Does anyone remember the Windfall Profit Tax?

The oil and gas business is unique, both in the way it is operated and in the tax consequences. Drilling deals can be complicated and structured in an amazing variety of ways. The tax results of the venture depend on many unrelated factors involving the way the deal is structured and the intricacies of each investor's tax return.

On a separate page in this issue is a list of questions to consider when contemplating an oil and gas investment. This is one time when you simply must do your homework and seek professional advice. We're ready to provide that advice.