



Oil & Gas Newsletter

TAX TIME - NOW WHAT?

By: Kash Lund, Trust Administrator, Oil & Gas Specialist

As an oil and gas royalty recipient myself, few things make me as happy as seeing those payments show up in my bank account (free money!). But as a responsible adult and asset manager in a bank, every payment is a quiet reminder of that gloomy period of the year that puts my stomach in a knot – tax time. Don't get me wrong, it's not because we haven't saved for taxes or that we've forgotten to send off our quarterlies. The real enemy in this fairy tale is balancing the 1099s we receive at the end of the year against the income we've received throughout the year.

For those of you not in the know, royalty income arrives usually in monthly installments based on products sold roughly three months prior. While separate payments are made by each producer, the revenue detail that accompanies the payment splits this income out by well, product type, and date of sale. If your royalty interest underlies many tracts, you may be receiving income from a few to possibly hundreds of wells, creating a very interesting (and voluminous) spreadsheet of payment details including total revenue, net revenue based on your interest in the well, severance tax and owner deductions, and net payment to you. At the end of the year, the operator will send you an IRS form 1099 which shows at least a net income received value if not also gross payments and deductions. If you think these numbers are difficult to track, you're not wrong. Oftentimes, it's easier to just collect the income, wait for the 1099s to arrive, give them to your tax preparer, and wait for the final verdict on what you owe Uncle Sam.

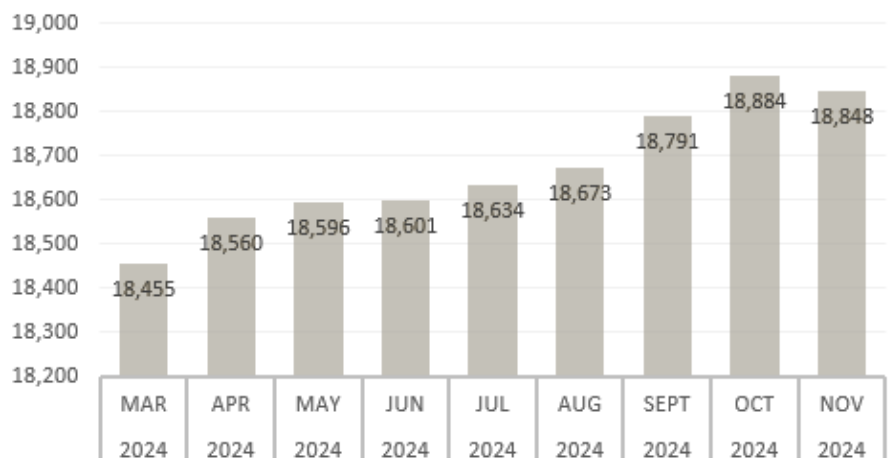
I would recommend against taking the easy route. In our collective departmental experience, while operators typically quote the correct net income, we consistently see inaccuracies in the quoted gross income as well as the deductions for severance tax and owner obligations.

Prior to sending financials to the CPA for tax preparation, we balance our clients' income against the 1099s received to verify the values and correct any inaccuracies. With the mergers and acquisitions we are seeing amongst operators in the Bakken, we believe it is increasingly important to verify these figures before preparing your taxes.

The merging of two accounting systems, as is common when two companies combine to form one, can wreak havoc on well and client-specific reporting that sometimes takes weeks or months to correct once discovered. For the sake of accurate tax preparation for you and your loved ones, we hope you'll consider doing the same.

Questions? If you'd like to discuss this topic further, call us to speak with a member of our mineral management team anytime!

ND Producing Well Count



NEWS

12/04/2024 – World Oil reports Gradient Geothermal and Chord Energy launch geothermal project for Williston Basin oil and gas assets. Gradient, a Colorado-based geothermal company will use its proprietary technology to provide Chord with fluid cooling services. By removing heat from produced fluids, that heat can be used to generate electricity. Some of the funding for this project was awarded to Chord through the Clean Sustainable Energy Authority (CSEA), a grant program funded by the North Dakota Industrial Commission.

01/13/2025 – Kinder Morgan, Inc. announces acquisition of a North Dakota gas gathering & processing system from Outrigger Energy II for \$640 million. The purchase includes a 270 million cubic feet per day (MMcf/d) processing facility and a 104-mile header pipeline with 350 MMcf/d capacity connecting supplies in the Williston Basin to high-demand markets.

01/20/2025 – Oil & Gas Journal reports potential for decrease in oil pricing for 2025 and 2026. EIA's January 2025 Short Term Energy Outlook indicates a slump in pricing due to rollbacks of OPEC+ production cuts. Global consumption is estimated to increase by lower rates in the same timeframe despite strong growth in Q4 of 2024. Overall, the forecast shows Brent crude oil price to average \$74/bbl in 2025 and \$66/bbl in 2026 due to rising global inventory over the same period.

01/21/2025 – Oil & Gas Journal reports the Federal Trade Commission (FTC) has granted approval for two major acquisitions in the energy industry – Exxon Mobil's \$64.5 billion purchase of Pioneer Natural Resources and Chevron's \$53 billion acquisition of Hess Corp. Both decisions passed with 3-2 majority, dissenting commissioners appear to have disagreed not with the mergers but instead with the majority's decision to prohibit former executives from serving on boards or advising the companies. In the Chevron-Hess deal, the FTC prohibited Hess chief executive officer John Hess from serving on the Chevron board. However, in a change from the initial order, Chevron may consult John Hess on limited issues including Hess operations in Guyana.

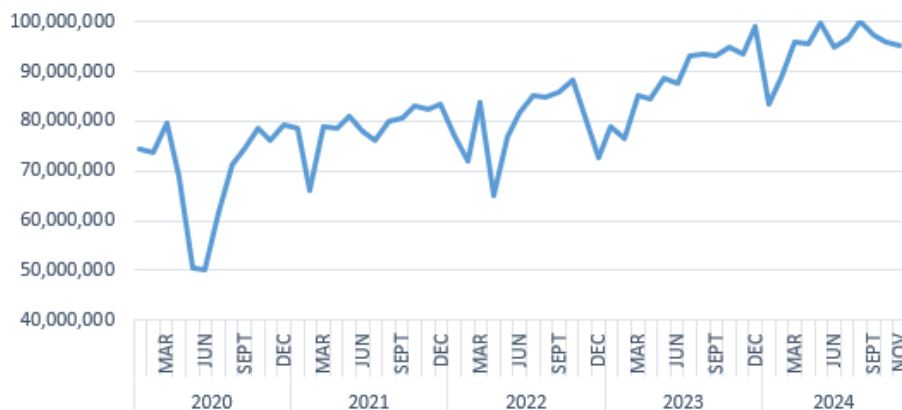
01/24/2025 – World Oil reports Atlas Energy Solutions has completed the delivery of 100 loads of proppant with its two RoboTrucks, semi-trucks equipped with the Kodiak Driver, Kodiak Robotics' self-driving system. These deliveries took place on an off-road route in West Texas with Kodiak-owned driverless trucks. With the concept now proven, Atlas plans to offer the driverless delivery services to operators across the entirety of the Permian Basin in West Texas and Eastern New Mexico. Don Burnette, Founder and CEO of Kodiak says, "The commercialization of autonomous trucks has been a goal for the industry for many years, and his now come to fruition. Kodiak is the first company to make autonomous trucking a real business, and this is a major step towards profitability for our company."

01/30/2025 – Oil & Gas Journal reports Hess Corporation expects decrease in quarterly production for first quarter 2025. This is due, in part, to harsh weather conditions in the Bakken. Nevertheless, the company plans to continue operating four drilling rigs in the Bakken in 2025. Fourth-quarter 2024 net income totaled \$542 million, up from \$413 million in the same quarter of 2023.

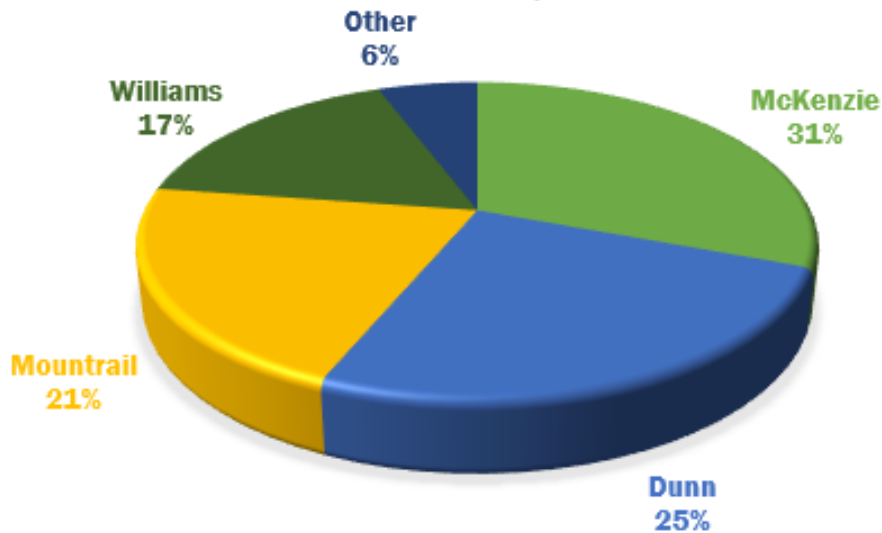
ND Daily Oil Production (in BBLs)



ND Monthly Gas Sales (Total MCF)



ND OIL PRODUCTION BY COUNTY NOVEMBER, 2024

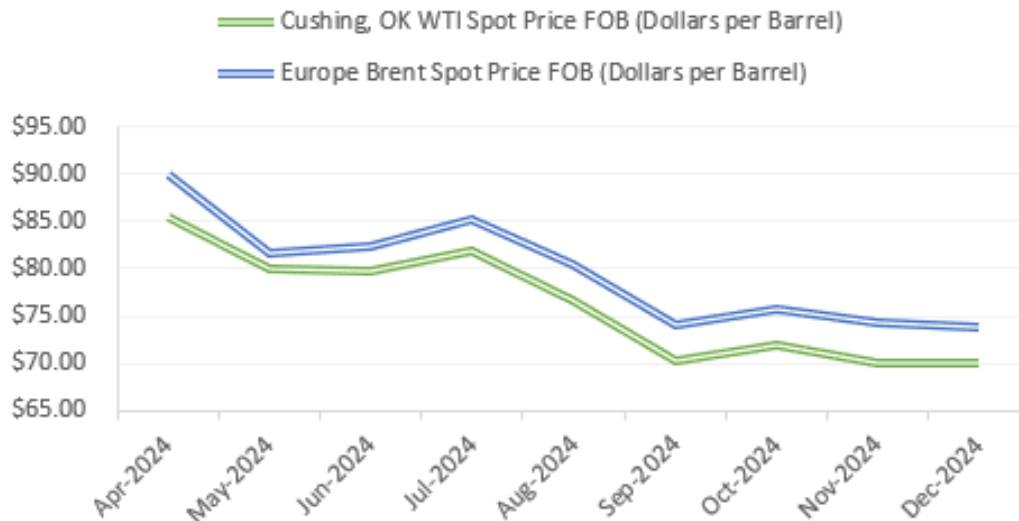


MONTHLY OIL PRODUCTION BY STATE OCTOBER, 2024



CRUDE OIL PRICES

SOURCE: U.S. ENERGY INFORMATION ADMINISTRATION



OIL & GAS MANAGEMENT

- Full-Service Administration
- Proactive Management
- Comprehensive Accounting



First Western Bank & Trust has a team of staff ready and available to service minerals accounts. First Western incorporates internal auditors, external auditors, and federal regulators who are testing our systems and analyzing our controls. We have the depth of management to continue servicing mineral accounts over the long term. We have long-established relationships with attorneys and accountants who can provide assistance as necessary. A team approach to mineral management to preserve and grow your family's assets for future generations. A good peace of mind for you and your family.

OIL & GAS TEAM MEMBERS

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