Producers Oil Corporation v. Commissioner, 11 T.C. 805 (1948)

r
r

Gross income from oil and gas property, for purposes of calculating percentage depletion, is the amount the taxpayer receives for the crude product in the immediate vicinity of the well; transportation costs are excluded.

r
r

Summary

r

Producers Oil Corporation sought to include a "gathering" and "freight equalization charge" that was deducted by the purchaser of their oil from the agreed price in their gross income from the property for calculating percentage depletion. The Tax Court held that the amount deducted for transportation costs should not be included in the gross income from the property. The court reasoned that gross income is determined by the price of the crude product at the source (the well), and transportation, refining, or processing costs are excluded. The agreement between the parties indicated the net amount paid to the petitioners was the price of the crude oil at the well.

r
r

Facts

r

r
Petitioners, Producers Oil Corporation, sought a percentage depletion deduction for their oil lease.r
The purchaser of the oil, who also owned and operated the pipeline servicing the lease, deducted a

© 2025 SCOTUSreports.com. All rights reserved.