Panex O.G. 102
Tax Benefits

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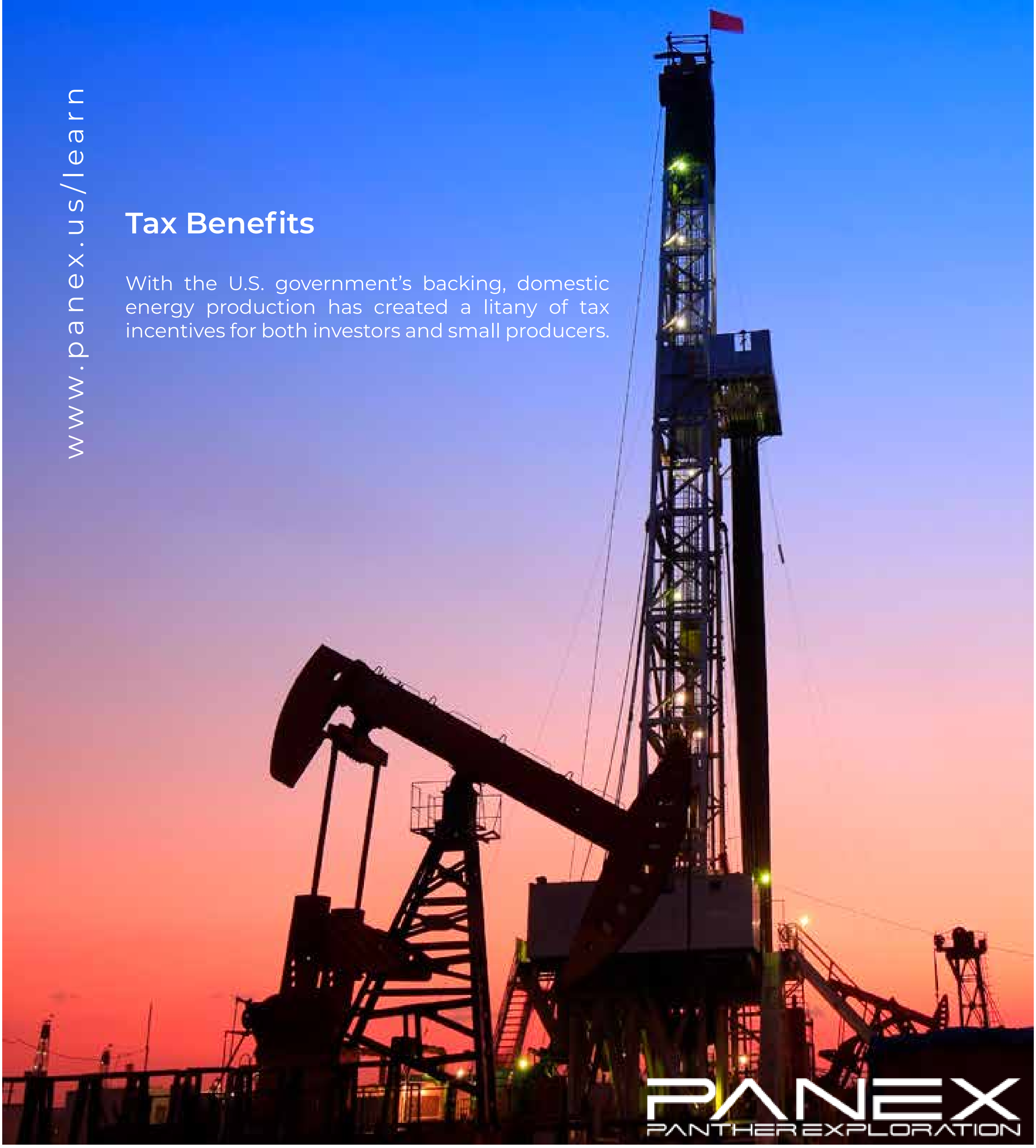
Tax Benefits

With the U.S. government's backing, domestic energy production has created a litany of tax incentives for both investors and small producers.



PANEX
PANTHER EXPLORATION

Domestic Oil Producer Tax Breaks

Panex is producing American Oil... Free flowing from the Bayou Choctaw Field, Iberville Parish, Louisiana.

1 Intangible Drilling Costs

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Why does the government favor domestic oil production?

Oil and natural gas from domestic reserves helps to make our country more energy self-sufficient by reducing our dependence on foreign imports. In light of this, Congress has provided tax incentives to stimulate domestic natural gas and oil production financed by private sources. These incentives are not "Loop Holes;" they were placed in the Tax Code by Congress to make participation in oil and gas ventures one of the best tax advantaged investments available to accredited investors seeking tax relief.

TICK - TOCK

Time Is Running Out...

Tax-Advantaged Energy Investing!

Several forms of partnerships can be used for oil and gas investments. Limited partnerships are the most common, as they limit the liability of the entire producing project to the amount of the partner's investment. These are sold as securities and must be registered with the Securities and Exchange Commission (SEC). These tax incentives are available on a pass-through basis. The partner will receive a Form K-1 each year detailing his or her share of the revenue and expenses.

From a tax perspective, oil and gas investments have never looked better. Of course, they are not suitable for everyone, as drilling for oil and gas can be a risky proposition. Therefore, the SEC requires that investors for many oil and gas partnerships be accredited, which means that they meet certain income and net worth requirements. But for those who qualify, participation in an independent oil and gas project can provide strong returns on a tax-advantaged basis.

Most notably, there are no income or net worth limitations of any kind associated with oil and gas investment tax benefits. As long as investors limit their ownership to 1,000 barrels of oil per day, even the wealthiest investors can receive all of the benefits afforded to them in the U.S. tax code.

This is why virtually no other investment category in America can compete with oil and gas as far as tax-advantaged investments go.

Intangible Drilling Costs

These include everything but the actual drilling equipment. Labor, chemicals, mud, grease and other miscellaneous items necessary for drilling are considered intangible . These expenses generally constitute 80% to 90% of the total cost of drilling a well and are 100% deductible in the year incurred.

Tangible Drilling Costs

Tangible Drilling Costs: Tangible costs pertain to the actual direct cost of the drilling equipment. These expenses are also 100% deductible but must be depreciated over seven years.

Active vs Passive Income

The tax code specifies that a working interest (as opposed to a royalty interest) in an oil and gas well is not considered to be a passive activity. This means that all net losses are active income incurred in conjunction with well-head production and can be offset against other forms of income such as wages, interest, and capital gains.

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Small Producer Exemptions

Small Producer Tax Exemptions: This is perhaps the most enticing tax break for small producers and investors. This incentive, which is commonly known as the “depletion allowance”, excludes from taxation 15% of all gross income from oil and gas wells.

This special advantage is limited solely to small companies and investors. Any company that produces or refines more than 50,000 barrels of oil per day is ineligible. Entities that own more than 1,000 barrels of oil per day, or 6 million cubic feet of gas per day, are excluded as well.

Lease Costs

These include the purchase of lease and mineral rights, lease operating costs and all administrative, legal and accounting expenses. These expenses are 100% deductible in the year they are incurred.

Alternative Minimum Tax

The excess intangible drilling costs have been specifically exempted as a “preference item” on the alternative minimum tax return.

Please speak with your financial advisor on how these policies might benefit you. If you like, we can arrange for your accountant to meet with ours.

Why do investors choose Domestic Oil production for Tax Savings?

There are many reasons why qualified investors choose to take advantage of joint venture oil and gas exploration opportunities, but one of the most compelling reasons is the tax benefits that are afforded by this unique investment opportunity. In fact, when it comes to tax-advantaged investments for wealthy or sophisticated investors, oil and gas stands alone.

PANEX O.G. 102 - TAX BENEFITS

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