

**Illinois Department of Revenue
Regulations**

Title 86 Part 475 Section 115

**Average Daily Production for Wells or Production Units
Subject to Tax**

TITLE 86: REVENUE
CHAPTER I: DEPARTMENT OF REVENUE

PART 475
ILLINOIS HYDRAULIC FRACTURING TAX ACT

Section 475.115 Average Daily Production for Wells or Production Units Subject to Tax

- a) For purposes of determining average daily production for oil wells or production units subject to the tax imposed by the Tax Act, oil is considered produced during the month it is removed from the production unit by the purchaser. For operators withholding and remitting tax, oil is produced during the month oil is transported off the production unit where severed by the operator, used on the production unit where severed, or manufactured and converted into refined products on the production unit where severed. Average daily production for a month is determined by dividing the number of the total barrels produced in a month by 30.
- b) If an operator commingles the production from multiple wells on a production unit, the multiple wells shall be deemed one well for purposes of determining average daily production. Average daily production for a month is determined by dividing the number of the barrels removed by the first purchaser in a month by 30 and dividing the result by the number of wells in the production unit. If a well on the production unit did not produce any oil during the month, it may not be considered in calculating average daily production.
- c) Operators must include the oil identified in Section 475.120(a) when calculating average daily production.
- d) The average daily production shall be calculated by the operator twice a year by taking the sum of the average daily production for each well or production unit for the months of January, February, March, April, May and June and dividing the number by 6, and for the months of July, August, September, October, November and December and dividing the number by 6. The purchaser shall use the average daily production calculated by the operator for purposes of determining the tax to be withheld and remitted to the Department in accordance with Sections 475.130 and 475.135. If the operator fails to provide the average daily production for a well or production unit to the first purchaser, the first purchaser shall withhold tax at the rate of 6%. After providing an initial certification, the operator is required to provide the first purchaser with a new certification only when the average daily production for a 6-month period would cause the rate of tax to change. When tax is being withheld at the rate of 6%, the operator has no obligation to calculate and report average daily production.
- e) If a purchaser and its employees have no actual knowledge that the average daily production reported to it by the operator is incorrect, and the Department later

determines the operator provided to the purchaser an incorrect figure resulting in an underpayment of tax, the Department will collect any underpayment from the operator and producers. Prior to the purchaser or its employees obtaining actual knowledge that the average daily production reported to it by the operator for the purpose of withholding and remitting the tax imposed by the Tax Act is incorrect, a first purchaser has no obligation to calculate the average daily production on a well or production unit to verify an operator's certification. If the Department provides a purchaser or an operator required to withhold and remit the tax with a lien in the amount of any assessment for underpayment of tax, penalty and interest, the purchaser or operator shall suspend payment of oil proceeds from the well to the producers until such time as the purchaser or operator receives a release of lien. A purchaser and an operator shall also honor any levy issued to it to collect amounts withheld pursuant to a lien. The Department retains all other legal remedies to collect the underpayment from the producers.