DEPLETION RE-EXAMINED

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In the 1960 Bulletin a paper was published in which the writer attempted to apply geologic principles of oil-and-gas-reservoir behavior to economic problems, particularly computing depletion of producing properties. A distinguished member of the panel on Depletion, Richard J. Gonzalez, at the recent Western Resources Conference, Golden, Colorado, has constructively criticized the writer’s paper, as follows.

On pages 412 and 413, at the top of left-hand columns, respectively, “Such provisions always require a taxpayer to determine the smallest deductible amount among three computations.” A discrepancy occurs in this repeated statement; correcting the statement it should state that the taxpayer is allowed to take the higher amount of either the cost or the percentage depletion; and if a taxpayer chooses percentage depletion he must take the smaller amount of either 50 per cent of net or 27.5 per cent of gross receipts attributable to each producing property. Even though the geologist does not make out the returns, it is important that he correctly uses the current provisions and regulations in determining whether such amounts are in accord with the values according to geologic principles governing behavior of oil and gas reservoirs.

In 1961 and again in 1962, the Rocky Mountain Association of Geologists, among several activity committees, has included the Depletion Committee, which works on educational, non-political matters compatible with a scientific, non-profit corporation’s proper function to disseminate knowledge. One objective is a survey of United States college catalogs, ascertaining the schools offering petroleum and mineral resource economics courses available to the geology majors and graduates and to engineering students. The Colorado School of Mines, Economics staff, is

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