

NEWSLETTER

MONTHLY RR&A UPDATES

CORPORATE TAX CONSIDERATIONS

Prior to incorporation or even mid-operation, a Board or CFO often faces the daunting task of considering what practical steps exist for managing and reducing their company's corporate tax burdens. Just knowing where to start or whether to consult your attorney, your CPA, or even the IRS, is a threshold determination that often results in a quagmire where no decision is made. At RR&A, we recommend a pragmatic and comprehensive approach to help address these concerns and aid your process.

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EMPLOYEE SPOTLIGHT

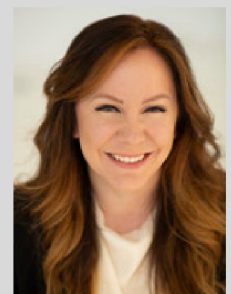


Jr. Associate, [Kaysha Spoon](#)

WHAT'S NEW AT RR&A?



Connect with Rachel Reese to discuss how RR&A can satisfy your legal needs.



Welcome Kaysha Spoon as RR&A's new Jr. Associate!

UPCOMING AT RR&A

2023 ABA YLD Western States Conference

MIRANDA CABALLERO

The Elizabeth Hotel
Fort Collins, Co
April 13-15, 2023



RR&A
R. REESE & ASSOCIATES

WORLD OILMAN'S WOPT POKER TOURNAMENT
2023

CONNECT WITH RACHEL REESE AND ANDREW CLINTON AT WOPT

WYNN ENCORE RESORT & CASINO
LAS VEGAS, NV
APRIL 26-28, 2023

CLIENT HIGHLIGHTS

Congratulations to VTX on their first acquisition of Delaware Basin Resources. Completing this acquisition will give VTX production of approximately 40,000 boe/d, with assets that comprise 35,000 net leasehold acres and 46,000 surface acres across Reeves and Pecos counties.



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CASELAW UPDATE

DEVON ENERGY PROD. CO., L.P. V. SHEPPARD, *643 S.W.3d 186 (Tex. App. 2020), aff'd, (Tex. Mar. 10, 2023)*

This Texas Supreme Court case involved a royalty calculation dispute between landowners and producers in the Eagle Ford Shale. The parties agree that the landowners' royalty is free of costs and expenses between the wellhead and the point of sale. At issue is whether the landowners' royalty is free of sales price deductions to third parties accounting for downstream costs.

The subject leases had a remarkably expansive royalty provision: "Lessor's royalty shall never be chargeable directly or indirectly with any costs or expenses [other than taxes]." The producers interpreted this provision as freeing the lessors' royalties only from pre-sale expenses. The landowners interpreted this provision to require payment beyond the producers' gross proceeds by adding sales price deductions accounting for downstream costs or expenses to the royalty calculation.

The court affirmed summary judgment for the landowners because the plain language of the lease did not restrain royalty calculations only to pre-sale expenses. Because price deductions accounting for downstream postproduction costs indirectly charge the lessors, the producers must add these discounts to the royalty calculations. The court noted that while this royalty calculation is not industry standard, neither was the broad and "highly unique" leasing provision.