

ID: CCA_2009010610074329

Number: **200935028**

Office:

Release Date: 8/28/2009

UILC: 193.00-00

From:

Sent: Tuesday, January 06, 2009 10:07:45 AM

To:

Cc:

Subject: RE: 6 pages

Hello,

Yes, we denied taxpayer's request to deduct the costs under section 193. There were two types of costs involved in the request -- costs related to the acquisition of CO2 wells and costs related to drilling of CO2 wells. We said that costs related to drilling CO2 wells are allowed as deduction under section 616(a), and thus may not be deducted under 193. The acquisition costs of CO2 wells are not allowed as deduction under 193 because the 193 deduction is limited to the costs of tertiary injectants actually injected during that taxable year. The total amount of acquisition costs relate to CO2 that the taxpayer will inject over multiple years in its tertiary recovery method.