



BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
IMPERIAL GYPSUM AND OIL CORPORATION)

Appearances:

For Appellant: W. H. Coons, its President

For Respondent: Frank M. Keesling, Franchise Tax Counsel;
Clyde Bondeson, Senior Franchise Tax Auditor

O P I N I O N

This appeal is made pursuant to Section 25 of the Bank and Corporation Franchise Tax Act (Chapter 13 Statutes of 1929, as amended) from the action of the Franchise Tax Commissioner in overruling the protest of the Imperial Gypsum and Oil Corporation to his proposed assessment of an additional tax in the amount of \$64.85 for the year ended December 31, 1937, based upon the income of the corporation for the year ended December 31, 1936.

In 1934 and 1935 the Appellant expended the sum of \$5,150.00 in connection with the drilling of an oil well, in return for which it received an interest in the well. The well was subsequently abandoned, and the sole question presented by this appeal is whether the loss represented by the above expenditures was sustained in the year 1936. Appellant contends that it retained its interest in the well, including the right to do further drilling, until 1936, when it removed portion of the casing from the well, and that therefore the loss was sustained in that year:

The action of the Commissioner is based on the contention that the loss was sustained in 1935 rather than in 1936. In our opinion the following facts justify the action of the Commissioner: Early in 1935 the well was placed on a production test and in view of the lack of success in obtaining production, work was discontinued. In the latter part of 1935, the Carolina Oil Company, the owner of the lease, performed additional work on the well, but in December of that year they decided to give up the project, filed notice of abandonment with the State Division of Oil & Gas and filled the well with cement.

It does not appear that any work was performed on the well subsequent to 1935, and the mere facts that the Appellant had the right itself to perform additional work and that the casing was not removed until the following year do not substantiate its contention that the loss was not sustained until 1936.

Appeal of Imperial Gypsum and Oil Corporation

O R D E R

Pursuant to the views expressed in the opinion of the Board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the action of Chas. J. **McColgan**, Franchise Tax Commissioner, in overruling the protest of the Imperial Gypsum and Oil Corporation to a proposed assessment of additional tax in the amount of ~~\$~~**64.85** for the year ended December 31, 1936, based upon the income of said corporation for the year ended December 31, 1935 be and the same is hereby sustained,

Done at Sacramento, California, this 15th day of November, 1939, by the State Board of Equalization.

Fred E. Stewart, Member