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**Closing the Deal and Keeping the Taxman  
Waiting: Use of I.R.C. Section 1031 in  
Oil and Gas Acquisitions and Divestitures**

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## **“TAXMAN”**

By George Harrison

### **Abridged Lyrics**

Let me tell you how it will be - There's one for you, nineteen for me  
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Should five percent appear too small - Be thankful I don't take it all  
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If you drive a car, I'll tax the street, if you try to sit, I'll tax your seat  
If you get too cold, I'll tax the heat, if you take a walk, I'll tax your feet  
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Don't ask me what I want it for - If you don't want to pay some more  
Cos I'm the taxman, yeah, I'm the taxman  
Now my advice for those who die - Declare the pennies on your eyes  
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And you're working for no one but me

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## FORWARD EXCHANGES

### Some Key Terms

#### In the 1031 Regs

#### In Our Hypothetical

"The Taxpayer"	"Big Tex Production"
"The Relinquished Property"	"Huge Discovery Field"
"The Replacement Property"	"World-Class Resort and Spa"
"The Acquirer"	"Overly Liquid Hedge Fund"
"The Qualified Intermediary"	"Acme Trust Services"

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### BASIC HYPOTHETICAL

- Big Tex Production would like to dispose of the Huge Discovery Field
- Overly Liquid Hedge Fund is the high bidder for the Huge Discovery Field at a value of One Billion Dollars



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## **BASIC HYPOTHETICAL**

(CONTINUED)

- Big Tex Production has always wanted to own the World-Class Resort and Spa and it is available from its owner, Larger than Life Developer, for 1.1 Billion Dollars



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## **THE QUALIFIED INTERMEDIARY STRUCTURE**

### **Part 1 - "The Front End"**

- Big Tex Production ("Big Tex") enters into a PSA containing Section 1031 enabling language to sell the Huge Discovery Field ("HDF") to Overly Liquid Hedge Fund ("OLHF")
- Big Tex enters into an Exchange Accommodation Agreement ("EAA") with Acme Trust Services ("Acme")

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## Title search: Closing the Deal and Keeping the Taxman Waiting: Use of I.R.C. Section 1031 in Oil and Gas Acquisitions and Divestitures

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