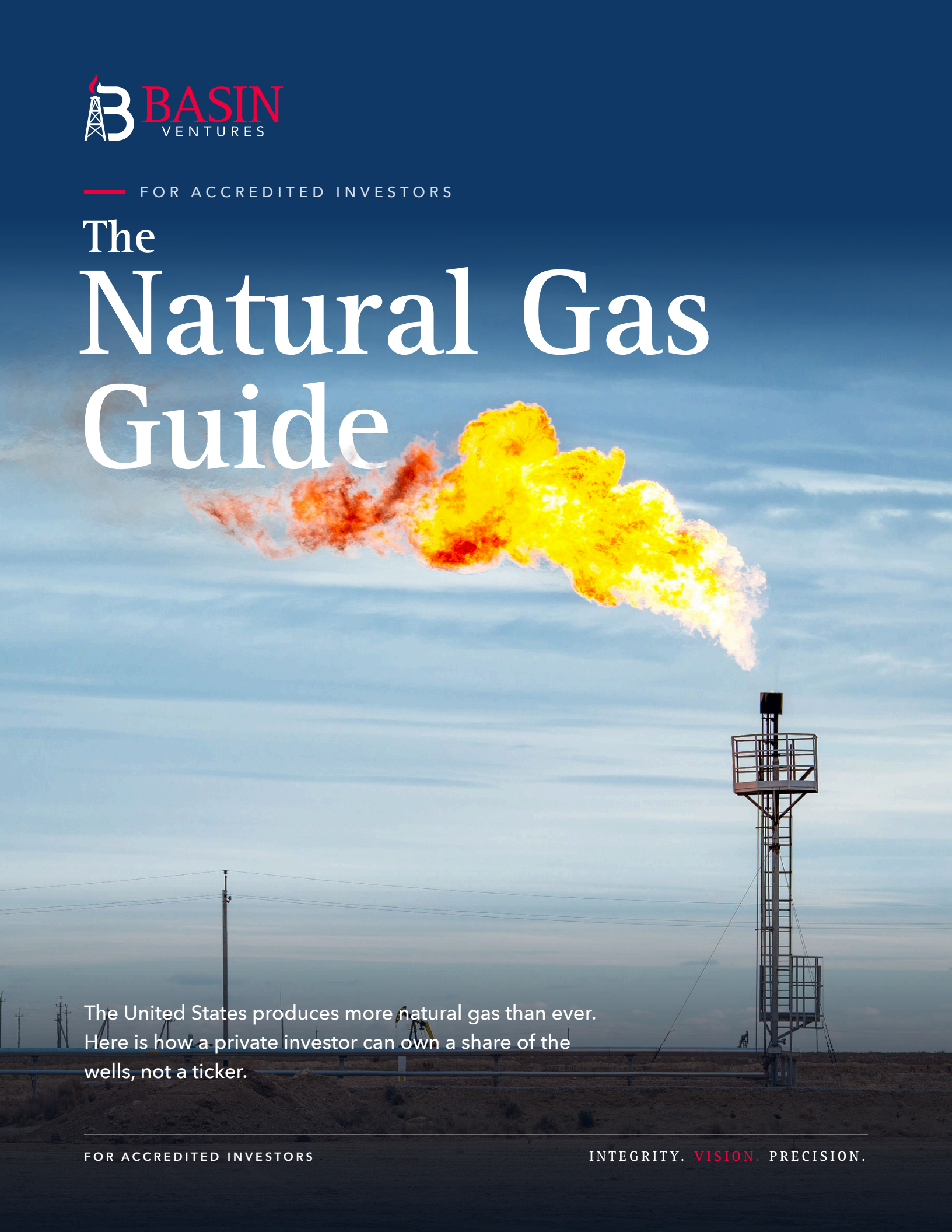
BASIN VENTURES

FOR ACCREDITED INVESTORS

The Natural Gas Guide



The United States produces more natural gas than ever. Here is how a private investor can own a share of the wells, not a ticker.

NATURAL GAS

A share of the wells, not a ticker

The United States produces more natural gas than ever. Here is how a private investor can own a share of the wells, not a ticker.

This guide is general information, not tax, legal or investment advice. Investing involves risk, including possible loss of principal.

Natural gas companies trade on the stock market. A working interest is different: you own a share of specific wells and the revenue from the gas they sell, priced off the same market the utilities buy from.

This guide starts with where US gas comes from, how it is priced and how owning wells differs from owning stocks. Then it covers how working interests, revenue and the tax rules work, and the risks, plainly.

US dry natural gas output set a monthly record of 113.7 billion cubic feet a day in July 2026. Source: U.S. Energy Information Administration.

Henry Hub

The benchmark US gas price, set in Louisiana

Wells

You own a share of specific wells

Monthly

Revenue is paid as production is sold

IN THIS GUIDE

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CHAPTER 01

Where US natural gas comes from

The United States produced a record 113.7 billion cubic feet of dry natural gas a day in July 2026, more than twice what it produced twenty years earlier. Most of it comes from a few shale basins.

Appalachia: the Marcellus and Utica

Shales beneath Pennsylvania, West Virginia and Ohio, among the largest sources of US gas. Most wells there are drilled for gas.

The Haynesville

A deep, high-pressure gas shale in East Texas and north Louisiana, close to the Gulf Coast's pipelines and export terminals.

The Permian

West Texas and southeastern New Mexico. Wells there are drilled for oil, and produce large volumes of gas alongside it.

Gas drilled for, and gas found with oil

Gas from a gas well is called non-associated. Gas that comes up with oil is associated gas, and its volume rises and falls with oil drilling rather than with gas prices.

WHERE IT GOES

Natural gas generates electricity, heats homes and businesses, and feeds industry. A growing share is cooled into liquefied natural gas (LNG) and shipped overseas, which now links US gas more closely to prices abroad. Rising power demand, including for data centers, is one of the newer pulls on supply.

Production: U.S. Energy Information Administration, monthly dry natural gas production, July 2026 (113.7 billion cubic feet a day) and 2005 average (49.5).

CHAPTER 02

How gas is priced: Henry Hub and the local basis

Natural gas has one national benchmark and many local prices. What a well's owners receive depends on both.

HENRY HUB
The national benchmark, set where pipelines meet in Erath, Louisiana

±

LOCAL BASIS
The difference at a local hub, set by pipeline space and demand

=

LOCAL PRICE
Then less gathering, processing and transport, before the owners' share

Simplified. Contracts vary by purchaser and region.

IN CONTEXT

Henry Hub averaged **$2.92** per million Btu in September 2026, lower than about nine in ten months since 1997 in today's dollars. Source: EIA; inflation adjustment with the CPI-U (FRED).

The benchmark

Henry Hub is quoted in dollars per million British thermal units (MMBtu), a measure of the energy in the gas rather than its volume. A thousand cubic feet of gas holds roughly one million Btu.

The local basis

Gas is sold at local hubs, and the gap between a local price and Henry Hub is called the basis. When pipelines out of a region are full, local prices can trade well below Henry Hub; when new pipelines or export terminals open, the gap can narrow.

Monthly and daily prices

Gas is often sold on an index set just before the month begins, or at the average daily price during the month. Gas rich in liquids such as ethane and propane can earn more once those liquids are separated and sold.

CHAPTER 03

Owning gas wells vs owning gas stocks

Natural gas companies trade on the stock market. A working interest is different: you own a share of specific wells and the revenue from the gas they sell.

	WORKING INTEREST IN GAS WELLS	SHARES OF A GAS COMPANY
What you own	A share of specific wells	A share of a company and all its decisions
What drives value	What the wells produce and what the gas sells for	Earnings, debt, management, and how the market values them
What you receive	Your share of revenue, monthly, as gas is sold	Dividends, if the board pays them, and the share price
Tax treatment	Drilling deductions and depletion may qualify	Dividend and capital gains rules
Selling	No public market; plan to hold	Any trading day

Simplified. Tax treatment depends on your circumstances and how the interest is held.

THE TRADE-OFF, PLAINLY

A working interest ties your results to a small number of wells and the operator who runs them, with no way to sell on a bad day. A stock spreads the same exposure across a whole company, and can be sold in seconds, but its price also moves with markets that have nothing to do with gas. Neither is safe; they are different kinds of ownership.

CHAPTER 04

What a working interest is, and is not

A working interest is a direct share of a well: its costs, and the revenue from the oil and gas it sells. It is easy to confuse with three other ways of owning oil and gas.

	WORKING INTEREST	ROYALTY INTEREST	MINERAL RIGHTS	OIL AND GAS STOCK
What you own	A share of the right to drill and produce a lease, and of the wells on it	A share of production, free of drilling and operating costs	The oil and gas in the ground, usually leased to an operator	A share of a company
Pays drilling and operating costs	Yes, its share	No	No, once leased	Not directly
Receives	Its share of revenue, after the royalty owners' share	A fixed fraction of revenue, before costs	A lease bonus, then the royalty set in the lease	Dividends, if paid, and the share price
Drilling deductions (IDCs)	May qualify	No	No	No
Depletion allowance	May qualify	May qualify	May qualify	No
Can you sell it quickly?	No. Plan to hold it	Not easily	Not easily	Yes, on an exchange

Simplified. Tax treatment depends on your circumstances and how the interest is held. Basin Ventures offers working interests only; it has no royalty or mineral product.

WHAT IT IS NOT

Not a stock

There is no ticker and no exchange. You own a share of specific wells.

Not a loan or a bond

There is no promised rate. What you receive depends on what the wells produce and what the oil and gas sell for.

Not fixed income

Revenue rises and falls with prices and production, and declines as wells age.

Not running a well

In a non-operated interest, the operator drills and runs it.

CHAPTER 05

Operated vs non-operated

Every well has one operator and, usually, several working-interest owners. Most owners never set foot on the location. That is the non-operated side, and it is where Basin's investors sit.

THE OPERATOR
Permits, drills, completes and runs the well; sells the oil and gas; sends bills and revenue to the owners

→

BASIN
Selects the wells, negotiates the interests, handles accounting and reporting for investors

→

INVESTORS
Own a share of the wells, pay their share of costs, receive their share of revenue and reports

TERMS YOU WILL SEE

JOA: the joint operating agreement that sets the rules between operator and owners.

AFE: authority for expenditure, the operator's cost estimate for a well, sent before drilling.

Who decides

The operator makes the day-to-day decisions, within the joint operating agreement. Before a new well, it sends each owner an AFE, and each owner elects whether to take part. An owner who declines usually gives up that well's revenue, often with a penalty, until the participating owners recover their costs.

CHAPTER 06

The life of a well

A modern well takes months to plan and weeks to drill, then produces for years. Knowing the stages makes the costs, the timing and the risks easier to follow.

1 Lease and permit

The operator leases the mineral rights, forms a drilling unit and gets a permit from the state regulator.

2 Drill

A rig drills down, often more than a mile, then may turn and drill sideways through the target rock. Steel casing and cement protect groundwater.

3 Complete

Crews perforate the casing and, in most shale wells, fracture the rock in stages so oil and gas can flow.

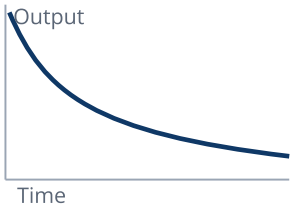
4 Produce

Oil, gas and water flow to the surface, are separated and sold. A pumping unit may be added as pressure falls.

5 Plug and restore

When a well no longer pays to run, it is plugged with cement and the surface is restored, at the owners' cost.

ILLUSTRATIVE DECLINE



A shape, not data: no well's actual output, and not a forecast.

Every well declines

A new well produces the most early in its life. Output then falls, quickly at first and more slowly later. Shale wells typically decline faster in their first years than conventional wells. That shape is why operators keep drilling new wells, and why the tax code allows a depletion deduction on production.

Plugging is a real cost

Every well must eventually be plugged and the site restored. The owners share that cost. It is one of the questions worth asking about any well or interest.

CHAPTER 07

Where the revenue comes from

The money starts with oil and gas sold at the well. Several shares come out before yours, and the check arrives months after the barrels leave.

The well's oil and gas are sold at market prices, adjusted for location and quality

Less the royalty owners' share, set in the lease and paid before costs

Less production taxes charged by the state, and transport and processing

Less the cost of running the well: lease operating expenses

Your share of what remains, by your interest in the well

Simplified order of deductions. Terms vary by lease, operator and purchaser.

WORKING VS NET REVENUE INTEREST

Your **working interest** is your share of the costs. Your **net revenue interest** is your share of revenue after the royalty owners' share. A 1% working interest in a well with a 75% net revenue interest pays 1% of the costs and receives 0.75% of the revenue.

How it is priced

Oil is generally sold at the average market price over the month it is produced. Natural gas is often priced on an index set just before the month begins, or on the average daily price during the month. Either way, the price on a check reflects a past month's market, adjusted for location and quality.

When it arrives

Revenue from a month of production typically arrives about two months after that month ends. So a price move today shows up in checks roughly two to three months later, and only to the extent it lasts through the production month. The first payment on a new interest often takes longer while ownership paperwork is completed.

Typical timing, not a promise about any check. Timing and pricing terms vary by operator and purchaser.

CHAPTER 08

What it costs and when you pay

The largest costs come before the first barrel is sold. After that, the cost of running a well is generally paid out of what it produces.

COST	WHAT IT COVERS	WHEN	TAX TREATMENT, GENERALLY
Drilling and completion, intangible	Rig time, labor, fuel, drilling fluids, cementing, fracturing and other services	Up front, before production	May be deducted in the year incurred (chapter on IDCs)
Equipment, tangible	Casing, tubing, wellhead, pumping unit, tanks, flowlines	Up front, and when equipment is added	Depreciated, possibly with bonus depreciation
Lease operating expenses	Pumping, power, repairs, water disposal, monitoring	Monthly, for the life of the well	Deducted as incurred
Production taxes and transport	State severance taxes, gathering, processing	Monthly, taken from revenue	Deducted from revenue
Plugging and restoration	Cementing the well and restoring the surface	At the end of the well's life	Depends on facts; ask your adviser

HOW COSTS ARE BILLED

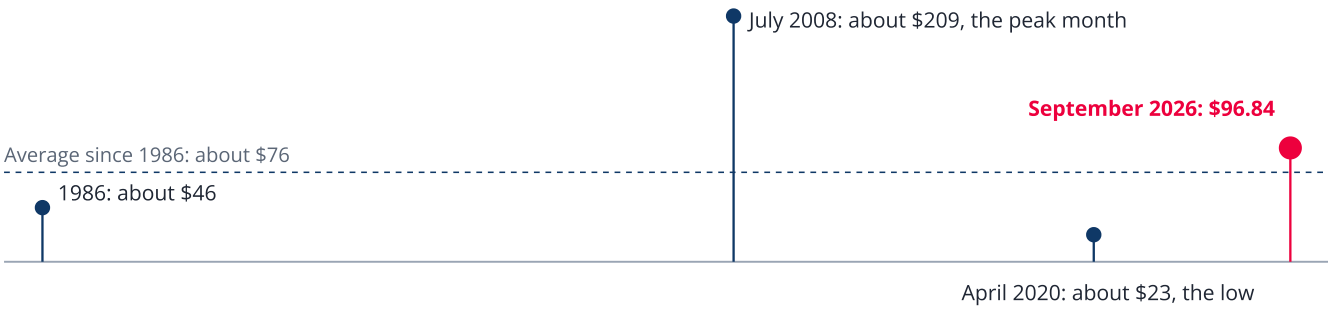
Operators bill owners for their share of costs on a joint interest billing statement, and may ask for drilling funds in advance through a cash call. How an investor pays depends on how the program is structured: some programs collect the drilling capital up front, others call it as wells are drilled. Ask any sponsor how and when costs are called, and what happens if a well costs more than its estimate.

CHAPTER 09

What oil and gas are worth

When the news says oil is $97, it almost always means West Texas Intermediate. A well's owners are paid off that benchmark, adjusted for where the well is and what it produces.

WTI CRUDE, MONTHLY AVERAGE, IN SEPTEMBER 2026 DOLLARS



Selected months only. Source: U.S. Energy Information Administration spot prices, which EIA credits to Refinitiv, an LSEG business; adjusted to September 2026 dollars with the CPI-U (FRED). The daily spot price briefly fell below zero on April 20, 2020. Past prices say nothing about future prices.

THE THREE BENCHMARKS

WTI: light, low-sulfur US crude delivered at Cushing, Oklahoma.

Brent: North Sea crude, the main international reference.

Henry Hub: US natural gas, at a pipeline junction in Erath, Louisiana, quoted per million Btu.

What moves the price

Supply, including OPEC's decisions and how fast US operators add or idle rigs; demand from economic growth, travel and industry; storage, which cushions surprises; disruptions such as wars, sanctions and hurricanes; and the dollar. For natural gas, weather matters most. None of these lets anyone call the next move reliably, and this guide does not try.

What a producer receives

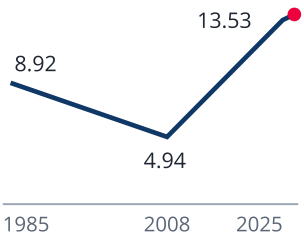
A producer rarely receives the headline price. Oil is priced off WTI, plus or minus a differential for its quality and the cost of moving it to market. Gas is sold at local hubs that can trade well below Henry Hub when pipelines are full.

CHAPTER 10

America's oil and gas output

US crude output fell for most of the 23 years after 1985. Then two techniques, used together, reversed it, and both oil and gas set records in 2026.

US CRUDE OIL, MILLION BARRELS A DAY



Annual averages. September 2026 set the monthly record: 13.95 million barrels a day.

How shale changed the trend

Horizontal drilling turns a well sideways so it runs a mile or more through the rock that holds the oil or gas. Hydraulic fracturing opens that tight rock so the oil and gas can flow. Formations geologists had known about for decades became the backbone of US supply.

US crude output averaged 4.94 million barrels a day in 2008 and 13.53 million in 2025, about 2.7 times as much. The previous all-time high, set in 1970, was passed in 2018. Dry natural gas output set a monthly record of 113.7 billion cubic feet a day in July 2026, and the 2025 average of 107.6 was more than double 2005's 49.5.

Source: U.S. Energy Information Administration (weekly and monthly crude oil field production; monthly dry natural gas production). Figures as of the week ending October 9, 2026, September 2026 (oil) and July 2026 (gas).

CHAPTER 11

The risks, plainly

A tax deduction lowers the after-tax cost of an investment. It does not lower its risk. These are real, and you should weigh them before anything else.

Prices move

Oil and gas prices rise and fall with markets no one controls, and revenue moves with them.

Wells can disappoint

A well can produce less than expected, decline faster than expected, or fail to produce at all.

Drilling can fail

Mechanical problems, delays and cost overruns happen, and the owners share their cost.

Operator risk

Results depend on the operator's decisions, finances and execution, which non-operating owners do not control.

Illiquid

There is no public market for these interests. Plan to hold for the life of the wells.

Loss of capital

You can lose some or all of what you invest.

Tax law changes

The rules in this guide can change, and how they apply depends on your own circumstances.

Timing

Payments lag production by months, and the first payment on a new interest takes longer.

FOR ACCREDITED INVESTORS

These investments are offered only to accredited investors, as the SEC defines them, and only through a confidential private placement memorandum. The memorandum describes every risk in detail. Read it in full, with your own advisers, before you decide.

CHAPTER 12

Working interests and the passive-loss rules

A deduction is only useful if you can use it against the income you actually pay tax on. For a direct interest in a well, one exception in the tax code decides that.

"The term 'passive activity' shall not include any working interest in any oil or gas property which the taxpayer holds directly or through an entity which does not limit the liability of the taxpayer with respect to such interest."

Internal Revenue Code §469(c)(3)(A)

The passive-loss rules

Under Section 469 of the Internal Revenue Code, a business you invest in but do not materially participate in is generally a **passive activity**. Losses from passive activities can generally offset only passive income. They cannot offset wages, business income or portfolio income. Unused passive losses carry forward until you have passive income to use them against, or until you dispose of the activity.

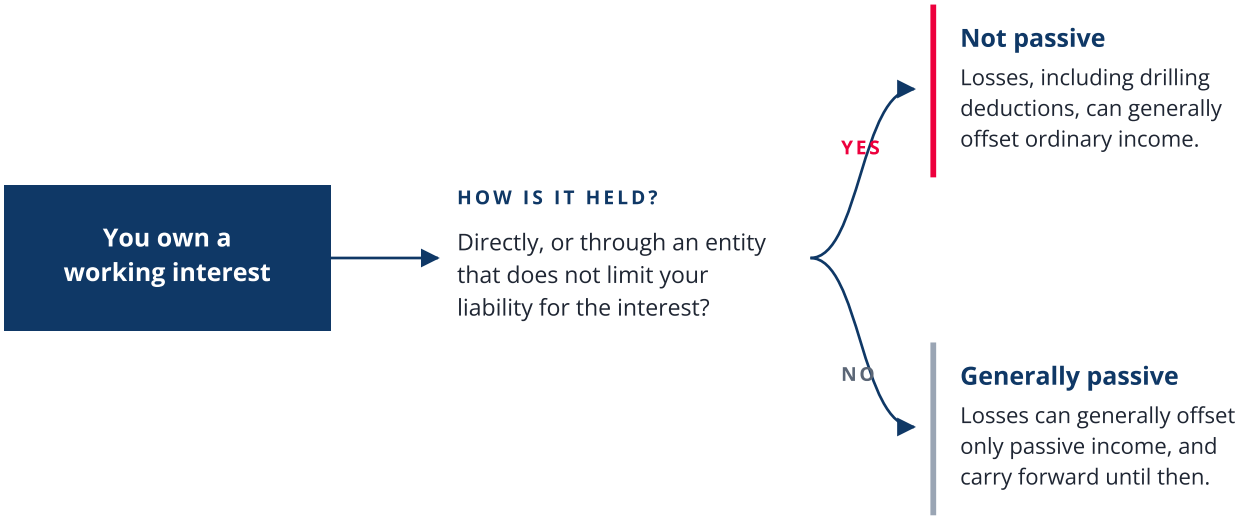
That is why most investment deductions do less than they appear to. A large first-year loss from a passive investment may simply wait, unused, for years.

The working-interest exception

The tax code carves out one exception for oil and gas. A **working interest** held directly, or through an entity that does not limit your liability, is not a passive activity. Losses from it, including first-year drilling deductions, can generally be used against ordinary income such as wages or business income.

The exception applies whether or not you materially participate (§469(c)(4)). You do not need to run the well, visit it or spend a set number of hours on it.

HOW THE PASSIVE-LOSS QUESTION IS DECIDED



Simplified. The at-risk and basis limits apply first, and other passive-activity rules can still apply. Your tax adviser applies them to your facts.

What a working interest is

An ownership share in a well that carries a share of the costs of drilling and operating it, and a share of the revenue from production. A royalty, by contrast, receives revenue without bearing costs. The working-interest owner's exposure to those costs is the reason the tax code treats it differently.

What to watch

How the interest is held

An interest held through an entity that limits your liability, such as a limited partnership interest or a limited liability company, can make the activity passive. The form of ownership matters as much as the asset. Ask how a particular program is structured, and have your adviser confirm how it is treated for you.

Once non-passive, later income is too

If you deduct a loss from the interest as non-passive, net income from that property in later years is also treated as non-passive (§469(c)(3)(B)). It cannot be used to absorb passive losses from your other investments.

At-risk and basis limits come first

Deductions are limited to the amount you have at risk in the investment and to your basis in it. Those limits are applied before the passive-loss question.

CHAPTER 13

Intangible drilling costs, in plain English

Most of what it costs to drill a well leaves nothing behind that could be salvaged or sold. The tax code lets that cost be deducted when it is spent.

EXAMPLES OF IDCS

- Labor and rig time
- Site preparation and roads
- Fuel and power
- Drilling mud and chemicals
- Cementing and logging services
- Completion and fracturing services

What they are

Intangible drilling costs (IDCs) are the costs of drilling and preparing a well that have no salvage value: labor, fuel, site work, drilling fluids and the services of the companies that drill and complete it. Section 263(c) of the Internal Revenue Code preserves the option to deduct them as expenses rather than capitalize them.

Deducted in the year incurred

An investor who elects to expense IDCs generally deducts them in the year they are incurred, rather than over the life of the well. For most drilling investments this is the largest part of the first-year deduction, and it is why direct investments in domestic drilling may qualify for up to a 100% write-off in year one.

How much of a given investment is IDC varies by program and by well. The offering documents describe it, and your year-end tax reporting shows the actual figure.

WHERE THE MONEY GOES IN A WELL, AND HOW EACH PART IS TREATED

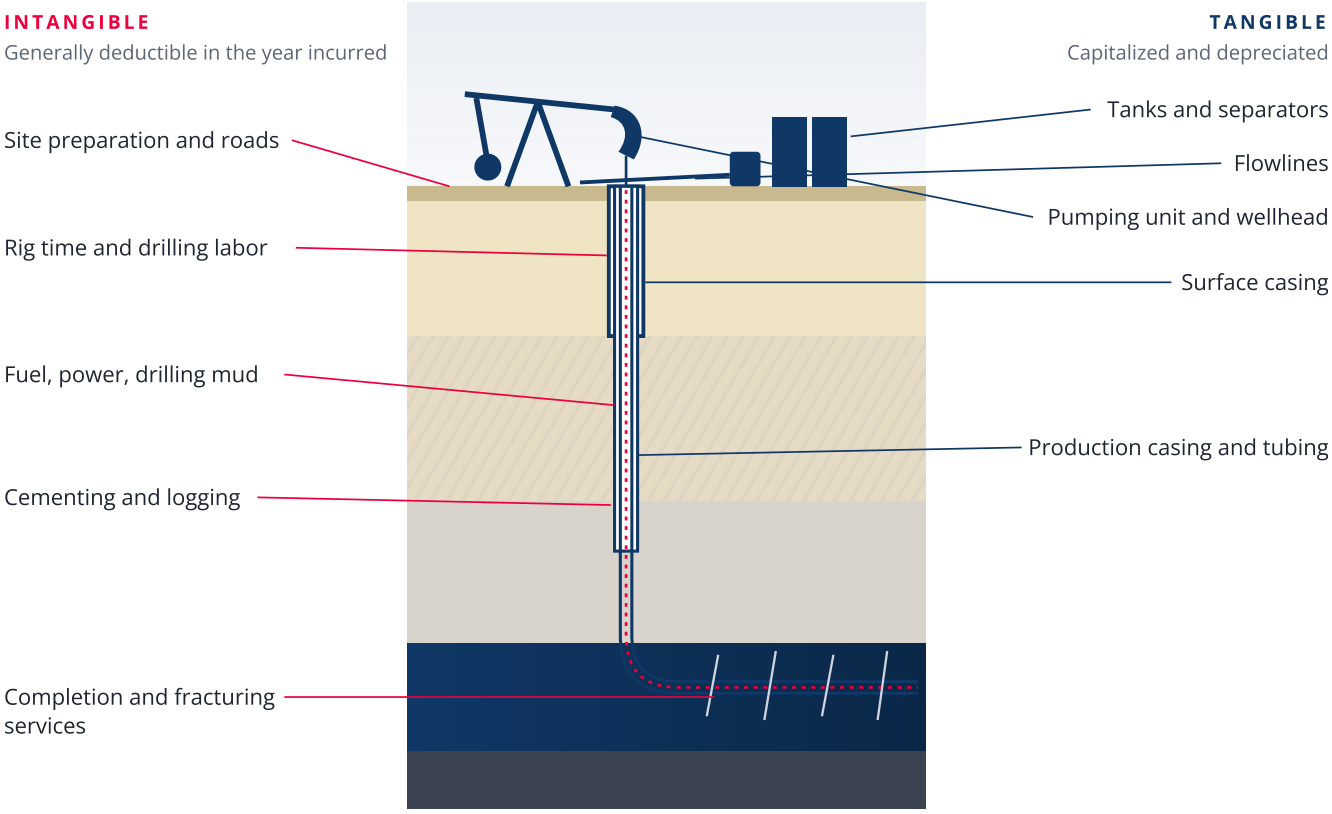


Illustration of a horizontal well. The split between intangible and tangible costs differs from well to well.

Whether the well produces does not change it

The deduction follows the cost, not the outcome. IDCs on a well that does not produce are deductible like any others. That lowers the after-tax cost of a dry hole; it does not remove the risk of loss.

Or spread over 60 months

Instead of deducting IDCs at once, you can elect under Section 59(e) to deduct some or all of them ratably over 60 months. That can make sense in a year when your income is unusually low, or when the alternative minimum tax is a concern: amounts deducted this way are not treated as an AMT preference item.

Domestic wells only

The option to expense IDCs applies to wells in the United States. Costs of wells outside the country are recovered under different rules.

CHAPTER 14

Tangible costs and how they are depreciated

The equipment that stays with a well, casing, tubing, the wellhead, pumping units, tanks and separators, keeps its value. The tax code recovers its cost over time.

EXAMPLES OF TANGIBLE COSTS

- Surface and production casing
- Tubing
- Wellhead
- Pumping unit
- Tanks and separators
- Flowlines

Depreciation

Tangible drilling costs are capitalized and recovered through depreciation. Under the Modified Accelerated Cost Recovery System (MACRS), equipment used in oil and gas production generally falls in the seven-year recovery class.

Bonus depreciation

The 2025 tax law (Public Law 119-21) made 100% additional first-year depreciation permanent for qualified property acquired after January 19, 2025. Where it applies, tangible costs may also be deducted in the first year rather than over seven. It applies to qualified property, and a taxpayer can elect out of it, which can be worthwhile when a deduction is worth more in a later year.

Recapture on a sale

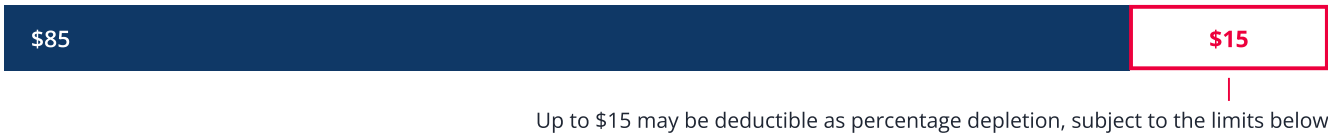
Depreciation reduces your basis in the equipment. If the interest is later sold, depreciation taken is generally taxed as ordinary income up to the amount of the gain. Chapter 17 covers sales in more detail.

CHAPTER 15

The 15% depletion allowance

Oil and gas in the ground are used up as they are produced. The depletion allowance recognizes that with a deduction on the income from production.

EACH $100 OF GROSS INCOME FROM THE PROPERTY



Two methods

Cost depletion recovers your cost basis in proportion to the reserves produced each year. **Percentage depletion** is a fixed share of gross income. Each year you generally deduct whichever is larger.

Percentage depletion

Independent producers and royalty owners may deduct **15% of the gross income** from an oil or gas property (§613A(c)). Unlike cost depletion, it is based on income rather than cost, so it can continue after the cost of the investment has been fully recovered. It can reduce the taxable portion of production income; it does not make that income tax-free.

THE LIMITS

Production

Applies to up to 1,000 barrels a day of average production per taxpayer, with each 6,000 cubic feet of natural gas counted as one barrel.

Income from the property

Cannot exceed 100% of the taxable income from the property, figured before depletion.

Your taxable income

Cannot exceed 65% of your overall taxable income for the year; any excess carries forward to the next year.

Who qualifies

Not available to integrated oil companies, meaning large refiners and retailers. Individual investors are generally independent producers or royalty owners for this purpose.

Sources: Internal Revenue Code §613 and §613A.

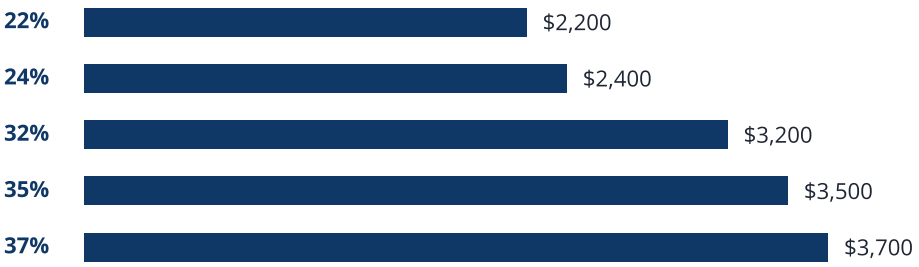
CHAPTER 16

Deductions, credits and the 2026 brackets

A **deduction** lowers the income you are taxed on, so its value depends on your bracket. A **credit** lowers the tax itself, dollar for dollar, whatever your bracket. The drilling provisions in this guide are deductions.

Rates apply progressively: only the income within each band is taxed at that band's rate. A large deduction can move part of your income into a lower band. Your adviser can model what that is worth for you.

FEDERAL TAX SAVED BY A $10,000 DEDUCTION, BY BRACKET



Arithmetic illustration, assuming all $10,000 falls within one bracket. Federal income tax only; state tax and other limits not included. Not a projection of any investment.

2026 FEDERAL INCOME TAX BRACKETS: TAXABLE INCOME WHERE EACH RATE BEGINS

RATE	SINGLE	MARRIED FILING JOINTLY	MARRIED FILING SEPARATELY	HEAD OF HOUSEHOLD
10%	$0	$0	$0	$0
12%	$12,400	$24,800	$12,400	$17,700
22%	$50,400	$100,800	$50,400	$67,450
24%	$105,700	$211,400	$105,700	$105,700
32%	$201,775	$403,550	$201,775	$201,750
35%	$256,225	$512,450	$256,225	$256,200
37%	$640,600	$768,700	$384,350	$640,600
Standard deduction	$16,100	$32,200	$16,100	$24,150

Each rate applies to taxable income over the amount shown, up to the amount in the next row. Source: IRS Revenue Procedure 2025-32, sections 4.01 (tax rate tables) and 4.14 (standard deduction), released October 9, 2025 (IR-2025-103). For tax year 2026, the return filed in 2027.

CHAPTER 17

Other provisions, in brief

Selling an interest

A gain on an interest held more than a year is generally a long-term capital gain, taxed at 0%, 15% or 20%. In 2026 the 15% rate begins above $49,450 of taxable income for single filers ($98,900 married filing jointly) and the 20% rate above $545,500 ($613,700). On an oil and gas interest, though, IDCs and depreciation deducted earlier are generally **recaptured as ordinary income** first (§1254 and §1245), so the capital-gain portion may be smaller than the total gain.

Breakpoints: IRS Revenue Procedure 2025-32, section 4.03.

Alternative minimum tax

For taxpayers that are not integrated oil companies, IDCs are generally kept out of the AMT preference calculation, subject to a limit tied to 40% of alternative minimum taxable income (§57(a)(2)(E)). Percentage depletion figured under §613A(c) is not an AMT preference. If you pay AMT, or come close, have your adviser run both calculations.

State income taxes

States do not always follow the federal treatment of IDCs, bonus depreciation or depletion. Texas has no personal income tax and taxes oil and gas through severance taxes on production, with reductions for some types of wells. If you live in a state with an income tax, ask how it treats each federal deduction.

Lease costs

The cost of acquiring leases is capitalized and recovered through depletion. It matters mostly to operators and lease buyers, and is not covered here.

The enhanced oil recovery credit

This credit (§43) for certain recovery methods phases out as oil prices rise. At recent prices, investors should not count on it.

CHAPTER 18

Questions to bring to your CPA

Every provision in this guide depends on your circumstances. These are the questions that settle whether, and how much, it applies to you.

01	Will this interest be non-passive for me?	Given how the interest is held, does the working-interest exception apply?
02	How much is intangible drilling cost?	And in which tax year is it deductible?
03	Expense now, or over 60 months?	Is the Section 59(e) election better in my situation?
04	Do the at-risk and basis limits affect me?	How much of the deduction can I use this year?
05	Does bonus depreciation apply?	To the tangible equipment, and do I want it?
06	What is the deduction worth at my rates?	Federal and state, including any move to a lower bracket.
07	Am I affected by the AMT?	Run it both ways before year end.
08	How will production income be taxed?	And how much may percentage depletion offset?
09	What happens if I sell?	Including recapture of IDCs and depreciation.
10	Should I change my estimated payments?	For the rest of 2026 and for 2027.

CHAPTER 19

The Permian, the Eagle Ford and the rest

Texas produced 42.5% of all US crude oil in 2022, more than any other state, and about a quarter of its natural gas. Most of it comes from a handful of basins.

The Permian

West Texas and southeastern New Mexico. The Railroad Commission of Texas puts it at nearly 40% of all US oil production and nearly 15% of US natural gas.

The Eagle Ford

A shale trend running across Texas from the Mexican border into East Texas, roughly 50 miles wide and 400 miles long, producing oil, gas and natural gas liquids.

The Barnett

North Central Texas, from Dallas west and south over some 5,000 square miles.

The Haynesville

A deep gas shale in East Texas and north Louisiana, close to Gulf Coast pipelines and export terminals.

Sources: U.S. Energy Information Administration, Where our oil comes from and Where our natural gas comes from (2022 data: Texas 42.5% of US crude oil, 24.6% of US natural gas); Railroad Commission of Texas, Major Oil and Gas Formations (Permian share credited to the Federal Reserve Bank of Dallas; Eagle Ford and Barnett extents), viewed October 2026.

CHAPTER 20

How a Texas well gets drilled and paid

In Texas, oil and gas are regulated by the Railroad Commission, a name left over from its first job. Its records are public, and they are the first place to check any Texas well.

TEXAS PRODUCTION TAXES

Oil: 4.6% of market value.

Natural gas: 7.5% of market value.

Reduced rates apply to some wells, such as enhanced recovery projects and high-cost gas. Source: Texas Comptroller of Public Accounts, viewed October 2026.

The regulator

The Railroad Commission of Texas is the state agency with primary jurisdiction over the oil and gas industry. Operators file for a drilling permit before a well is drilled and report its production every month.

Public records

Anyone can look up a Texas well's permit and its production history in the Commission's online research queries. If someone offers you a Texas well or an interest in one, those records should match what you are told.

Taxes and royalties

The state taxes oil and gas when they are produced, and the tax comes out of revenue before the owners are paid. Royalties go to the mineral owners. Texas has no personal income tax, so a Texas resident's share is taxed federally; residents of other states should ask how their own state treats it.

CHAPTER 21

Buying a whole well vs buying an interest

Most people searching for an oil well do not want a lease, a crew and a pumper. They want to own the production. The difference is who answers for the well.

OWN THE WELL OUTRIGHT

You become the operator, or hire one. You own the lease, the equipment, the crew, the repairs and the regulators.

Operator of record

A well owned outright needs an operator registered with the state, with bonding and regular reporting.

Royalties to pay

The mineral owners' royalty is paid from production, on schedule, whatever the well earns.

Repairs and downtime

Pumps fail and lines leak. Each repair is your call and your bill, and the well earns nothing while it is down.

Plugging liability

When the well is done, plugging it and restoring the site falls to the owner.

A **working interest** is a share of wells run by an established operator. You pay your share of the costs and receive your share of revenue, and the operator handles everything on site.

CHAPTER 22

What a listing will not tell you

A listing for a producing well usually leads with this month's production and price. What decides its value is everything after this month.

How fast it is declining

Today's output says little without the history behind it. Ask for monthly production since first sales.

Working vs net revenue interest

A 10% working interest pays 10% of costs but may receive well under 10% of revenue.

What it costs to run

Lease operating expenses can consume much of an older well's revenue.

Who operates it

The operator's skill and finances drive results. A small or struggling operator is a risk of its own.

Title and lease status

Leases can lapse if production stops. Title defects can cloud who is owed what.

Plugging liability

Someone will pay to plug the well. Find out whether that someone is you.

Condition of the equipment

Old pumps, tanks and lines mean repair bills and downtime.

Regulatory standing

Production and permit records are public with the state regulator. Check them against the listing.

CHAPTER 23

Red flags to walk away from

Oil and gas has a long history of honest operators, and of schemes. These signs show up again and again in the second kind.

01	Guaranteed returns, or “no risk”	Every well carries risk. Anyone who promises otherwise is not describing oil and gas.
02	Pressure to decide today	A real offering will still be there after you read the documents and talk to your adviser.
03	Production or payout presented as certain	Estimates are estimates. Ask what they are based on and what happens if they are wrong.
04	No offering documents	Private offerings are made through written offering documents that describe the risks in full.
05	No check that you are accredited	Offerings to accredited investors require that status to be confirmed.
06	No named operator or well	You should be able to look up the operator and the well’s permit and production records with the state regulator.
07	Unusual payment instructions	Wires to a personal account, or payment in cryptocurrency or gift cards.
08	A seller who cannot be checked	Look up the person on FINRA BrokerCheck and the offering’s Form D filing on the SEC’s EDGAR.

CHAPTER 24

Questions to ask any sponsor

Ask these of anyone offering an oil and gas investment, us included. A good sponsor will answer every one plainly, and in writing.

01	How are the wells chosen?	Who decides, on what criteria, and in which basins?
02	Who operates them?	Can I look up the operator, the wells and their records?
03	How will my interest be held?	Directly, or through an entity, and what that means for my taxes.
04	What are all the costs and fees?	Including the sponsor's own compensation and any carried interest.
05	How and when are costs called?	And what happens if a well costs more than its estimate?
06	How and when is revenue paid?	What statements will I receive, and how often?
07	Who prepares my tax documents?	And when will I receive them each year?
08	What are the risks?	Where are they described in full?
09	Can I get out?	What happens if I need to sell, or if the sponsor does?
10	Who do I call?	A real person for accounting and reporting questions.

WHAT HAPPENS NEXT

A conversation first.
A decision on your terms.

1 **Read the guide**

Take your time with it, and share it with your CPA or financial adviser.

2 **Talk with our team**

If it fits what you are looking for, a member of our investor relations team will answer your questions. No pressure, no script.

3 **Review the documents**

Every offering is made through a confidential private placement memorandum, and accreditation is verified before anyone invests.

CALL OUR INVESTOR RELATIONS TEAM

877.427.4707

OR LEARN MORE AT

basinventures.com

Not an offer to sell or a solicitation of an offer to buy any security; offers are made only through confidential offering documents. Investing involves risk, including possible loss of principal. Tax benefits depend on individual circumstances. Basin Ventures II, LLC.

IMPORTANT INFORMATION

General information, not advice

This guide is general information about federal tax law and oil and gas ownership as they apply to the 2026 tax year. It is not tax, legal or investment advice and does not take into account any reader's circumstances. Tax law changes, and its application depends on individual facts. Tax benefits depend on individual circumstances; consult your own tax adviser before making any decision.

About Basin Ventures

Basin Ventures, based in Southlake, Texas, offers accredited investors ownership of non-operated working interests in domestic oil and gas wells.

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Sources

IRS Revenue Procedure 2025-32, released October 9, 2025 (IR-2025-103): 2026 tax rate tables, standard deduction and capital gains breakpoints. Internal Revenue Code §§43, 57, 59(e), 168, 263(c), 461(i), 469, 613, 613A, 1245, 1254. IRS summary of Public Law 119-21 (2025), section 70301. Current as of October 2026.

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