



STATE BOARD OF EQUALIZATION

April 23, 1968

A--- Company  
XXX South --- Drive  
---, IL XXXXX

Attention: Mr. G--- E. G---  
Counsel – Secretary

SY -- XX XXXXXX  
E--- O--- W---  
Survey Company

Gentlemen:

Thank you for your letter of April 3, 1968.

I talked to Mr. J. T. Q--- prior to the time of writing my letter of March 13, 1968, regarding D--- D---’s operation. He informed me that the facts related in his letter were the ones presented to him by D--- D---. In view of the statement in your letter that the operations of D--- D--- and E--- are identical, I will request Mr. Quick to check into the matter with D--- D---.

In my letter, I did not mean to infer that Eastman supplies all the drilling equipment. We are only taxing the equipment that we consider Eastman is leasing to its customers.

You state that the employees of Eastman come to the job of the customer with the deflecting tools and take charge of the particular task. On one hand, they supervise many of the manual tasks which the field hands of the customers are directed to perform. On the other hand, they perform the actual directional drilling operations.

From this latter statement, do you mean that your employees physically perform the directional drilling operations, or do they merely supervise the customer’s employees and the customer’s employees do the actual drilling?

Very truly yours,

Glenn L. Rigby  
Tax Counsel

GLR:kc  
cc: Out-of-State – District Administrator



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Gentlemen:

After carefully reviewing all the material and correspondence, it is still our opinion that E--- is leasing tangible personal property and not performing a nontaxable service.

Our conclusion for considering E---’s operation as a lease of tangible personal property has been spelled out in some detail in my earlier letter, and it is felt that it would be redundant to again set them forth. Basically, we consider that a rental has occurred for the following reasons:

1. Although E--- has a supervisor at the jobsite who directs the driller as to how much weight and pressure to apply, the actual drilling operations are done by the employees and on the rigs of E---’s customer;
2. E--- is not responsible for any damage that may result in the drilling operation;
3. If any tools are lost or damaged in the well, the customer is responsible for them; and
4. E--- is not responsible for the results of the drilling operations.

In view of this conclusion, we would appreciate receiving the information requested in the second to the last paragraph of my letter of March 13, 1968.

A--- Company  
SY -- XX XXXXXX

-2-

July 10, 1968  
330.2450

If an informal hearing at our Sacramento headquarters office is still desired, please let us know within the next 30 days as to the time or times it would be convenient for you to meet with us.

Very truly yours,

Glenn L. Rigby  
Tax Counsel

GLR:kc

cc: Out-of-State – District Administrator