

WYOMING OIL AND GAS STATE TAXES

Severance Taxes¹ **6%** on normal production (tax on oil was 4% effective 1/1/99-11/30/1999)

4% on oil stripper wells (10 bpd or less if average price is over \$20/bbl, 15 bpd if average price is under \$20/bbl) (tax was 3% effective 1/1/99-11/30/1999)

Ad Valorem Taxes² (Statewide Mineral Tax District Average = **6.6** (6.6065))

<u>County</u>	<u>2002 Tax</u>	<u>County</u>	<u>2002 Tax</u>
Albany	6.6 (6.5940)	Natrona	6.7 (6.7276)
Big Horn	7.6 (7.6036)	Niobrara	6.9 (6.8500)
Campbell	5.9 (5.9422)	Park	7.3 (7.3437)
Carbon	6.2 (6.2374)	Platte	6.6 (6.6182)
Converse	5.8 (5.8165)	Sheridan	6.5 (6.4605)
Crook	6.1 (6.0565)	Sublette	6.0 (5.9571)
Fremont	7.3 (7.3416)	Sweetwater	6.6 (6.6458)
Goshen	6.8 (6.7965)	Teton	5.9 (5.9142)
Hot Springs	6.9 (6.9425)	Uinta	6.3 (6.3298)
Johnson	6.6 (6.6484)	Washakie	7.1 (7.0762)
Laramie	6.7 (6.6855)	Weston	7.0 (7.0083)
Lincoln	6.4 (6.3542)		

These are 2003 ad valorem taxes (latest available) which are applied against 2002 production. The figures are reassessed every July and available usually by November 1 of every year. Changes usually vary only a few hundredths of a percent from year to year.

Mill levy is assessed against the market value of the oil or gas minus the basic royalty. In case of oil, if it must be trucked to a market point, then this transportation charge is also subtracted. If the pipeline is used for transporting, then the mill levy is assessed against the well head value.

Wyoming Oil and Gas Tax Variances (see footnotes for detailed description)

- A. Tertiary Oil Production - **4%** severance tax for 1st 5 years.³
(This rate was 3% from 1/1/99 to 11/30/1999)¹.
- B. Renewed Production - **1.5%** severance tax for 1st 60 months of production.⁴
- C. Workover/Recompletion Production - **2%** Severance Tax for 1st 24 months of production after workover/recompletion.⁵
- D. New Wells Drilled (7/1/93-3/31/03)- **2%** severance tax for 1st 24 months of production up to 60 bbls/day or 6 MCF/bbl gas equivalent.⁶

Wyoming Oil and Gas Conservation Tax **0.080%** (effective 3/1/02)⁷

Tribal Severance Tax **8.5%** on non-stripper oil production and gas production (effective 4/1/89)
4% on oil stripper wells (10 bpd or less).⁸

¹ Rick Meese, State of Wyoming, Revenue and Taxation Division, Mineral Tax Section, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming, 82002-0110, 307-777-7867, Fax, 307-777-7849. The historical 6% severance tax on normal production is imposed by four subsections (i, ii, iii, and iv) of Wyoming Statute (W.S.), 39-14-204(a), each subsection imposing a (excise) tax. On March 3, 1999, House Bill 274 was signed into law. This legislation modifies W.S. 39-14-204(a)(iii) and (iv) to reduce the severance tax in each subsection on crude oil by one (1) percent effective January 1, 1999. The reduced rate continued until November 30, 1999, when the average monthly price equaled or exceeded \$20.00 per barrel for three (3) consecutive months. In summary, the severance tax for crude oil was reduced from 6% to 4% for normal production, and stripper and tertiary oil production was reduced from 4% to 3%, effective January 1, 1999, through November 30, 1999.

² Rick Meese, State of Wyoming, Revenue and Taxation Division, Mineral Tax Section, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming, 82002-0110, 307-777-7867, Fax, 307-777-7849. Also can be found at the Wyoming Department of Revenue web site under Mineral Division.

³ Tertiary production resulting from projects certified by the Wyoming Oil and Gas Conservation Commission after July 1, 1985, and before March 31, 2001, is exempt from two percent (2%) of the severance tax imposed by W.S. 39-14-204(a)(iii) for a period of five (5) years from date of first tertiary production. This tertiary oil tax is applied to incremental production from a baseline calculation. This tertiary incentive has been reinacted effective January 1, 2003 to March 30, 2008 (no tertiary incentive in months where the price exceeds \$27.50/bbl).

⁴ Oil produced from previously shut-in wells is exempt from all but 1.5% of severance tax for the first 60 months of renewed production or until the average price received exceeds twenty-five dollars (\$25.00) per barrel for six months, whichever occurs first. The oil well must have been shut in from at least January 1, 1993, to December 31, 1994.

⁵ Incremental oil or gas production resulting from a workover or recompletion of an oil or gas well between July 1, 1993, and March 31, 2001, shall be exempt from the taxes imposed by W.S. 39-14-204(a)(iii) and (iv) for a period of twenty-four (24) months immediately following the workover or recompletion.

⁶ Oil and gas produced from wells drilled between July 1, 1993, and March 31, 2003, except collection wells, is exempt from the excise taxes imposed by W.S. 39-14-204(a)(iii) and (iv) for the first twenty-four (24) months of production on oil production up to sixty (60) barrels per day or its equivalency in gas production, which for purposes of this subsection shall be six (6) MCF gas production for one (1) barrel oil production, or until the price received by the producer for the new production is equal to or exceeds twenty-five dollars (\$25.00) per barrel of oil or two dollars and seventy-five (\$2.75) per MCF of natural gas for the preceding six (6) month period of time.

⁷Linda Emmons, Wyoming Oil and Gas Conservation Commission, P. O. Box 2640, Casper, Wyoming, 82602, 307-234-7147.

⁸Terry Fisher, Wind River Severance Tax Commission, P. O. Box 830, Fort Washakie, Wyoming, 82514, 307-332-7835.

Rob Coleman
(1/26/04)
Attachment 1-2