SENATE FILE NO. SF0134

Severance tax-exemption.

Sponsored by: Senator(s) Perkins, Bebout and Coe and Representative(s) Burkhart, Obermueller and Walters

A BILL

for

AN ACT relating to mine product taxes; providing exemptions for production of crude oil and natural gas; providing limitations on the exemptions; and providing for an effective date.

Be It Enacted by the Legislature of the State of Wyoming:

Section 1. W.S. 39-14-205(d), (h) and by creating new subsections (n) through (r) is amended to read:

39-14-205. Exemptions.

(d) In the case of tertiary production of crude oil resulting from injection of carbon dioxide gas, all Wyoming severance taxes paid on the carbon dioxide gas injected shall be deducted from and allowed as a credit against the severance taxes imposed on the oil produced by the injection. The credit under this subsection shall not apply if the exemption under subsection (p) of this section is taken for the production of crude oil or natural gas resulting from injection of carbon dioxide gas.

(h) Crude oil produced from previously shut-in wells is exempt from the severance taxes imposed by W.S. 39-14-204(a)(ii), (iii) and (iv) for the first ~~sixty (60)~~ twenty-four (24) months of renewed production. ~~or until the average price received by the producer for the renewed production is equal to or exceeds twenty-five dollars ($25.00) per barrel of oil for the preceding six (6) months, whichever sooner occurs.~~ The exemption under this subsection shall not apply to wells that were shut-in for less than twelve (12) months. Subject to subsection (q) of this section, the exemption under this subsection shall not apply to production of sweet crude oil when the West Texas Intermediate (WTI) price of sweet crude oil is eighty dollars ($80.00) or more at the time of production or to the production of sour crude oil when the Western Canadian Select (WCS) price of sour crude oil is sixty dollars ($60.00) or more at the time of production. The exemption under this subsection shall only apply to fifty percent (50%) of production of sweet crude oil when the WTI price is more than sixty dollars ($60.00) and less than eighty dollars ($80.00) at the time of production or to fifty percent (50%) of production of sour crude oil when the WCS price of sour crude oil is more than forty dollars ($40.00) and less than sixty dollars ($60.00) at the time of production.

(n) Crude oil and natural gas produced from wells where production is first reported pursuant to W.S. 39-14-207(a)(i) on or after July 1, 2019, after certification by the oil and gas conservation commission, is exempt from the severance taxes imposed by W.S. 39-14-204(a)(iii) and (iv) for twenty-four (24) months after production is first commenced. Subject to subsection (q) of this section, the exemption under this subsection shall not apply to sweet crude oil production when the West Texas Intermediate (WTI) price of sweet crude oil is eighty dollars ($80.00) or more at the time of production or to the production of sour crude oil when the Western Canadian Select (WCS) price of sour crude oil is sixty dollars ($60.00) or more at the time of production and shall not apply to natural gas production when the Colorado

Interstate Gas (CIG) spot price for natural gas is six dollars ($6.00) or more per thousand cubic feet (MCF) at the time of production. The exemption under this subsection shall only apply to fifty percent (50%) of crude oil production when the WTI price of sweet crude oil is more than sixty dollars ($60.00) and less than eighty dollars ($80.00) at the time of production or to fifty percent (50%) of production of sour crude oil when the WCS price of sour crude oil is more than forty dollars ($40.00) and less than sixty dollars ($60.00) at the time of production and shall only apply to fifty percent (50%) of natural gas production when the CIG spot price for natural gas is more than five dollars ($5.00) per MCF and less than six dollars ($6.00) per MCF at the time of production.

(o) Crude oil or natural gas production from a well where a capital workover or recompletion takes place, after certification by the oil and gas conservation commission, is exempt from the severance taxes imposed by W.S. 39-14-204(a)(iii) and (iv) for the first twenty-four (24) months of production following the workover or recompletion. Subject to subsection (q) of this section, the exemption under this subsection shall not apply to sweet crude oil production when the West Texas Intermediate (WTI) price of oil is eighty dollars ($80.00) or more at the time of production or to the production of sour crude oil when the Western Canadian Select (WCS) price of sour crude oil is sixty dollars ($60.00) or more at the time of production and shall not apply to natural gas production when the Colorado Interstate Gas (CIG) spot price for natural gas is six dollars ($6.00) or more per thousand cubic feet (MCF) at the time of production. The exemption under this subsection shall only apply to fifty percent (50%) of sweet crude oil production when the WTI price of oil is more than sixty dollars ($60.00) and less than eighty dollars ($80.00) at the time of production or to fifty percent (50%) of production of sour crude oil when the WCS price of sour crude oil is more than forty dollars ($40.00) and less than sixty dollars ($60.00) at the time of production and shall only apply to fifty percent (50%) of natural gas production when the CIG spot price for natural gas is more than five dollars ($5.00) per MCF and less than six dollars ($6.00) per MCF at the time of production. The oil and gas conservation commission, in consultation with the department, shall adopt rules necessary to administer this subsection.

(p) Unless a credit is taken under subsection (d) of this section, incremental crude oil or natural gas production resulting from tertiary production of crude oil by injection of carbon dioxide gas or other tertiary injection of an oil field is exempt from the severance taxes imposed by W.S. 39-14-204(a)(iii) and (iv) for the first twenty-four (24) months of production following the tertiary injection. Subject to subsection (q) of this section, the exemption under this subsection shall not apply to sweet crude oil production when the West Texas Intermediate (WTI) price of sweet crude oil is eighty dollars ($80.00) or more at the time of production or to the production of sour crude oil when the Western Canadian Select (WCS) price of sour crude oil is sixty dollars ($60.00) or more at the time of production and shall not apply to natural gas production when the Colorado Interstate Gas (CIG) spot price for natural gas is six dollars ($6.00) or more per thousand cubic feet (MCF) at the time of production. The exemption under this subsection shall only apply to fifty percent (50%) of sweet crude oil production when the WTI price of oil is more than sixty dollars ($60.00) and less than eighty dollars ($80.00) at the time of production or to fifty percent (50%) of production of sour crude oil when the WCS price of sour crude oil is more than forty dollars ($40.00) and less than sixty dollars ($60.00) at the time of production and shall only apply to fifty percent (50%) of natural gas production when the CIG spot price for natural gas is more than five dollars ($5.00) per MCF and less than six dollars ($6.00) per MCF at the time of production.

(q) In determining exemptions under subsections (h) through (p) of this section, the department shall apply exemptions only in months when the previous six (6) month rolling average of the West Texas Intermediate (WTI), Western Canadian Select (WCS) or Colorado Interstate Gas (CIG) spot price, as applicable, is within the range specified in subsections (h) through (p) of this section. The department shall calculate the six (6) month rolling average under this subsection based on the monthly average of daily spot prices for WTI, WCS and CIG for the immediately preceding six (6) month period. The department shall post the most recent monthly average and the six (6) month rolling average for the WTI, WCS and CIG prices on its website.

(r) As used in this section:

(i) "Sour crude oil" means crude oil production containing one-half of one percent (0.5%) or more of sulfur;

(ii) "Sweet crude oil" means crude oil production containing less than one-half of one percent (0.5%) of sulfur.

Section 2. This act is effective July 1, 2019.

(END)