

HOUSE BILL NO. HB0011

Oil and gas production tax exemption.

Sponsored by: Joint Minerals, Business & Economic
Development Interim Committee

A BILL

for

1 AN ACT relating to mine product taxes; providing an
2 exemption on taxes for the production of crude oil and
3 natural gas as specified; requiring reports; requiring
4 rulemaking; and providing for an effective date.

5

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

7

8 **Section 1.** W.S. 39-14-204(a)(iii) and (iv) and
9 39-14-205 by creating new subsections (p) through (r) are
10 amended to read:

11

12 **39-14-204. Tax rate.**

13

14 (a) Except as otherwise provided by this section and
15 W.S. 39-14-205, the total severance tax on crude oil, lease

1 condensate or natural gas shall be six percent (6%),
2 comprising one and one-half percent (1.5%) imposed by the
3 Wyoming constitution article 15, section 19 and the
4 remaining amount imposed by Wyoming statute. The tax shall
5 be distributed as provided in W.S. 39-14-211 and is imposed
6 as follows:

7

8 (iii) Two percent (2%), except as provided in
9 W.S. 39-14-205(p) through (r); plus

10

11 (iv) Two percent (2%), except as provided in
12 W.S. 39-14-205(n) and (p) through (r).

13

14 **39-14-205. Exemptions.**

15

16 (p) Production of sweet crude oil is exempt from
17 one-half (1/2) of the severance taxes imposed by W.S.
18 39-14-204(a)(iii) and from all of the severance taxes
19 imposed by W.S. 39-14-204(a)(iv) as provided in this
20 subsection. The exemption under this subsection shall apply
21 when the average of the West Texas Intermediate (WTI) spot
22 price of sweet crude oil is equal to or greater than
23 forty-five dollars (\$45.00) per barrel as averaged over a

1 period of the immediately preceding thirty (30) days. The
2 exemption shall apply for twelve (12) months immediately
3 after the average spot price reaches forty-five dollars
4 (\$45.00) or more as provided in this subsection. The
5 director shall provide notice in writing certifying the
6 date on which the exemption under this subsection takes
7 effect and shall provide a separate notice in writing
8 certifying the date on which the exemption under this
9 subsection expires. The exemption shall be in accordance
10 with the following:

11
12 (i) The exemption shall be in effect for not
13 more than one (1) twelve (12) month period starting
14 immediately after the West Texas Intermediate (WTI) spot
15 price reaches the threshold specified in subsection (p) of
16 this section. At the conclusion of the twelve (12) month
17 period, this exemption shall no longer apply and shall not
18 be continued without further affirmative action of the
19 legislature;

20
21 (ii) The exemption under this subsection shall
22 apply only to production from any well that is drilled on
23 or after January 1, 2021 and to the renewed production from

1 previously shut-in wells that were shut in on or before
2 July 1, 2020 and that are reactivated during the period in
3 which the exemption is in effect;

4
5 (iii) A producer may utilize this exemption for
6 not more than one (1) six (6) month period within the
7 twelve (12) months for which this exemption is in effect;

8
9 (iv) A producer shall notify the department of
10 its election to claim the exemption under this subsection
11 not less than fourteen (14) days before the elected six (6)
12 month exemption period commences;

13
14 (v) Not later than November 1 of each year, the
15 department shall report to the joint revenue interim
16 committee and the joint minerals, business and economic
17 development interim committee on the use of the exemption
18 created under this subsection and associated revenue
19 impacts. This reporting requirement shall terminate one (1)
20 year after the completion of the twelve (12) month period
21 specified in this subsection.

22

1 (g) Production of sour crude oil is exempt from
2 one-half (1/2) of the severance taxes imposed by W.S.
3 39-14-204(a)(iii) and from all of the severance taxes
4 imposed by W.S. 39-14-204(a)(iv) as provided in this
5 subsection. The exemption under this subsection shall apply
6 when the average of the Western Canadian Select (WCS) spot
7 price of sour crude oil is equal to or greater than
8 thirty-eight dollars (\$38.00) per barrel as averaged over a
9 period of the immediately preceding thirty (30) days. The
10 exemption shall apply for twelve (12) months immediately
11 after the average spot price reaches thirty-eight dollars
12 (\$38.00) or more as provided in this subsection. The
13 director shall provide notice in writing certifying the
14 date on which the exemption under this subsection takes
15 effect and shall provide a separate notice in writing
16 certifying the date on which the exemption under this
17 subsection expires. The exemption shall be in accordance
18 with the following:

19
20 (i) The exemption shall be in effect for not
21 more than one (1) twelve (12) month period starting
22 immediately after the Western Canadian Select (WCS) spot
23 price reaches the threshold specified in subsection (g) of

1 this section. At the conclusion of the twelve (12) month
2 period, this exemption shall no longer apply and shall not
3 be continued without further affirmative action of the
4 legislature;

5
6 (ii) The exemption under this subsection shall
7 apply only to production from any well that is drilled on
8 or after January 1, 2021 and to the renewed production from
9 previously shut-in wells that were shut in on or before
10 July 1, 2020 and that are reactivated during the period in
11 which the exemption is in effect;

12
13 (iii) A producer may utilize this exemption for
14 not more than one (1) six (6) month period within the
15 twelve (12) months for which this exemption is in effect;

16
17 (iv) A producer shall notify the department of
18 its election to claim the exemption under this subsection
19 not less than fourteen (14) days before the elected six (6)
20 month exemption period commences;

21
22 (v) Not later than November 1 of each year, the
23 department shall report to the joint revenue interim

1 committee and the joint minerals, business and economic
2 development interim committee on the use of the exemption
3 created under this subsection and associated revenue
4 impacts. This reporting requirement shall terminate one (1)
5 year after the completion of the twelve (12) month period
6 specified in this subsection.

7
8 (r) Production of natural gas is exempt from one-half
9 (1/2) of the severance taxes imposed by W.S.
10 39-14-204(a)(iii) and from all of the severance taxes
11 imposed by W.S. 39-14-204(a)(iv) as provided in this
12 subsection. The exemption under this subsection shall apply
13 when the average of the Henry hub spot price of natural gas
14 is equal to or greater than three dollars (\$3.00) per
15 thousand cubic feet as averaged over a period of the
16 immediately preceding thirty (30) days. The exemption shall
17 apply for twelve (12) months immediately after the average
18 spot price per thousand cubic feet reaches three dollars
19 (\$3.00) or more as provided in this subsection. The
20 director shall provide notice in writing certifying the
21 date on which the exemption under this subsection takes
22 effect and shall provide a separate notice in writing
23 certifying the date on which the exemption under this

1 subsection expires. The exemption shall be in accordance
2 with the following:

3
4 (i) The exemption shall be in effect for not
5 more than one (1) twelve (12) month period starting
6 immediately after the Henry hub spot price reaches the
7 threshold specified in subsection (q) of this section. At
8 the conclusion of the twelve (12) month period, this
9 exemption shall no longer apply and shall not be continued
10 without further affirmative action of the legislature;

11
12 (ii) The exemption under this subsection shall
13 apply only to production from any well that is drilled on
14 or after January 1, 2021 and to the renewed production from
15 previously shut-in wells that were shut in on or before
16 July 1, 2020 and that are reactivated during the period in
17 which the exemption is in effect;

18
19 (iii) A producer may utilize this exemption for
20 not more than one (1) six (6) month period within the
21 twelve (12) months for which this exemption is in effect;

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