# Comparison of State Severance Taxes on Oil and Gas
# Utah and Selected Oil and Gas Producing States

Prepared for Utah Tax Review Commission
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| State | Oil | | Natural Gas | | Conservation Fee or Tax |
|---|---|---|---|---|---|
| | Base | Rate | Base | Rate | |
| Alaska | Gross value at the production point, multiplied by the economic limit factor for oil. [1] | The greater of $.80/bbl or 15% for oil fields in production more than five years.<br><br>12.5% for oil fields in production less than five years. | Gross value at the production point, multiplied by the economic limit factor for gas. | The greater of either $.64/cu. ft. of gas or 10%. | $.03 cents per barrel, with an additional $.02 cents per barrel as needed to maintain a $50 million balance in the oil and hazardous substances response fund. |
| California | Oil and gas production tax rate annually established by the Department of Conservation. | $0.0421689/bbl. | Oil and gas production tax rate annually established by the Department of Conservation. | $0.0421689/10,000 cubic feet | |
| Colorado | Gross income at the wellhead. [2] | 2% to 5% | Gross income at the wellhead. | 2% to 5% | .0015 of market value at the wellhead. |
| Kansas | 8% of gross value of oil and gas, less property tax credit of 3.67% | | 8% of gross value of oil and gas, less property tax credit of 3.67% | | $.02727/bbl. crude oil or petroleum marketed or used each month; .00583/cu. ft. of gas sold or marketed. |

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| Louisiana | Value at the time and place of severance. This value is the higher of: (a) the gross receipts received from the first purchaser, less charges for trucking, barging and pipeline fees; or (b) the posted field price. [3] | 12.5% base rate<br><br>Lower rates are imposed on oil extracted from certain low producing wells. | Thousand cubic feet | 7 cents base rate<br><br>1.3 cents on certain low producing wells. | |
| New Mexico | Taxable value of oil. [4] To determine the taxable value, certain deductions for royalties paid and trucking expenses are allowed. | 3.75% base rate oil & gas severance tax [5] | Taxable value of gas. To determine the taxable value, certain deductions for royalties paid and trucking expenses are allowed. | 3.75% base rate oil & gas severance tax. | .019% of taxable value (method for determining taxable value is the same as for severance taxes.) |
| | | 3.15% privilege tax base rate called the "Oil and Gas Emergency School Tax." [6] | | 4% privilege tax base rate called the "Oil and Gas Emergency School Tax." | |
| | | 1.875% on oil and on other liquid hydrocarbons removed from natural gas at or near the wellhead from a qualified enhanced recovery project, if the average annual price of west Texas intermediate crude is less than $28. | | .044% on natural gas from a well workover project, if the average annual price of west Texas intermediate crude is less than $24. | |
| | | .044% on oil and on other liquid hydrocarbons removed from natural gas at or near the wellhead from a well workover project, if the average annual price of west Texas intermediate crude is less than $24. | | 1.875% on natural gas from a stripper well, if the average annual taxable value of natural gas is equal to or less than $1.15 per thousand cubic feet. | |

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| | | 1.875% on oil and on other liquid hydrocarbons removed from natural gas at or near the well from a stripper well property, if the average annual taxable value of oil was equal to or less than $15 per barrel. | | 2.8125% on natural gas from a stripper well, if the average annual taxable value of natural gas is greater than $1.15 per thousand cubic but less not more than $1.35 per thousand cubic feet. | |
| | | 2.8125% on oil and on other liquid hydrocarbons removed from natural gas at or near the well from a stripper well property, if the average annual taxable value of oil was greater than $15 per barrel but not more than $18 per barrel. | | | |
| Oklahoma | The state imposes a gross production tax and a petroleum excise tax on the gross value of production. | 7% [7] gross production tax<br><br>.95% excise tax | The state imposes a gross production tax and a natural gas excise tax on the gross value of production. | 7% [8] gross production tax<br><br>.95% excise tax | A portion of the proceeds from the excise tax are deposited into a "Corporation Commission Plugging Fund." |
| Texas | Market value | The greater of 4.6% or $.046/bbl. (2.3% of market value for oil produced from qualified enhanced recovery projects.) | Market value | 7.5% | |

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| Utah | The value of oil or gas shall be determined at the first point closest to the well at which the fair market value for the oil or gas may be determined by: (a) a sales pursuant to an arm's length contract; or (b) for a sale other than an arm length's sale, comparison to other sales of oil or gas. Certain deductions may be made for purposes of determining fair market value. | 3% of value up to and including the first $13/bbl.<br><br>5% of value from $13.01/bbl. and above | The value of oil or gas shall be determined at the first point closest to the well at which the fair market value for the oil or gas may be determined by: (a) a sales pursuant to an arm's length contract; or (b) for a sale other than an arm length's sale, comparison to other sales of oil or gas. Certain deductions may be made for purposes of determining fair market value. | 3% of value up to and including the first $1.50 mcf 5% of value from $1.51 mcf and above.<br><br>mcf = thousand cubic feet | .2% of market value at the well |
| Wyoming | Taxable value is the gross sales value of the product less federal, state, or tribal royalties paid and less allowable transportation deductions. | 6% base rate | Taxable value is the gross sales value of the product less federal, state, or tribal royalties paid and less allowable transportation deductions. An additional deduction is allowed for processing. | 6% base rate | |
| | | 4% stripper > 10 bbl/day | | 2% workover - incremental | |
| | | 4% stripper 10-15 bbl/day | | 2% recompletion - incremental | |
| | | 6% lease condensate | | 2% new well | |
| | | 2% workover- incremental | | 2% wildcat | |
| | | 2% recompletion - incremental | | | |
| | | 2% new well | | | |
| | | 2% wildcat | | | |
| | | 1.5% collection well | | | |
| | | 1.5% renewed production | | | |

1. "The severance tax rates for oil and gas are reduced by a field's Economic Limit Factor (ELF). During the life of a field, production income diminishes while some operationing costs remain fixed. At some point, total operating costs, royalties, and production taxes, will exceed gross revenue and the field may be shut it. Ths is called the economic limit. As production diminishes, the tax rate on the field also decreases. The ELF provides for lower tax rates based on daily per well production and the productivity of the field." (Source: *Investments in Energy Security: State Incentives to Maximize Oil and Gas Recovery*. Interstate Oil and Gas Compact Commission, Autumn, 2002.)

2. "Severance taxes in Colorado are imposed on up to 5% of the gross income at the wellhead, with a credit granted for a portion of the ad valorem taxes paid. The next result is approximately a 1% tax on gross production. When the local property taxes (ad valorem taxes which are assessed based on 87.5% of the value of production) are above 5.7% they completely offset state severance tax obligations. Only five of the 30 + oil and gas producing counties in Colorado have property tax rates below 5.7% and consequently state tseverance tax is only effectively required to be paid in those five counties. There is effectively no state severance tax obligation in the other 25 + oil and gas producing counties." (Interstate Oil and Gas Compact Commission).

3. No taxes are imposed on products extracted from a qualified tertiary recovery project. (R.S. 47:633.4)

4. No tax is imposed on: (a) natural gas severed from a production restoration project, if the average annual price of west Texas intermediate crude oil, was less than $24 per barrel; and (b) oil and other liquid hydrocarbons removed from natural gas at or near the wellhead from a production restoration project during the first ten years of production following the restoration of production if the average annual price of west Texas intermediate crude oil was less than $24 per barrel. (Section 7-29-9 (B) New Mexico Statutes 1978 Annotated)

5. Rate also applies to "other liquid hydrocarbons removed from natural gas at or neat the wellhead." (New Mexico Statues, 1978, Section 7-29-4)

6. Other rates apply for stripper wells if the product is below a ceratin market price.

7. Limited exemptions apply for oil obtained through enhanced recovery projects, horizontal drilling projects, secondary recovery projects, inactive wells, production enhancement projects, deep well projects, wells spudded or reentered between 1995 and 2003, or oil produced from a well located within the boundaries of a three-dimensional seismic shoot

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