

HOUSE BILL NO. 213

INTRODUCED BY L. JONES

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAX RATE PRICE TRIGGER FOR STRIPPER OIL WELL BONUS PRODUCTION; AMENDING SECTION 15-36-304, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-36-304, MCA, is amended to read:

"15-36-304. Production tax rates imposed on oil and natural gas -- exemption. (1) The production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-331 and 15-36-332.

(2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) (i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	14.8%	14.8%
(B) post-1999 wells	9%	14.8%
(b) stripper natural gas pre-1999 wells	11%	14.8%
(c) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%
(ii) after 18 months	9%	14.8%

(3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural gas production from a well begin following the last day of the calendar month immediately preceding the month in which natural gas is placed in a natural gas distribution system, provided that notification has been given to the department.

1 (4) The reduced tax rates under subsection (2)(c)(i) on production from a horizontally completed well  
 2 for the first 18 months of production begin following the last day of the calendar month immediately preceding the  
 3 month in which natural gas is placed in a natural gas distribution system, provided that notification has been given  
 4 to the department.

5 (5) Oil is taxed on the gross taxable value of production based on the type of well and type of production  
 6 according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
9 (a) primary recovery production:		
10 (i) first 12 months of qualifying production	0.5%	14.8%
11 (ii) after 12 months:		
12 (A) pre-1999 wells	12.5%	14.8%
13 (B) post-1999 wells	9%	14.8%
14 (b) stripper oil production:		
15 (i) first 1 through 10 barrels a day production	5.5%	14.8%
16 (ii) more than 10 barrels a day production	9.0%	14.8%
17 (c) (i) stripper well exemption production	0.5%	14.8%
18 (ii) stripper well bonus production	6.0%	14.8%
19 (d) horizontally completed well production:		
20 (i) first 18 months of qualifying production	0.5%	14.8%
21 (ii) after 18 months:		
22 (A) pre-1999 wells	12.5%	14.8%
23 (B) post-1999 wells	9%	14.8%
24 (e) incremental production:		
25 (i) new or expanded secondary recovery production	8.5%	14.8%
26 (ii) new or expanded tertiary production	5.8%	14.8%
27 (f) horizontally recompleted well:		
28 (i) first 18 months	5.5%	14.8%
29 (ii) after 18 months:		

1	(A) pre-1999 wells	12.5%	14.8%
2	(B) post-1999 wells	9%	14.8%

3 (6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a  
 4 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped  
 5 or flows, provided that notification has been given to the department.

6 (b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally completed  
 7 well for the first 18 months of production begin following the last day of the calendar month immediately preceding  
 8 the month in which oil is pumped or flows if the well has been certified as a horizontally completed well to the  
 9 department by the board.

10 (ii) The reduced tax rates under subsection (5)(f)(i) on oil production from a horizontally recompleted well  
 11 for the first 18 months of production begin following the last day of the calendar month immediately preceding the  
 12 month in which oil is pumped or flows if the well has been certified as a horizontally recompleted well to the  
 13 department by the board.

14 (c) Incremental production is taxed as provided in subsection (5)(e) only if the average price for a barrel  
 15 of west Texas intermediate crude oil during a calendar quarter is less than \$54. If the price of oil is equal to or  
 16 greater than \$54 a barrel in a calendar quarter as determined in subsection (6)(e), then incremental production  
 17 from pre-1999 wells and from post-1999 wells is taxed at the rate imposed on primary recovery production under  
 18 subsections (5)(a)(ii)(A) and (5)(a)(ii)(B), respectively, for production occurring in that quarter, other than exempt  
 19 stripper well production.

20 (d) (i) Stripper well exemption production is taxed as provided in subsection (5)(c)(i) only if the average  
 21 price for a barrel of west Texas intermediate crude oil during a calendar quarter is less than \$54. If the price of  
 22 oil is equal to or greater than \$54 a barrel, there is no stripper well exemption tax rate and oil produced from a  
 23 well that produces 3 barrels a day or less is taxed as stripper well bonus production.

24 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii) only if the  
 25 average price for a barrel of west Texas intermediate crude oil reported and received by the producer for Montana  
 26 oil marketed during a calendar quarter is equal to or greater than \$54.

27 (e) For the purposes of subsections (6)(c) and (6)(d), the average price for each barrel must be  
 28 computed by dividing the sum of the daily price for a barrel of west Texas intermediate crude oil for the calendar  
 29 quarter by the number of days on which the price was reported in the quarter.

1           (7) (a) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking  
2 interest owners must be adjusted to include the total of the privilege and license tax adopted by the board of oil  
3 and gas conservation pursuant to 82-11-131 and the derived rate for the oil and gas natural resource distribution  
4 account as determined under subsection (7)(b).

5           (b) The total of the privilege and license tax and the tax for the oil and gas natural resource distribution  
6 account established in 90-6-1001(1) may not exceed 0.3%. The base rate for the tax for oil and gas natural  
7 resource distribution account funding is 0.08%, but when the rate adopted pursuant to 82-11-131 by the board  
8 of oil and gas conservation for the privilege and license tax:

9           (i) exceeds 0.22%, the rate for the tax to fund the oil and gas natural resource distribution account is  
10 equal to the difference between the rate adopted by the board of oil and gas conservation and 0.3%; or

11           (ii) is less than 0.18%, the rate for the tax to fund the oil and gas natural resource distribution account  
12 is equal to the difference between the rate adopted by the board of oil and gas conservation and 0.26%.

13           (c) The board of oil and gas conservation shall give the department at least 90 days' notice of any  
14 change in the rate adopted by the board. Any rate change of the tax to fund the oil and gas natural resource  
15 distribution account is effective at the same time that the board of oil and gas conservation rate is effective.

16           (8) Any interest in production owned by the state or a local government is exempt from taxation under  
17 this section."

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19           NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

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