

# Natural Resource Tax Incentives

The following information provides the incentives classified under natural resource tax.

## Tax Incentives Available

Coal Severance Tax Exemption  
Metal Mine License Tax Exemption  
Reduced Rate for Natural Resource Tax - New Oil Production  
Reduced Rate for New Horizontally Drilled Oil Production  
Reduced Rate for Oil Incremental Production  
Reduced Rate for Oil Stripper Production  
Reduced Rate for Post 1/1/99 Oil Production  
Reduced Rate for New Natural Gas Production  
Reduced Rate for Natural Gas Stripper Production  
Reduced Rate for Post 1/1/99 Natural Gas Production

### Coal Severance Tax Exemption

#### ***MCA 15-35-103(4)***

**Eligibility:** Coal production less than 50,000 tons per year

**Benefit:** If less than 50,000 tons per year are produced, the production is exempt from severance taxes. If production exceeds 50,000 tons, only the first 20,000 tons (5,000 per quarter) are exempt from severance tax.

### Metal Mine License Tax Exemption

#### ***MCA 15-37-103***

**Eligibility:** First \$250,000 of gross value of product

**Benefit:** Exempt from Metal Mines License taxation

### Oil Stripper Well Exemption

#### ***MCA 15-36-303***

**Eligibility:** Oil production from a well that produces 3 barrels or less per day.

**Benefit:** For all barrels produced from these wells, the working interest tax rate is 0.76% (instead of 12.76%).

### Reduced Rate for Natural Resource Tax - New Oil Production

#### ***MCA 15-36-304***

**Eligibility:** "New" oil production (up to 12 months) from any newly drilled well or a well that has not produced oil during the 5 years immediately preceding the first month of qualified new production

**Benefit:** Oil from a well that qualified as "new" is taxed at a reduced working interest tax rate of 0.76% (instead of 12.76%) for the first 12 months following the start of production.

#### **Reduced Rate for New Horizontally Drilled Oil Production**

##### ***MCA 15-36-304***

**Eligibility:** Oil production from a new horizontally drilled well

**Benefit:** The benefit is a reduced working interest tax rate of 0.76% (instead of 12.76%) of gross value for the first 18 months of production.

#### **Reduced Rate for Oil Incremental Production**

##### ***MCA 15-36-303***

**Eligibility:** For production that exceeds the approved decline curve for a qualified enhanced recovery project. The enhanced recovery project includes re-completed horizontally drilled wells, secondary recovery or tertiary recovery.

**Benefit:** All re-completed horizontal wells that meet incremental production eligibility have a working interest tax rate of 5.76% (instead of 12.76%) for the first 18 months. For pre-1999 wells, the rate is 12.76% after 18 months. For post-1999 wells, the rate is 9.26% after 18 months.

For new or expanded incremental secondary production the working interest tax rate is 8.76% (instead of 12.76%).

For new or expanded incremental tertiary production the working interest tax rate is 6.06% (instead of 12.76%).

#### **Reduced Rate for Oil Stripper Production**

##### ***MCA 15-36-304***

**Eligibility:** Oil production from all wells that produce less than 15 barrels per day

**Benefit:** For the first 10 barrels, the working interest tax rate is 5.76% (instead of 12.76%). The remaining barrels are taxed at a reduced working interest tax rate of 9.26% (instead of 12.76%).

#### **Reduced Rate for Post 1/1/99 Oil Production**

##### ***MCA 15-36-304***

**Eligibility:** Oil production from a well that began production after 1/1/99

**Benefit:** A reduced working interest tax rate of 9.26% (instead of 12.76%)

#### **Reduced Rate for New Natural Gas Production**

##### ***MCA 15-36-304***

**Eligibility:** "New" gas production (up to 12 months for vertical wells, 18 months for horizontal wells) from any newly drilled well or a well that has not produced gas during the 5 years immediately preceding the first month of qualified new production

**Benefit:** For the first 12 to 18 months following the start of production, gas from a well that qualified as "new" is taxed at a reduced working interest tax rate of 0.76% (instead of 12.76%)

**Reduced Rate for Natural Gas Stripper Production**

***MCA 15-36-304***

**Eligibility:** Gas production from a pre-1999 well that produces less than 60 thousand cubic feet (MCF) per day

**Benefit:** A reduced working interest tax rate of 11.26% (instead of 15.06%)

**Reduced Rate for Post 1/1/99 Natural Gas Production**

***MCA 15-36-304***

**Eligibility:** Natural gas production from a well that began production after 1/1/99

**Benefit:** A reduced working interest tax rate of 9.26% (instead of 15.06%)