

# Oil & Natural Gas Production Tax

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# A Brief History



**Current  
general tax  
structure  
since 1995**



**Production tax  
based on type  
of well and  
type of  
production**



**Replaced  
other taxes  
([15-36-302](#))**

Net proceeds  
Privilege and  
license tax  
Severance tax



**Retains  
distribution to  
state, counties,  
schools**

# Gross Taxable Value, 15-36-305

Total number of barrels or cubic feet of oil or natural gas produced and sold each month at the average value at the mouth of the well during the month that the oil or natural gas is produced and sold, as determined by the department



## Deductions

Amount of oil or gas used for well operation or for pumping the oil or gas from the well to a tank or pipeline

Fee of up to 25 cents a barrel paid to administer royalty payments (whether or not the fee is paid on a per barrel basis)

# Pre-1999 and Post-1999 Wells

## Pre-1999 Well

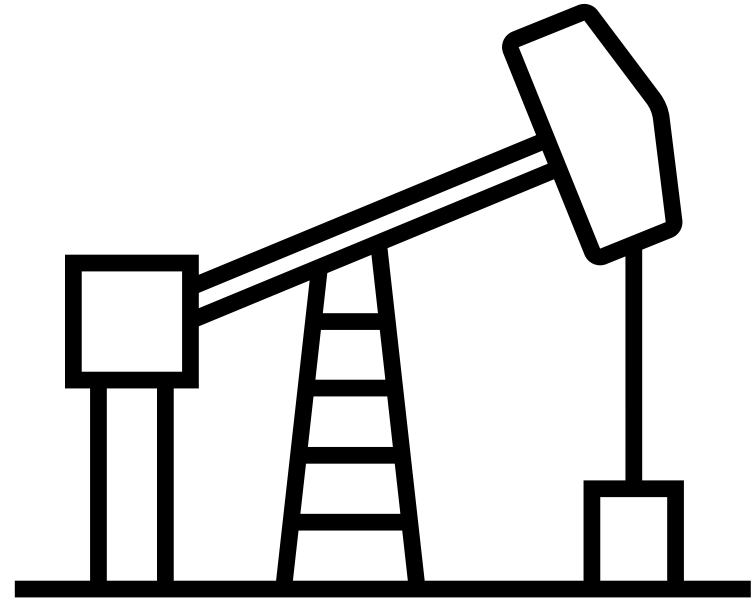
- Oil or natural gas well that was drilled before January 1, 1999

## Post-1999 Well

- Oil or natural gas well drilled on or after January 1, 1999

# Nonworking Interest Owner

Any interest owner who does not share in the exploration, development, and operation costs of the lease or unit, except for production taxes



# Natural Gas Tax

15-36-304(2)

## Nonworking interest

14.8%

## Working interest

First 12 months

0.5%

After 12 months

Pre-1999: 14.8%

Post-1999: 9%

# Oil Tax: Primary Recovery

15-36-304(5)

## Nonworking interest

14.8%

## Working interest

First 12 months

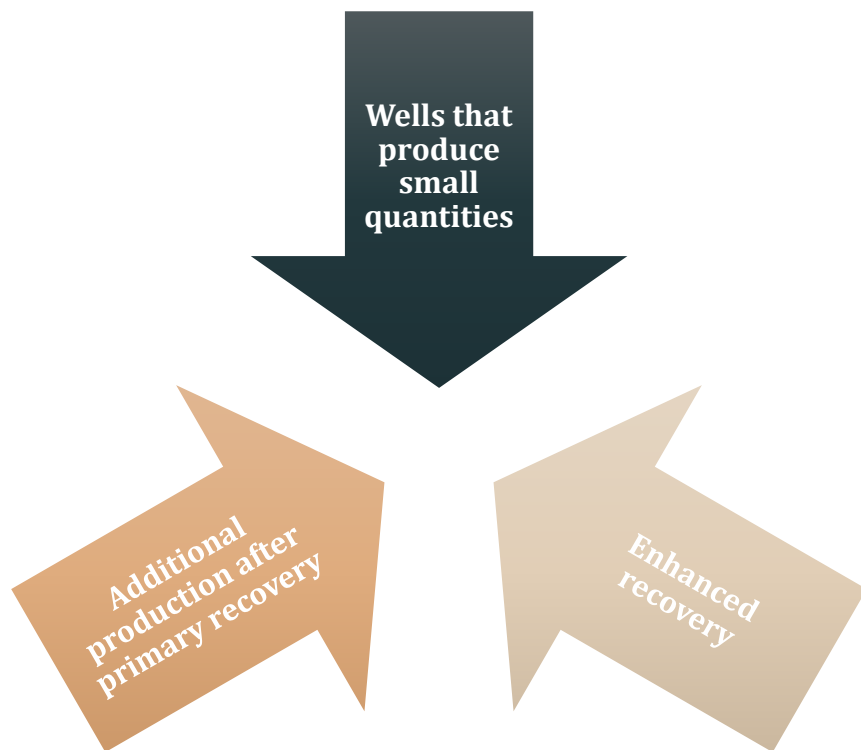
0.5%

After 12 months

Pre-1999: 12.5%

Post-1999: 9%

# Incentive Tax Rates



## Examples

- Horizontally completed wells
- Stripper wells
  - Bonus production
  - Exemption production
- Incremental production
  - new or expanded secondary recovery production
  - new or expanded tertiary production