

SENATE FILE NO. SF0069

Oil & gas valuation-proportionate profits.

Sponsored by: Senator(s) Peck

A BILL

for

1 AN ACT relating to taxation and revenue; providing for the
2 valuation of oil and gas by the proportionate profits
3 valuation method as specified; and providing for an
4 effective date.

5

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

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8 **Section 1.** W.S. 39-14-203(b)(iv) and (vi)(D) is
9 amended to read:

10

11 **39-14-203. Imposition.**

12

13 (b) Basis of tax. The following shall apply:

14

15 (iv) The production process for natural gas is
16 completed after extracting from the well, gathering,
17 separating, injecting and any other activity which occurs

1 before the outlet of the initial dehydrator. When no
2 dehydration is performed, other than within a processing
3 facility, the production process is completed at the inlet
4 to the initial transportation related compressor, custody
5 transfer meter or processing facility, whichever occurs
6 first. The production process is completed at the inlet of
7 the processing facility when the producer and the processor
8 of natural gas are the same entity or are affiliated, and
9 the gas is valued using the method prescribed in W.S.
10 39-14-203(b)(vi)(D);

11

12 (vi) In the event the crude oil, lease
13 condensate or natural gas production as provided by
14 paragraphs (iii) and (iv) of this subsection is not sold at
15 or prior to the point of valuation by bona fide arms-length
16 sale, or, except as otherwise provided, if the production
17 is used without sale, the department shall identify the
18 method it intends to apply under this paragraph to
19 determine the fair market value and notify the taxpayer of
20 that method on or before September 1 of the year preceding
21 the year for which the method shall be employed. The
22 department shall determine the fair market value by
23 application of one (1) of the following methods:

24

1 (D) Proportionate profits - The ~~fair market~~
2 ~~value is following~~ shall apply:

3
4 (I) The fair market value is the total
5 amount received from the sale of the minerals minus exempt
6 royalties, nonexempt royalties, ~~and~~ production taxes and
7 the total of all actual transportation costs incurred by
8 the producer from the outlet of the plant to the point of
9 sale times the quotient of the direct cost of producing the
10 minerals divided by the direct cost of producing, ~~and~~
11 processing ~~and transporting~~ the minerals, ~~+~~ plus nonexempt
12 royalties and production taxes;

13
14 (II) ~~Nonexempt royalties and~~
15 ~~production taxes.~~ Exempt and nonexempt royalties, ad
16 valorem production taxes, severance taxes, conservation
17 taxes and indirect costs shall not be included in the
18 computation of the quotient set forth in subdivision (I) of
19 this subparagraph. Indirect costs include, but are not
20 limited to, allocations of corporate overhead, data
21 processing costs, accounting, legal and clerical costs and
22 other general and administrative costs which cannot be
23 specifically attributed to an operation function without
24 allocation. The field operator and the plant operator shall

1 each submit to each interest owner that interest owner's
2 share of the direct cost of production for a given field
3 and that interest owner's share of the direct cost of
4 processing for a given plant by February 15 of each year
5 for the previous production year. Each interest owner shall
6 derive the quotient of direct costs of producing the
7 minerals divided by the direct costs of producing and
8 processing the minerals. The field operator and the plant
9 operator shall calculate the direct costs based upon
10 definitions listed in department rules and regulations.
11 Additionally, plant depreciation and field depreciation,
12 depletion and amortization shall be calculated by each
13 interest owner using the units of production method.

14

15 **Section 2.** This act is effective January 1, 2003.

16

17

(END)