

HOUSE BILL NO. HB0011

Discounted cash flow implementation process.

Sponsored by: Joint Revenue Interim Committee

A BILL

for

1 AN ACT relating to the department of revenue; requiring a
2 study on discounted cash flow valuation for oil and gas as
3 specified; requiring a report; providing a definition;
4 providing an appropriation; and providing for an effective
5 date.

6

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

8

9 **Section 1.**

10

11 (a) The department of revenue shall study the changes
12 necessary to implement the use of discounted cash flow
13 valuation for the ad valorem tax on oil and gas production
14 by 2020.

15

1 (b) The study required by subsection (a) of this
2 section shall include:

3
4 (i) A report on the additional costs to the
5 department to administer discounted cash flow valuation of
6 oil and gas production;

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8 (ii) A determination of the tax impacts that
9 would occur with a transition to discounted cash flow
10 valuation and recommendations to make the transition to the
11 new valuation method revenue neutral to the extent
12 possible;

13
14 (iii) Recommendations on the specific inputs
15 necessary to implement discounted cash flow valuation
16 including the price forecast, production forecast,
17 operating expenses and the discount rate and how those
18 inputs will be determined.

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20 (c) In preparing the study required under subsection
21 (a) of this section, the department shall consult with
22 industry representatives, local governments, the revenue
23 departments of other states that have implemented

1 discounted cash flow valuation for oil and gas production
2 and other interested stakeholders. The department may hire
3 consultants as necessary to develop information or data
4 required for the study.

5
6 (d) The department shall report the results of the
7 study including any recommendations for legislation to the
8 joint revenue interim committee not later than November 30,
9 2019. The department shall provide an update on the study
10 not later than November 30, 2017 and November 30, 2018. The
11 updates shall include recommendations for any legislation
12 necessary to complete the study or implement the discounted
13 cash flow valuation method by 2020.

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15 (e) As used in this section, "discounted cash flow"
16 is a method of valuing a reservoir of petroleum or natural
17 gas using the concepts of the time value of money where all
18 future cash flows are estimated and discounted by using the
19 cost of capital to give their present values. Under the
20 discounted cash flow method the sum of all future cash
21 flows, both incoming and outgoing, is the net present value
22 of the reservoir, which is taken as the value or price of
23 the cash flows.

1

2 **Section 2.** There is appropriated ten thousand dollars
3 (\$10,000.00) from the general fund to the department of
4 revenue. This appropriation shall be for the period
5 beginning with the effective date of this act and ending
6 June 30, 2020. This appropriation shall only be expended
7 for the purpose of conducting the study and hiring
8 consultants as provided in section 1 of this act.
9 Notwithstanding any other provision of law, this
10 appropriation shall not be transferred or expended for any
11 other purpose and any unexpended, unobligated funds
12 remaining from this appropriation shall revert as provided
13 by law on June 30, 2020.

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15 **Section 3.** This act is effective immediately upon
16 completion of all acts necessary for a bill to become law
17 as provided by Article 4, Section 8 of the Wyoming
18 Constitution.

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20

(END)