FISCAL NOTE

	FY 2022	FY 2023	FY 2024
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue (decrease)			
GENERAL FUND	($4,500,000)	$0	$0
BUDGET RESERVE ACCOUNT	($9,000,000)	$0	$0

Source of revenue (decrease):
Sweet crude oil, sour crude oil and natural gas produced from wells drilled on or after January 1, 2021 and renewed production from wells shut in on or before July 1, 2020 and reactivated would be exempt from 3% of the 6% severance tax rate.

The exemption would apply to the following production categories:
1. sweet crude oil production when the immediately preceding 30-day average of the West Texas Intermediate (WTI) spot price is $45.00/barrel or higher,
2. sour crude oil production when the immediately preceding 30-day average of the Western Canadian Select (WCS) spot price is $38.00/barrel or higher, and
3. natural gas production when the immediately preceding 30-day average of the Henry Hub spot price is $3.00/mcf or higher.

The exemption would apply to one 12-month period for each category after the 30-day average spot price described above is met. After the 12-month period, the exemption would no longer apply and would not be continued without further action of the legislature. A producer may utilize the exemption for not more than one 6-month period within the 12 months the exemption is in effect. A producer shall notify the Department of Revenue of its election to claim the exemption not less than 14 days before the elected 6-month exemption period commences.

Assumptions:
The above estimate is based on the crude oil and natural gas production and price projections in the October 2020 CREG (expected value) forecast (Forecast), and a projection of renewed oil production from shut-in wells based on information provided by the Wyoming Oil and Gas Commission.

Although CREG projects average annual prices, not 30-day average prices, it is assumed no natural gas production would qualify for the proposed exemption in FY22-FY24, based on the natural gas price projections in the Forecast. It is also assumed that the proposed sweet crude oil exemption would begin in July 2021, based on the crude oil price projections in the Forecast.

For purposes of this fiscal note, it is assumed oil production from new wells that qualifies for the current severance tax exemption in W.S. 39-14-205(n)-(o) (enacted in 2020 Session Laws, Ch. 155) and the proposed severance tax exemption would utilize the proposed exemption in order to realize greater savings.

The fiscal impact described above does not include the potential revenue increase in severance taxes and ad valorem taxes on increased production that would not otherwise take place without the proposed exemption. The increased production resulting from the proposed exemption cannot be determined.

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