

HOUSE BILL NO. HB0189

Mine product taxes for natural gas consumed on-site.

Sponsored by: Representative(s) Hunt, Burkhardt and Paxton
and Senator(s) Driskill and Wasserburger

A BILL

for

1 AN ACT relating to mine product taxes; clarifying the
2 imposition of severance taxes on natural gas that is
3 consumed on-site; making conforming amendments; requiring
4 rulemaking; and providing for effective dates.

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

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8 **Section 1.** W.S. 39-14-201(a)(xv) and by creating a
9 new paragraph (xxxvii), 39-14-203(b)(v) and 39-14-205(j)
10 and by creating a new subsection (p) are amended to read:

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12 **39-14-201. Definitions.**

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14 (a) As used in this article:

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1 (xv) "Natural gas" means all gases, both
2 hydrocarbon and nonhydrocarbon, that occur naturally
3 beneath the earth's crust and are produced from an oil or
4 gas well. For the purposes of taxation, the term natural
5 gas includes:

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7 (A) Products separated for sale or
8 distribution during processing of the natural gas stream
9 including, but not limited to plant condensate, natural gas
10 liquids and sulfur;

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12 (B) Natural gas that is consumed on the
13 site where the natural gas is produced for any purpose
14 except for those specified in W.S. 39-14-205(j) and (m).

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16 (xxxvii) "Qualifying well" means a well in
17 which:

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19 (A) A well site is already connected to a
20 pipeline, pipeline capacity is unavailable on the existing
21 pipeline and the producer and the pipeline operator jointly
22 have filed an application with the Wyoming oil and gas

1 conservation commission attesting to the lack of existing
2 pipeline takeaway capacity;

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4 (B) A producer's well is not connected to
5 an existing pipeline but the producer's lands, leases,
6 wells or gas are contractually dedicated to a pipeline
7 operator and the producer and the pipeline operator to
8 which the lands, leases, well, or gas are dedicated jointly
9 have filed an application with the Wyoming oil and gas
10 conservation commission attesting that it is either
11 technically or commercially unfeasible to connect a
12 pipeline to the producer's well; or

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14 (C) A producer's well is not already
15 connected to an existing pipeline and the producer's lands,
16 leases, wells or gas are not contractually dedicated but
17 the producer unilaterally has filed an application with the
18 Wyoming oil and gas conservation commission attesting to
19 these facts.

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21 **39-14-203. Imposition.**

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

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(v) If the crude oil, lease condensate or natural gas production as provided by paragraphs (iii) and (iv) of this subsection are sold to a third party, consumed on-site or sold to a third party for on-site consumption, or processed or transported by a third party at or prior to the point of valuation provided in paragraphs (iii) and (iv) of this subsection, the fair market value shall be the value established by bona fide arms-length transaction. The provisions of this paragraph shall not apply to calculating the fair market value of natural gas meeting the definition in W.S. 39-14-201(a)(xv)(B);

39-14-205. Exemptions.

(j) Natural gas which is vented or flared under the authority of the Wyoming oil and gas conservation commission and natural gas which is reinjected or consumed prior to sale for the purpose of maintaining, stimulating, treating, transporting or producing crude oil or natural gas on the same lease or unit from which it was produced has no value and is exempt from taxation. This exemption shall not apply to natural gas that is consumed prior to

1 sale for any purpose not specified in this subsection or in
2 subsection (m) of this section.

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4 (p) Natural gas which, if not for on-site consumption
5 or sale, would otherwise be vented or flared under the
6 authority of the Wyoming oil and gas conservation
7 commission has no value and is exempt from taxation if the
8 natural gas is certified by the Wyoming oil and gas
9 conservation commission as to have originated from a
10 qualifying well.

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12 **Section 2.** The department of revenue shall adopt
13 rules under W.S. 39-11-102 as necessary to implement the
14 changes to mine product taxes in section 1 of this act for
15 tax years beginning in 2022.

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17 **Section 3.**

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19 (a) Except as provided in subsection (b) of this
20 section, this act is effective immediately upon completion
21 of all acts necessary for a bill to become law as provided
22 by Article 4, Section 8 of the Wyoming Constitution.

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1 (b) Section 1 of this act is effective January 1,
2 2022.

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(END)