

Attached is a chart showing historical statistics on production, gross value and tax liability for oil and natural gas qualifying for the production tax holiday, of both the 12 month type and the 18 month type. Oil and natural gas produced from a vertically drilled well qualifies for a tax holiday of 12 months and a tax rate of 0.76 percent (0.5 percent production tax and 0.09 percent board of oil and gas tax and 0.17 percent to local impact accounts for cities and counties). Oil and natural gas produced from a horizontally drilled well qualifies for a tax holiday of 18 months and the same tax rate of 0.76 percent. After the tax holiday is over these minerals are taxed at 9 percent.

The attachment has data for calendar 2003 through 2011. The columns are:

- 1) Volume of production of oil and natural gas under the tax holiday. No distinction is made between the 12 month holiday and 18 month holiday, although this data are available. The oil data are in barrels and the natural gas data are in MCF's.
- 2) Gross value of oil and gas under the tax holiday
- 3) The average annual price for each mineral as received by Montana producers. Oil is in dollars per barrel and gas is in dollars per MCF.
- 4) The volume of holiday oil and gas as a percent of the volume of all oil and gas produced. Notice that for oil this percentage peaked in 2005 at 46 percent and has fallen steadily since, until 2011 when it was 16 percent. For gas the peak was in 2004 at 27 percent and has declined since to 7 percent in 2011.
- 5) The working interest gross value for holiday oil and gas. This is included so that we can figure out the impact of raising the tax rate on holiday oil and gas in the last column. It is only the working interest value to which the tax holiday applies for both minerals. The royalty interest value for both minerals is taxed at the same rate for all production regardless of production type, at 15.06 percent.
- 6) The total tax liability for holiday oil and natural gas. This includes the working interest tax (0.76 percent) and the royalty tax (15.06 percent).
- 7) The working interest tax paid for each type of mineral.
- 8) The tax rate applied to the working interest value for each type of mineral.
- 9) The additional tax revenue to all governments (state, county, county education, school districts) that would have resulted from increasing the tax rate on the working interest of tax holiday oil and gas from 0.76 percent to 1.76 percent, i.e. the effect of a 1 percent increase in the tax rate. An increase in the tax rate to 4.76 percent would have resulted in numbers 4 times as large.

Caveat: The numbers for CY 2011 are not final yet.



**Oil Statistics for Oil Produced Under Montana's Tax Holiday - 12 and 18 months**

Calendar Year	Production of 12 Month & 18 Month Holiday Oil	Gross Value of 12 Month & 18 Month Holiday Oil	Average Price of 12-month and 18-month Holiday Oil	Holiday Oil Production as a percent of All Oil Production	Working Interest Gross Value of 12 Month & 18 Month Holiday Oil	Tax Liability of 12 Month & 18 Month Holiday Oil	Working Interest Tax Liability of 12 Month & 18 Month Holiday Oil	Working Interest Tax Rate of 12 Month & 18 Month Holiday Oil	Increase of 1% in Working Interest Tax Rate of 12 Month & 18 Month Holiday Oil
2003	4,321,395	\$ 125,361,393	\$ 29.01	22%	\$ 105,779,317	\$ 3,249,284	\$ 803,923	0.76%	\$ 1,057,793
2004	9,135,033	\$ 367,167,312	\$ 40.19	37%	\$ 307,551,505	\$ 10,383,017	\$ 2,337,391	0.76%	\$ 3,075,515
2005	14,924,847	\$ 809,626,602	\$ 54.25	46%	\$ 678,167,890	\$ 22,987,680	\$ 5,154,076	0.76%	\$ 6,781,679
2006	14,132,229	\$ 844,598,035	\$ 59.76	39%	\$ 708,684,303	\$ 23,392,358	\$ 5,386,001	0.76%	\$ 7,086,843
2007	9,890,661	\$ 657,227,427	\$ 66.45	28%	\$ 547,855,373	\$ 18,970,765	\$ 4,163,701	0.76%	\$ 5,478,554
2008	6,126,677	\$ 524,408,845	\$ 85.59	19%	\$ 436,506,685	\$ 15,219,817	\$ 3,317,451	0.76%	\$ 4,365,067
2009	3,068,384	\$ 154,039,674	\$ 50.20	11%	\$ 128,067,185	\$ 4,575,918	\$ 973,311	0.76%	\$ 1,280,672
2010	2,439,377	\$ 170,805,531	\$ 70.02	10%	\$ 140,302,306	\$ 5,363,699	\$ 1,066,298	0.76%	\$ 1,403,023
2011	3,517,083	\$ 309,539,976	\$ 88.01	16%	\$ 256,488,702	\$ 9,454,743	\$ 1,949,314	0.76%	\$ 2,564,887

**Natural Gas Statistics for Natural Gas Produced Under Montana's Tax Holiday - 12 and 18 Months**

Calendar Year	Production of 12 Month & 18 Month Holiday Gas	Gross Value of 12 Month & 18 Month Holiday Gas	Average Price of 12-month and 18-month Holiday Gas	Holiday Gas Production as a percent of All Gas Production	Working Interest Gross Value of 12 Month & 18 Month Holiday Gas	Tax Liability of 12 Month & 18 Month Holiday Gas	Working Interest Tax Liability of 12 Month & 18 Month Holiday Gas	Working Interest Tax Rate of 12 Month & 18 Month Holiday Gas	Increase of 1% in Working Interest Tax Rate of 12 Month & 18 Month Holiday Gas
2003	13,479,014	\$ 49,972,602	\$ 3.71	20%	\$ 42,597,646	\$ 1,097,182	\$ 323,742	0.76%	\$ 425,976
2004	24,733,380	\$ 113,464,587	\$ 4.59	27%	\$ 95,579,092	\$ 2,621,447	\$ 726,401	0.76%	\$ 955,791
2005	25,894,898	\$ 175,859,063	\$ 6.79	25%	\$ 149,508,600	\$ 4,039,501	\$ 1,136,265	0.76%	\$ 1,495,086
2006	25,411,793	\$ 160,915,043	\$ 6.33	24%	\$ 138,093,659	\$ 3,576,209	\$ 1,049,512	0.76%	\$ 1,380,937
2007	25,192,304	\$ 184,234,199	\$ 7.31	23%	\$ 162,939,301	\$ 3,628,181	\$ 1,238,339	0.76%	\$ 1,629,393
2008	17,087,022	\$ 190,221,666	\$ 11.13	16%	\$ 171,047,139	\$ 3,404,624	\$ 1,299,958	0.76%	\$ 1,710,471
2009	9,779,843	\$ 28,938,574	\$ 2.96	11%	\$ 24,264,947	\$ 667,983	\$ 184,414	0.76%	\$ 242,650
2010	7,346,744	\$ 27,465,636	\$ 3.74	8%	\$ 22,666,895	\$ 748,052	\$ 172,268	0.76%	\$ 226,669
2011	4,768,180	\$ 22,882,642	\$ 4.80	7%	\$ 18,805,478	\$ 672,779	\$ 142,922	0.76%	\$ 188,055