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## Wyoming Legislative Action Affecting Oil and Gas Operations and Conservation Tax Reduction

### 2020 Legislation (Pooling Matters and Severance Tax)

House Bills 11 and 243 become effective July 1, 2020.

House Bill 11 implements significant changes to Wyoming's oil and gas force pooling statute, as follows:

- Limiting the validity of a WOGCC force pooling order to twelve months from the date of its issuance unless the operator commences operations for the pooled well;
- Establishing separate risk penalties and procedures for unleased mineral interest owners and those leasing or contracting mineral interests in the pooled well. Penalties for leasing parties remain the same at 300% for drilling costs and expenses and 200% for newly acquired equipment, but unleased mineral interest owners will be subject only to penalties of 200% for drilling costs and expenses, 125% for newly acquired equipment in the first well drilled under the pooling order, 150% for drilling costs and expenses, and 125% for newly acquired equipment in any subsequent well in the drilling unit;
- Granting unleased mineral interest owners a cost-free royalty interest equal to the greater of 16% or the acreage-weighted average of the leased tracts within a drilling unit during the period when the pooling party is recovering costs and penalties from production; and,
- Requiring operators to offer unleased mineral interest owners an opportunity to participate in the well once the operator has recovered its costs and penalties. See Wyo. Stat. §30-5-109(j)(i)-(iv).

House Bill 243 reduces Wyoming's standard statutory severance tax rate of 6% on crude oil, lease condensate, and natural gas, in certain circumstances. The reduced rate applies to production from wells drilled on or after July 1, 2020, and prior to December 31, 2025, if the twelve-month rolling average price drops below \$2.95 at the Henry hub for natural gas or \$50.00 for West Texas

Intermediate for crude oil at the time of first production from the well. If the well is eligible for the reduced rate, a producer shall receive a 2% severance tax exemption for the first six months of production and a 1% exemption for the next six months of production.

#### WOGCC Conservation Tax Reduction

Producers will see more immediate relief from the WOGCC's recent vote to temporarily suspend Wyoming's conservation tax, which has been set at .0005 of a mill since 2016. However, the WOGCC voted to eliminate the conservation tax from April 1, 2020, to September 30, 2020.

If you have any questions regarding the updates above or how they may affect your operations, please contact Crowley Fleck PLLP. We are available to answer any questions or help our clients and neighbors in any way we can in these challenging times.

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