

Severance Tax

Question: *When using a well fracturing strategy that injects oil and/or gas into the well, where that oil and/or gas will be recovered over time in the well's normal production, how is the recovery of the oil and/or gas treated for severance tax purposes?*

Answer:

The producer must determine its best estimate of when the injected oil and/or gas will be recovered through the well's production. The resulting gross income from the production of these recovered resources, which would normally be subject to severance tax, will not be included in the severance tax calculation process. Upon request, the state will be provided the appropriate documentation and calculations to verify the injections and recovery of the production that has either been purchased or is being re-injected into the well for the purpose of well fracturing.