Oil & Gas Incentive Comparison:

Oil & Gas Extraction Tax Holiday Incentive Analysis

Provided by the Montana Department of Revenue, Business Tax & Valuation Bureau, Natural Resource Tax Unit

Qtr. End:	Distributed:		Type:	Incentive Gross Value:	Working Int. Taxable Val:	Royalty Int. Taxable Val:	Tax Paid: Working:	Tax Paid: Royalty:	Without Incentive: Working:	Without Incentive: Royalty:
Mar. 31, 2013	Jul-13	Gas:	Ver.	$15,955.64	$13,938.27	$1,890.93	$105.93	$284.78	$1,290.68	$284.77
			Hor.	$5,924,162.11	$4,851,748.39	$937,654.34	$36,873.25	$141,210.70	$449,271.90	$141,210.74
		Oil:	Ver.	$7,680,932.23	$6,522,419.32	$891,653.39	$49,570.39	$134,283.00	$603,976.03	$134,283.00
			Hor.	$202,801,589.22	$165,397,444.51	$32,723,730.22	$1,257,020.59	$4,928,193.72	$15,315,803.36	$4,928,193.77
Jun. 30, 2013	Oct-13	Gas:	Ver.	$29,399.95	$25,354.77	$3,402.88	$192.69	$512.45	$2,347.85	$512.47
			Hor.	$5,969,450.94	$4,879,297.58	$957,140.61	$37,082.65	$144,145.36	$451,822.96	$144,145.38
		Oil:	Ver.	$7,637,546.26	$6,483,863.53	$887,248.85	$49,277.37	$133,619.66	$600,405.76	$133,619.68
			Hor.	$213,586,779.39	$173,345,511.75	$36,137,099.84	$1,317,425.91	$5,442,247.22	$16,051,794.39	$5,442,247.24
Sep. 30, 2013	Jan-14	Gas:	Ver.	$27,630.47	$23,654.41	$3,492.44	$179.79	$525.95	$2,190.40	$525.96
			Hor.	$6,821,875.40	$5,595,345.07	$1,071,682.72	$42,524.63	$161,395.47	$518,128.95	$161,395.42
		Oil:	Ver.	$5,765,361.92	$4,911,444.39	$656,640.72	$37,326.96	$98,890.10	$454,799.75	$98,890.09
			Hor.	$236,365,630.64	$193,544,927.04	$38,629,234.60	$1,470,941.50	$5,817,562.76	$17,922,260.24	$5,817,562.73
Dec. 31, 2013	Apr-14	Gas:	Ver.	$69,325.38	$57,431.86	$10,476.46	$436.47	$1,577.75	$5,318.19	$1,577.75
			Hor.	$6,971,820.88	$5,697,603.65	$1,102,075.10	$43,301.84	$165,972.50	$527,598.10	$165,972.51
		Oil:	Ver.	$2,603,956.06	$2,209,686.30	$297,285.82	$16,793.63	$44,771.23	$204,616.95	$44,771.24
			Hor.	$189,075,769.14	$154,284,029.20	$31,154,924.81	$1,172,558.68	$4,691,931.73	$14,286,701.10	$4,691,931.68
Mar. 31, 2014	Jul-14	Gas:	Ver.	$34,856.36	$29,884.41	$4,831.95	$227.12	$727.69	$2,767.30	$727.69
			Hor.	$8,637,522.02	$7,050,947.55	$1,375,580.48	$53,587.18	$207,162.42	$652,917.74	$207,162.42
		Oil:	Ver.	$4,285,524.59	$3,596,045.47	$500,552.01	$27,329.94	$75,383.12	$332,993.81	$75,383.13
			Hor.	$178,744,719.42	$146,211,128.36	$29,101,103.04	$1,111,204.50	$4,382,626.21	$13,539,150.49	$4,382,626.12
Jun. 30, 2014	Oct-14	Gas:	Ver.	$38,948.48	$33,317.24	$5,415.33	$253.22	$815.55	$3,085.18	$815.55
			Hor.	$6,240,065.58	$5,129,504.06	$979,308.92	$38,984.23	$147,483.91	$474,992.08	$147,483.92
		Oil:	Ver.	$6,820,459.73	$5,695,870.72	$875,810.77	$43,288.61	$131,897.09	$527,437.63	$131,897.10
			Hor.	$180,771,941.73	$148,689,318.13	$28,692,963.07	$1,130,038.80	$4,321,160.22	$13,768,630.86	$4,321,160.24
							$7,936,525.88	$31,174,380.59	$96,700,301.70	$31,174,380.61
						Total Tax Paid:		$39,110,906.47		$127,874,682.31
						Difference:				-$88,763,775.84

EXHIBIT 3
DATE 2/16/15
HB 220

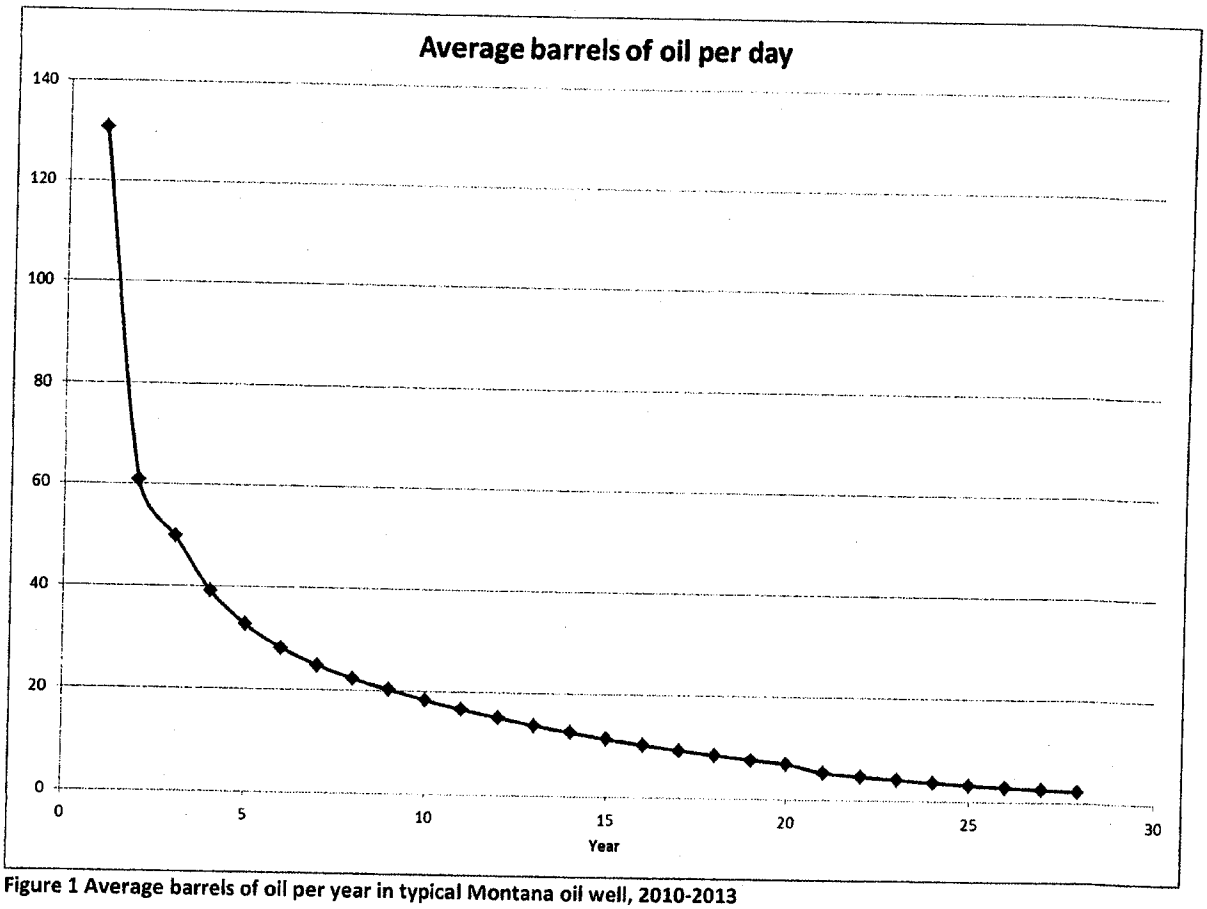

Figure 1 Average barrels of oil per year in typical Montana oil well, 2010-2013

In the case of this well, Montana's tax holiday in the first 18 months of the well's life results in a loss of $347,963. Without this tax holiday, total taxes paid on this well would increase to $1,666,332, increasing the effective tax rate to 10 percent which falls closer to North Dakota's effective tax rate.

Table 1 Oil and Gas Tax Revenue and Rate by State

State	Tax Revenue	Effective Tax Rate
Montana	$1,316,625	7.91%
North Dakota	$1,775,987	10.67%
South Dakota	$788,737	4.74%
Wyoming	$2,010,441	12.08%

Montana

Montana's oil and gas production tax recognizes two types of ownership interests — working and nonworking (royalty) — and taxes those differently. It also recognizes several categories of wells, and taxes production revenues from those wells differently. The tax rate changes for some categories of wells—stripper and "super stripper" wells—