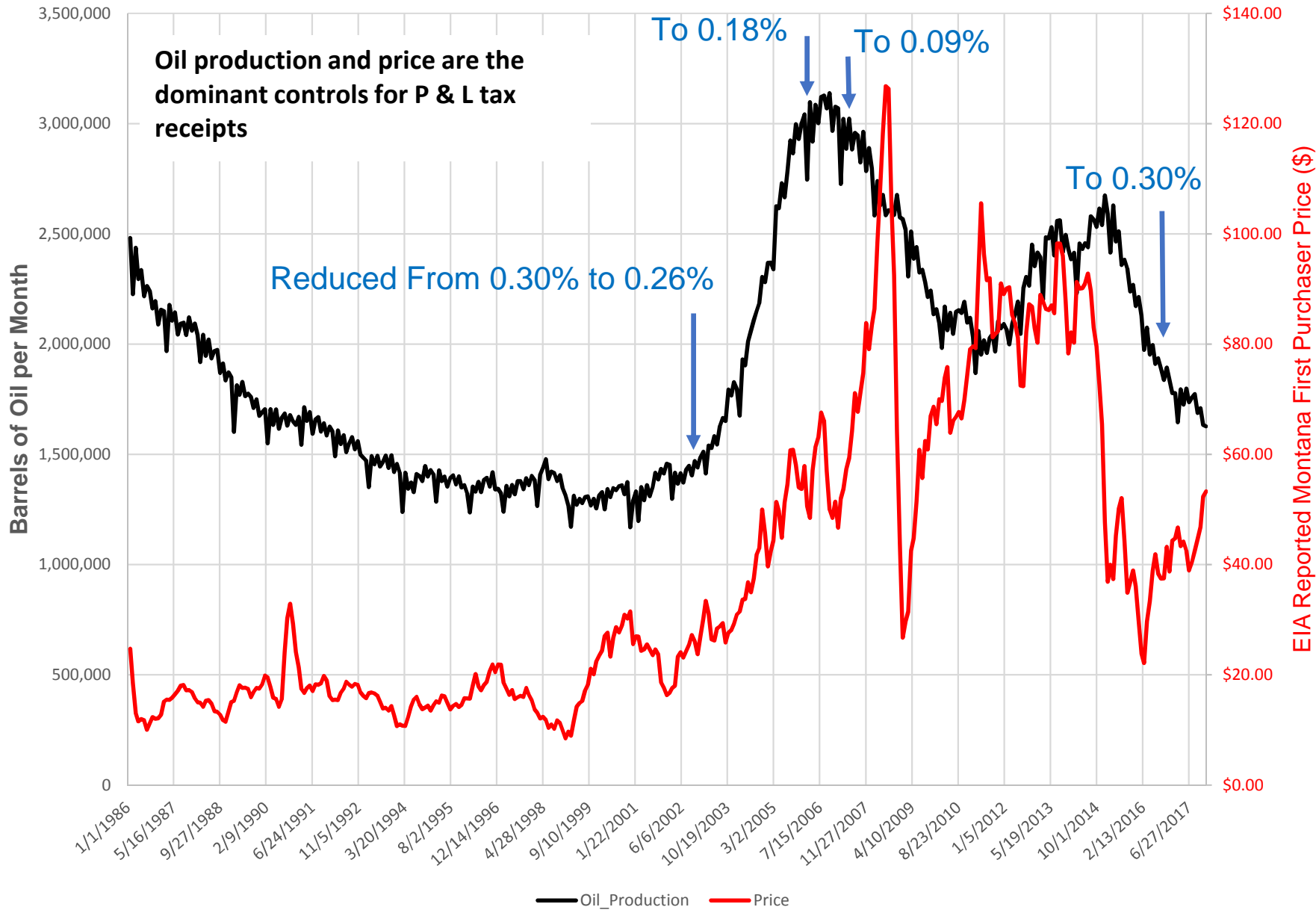


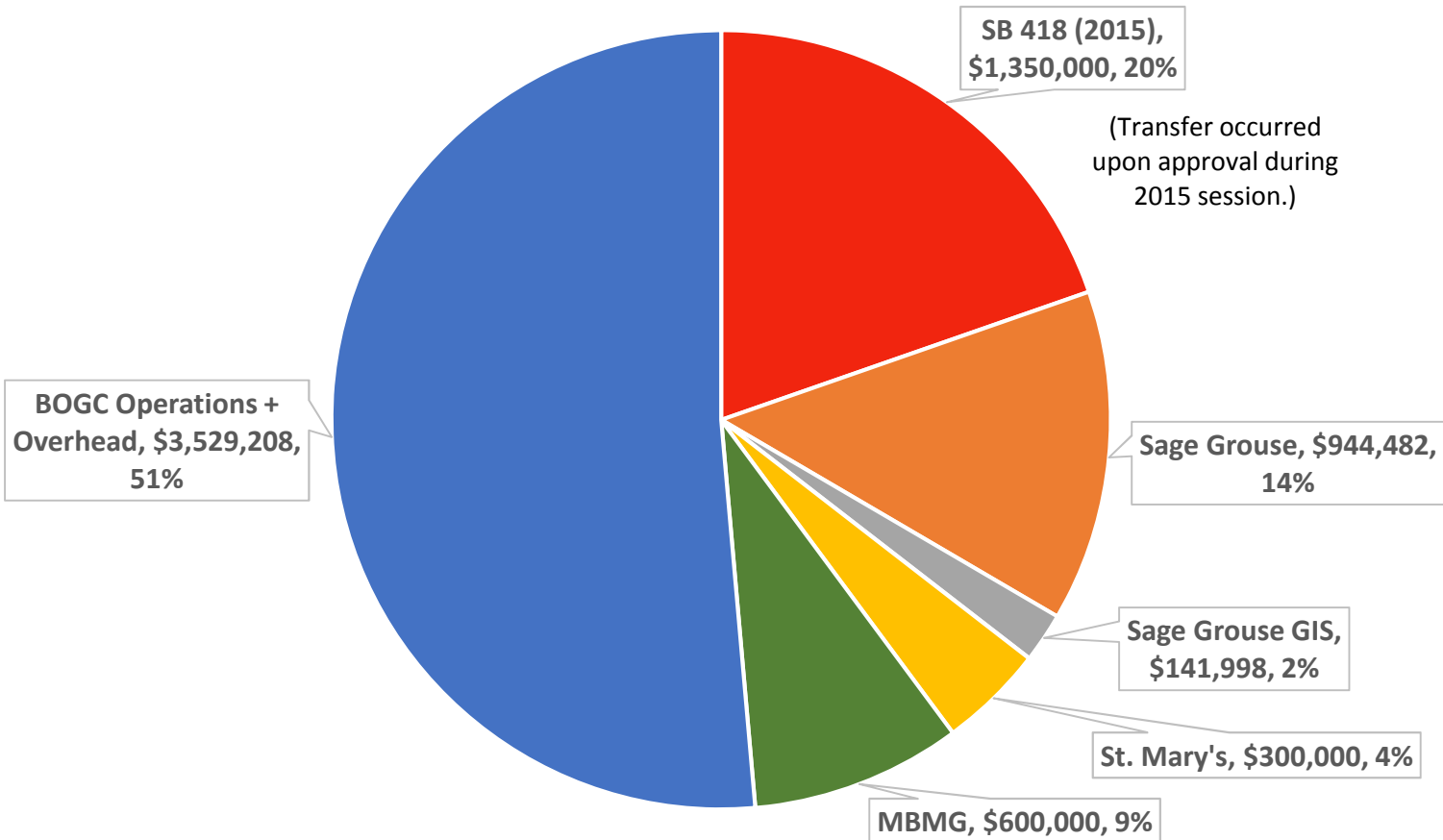
Board of Oil and Gas Considerations for Tax Rate Selection

- Future production levels and prices.
- Expenditures from special revenue account other than those required for Board operations.
- Maintenance of an adequate reserve balance to accommodate short-term price and production downturns.
- Concerns from industry and the Department of Revenue about the costs incurred from frequent rate changes, either up or down.
- Expense reductions in past and current biennium (positions, deferred expenditures).
- Maximum rate of 0.3 of 1% (§ 82-11-131, MCA)
- Rulemaking timeframe and delay to revenue collection:
 - Up to six months for formal rulemaking
 - Ninety-day notice of rate and effective date to Department of Revenue
 - Delay in distribution of proceeds to 2 quarters after effective date of rate change.

Oil Production, Price, and Privilege and License Tax Rate History

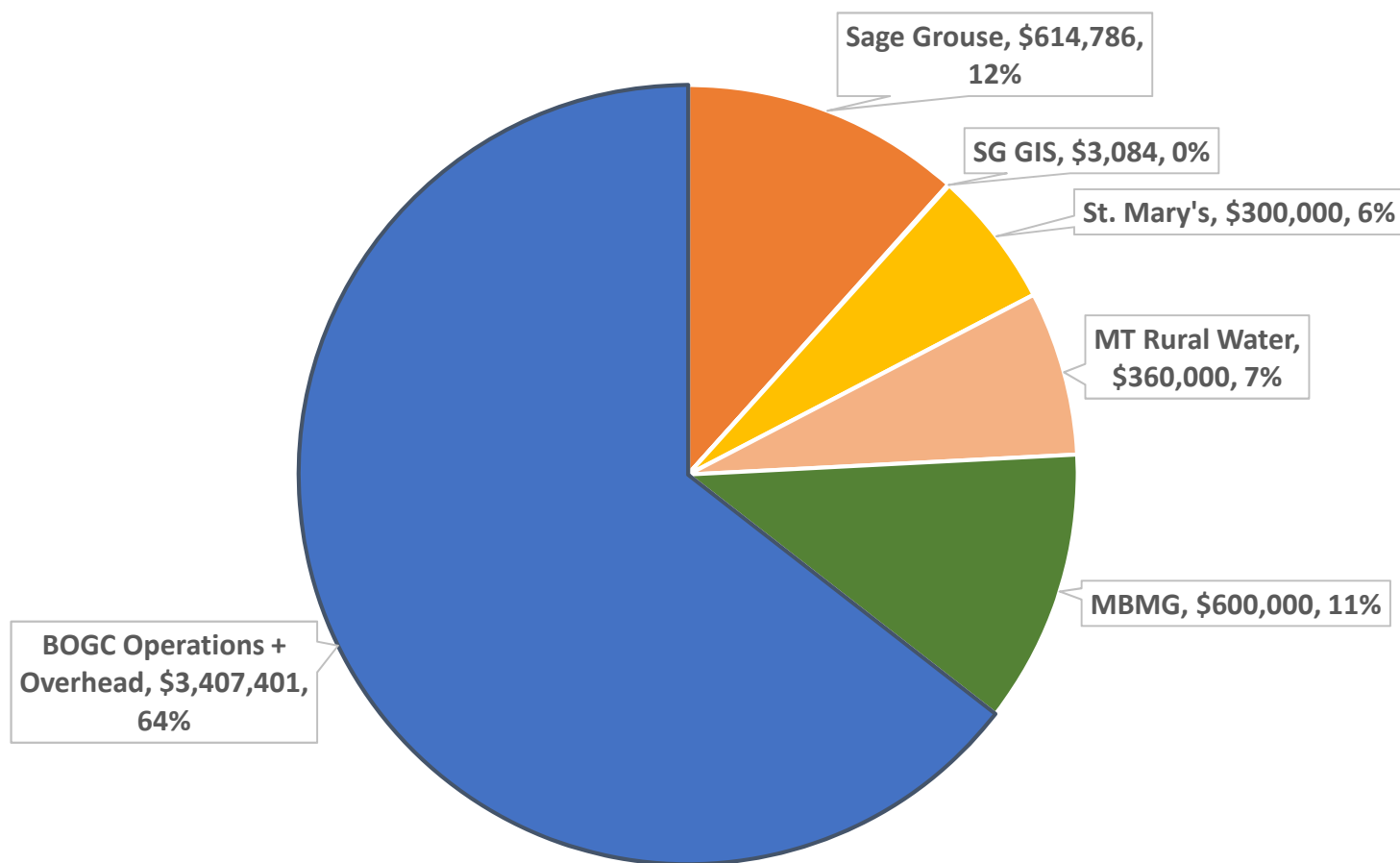


Expenditures from Special Revenue Account, FY 16 17



- SB 418 (2015)
- Sage Grouse
- Sage Grouse GIS
- St. Mary's
- MBMG
- BOGC Operations + Overhead

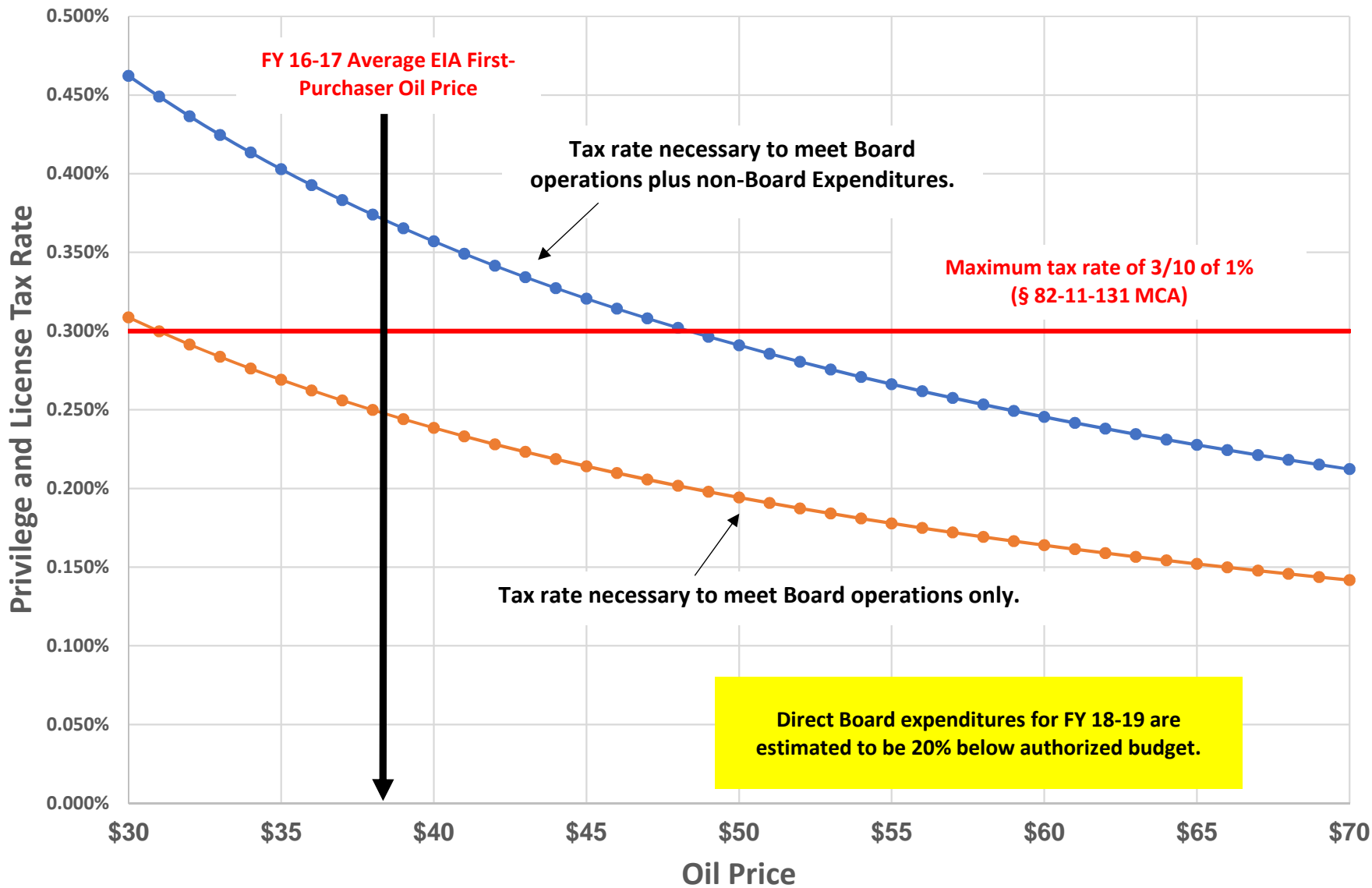
Expenditures from Special Revenue Account, FY 18 19



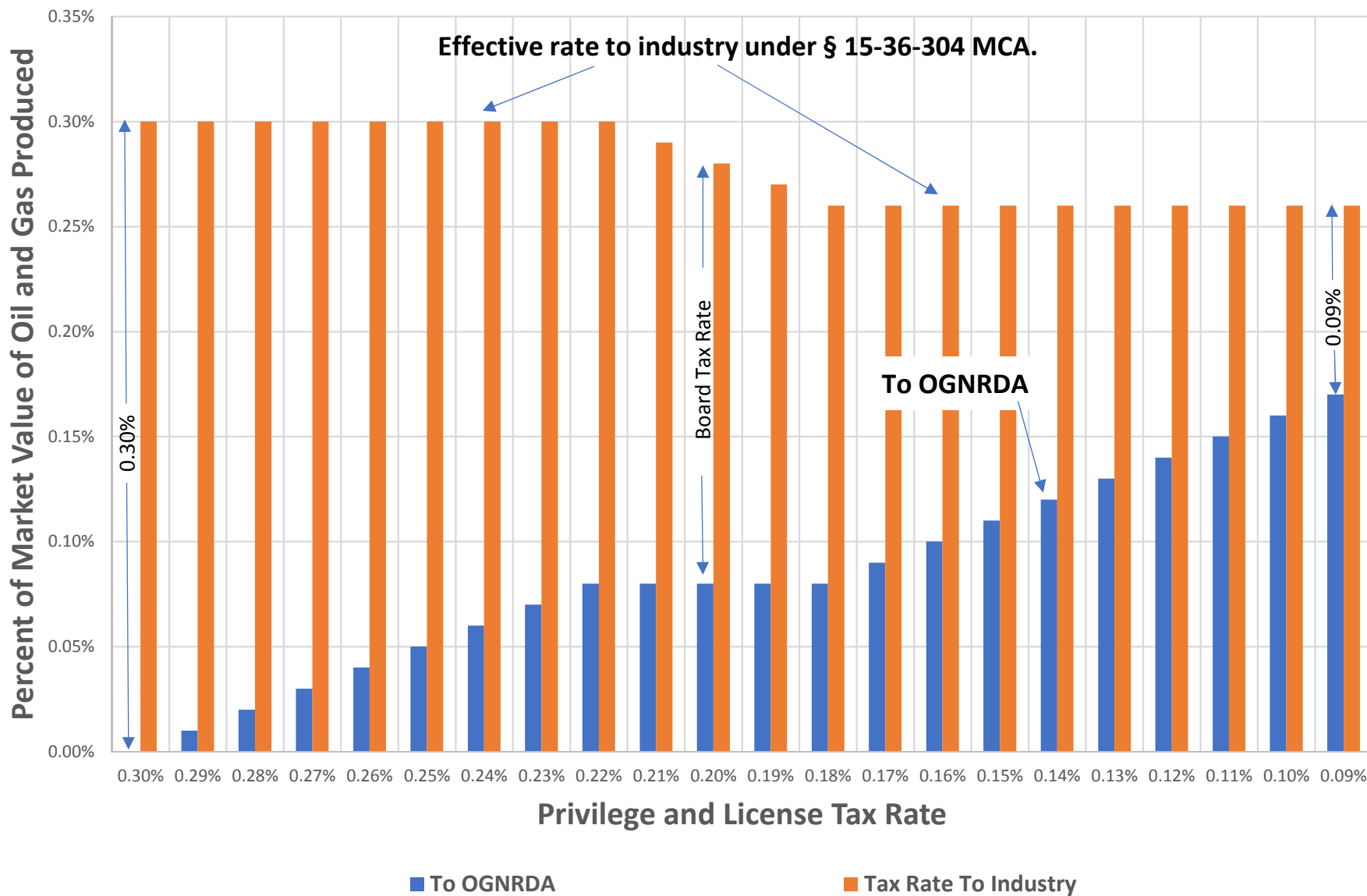
- Sage Grouse
- SG GIS
- St. Mary's
- MT Rural Water
- MBMG
- BOGC Operations + Overhead

Tax Rate vs. Expenditures for FY 18-19 Based Upon FY 2019 Production Levels

(Required tax rate is a function of oil price and production; expenditures reflect reductions enacted by the Board)



§ 15-36-304(7) MCA - Distribution to Oil and Gas Natural Resource Distribution Account (OGNRDA) With Varying Tax Rate



All Business Units
Standard Budget Summary By Org, Fund, Account

Data Selected for Month/FY: 00 (Beg)/2015 through 09 (Mar)/2018

Business Unit	(All)
Program Year	(All)
Month	(All)
Subclass	(All)
Source of Auth	(All)
Fund	(All)
Fund Type	(All)
Account	(All)
Acct Lvl 2	(All)
Account Type	(All)
Project	(All)
Ledger	(All)

Return to Menu

FY BudPer	OBPP Progra Org	Acct Lvl 1	Standard Budget	Actuals Amt	A Accrual Amt	Balance
2018			3,001,190.00	2,018,630.24	(251,974.88)	1,234,534.64
	01 DEPARTMENTS & AGENCIES		0.00	66,052.88	(66,052.88)	0.00
	20173804 RPLC BOILER BLNGS OIL&GAS BLDG		0.00	66,052.88	(66,052.88)	0.00
		64000 Capitol Outlay	0.00	66,052.88	(66,052.88)	0.00
	10 AGENCY FUNDS		0.00	300,000.00	0.00	(300,000.00)
	61120 Bureau of Mines Transfer		0.00	300,000.00	0.00	(300,000.00)
		68000 Transfers-out	0.00	300,000.00	0.00	(300,000.00)
	21 DIRECTOR'S OFFICE		135,829.00	120,370.00	0.00	15,459.00
	1011 DO LEGAL SERVICES OFFICE		14,126.00	14,126.00	0.00	0.00
		61000 Personal Services	14,126.00	14,126.00	0.00	0.00
	1020 DO DIRECTOR'S OFFICE/PIO		16,996.00	0.00	0.00	16,996.00
		61000 Personal Services	16,996.00	0.00	0.00	16,996.00
		62000 Operating Expenses	0.00	0.00	0.00	0.00
	1021 DO FINANCIAL SERVICES OFFICE		93,118.00	93,118.00	0.00	0.00
		61000 Personal Services	79,695.00	79,695.00	0.00	0.00
		62000 Operating Expenses	13,423.00	13,423.00	0.00	0.00
	1031 DO OFFICE OF INFORMATION TECH		11,589.00	11,050.00	0.00	539.00
		62000 Operating Expenses	11,050.00	11,050.00	0.00	0.00
		63000 Equipment & Intangible Assets	0.00	0.00	0.00	0.00
		69000 Debt Service	539.00	0.00	0.00	539.00
	1090 DO NON-BUDGETED MISC		0.00	2,076.00	0.00	(2,076.00)
		62000 Operating Expenses	0.00	2,076.00	0.00	(2,076.00)
	22 OIL & GAS CONSERVATION DIV.		2,225,041.00	1,160,266.28	(45,902.00)	1,107,685.72
	2011 OIL & GAS REGULATION		1,608,583.00	938,988.47	0.00	669,594.53
		61000 Personal Services	1,155,411.00	735,685.55	0.00	419,725.45
		62000 Operating Expenses	406,801.00	203,302.92	0.00	203,498.08
		63000 Equipment & Intangible Assets	46,371.00	0.00	0.00	46,371.00
	2012 OIL & GAS UIC PROGRAM		353,102.00	176,903.30	0.00	176,198.70
		61000 Personal Services	253,626.00	142,648.07	0.00	110,977.93
		62000 Operating Expenses	89,297.00	34,255.23	0.00	55,041.77
		63000 Equipment & Intangible Assets	10,179.00	0.00	0.00	10,179.00
	2023 O&G FY13 CARRYFORWARD		0.00	43,360.09	(43,360.09)	0.00
		62000 Operating Expenses	0.00	43,360.09	(43,360.09)	0.00
	2026 BOGC FY16 CARRYFORWARD		107,082.00	2.00	0.00	107,080.00
		61000 Personal Services	21,416.00	0.00	0.00	21,416.00
		62000 Operating Expenses	42,833.00	2.00	0.00	42,831.00
		63000 Equipment & Intangible Assets	42,833.00	0.00	0.00	42,833.00
	2027 BOGC FY17 CARRYFORWARD		156,264.00	0.00	0.00	156,264.00
		61000 Personal Services	63,132.00	0.00	0.00	63,132.00
		62000 Operating Expenses	63,132.00	0.00	0.00	63,132.00
		63000 Equipment & Intangible Assets	30,000.00	0.00	0.00	30,000.00
	2029 EOR STUDY		0.00	2,571.91	(2,571.91)	0.00
		62000 Operating Expenses	0.00	2,571.91	(2,571.91)	0.00
	2090 O&G NON BUDGETED MISC		0.00	1,440.51	0.00	(1,440.51)
		61000 Personal Services	0.00	(2,232.38)	0.00	2,232.38
		62000 Operating Expenses	0.00	3,672.89	0.00	(3,672.89)
	23 CONSERVATION/RESOURCE DEV DIV		640,330.00	368,941.08	(139,990.00)	411,378.92
	3061 SAGE GROUSE PROGRAM		310,330.00	213,941.08	(114,990.00)	211,378.92
		61000 Personal Services	93,382.00	74,182.26	0.00	19,199.74
		62000 Operating Expenses	215,823.00	138,434.48	(114,990.00)	192,178.54
		68000 Transfers-out	1,325.00	1,324.36	0.00	0.64
	3065 ST MARY PROJECT		150,000.00	25,000.00	(25,000.00)	150,000.00
		62000 Operating Expenses	150,000.00	25,000.00	(25,000.00)	150,000.00
	3426 MT RURAL WATER		180,000.00	130,000.00	0.00	60,000.00
		62000 Operating Expenses	180,000.00	130,000.00	0.00	50,000.00
Grand Total			3,001,190.00	2,018,630.24	(251,974.88)	1,234,534.64

ACTUALS & ACCRUALS

1,766,655

Montana Code Annotated 2017

TITLE 82. MINERALS, OIL, AND GAS

CHAPTER 11. OIL AND GAS CONSERVATION

Part 1. Regulation by Board of Oil and Gas Conservation

Privilege And License Tax

§ 82-11-131. Privilege and license tax. (1) For the purpose of providing funds for defraying the expenses of the operation and enforcement of this chapter and expenses of the board, an operator or producer of oil and gas shall pay an assessment not to exceed 3/10 of 1% of the market value of each barrel of crude petroleum produced, saved and marketed, or stored within the state or exported from the state and the same rate on the market value of each 10,000 cubic feet of natural gas produced, saved and marketed, or stored within the state or exported from the state.

(2) The board shall, by rule adopted pursuant to the provisions of the Montana Administrative Procedure Act, fix the amount of the assessment and may from time to time reduce or increase the amount of the assessment as the expenses chargeable against the oil and gas conservation fund may require. However, the assessment fixed by the board may not exceed the limits prescribed in this section. The amount of the assessment must be a percentage factor, not to exceed 100%, of the rate set forth in subsection (1), and the same percentage factor must be applied by the board in fixing the amount of the assessment on each barrel of crude petroleum produced and each 10,000 cubic feet of natural gas produced. A producer of the crude petroleum and natural gas shall pay the assessment on each barrel of crude petroleum and each 10,000 cubic feet of natural gas produced for the producer, as well as for another, including a royalty holder.

(3) For the purposes of this section, the provisions of Title 15, chapter 36, part 3, apply to the privilege and license tax assessment.

History: En. Sec. 22, Ch. 238, L. 1953; amd. Sec. 1, Ch. 234, L. 1955; amd. Sec. 1, Ch. 198, L. 1957; amd. Sec. 1, Ch. 47, L. 1961; amd. Sec. 160, Ch. 147, L. 1963; amd. Sec. 1, Ch. 315, L. 1973; amd. Sec. 1, Ch. 130, L. 1974; amd. Sec. 81, Ch. 253, L. 1974; amd. Sec. 1, Ch. 413, L. 1975; amd. Sec. 1, Ch. 178, L. 1977; amd. Sec. 1, Ch. 254, L. 1977; R.C.M. 1947, 60-145(1) thru (3); amd. Sec. 7, Ch. 201, L. 1979; amd. Sec. 5, Ch. 93, L. 1983; amd. Sec. 144, Ch. 370, L. 1987; amd. Secs. 1, 2, Ch. 573, L. 1995.

Money Earmarked For Board Expenses

§ 82-11-135. Money earmarked for board expenses. The state treasurer shall deposit all money distributed to the board under **15-36-331** and collected under this chapter in the state special revenue fund. Subject to legislative fund transfers, the money must be used for the purpose of paying all expenses of the board and for no other purpose. The board shall use the money subject to biennial appropriations by the legislature. Income and interest from investment of the board's money in the state special revenue fund must be credited to the board.

History: En. Sec. 22, Ch. 238, L. 1953; amd. Sec. 1, Ch. 234, L. 1955; amd. Sec. 1, Ch. 198, L. 1957; amd. Sec. 1, Ch. 47, L. 1961; amd. Sec. 160, Ch. 147, L. 1963; amd. Sec. 1, Ch. 315, L. 1973; amd. Sec. 1, Ch. 130, L. 1974; amd. Sec. 81, Ch. 253, L. 1974; amd. Sec. 1, Ch. 413, L. 1975; amd. Sec. 1, Ch. 178, L. 1977; amd. Sec. 1, Ch. 254, L. 1977; R.C.M. 1947, 60-145(7); amd. Sec. 1, Ch. 277, L. 1983; amd. Sec. 3, Ch. 265, L. 1987; amd. Sec. 35, Ch. 15, Sp. L. July 1992; amd. Sec. 48, Ch. 451, L. 1995; amd. Sec. 13, Ch. 466, L. 1997; amd. Sec. 4, Ch. 306, L. 2001; amd. Sec. 13, Ch. 522, L. 2003; amd. Sec. 12, Ch. 312, L. 2011.

Montana Code Annotated 2017

TITLE 15. TAXATION

CHAPTER 36. OIL AND GAS PRODUCTION TAX

Part 3. Oil and Gas Production Tax Act

Production Tax Rates Imposed On Oil And Natural Gas -- Exemption

§ 15-36-304. Production tax rates imposed on oil and natural gas -- exemption.

...

(7) (a) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking interest owners must be adjusted to include the total of the privilege and license tax adopted by the board of oil and gas conservation pursuant to **82-11-131** and the derived rate for the oil and gas natural resource distribution account as determined under subsection (7)(b).

(b) The total of the privilege and license tax and the tax for the oil and gas natural resource distribution account established in **90-6-1001**(1) may not exceed 0.3%. The base rate for the tax for oil and gas natural resource distribution account funding is 0.08%, but when the rate adopted pursuant to **82-11-131** by the board of oil and gas conservation for the privilege and license tax:

(i) exceeds 0.22%, the rate for the tax to fund the oil and gas natural resource distribution account is equal to the difference between the rate adopted by the board of oil and gas conservation and 0.3%; or

(ii) is less than 0.18%, the rate for the tax to fund the oil and gas natural resource distribution account is equal to the difference between the rate adopted by the board of oil and gas conservation and 0.26%.

(c) The board of oil and gas conservation shall give the department at least 90 days' notice of any change in the rate adopted by the board. Any rate change of the tax to fund the oil and gas natural resource distribution account is effective at the same time that the board of oil and gas conservation rate is effective.

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