DUE TO THE PASSAGE OF HB 4090 (EFFECTIVE JUNE 1, 2020) IN THE 2020 REGULAR LEGISLATIVE SESSION, CERTAIN LOW PRODUCING VERTICAL OIL AND GAS WELLS ARE SUBJECT TO A LOWER RATE OF SEVERANCE TAX (RETROACTIVE TO JANUARY 1, 2020).

THESE INSTRUCTIONS ARE FOR TAXPAYERS WISHING TO ADJUST THEIR 2020 ESTIMATED SEVERANCE TAX RETURNS AND PAYMENTS TO USE THE LOWER RATE OF TAX.

LOW PRODUCING VERTICAL NATURAL GAS WELLS

For any vertical natural gas wells with production in 2019 equal to or greater than 5 mcf per day, but equal to or less than 60 mcf per day:

1. Calculate the estimated gross proceeds for each month.
2. Multiply that estimated amount by 50%.
3. Add the product from step 2 to any gross proceeds from production for wells exceeding 60 mcf per day and place on Line 3 under the Taxable Amount column to calculate your estimated liability.

LOW PRODUCING VERTICAL OIL WELLS

For any vertical oil wells with production in 2019 equal to or greater than ½ barrel per day, but equal to or less than 10 barrels per day:

1. Calculate the estimated gross proceeds for each month.
2. Multiply that estimated amount by 50%.
3. Add the product from step 2 to any gross proceeds from production for wells exceeding 10 barrels per day and place on Line 2 under the Taxable Amount column to calculate your estimated liability.

This special rate does not apply to any other taxable proceeds including coalbed methane, natural gas liquids, or other natural resources. Please continue to report other natural resources without any adjustment.

For the annual return, new forms and instructions will be available. Please read your returns carefully.