

FISCAL NOTE
SENATE BILL NO. 2397
LC# 25.1360.02000
04/18/2025

1 - State Fiscal Effect

Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2023-2025 Biennium		2025-2027 Biennium		2027-2029 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

2 - County, City, School District, and Township Fiscal Effect

Identify the fiscal effect on the appropriate political subdivision.

	2023-2025 Biennium	2025-2027 Biennium	2027-2029 Biennium
Counties			
Cities			
School Districts			
Townships			

3 - Bill and Fiscal Impact Summary

Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

SB 2397 provides a limited exemption for development incentive wells, a temporary exemption for gas recovered from wells employing a system to avoid flaring, and an exemption from the gross production tax for gas produced from certain enhanced oil recovery projects.

4 - Fiscal Impact Sections Detail

Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

Section 1 provides a temporary exemption for a period of two years and thirty days from the time of first production for gas produced from a well, if that gas is collected and used at the well site to power an electrical generator that consumes the gas. This section removes the existing requirement that a generator consume at least seventy-five percent of the gas from the well.

Section 2 provides for an exemption for produced gas that is used for operation of the lease or premises in the drilling for or production of oil or gas, produced from an enhanced oil recovery project utilizing the injection of gas either alone or in combination with other fluids for the purpose of testing the feasibility of enhanced oil recovery operations, or employing enhanced oil recovery operations on a field-wide basis. The enhanced oil recovery exemption applies to projects created and established by the industrial commission after June 30, 2025.

Section 3 defines a development incentive well as determined by the industrial commission as a well spud after June 30, 2025, drilled within the geographical boundaries of spacing until established by the industrial commission, that utilizes innovative drilling or completion technique that constitutes a technical advancement beyond current industry standards, and designed and anticipated to, more likely than not, increase production or the ultimate recovery of oil or gas from the well.

Section 4 provides an exemption from oil extraction tax for the first three hundred barrels of oil produced during the first thirty-six months after completion from a development incentive well that has been certified by the industrial commission. A well located within the exterior boundaries of a reservation, a well located on trust properties outside reservation boundaries, or a straddle well located on reservation trust land are not subject to the reduced rate unless a tribe elects to opt-in to the tax rate reduction.

It is anticipated that new wells drilled as a direct result of SB 2397 if enacted, would produce a net gain from oil and gas tax collections.

5 - Revenues Detail

For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

If SB2397 is enacted, the fiscal impact is contingent on numerous external factors including market variables and pace of development and as a result, is difficult to provide an estimate for.

6 - Expenditures Detail

For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

N/A

7 - Appropriations Detail

For information shown under state fiscal effect in 1 or 2, please explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

N/A

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