



Stripper Well Oil Extraction- Tax Exemption Study

Presented to:
Tax Reform and Relief Advisory Committee

Brian Kroshus, Tax Commissioner

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Oil Tax Rates by State

State	Tax Rate	Tax Base	Comments
North Dakota	10%	Gross value of oil produced	(5% gross production tax and 5% oil extraction tax) - less transportation cost
Oklahoma	7%	Gross value of oil produced	Average price per barrel must be equal to or exceed \$17 per barrel
Wyoming	6%	Fair market value	
Colorado	2% to 5%	Based on gross income - graduated scale depending on production value	Oil produced from wells that produce 15 barrels per day or less during the taxable year are exempt from the tax
Texas	4.6%	Based on fair market value	2.3% for oil produced from qualified new or expanded enhanced recovery project
New Mexico	3.75%	Average taxable value of oil produced	Oil produced from a qualified EOR project taxed at 1.875%. Oil produced from a well workover project taxed at 2.45%. Oil produced from a stripper well property taxed at 1.875%
Louisiana	12.5% of taxable value	Higher of gross receipts received minus certain charges or posted field price	Reduced tax rates apply to production from certain types of wells.

Stripper Well Qualifying Criteria

N.D.C.C 57-51.1-01(10)

"Stripper well" means a well drilled and completed, or re-entered and recompleted as a horizontal well, after June 30, 2013, whose average daily production of oil during any preceding consecutive twelve-month period, excluding condensate recovered in non-associated production, per well did not exceed:

- 10 barrels per day for wells of a depth of 6,000 feet or less
- 15 barrels per day for wells of a depth of more than 6,000 feet but not more than 10,000 feet
- 30 barrels per day for wells of a depth of more than 10,000 feet outside the Bakken and Three Forks formations
- 35 barrels per day for wells of a depth of more than 10,000 feet in the Bakken or Three Forks formation.

Stripper Well Qualifying Criteria

N.D.C.C 57-51.1-01(11)

“Stripper well property” means wells drilled and completed, or a well re-entered and recompleted as a horizontal well, before July 1, 2013, on a "property" whose average daily production of oil, excluding condensate recovered in non-associated production, per well did not exceed the production threshold during any preceding consecutive twelve-month period :

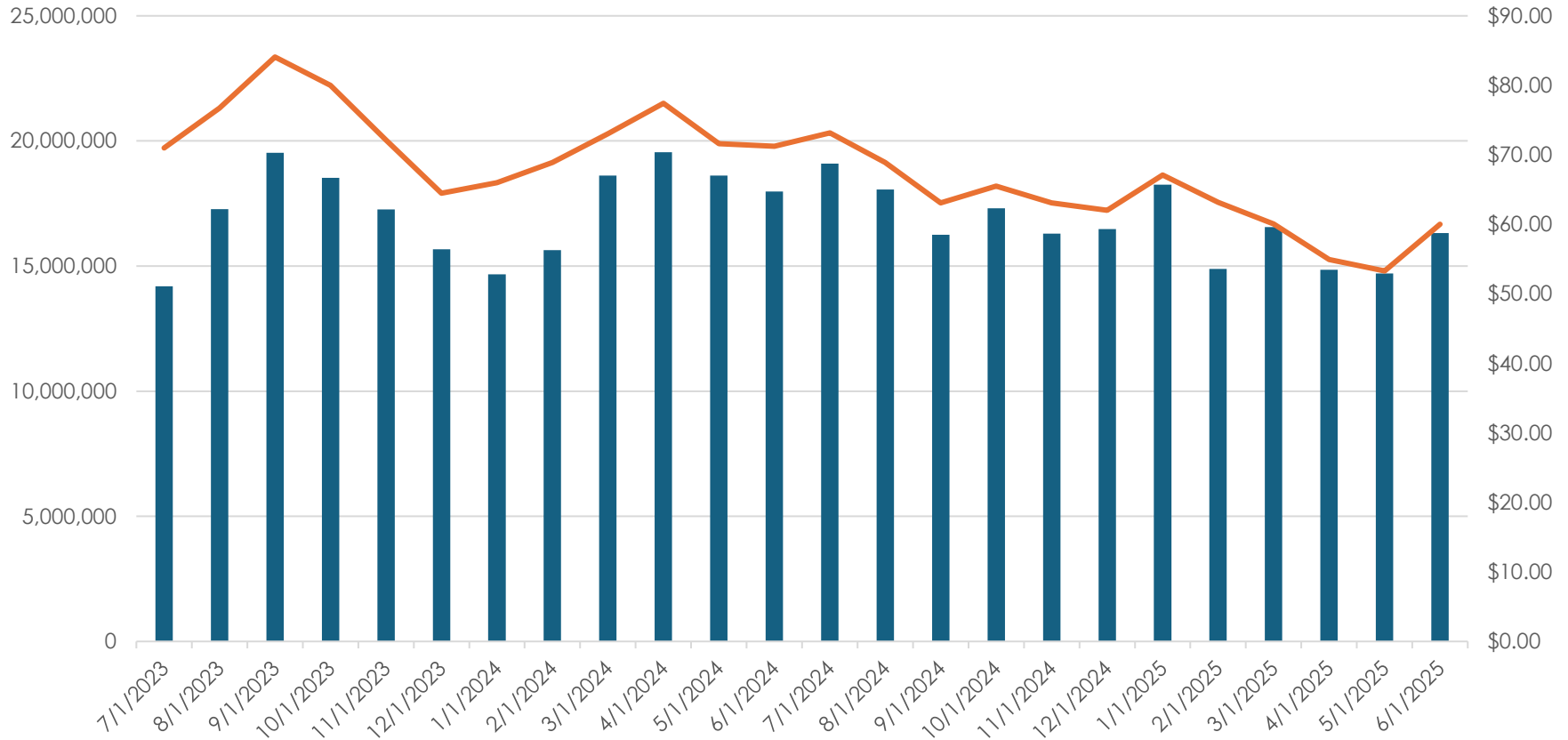
- 10 barrels per day for wells of a depth of 6,000 feet or less
- 15 barrels per day for wells of a depth of more than 6,000 feet but not more than 10,000 feet
- 30 barrels per day for wells of a depth of more than 10,000.

April 2026 Stripper Well Summary

	April 2026 Totals
Stripper Wells	9,967
Tax Paid Bbls	5,624,950
Avg Price/Bbl	\$92.47
Gross Value	\$520,143,360
Taxable Value	\$503,263,348
GPT (5%)	\$25,163,167
OET (0%)	0.0%
Estimated OET (1%)	\$5,032,633

2023-2025 Stripper Well Extraction Tax Savings- Actual

Price per barrel in correlation with Extraction Tax Savings



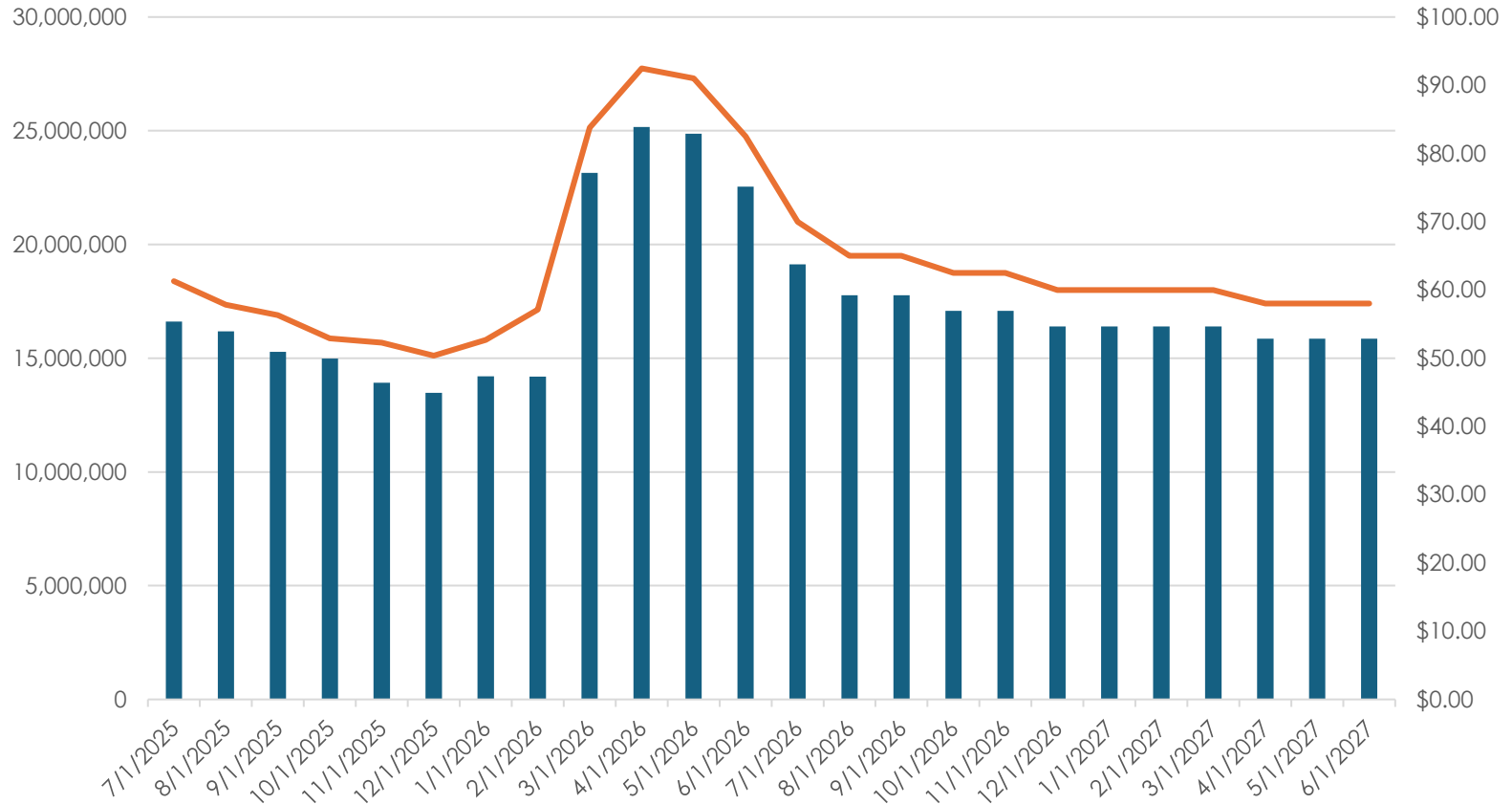
■ Extraction Tax Savings
■ Average price per barrel

Biennium Total: \$406,616,666



2025-2027 Stripper Well Extraction Tax Savings- Estimated

Price per barrel in correlation with Extraction Tax Savings

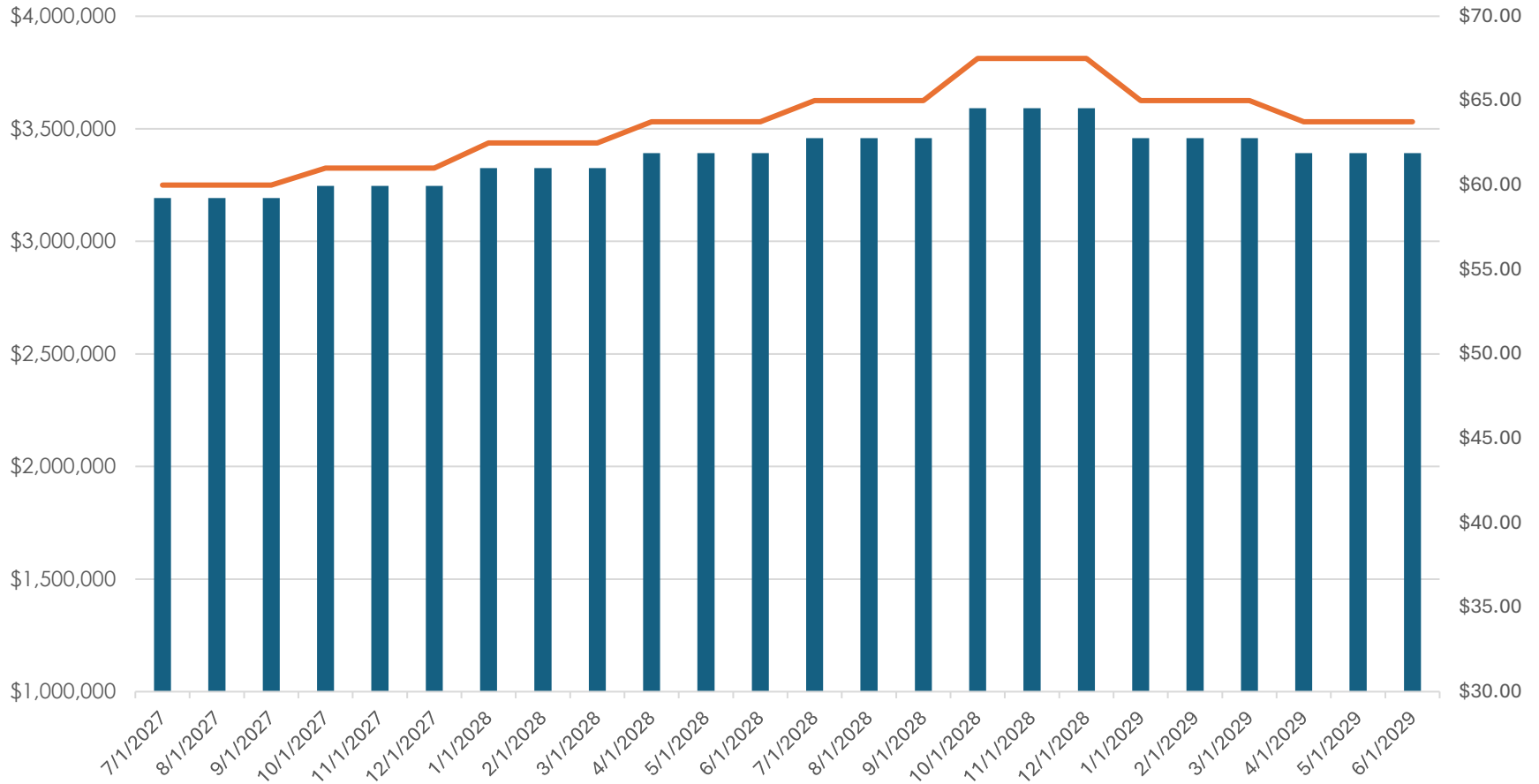


■ Extraction Tax Savings
 ■ Average price per barrel

Biennium Total: \$416,560,234



2027-2029 Stripper Wells Subject to a 1% Tax Rate- Estimated



Biennium Total: \$81,175,669

Revenue Scenario – Stripper Well EOR after 2025-27 Biennium

Incremental production exceeding stripper well thresholds taxed at a rate of 2.5%

Variables

- Advancements in technology for CO₂-EOR in the Bakken
- Ability to attract capital to the North Dakota Bakken versus other plays in the United States and globally – *highly competitive environment*
 - States aggressively compete for investment capital in part through tax policy initiatives
- Infrastructure buildout and availability of key inputs including supply of CO₂
- Estimating the number of targeted wells after June 30, 2027 (will predominately be horizontal Bakken wells)
 - Production from a well **outside the Bakken and Three Forks** formations with a well depth of more than 10,000 feet did not exceed an average of **30 barrels per day**; or
 - Production from a well **in the Bakken or Three Forks** formations with a well depth of more than 10,000 feet did not exceed an average of **35 barrels per day**

Revenue Scenario – Stripper Well EOR after 2025-27 Biennium

Incremental production exceeding stripper well thresholds taxed at a rate of 2.5%

Variables (cont.)

- Federal tax policy – 45Q – Competing incentives
 - Permanent storage - \$85 per metric ton
 - EOR or industrial utilization - \$60 per metric ton
- Crude oil demand – long-term oil pricing

Projecting potential revenue collections using various tax rate assumptions is speculative in nature, due to variables including those listed

EOR 10-year Extraction Tax Exemption Model*

(Based on EIA Price Model using CO₂-EOR Model)

		Total Annual Production bbls.	Ave bbls/day	Legacy Production bbls.	Incremental Production bbls.	Ave. price Bakken Crude	Incremental Production Tax Revenue	Extraction Tax	Extraction Tax Revenue (overall)	Total Incremental Revenue
2027	yr 1	71,781	196.7	9,211	62,570	\$55.97	\$175,102	2.5%	\$100,440	\$175,102
2028	yr 2	45,192	123.8	7,375	37,817	\$55.97	\$105,831	2.5%	\$63,235	\$105,831
2029	yr 3	33,222	91.0	5,905	27,317	\$67.61	\$92,345	2.5%	\$56,153	\$92,345
2030	yr 4	20,043	54.9	4,728	15,315	\$67.61	\$51,772	2.5%	\$33,878	\$51,772
2031	yr 5	12,911	35.4	3,785	9,126	\$67.61	\$30,850	2.5%	\$21,823	\$30,850
2032	yr 6	8,719	23.9	3,030	5,689	\$67.61	\$19,232	0.0%	\$0	\$19,232
2033	yr 7	6,016	16.5	2,426	3,590	\$67.61	\$12,136	0.0%	\$0	\$12,136
2034	yr 8	4,148	11.4	1,943	2,205	\$74.40	\$8,203	0.0%	\$0	\$8,203
2035	yr 9	3,010	8.2	1,555	1,455	\$74.40	\$5,413	0.0%	\$0	\$5,413
2036	yr 10	1,732	4.7	1,392	340	\$74.40	\$1,265	0.0%	\$0	\$1,265
Total		206,774		41,350	165,424		\$502,149		\$275,528	\$777,677

*Assumptions include a return to stripper well status (below 35 bbl) after yr 5, for a well in the Bakken exceeding a depth of 10,000 feet

Revenue Potential - 2.5% Extraction Tax

CO ₂ -EOR Revenue Model	Incremental Production Tax Revenue	Incremental Extraction Tax Revenue - 2.5%	Single Well Revenue Total	Total - 5,744 Wells - Incremental Production Tax	Total - 5,744 Wells Incremental Extraction Tax
10-year model - EIA Pricing	\$502,149	\$275,528	\$777,677	\$2,884,341,547	\$1,582,635,441
Overall Incremental Revenue Potential = \$4,466,976,988					