Utah Oil & Gas Production Taxes Summary

This document presents a summary of Utah's three primary oil and gas production taxes or fees as prepared by the Utah Division of Oil, Gas & Mining. Please review the Utah statutes or contact the Utah State Tax Commission concerning specific questions.

A. Conservation Fee

- The conservation fee rate is two-tenths of one percent (.002) of the value of oil and gas produced and saved, sold, or transported from the field in Utah where the oil or gas is produced.
- The State Tax Commission administers the collection of the conservation fee.
  Statutory Reference: § 40-6-14.

B. Severance Tax

- The severance tax has sliding scale rates and is based upon the value of the oil or gas produced and saved, sold, or transported from the field where the substance was produced.
- The severance tax rate for oil is as follows:
  (i) 3% of the value of the oil up to and including the first $13 per barrel for oil; and
  (ii) 5% of the value of the oil from $13.01 and above per barrel for oil.
- The severance tax rate for natural gas is as follows:
  (i) 3% of the value up to and including the first $1.50 per MCF for gas; and
  (ii) 5% of the value from $1.51 and above per MCF for gas.
- The severance tax rate for natural gas liquids is 4% of the taxable value of the natural gas liquids.
- No tax is imposed upon:
  (a) stripper wells, with oil wells at less than 20 BOPD and gas wells at less than 60 MCFD;
  (b) the first 12 months of production for wildcat wells;
  (c) the first six months of production for development wells.
- A working interest owner who pays for all or part of the expenses of a recompletion or workover is entitled to a tax credit equal to 20% of the amount paid. The tax credit for each recompletion or workover may not exceed $30,000 per well during each calendar year.
- A 50% reduction in the tax rate is imposed upon the incremental production achieved from an enhanced recovery project.
- The State Tax Commission administers the collection of the severance tax.
  Statutory Reference: § 59-5-102.

C. Property (Ad Valorem) Tax

- The Property Tax Division of the State Tax Commission assesses the fair market value of oil and gas properties by May 1st of each year, as valued on January 1st. A discounted cash flow model is utilized in this process to aid in establishing fair market value. The actual tax rate is established by each respective county, and thus varies by county.
  Statutory Reference: § 59-2-201.