

**MEMORANDUM**

TO: TRAVIS STICE, MOI FARMINGTON

FROM: PERRY PEARCE, MOI SANTA FE

RE: HB 65 & 66 RULEMAKING

DATE: MAY 15, 1995

I have found some additional materials from other states which have workover incentives that may be of assistance to you in working with the Production Restoration and Workover Incentive Committee.

**WYOMING**

Section 39-6-302(t) states:

Incremental oil or gas production resulting from a workover or recompletion of an oil or gas well between July 1, 1993 and December 31, 1996 shall be exempt from the taxes imposed by W.S. 39-6-302(b) and (g) for a period of twenty-four (24) months immediately following the workover or recompletion. Rules, definitions and regulations to implement the provisions by the Wyoming oil and gas conservation commission in consultation with the

mineral tax division of the department of revenues. Provided, however that a taxpayer claiming a tax reduction under this subsection is prohibited from claiming a tax reduction provided by subsection (j) and (p) of this section.

The commission has adopted rules and definitions. The Rules and Regulations of the Wyoming Oil & Gas Conservation Commission provide:

**RECOMPLETION**, for purposes of W.S. 39-6-302(t) and Commission Rule 342, means any downhole operation in an existing oil or gas well that is conducted to establish production of oil or gas from any geological interval not currently completed or producing in said existing oil or gas well. (Definition 210)

**WORKOVER**, for purposed of w.S. 39-6-302 (t) and Commission Rule 342, means any downhole operation in an existing oil or gas well that is designed to sustain, restore or increase the production rate or ultimate recovery in a geologic interval currently completed or producing in said existing oil or gas well. Workover includes but is not limited to : acidizing, reperforating, fracture treating, sand/paraffin removal, casing repair, squeeze cementing, or setting bridge plugs to isolate water productive zones from oil or gas productive zones, or any combination thereof. Workover does not mean routine maintenance, repair, or replacement of downhole equipment such as rods, pumps, tubing, packers, or other mechanical devices. (Definition 249)

**RULE 342: RECOMPLETION AND WORKOVER  
CERTIFICATIONS**

Certification of recompletions and workovers and determination of base level production for qualifying wells is the duty of the Wyoming Oil and Gas Conservation Commission and shall be accomplished in the following manner:

(a) In order to qualify for the excise tax exemption provided in W.S. 39-6-302(t), the applicant shall submit an application with evidence demonstrating that the technique(s) utilized in the well qualify as a recompletion or workover. The Commission or Supervisor has the authority to certify the operation as a recompletion or workover.

(b) Only recompletions and workovers completed between July 1, 1993 and December 31, 1996, qualify for the excise tax exemption provided by W.S. 39-6-302(t), provided further that:

(i) Prior to or no later than thirty (30) days after the recompletion or workover, the applicant must furnish the Commission an extrapolation and tabulation of the well's monthly production which would have occurred without the benefit of the recompletion or workover. The extrapolation and tabulation shall not be for less than thirty-six (36) months commencing on the first month after the month in which the recompletion or workover is expected to be completed. The projection and tabulation shall be based on: production history for the twelve (12) month period immediately preceding the last month of reported production;

reservoir and production characteristics; and the application of generally accepted petroleum engineering practices. The extrapolated and tabulated monthly production volumes, as approved by the Commission or Supervisor, shall serve as the base level production for purposes of determining the incremental production which qualifies for the tax exemption and;

(ii) The applicant shall provide information about: all assumptions made in preparing the extrapolation and tabulation; the date on which the workover or recompletion is expected to start; a schematic diagram of the recompletion or workover; and any other information concerning the operation that the Commission may reasonably require in order to evaluate the application. After the recompletion or workover is completed, the applicant shall submit a Sundry Notice, Form 4, listing the actual dates of commencing and completing the operations, the actual costs of the recompletion or workover, and the initial daily production rate following the operations.

(iii) Qualifying recompletions and workovers may be administratively approved by the Supervisor. The Supervisor shall review the material within fifteen (15) days after receipt of the application and advise the applicant of the decision. If the applicant disagrees with the Supervisor's decision, he may request a hearing before the Commission. The Supervisor, on his own motion, may also refer the matter to the Commission. Upon approval of the application, the Supervisor shall forward a copy of the

certification to the Department of Revenue, Mineral Tax Division.

(iv) Applicants or taxpayers claiming the excise tax exemption under W.S. 39-6-302(t), are prohibited from simultaneously claiming the tax exemption provided by W.S. 39-6-302(j) for tertiary projects or W.S. 39-6-302(p) for wildcat wells.

### OKLAHOMA

The Oklahoma workover incentive seems to be less complicated. The Oklahoma Rules provide that:

**"Base Production"** means the average monthly amount of production for the twelve-month (12) period immediately prior to July 1, 1994.

**"Incremental production"** means the amount of crude oil, natural gas or other hydrocarbons which are produced as a result of the production enhancement project in excess of the base production.

**"Production enhancement project"** means any workover or recompletion or fracturing of a producing well.

Since the Oklahoma incentive is available for only 28 months, Oklahoma does not use a declining base production level.

I am attaching Oklahoma Order # 387223 which adopted the incentive rules for Oklahoma. I recommend that you review this order. Some parts of it may be helpful, particularly the procedural/process items.

These are the only materials I have been able to find, besides the North Dakota materials I previously sent. I will continue to look for other materials and will forward them as I find more. Please feel free to call me if you have questions. (505) 988-9804.

Thanks for your help.

cc: Bill Carr, with attachments  
Gavin Smith, without attachments