2009 Natural Gas Production and Current Tax Rates

		2009 Marketed		
Rank	State	Production	Current Rate (Sept 2010)	Noted Incentives
1	Texas	6,818,973	7.5% of market value of gas produced	Reduced tax rate for "high cost wells" until 50% of drilling costs recovered. Current severance rate for high cost wells is approximately 3.7%. Stripper well rate reduction when natural gas below \$3.50/MCF
2	Wyoming	2,335,328	6% of taxable value (gross sales minus certain processing and transportation costs)	No other incentives (no reduction for stripper wells or new wells)
3	Oklahoma	1,857,777	7% of average monthly price of gas plus 0.095% excise tax	Up to four-year exemption for horizontal wells to recoup direct drilling costs (expires 7/1/12)
4	Louisiana	1,548,607	\$0.164 per MCF (7/1/10 - 6/30/11, reset each year)	Up to two-year exemption for horizontally drilled wells in the expensive to drill Haynesville Shale
5	Colorado	1,499,070	2% to 5% based on gross income	CO allows property tax payments to reduce severance tax liabilities
6	New Mexico	1,383,004	8.67-9.5%, depending on county and school district	Provides reduced tax rate for re-worked wells. Allows for deduction of some transportation costs and royalty payments.
7	Arkansas	679,952	5% (rate effective 1/1/2009)	Reduced rate for "high cost wells" for first 36 months at a tax rate of 1.5%. Marginal wells taxed at 1.25%
8	Utah	444,162	3% on the first \$1.50 per MCF, $5%$ on the remainder, plus 0.2% conservation fee	No tax on stripper wells (60 MCF/day or less)
9	Alaska	397,077	25% to 50% of net income	New oil/gas tax system rolled out under Gov. Palin in 2008. Current administration is likely to replace with a new tax model.
10	Kansas	354,440	4.33% (8%-3.67% prop tax credit)	Wells producing less than \$87 worth of gas per day (about 20 MCF) are exempt from tax
11	California	276,575	Conservation assessment of \$0.01062988 per MCF for 2010-11 (reset each year)	None
12	Pennsylvania	273,869	None	
13	West Virginia	264,436	5% + \$0.047 per MCF	Wells producing 5 MCF/day or less are exempt from tax
14	Alabama	236,029	2% Production Tax and 4%-8% Privilege Tax	Wells producing 200MCF/day or less taxed at 4% Privilege Tax (and 2% production tax)
15	Michigan	153,736	5.29% (5% severance tax and 0.29% oil and gas fee)	4% severance tax on marginal/stripper wells
16	Virginia	140,738	None A tax is imposed on the consumption of natural gas (\$0.195 per MCF)	
17	Kentucky	113,300	4.50%	
18	Montana	98,245	9.26% after 12-18 months of production, depending on type of well	Horizontal wells taxed at 0.76% for first 18 months, vertical wells 0.76% for first 12 months. No stripper well tax reduction.
19	Ohio	88,824	\$0.03 per MCF (increased from \$0.025 in 2010)	
20	Mississippi	88,157	6% of the value of the production, at the mouth of the well.	
21	North Dakota	59,369	\$0.0914 per MCF (7/1/10 - 6/30/11, adjust annually)	Royalty percentage deducted from tax due
22	New York	44,849	None	
23	Tennessee	5,478	3% of sales price	
24	Indiana	4,927	Greater of 1% of the value of natural gas or \$0.03 per MCF	
25	Nebraska	2,908		
26	South Dakota	2,129	4.5% energy minerals severance tax and 0.24% conservation tax of the taxable value of any energy minerals	
27	Illinois	1,443	0.1% of the gross revenues of oil and gas produced from each well in Illinois	
28	Oregon	821	6 % of the gross value at the well which goes to the common school fund	
29	Arizona	712	3.125% state rate (counties also impose tax on production)	
30	Florida	257	\$0.2845 per MCF (7/1/10 - 6/30/11, adjusted annually)	
31	Maryland	43	None, gas producing counties may levy severance tax (two currently do)	
32	Nevada	4	5% of net proceeds, if over \$4 million	
*	Federal Offshore Gulf of Mexico			

Gas production in million cubic feet. Production data source. U.S. Energy Information Administration http://tonto.eia.doe.gov/dnav/ng/ng prod why a EPGO VGM mmcf a.htm State rate information from various state taxing departments.