



GOVERNOR GREG GIANFORTE
DIRECTOR BRENDAN BEATTY

OIL INCENTIVES FOR 4th Qtr 2025

All incentives are the same as for the prior quarter.

Stripper Oil

A Pre-99 stripper well means an oil well that was drilled before January 1, 1999 that produced more than 3 barrels a day but fewer than 10 barrels a day in the prior calendar year. There is no price restriction on a Pre-99 stripper well. A Pre-99 stripper well should be filed on the O-STRIP Pre-99 schedule (working interest taxed at 9.30%).

A Post-99 stripper well means an oil well drilled on or after January 1, 1999 that produced more than 3 barrels a day but fewer than 15 barrels a day in the prior calendar year if the average quarterly sales price reported by a producer for all MT oil is less than \$30 a barrel. A Post-99 stripper well should be filed on the O-STRIP Post-99 schedule (working interest taxed at 5.30% for first 1 through 10 barrels – working interest taxed at 9.30% for more than 10 barrels). **If the price of oil is equal to or greater than \$30 a barrel in a quarter, there is no stripper tax rate for post-99 wells in that quarter.**

Stripper Well Exemption

The Stripper Well Exemption is for production from a well that produced 3 barrels a day or less in the prior calendar year if the average quarterly sales price reported by a producer for all MT oil is less than \$54. The working interest for pre-99 wells qualifying under the Stripper Well Exemption should be filed in column I of the OSTR-X3 schedule (taxed at .80%). The working interest for post-99 wells qualifying under the Stripper Well Exemption should be filed in column K (taxed at .80%).

Stripper Well Bonus

The Stripper Well Bonus is for production from a well that produced 3 barrels a day or less in the prior calendar year if the average quarterly sales price reported by a producer for all MT oil is equal to or greater than \$54. The working interest for pre-99 wells qualifying under the Stripper Well Bonus should be filed in column J of the OSTR-X3 schedule (taxed at 5.30%). The working interest for post-99 wells qualifying under the Stripper Well Bonus should be filed in column L (taxed at 5.30%).

Incremental Oil

Starting January 1, 2024, a horizontally recompleted well can include the recompletion of an existing horizontal hole. Previously, a horizontally completed well only included the recompletion of an existing vertical hole. The working interest for incremental production will be taxed at .80% for the first 18 months.

For new or expanded tertiary production (working interest taxed at 6.10%) approved by the board of oil and gas conservation between March 23, 2017 and February 18, 2019, the average price for a barrel of west Texas intermediate crude oil must be less than \$54 a barrel in order for the incentive for incremental oil production to be available for that quarter. The average price for the quarter ending December 31, 2025 is \$59.6160. Since the average price is not less than \$54, this incentive is **NOT** available for this quarter.

New or expanded tertiary production (working interest taxed at 6.10%) approved by the board of oil and gas conservation on or after February 19, 2019 is not subject to any price trigger.

The availability of oil incentives does not affect the non-working interest owner, or royalty, tax rate of 15.10%.

The Montana Code Annotated is available at the following address:
<https://archive.legmt.gov/bills/mca/index.html>.

The average price for the west Texas intermediate is at the following address:
<https://revenue.mt.gov/taxes/natural-resource-taxes/oil-and-natural-gas-production>.

If you have any questions regarding these changes, please contact any of the following individuals:

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