



Extraction Tax Consideration

Presented by
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How Much Oil and Gas

- California is the third leading oil producing state in the U.S., after Texas and North Dakota and the tenth leading natural gas producing state in the U.S.
- In 2013 California produced 199.8 million barrels of oil and 167 million MCF of natural gas.

Monterey Shale:

California could edge out Texas in oil production



California is the Only One

- An extraction tax for California oil and gas is currently untapped for public purposes. **California is the only major mineral-rich state lacking any form of state extraction tax.**
- Six states—Texas, Louisiana, Alaska, California, Oklahoma, and Wyoming—account for 80 percent of all oil produced in the United States.

California's Assessment

- **California** Oil and Gas Production Assessment
\$0.1406207 on each barrel of oil and 10,000 cubic feet of natural gas produced. Rate established annually each June.
- Ad valorem taxes administered by county
- Assessment supports the Department of Conservation's Division of Oil, Gas, and Geothermal Resources

Oil Tax Only

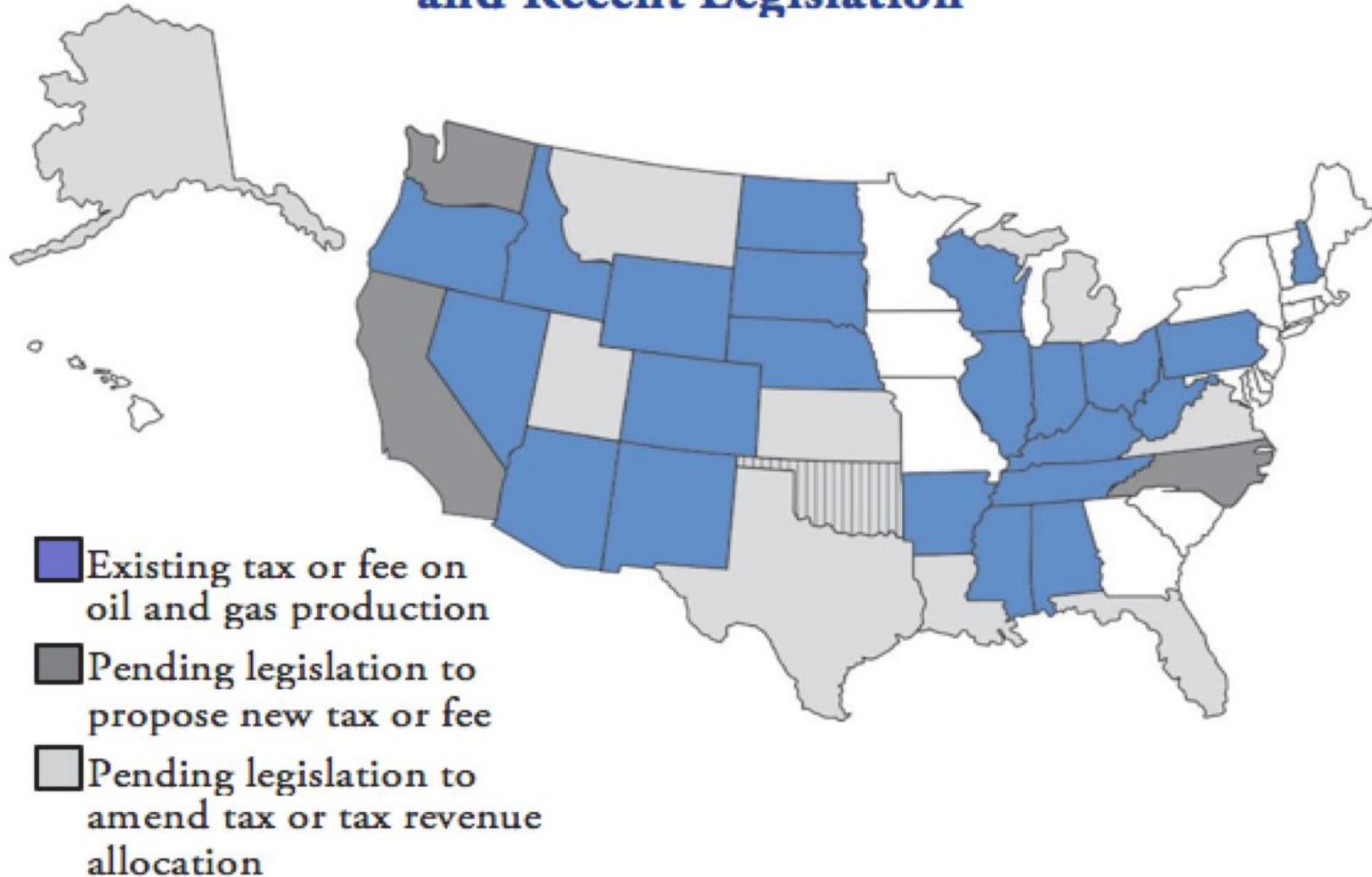
- “An apples-to-apples comparison shows that Texas currently collects \$14.40 per barrel, if California’s crude-oil taxes were at the same level as those of Texas, California would collect about \$2.8 billion annually.
- ***Even if lawmakers approve the bill and the governor signs it, the petroleum industry could finance a referendum campaign to overturn it at the ballot box.***

Gas Severance Tax By State

Rank	State	2007 Natural Gas Production	Current Severance Tax Rate	Corporate Taxes
1	Texas	6,091,724	7.5% of market value of gas produced	Franchise Tax*
2	Wyoming	1,923,224	6% of taxable value (gross sales minus certain processing and transportation costs)	No
3	Oklahoma	1,744,393	7% of average monthly price of gas plus 0.095% excise tax	Income Tax
4	New Mexico	1,544,830	8.67-9.5%, depending on county and school districts	Income Tax
5	Louisiana	1,363,538	\$0.269 per MCF ⁸⁶	Income Tax
6	Colorado	1,242,571	2% to 5% based on gross income	Income Tax*
7	Alaska	433,485	25% to 50% of net income	Income Tax*
8	Utah	376,409	5% when gas over \$1.50 MCF	Income Tax*
9	Kansas	365,877	4.33%	Income Tax*
10	California	307,160	Conservation fee of \$0.0079076 per MCF ⁸⁷	Income Tax*
11	Alabama	270,407	8%	Income Tax
12	Arkansas	269,886	5%	Income Tax
13	Michigan	264,907	5.75%	Income Tax*
14	West Virginia	231,184	5% + \$0.047 per MCF	Income Tax*
15	Pennsylvania	182,277	None	Income Tax

Taxes or Fees on Oil and Gas Production

and Recent Legislation



Source: NCSL, 2013.

Unintended Prop 13 Relief

- Most of what Howard Jarvis and Paul Gann said and published, in advancing their Prop. 13 in 1978, was about abating property taxes on homes, both owner-occupied and rented.
- Neither they, nor other advocates, said anything about abating property taxes on deposits of oil and gas in the ground.
- It is fair to infer that there was no voter intent to un-tax oil and gas.



Sources of California Oil

2013 Monthly Receipts of Crude Oil by Source

Month	Alaska Crude Oil	California Crude Oil	Foreign Crude Oil	Total
January	6,225	19,311	22,716	48,252
February	5,571	18,287	19,578	43,436
March	6,858	19,731	25,155	51,744
April	7,489	19,346	22,240	49,075
May	8,386	18,730	26,918	54,034
June	5,955	17,827	29,799	53,581
July	5,307	20,382	28,902	54,591
August	4,222	19,607	34,584	58,413
September	4,629	18,880	28,109	51,618
October	4,880	19,906	30,078	54,864
November	6,076	18,819	24,928	49,823
December	8,030	19,650	26,574	54,254
Grand Total	73,628	230,476	319,581	623,685

Source: U.S. Department of Energy, Energy Information Administration

Extraction Taxes Could Be Coming Soon With or Without the MTC

- Now, a new bill was moving through the Legislature, claiming to tax oil and gas production for education.
- [SB 1017, an urgency measure](#), would impose a severance tax on the extraction of oil and natural gas, effective immediately after being signed into law.

Benefits to the Citizens of California

- **Uses of Extraction Tax Revenues**
- Money from an energy extraction tax should be invested in four areas that will improve California's infrastructure and create a positive impact on Californians:
 - **Higher Education**
 - **Mass Transit Systems**
 - **Housing**
 - Create a state fund to offer grants and loans to support the building of new housing.
 - Specifically target workforce housing and below-market-rate housing to improve the lives of working families.
 - Build housing near transit hubs and close to jobs.
 - **Permanent Fund**

Hard Fought Battle

- The resources of the energy companies would make this a difficult battle and one that is not on our agenda. Should the MTC board be asked to consider discussing its inclusion.

Why California Needs an Oil Extraction Tax

November 2014

Prepared by Alan Talansky

Executive Summary

Energy resources such as crude oil and natural gas are taxed as they come out of the ground in every state in the U.S. except for California. This tax, known as an “extraction tax” or “severance tax,” is calculated based on either the volume or the market value of the resource.

As the only oil producing state without an energy extraction tax, California is forced to rely on other types of energy taxes and is missing an opportunity for additional revenue that the state so desperately needs. An extraction tax would be paid by oil companies, not by individual citizens, and is unlikely to affect overall production of oil and natural gas in California or to raise prices for consumers at the gas pump.

< LET’S DISCUSS NUMBERS TO USE, AND I’LL CALCULATE THE REVENUES THAT WOULD BE GENERATED > An oil severance tax ranging from 4.9% to 7.25% on oil would create an additional _____ to _____ of revenue for California. A natural gas extraction tax ranging from 3.2% to 5.75% would bring in _____ to _____ in revenues. These additional funds could be used to rebuild California’s infrastructure to meet the needs of the state’s rapidly expanding population and to keep California’s economy strong.

Specifically, money from an energy extraction tax should be invested in (1) mass transit systems, (2) workforce and below-market-rate housing, and (3) California’s higher education systems.

Creating an energy extraction tax in California would put it on par with what all other oil producing states are already doing.

Background: Energy Taxes in other Oil Producing States in the U.S.

Severance taxes on oil and natural gas are the norm in the energy sector of the U.S. economy. In every oil and natural gas-producing state in the U.S. except California, these taxes are paid by oil producers based on the amount of non-renewable energy resources extracted (or severed) from non-public lands.

Control of these naturally occurring resources is given to property owners in the U.S. When a private party purchases a tract of land, these resource rights are included in the deed. Extraction of these resources has been considered a taxable event since Texas first instituted an oil severance tax in 1905.¹

Over the twentieth century, extraction taxes spread to other oil and natural gas producing states. These taxes are generally levied based on the value of the resources. The higher the commodity price for the oil or natural gas, the higher the revenues generated.

Energy extraction taxes have received bipartisan support, and red states embrace these taxes more often than blue states, as a way to lessen the tax burden on individuals. And, it was Alaska's conservative governor Sarah Palin who instituted a 25% oil tax on net profits of oil companies that went up if profits exceeded \$30 per barrel.²

Currently, 30 of the 31 oil and natural gas-producing states have an energy extraction tax. Among these diverse states, there are wide variations in the levels of percentages charged, the formulas used to derive the tax, exemptions to the tax, and uses of the revenues generated from the tax. For a detailed list of extraction tax rates, please see Appendix I, "State-by-state comparison of total taxes on oil companies" at the end of this paper.

¹ <http://wyofile.com/wyofile-2/a-quick-history-of-american-severance-taxes/>. Retrieved 7 November 2014.

² <http://www.hcn.org/issues/45.9/alaska2019s-populist-sarah-palin-era-oil-tax-gets-the-ax>. Retrieved 7 November 2014.

The Current Situation in California

California is the third leading oil producing state in the U.S., after Texas and North Dakota³ and the tenth leading natural gas producing state in the U.S.⁴ In 2013 California produced 199.8 million barrels of oil and 167 million Cubic Feet of natural gas.⁵

California is also a leading state for refining crude oil into gasoline, diesel, jet fuel, and other petroleum products. California ranks third in the nation in petroleum refining capacity and accounts for more than one-tenth of the total U.S. capacity.⁶

In 2013, of the nearly 624 million barrels of oil refined in California, only 37% of that oil was produced in California.⁷ The rest of the oil currently refined in California comes from Alaska and foreign countries.

A recent trend is the export of refined oil products from California. California oil facilities are now refining more than the local demand for the refined petroleum products. These products – including gasoline, diesel, and jet fuel – are beginning to be exported.⁸

Legislative Attempts to Create an Oil Extraction Tax

California has a complex tax system for oil production and consumption that combines regulatory fees, property taxes, sales and excise taxes, and income taxes as all other energy states. Yet, unlike every other oil producing state in the country, California does not charge an extraction tax on the oil and natural gas as these non-renewable resources are taken out of the ground.

In the past few decades, there have been many attempts to create an oil severance tax in the state, all of which have failed. Proposals for an oil severance tax ranging from 6% to 12.5% have been written into many bills in the state legislature. All of these bills have either died in committee or never made it out of the unfinished business file in the legislature.

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<http://www.eia.gov/state/rankings/?sid=US#/series/46&CFID=17721349&CFTOKEN=427d8260fc965d6-0B436429-237D-DA68-2475B9AC608FE43A&jsessionid=8430c215a0a728c691cfe32224f075794541>

⁴ <http://www.eia.gov/state/?keyid=29&orderid=1>

⁵ California Department of Conservation. 2013 Preliminary Report of California Oil and Gas Production Statistics. May 2014. Downloaded from: ftp://ftp.consrv.ca.gov/pub/oil/annual_reports/2013/PR03_PreAnnual_2013.pdf

⁶ <http://www.eia.gov/state/analysis.cfm?sid=CA>

⁷ http://energyalmanac.ca.gov/petroleum/statistics/2013_monthly_oil_sources.html

⁸ <http://www.nationaljournal.com/new-energy-paradigm/amid-oil-boom-petroleum-exports-surge-20131017>. Retrieved 7 November 2014.

These bills include: Assembly Bill 1693, by Assembly member Burt Margolin⁹, and Assembly Bill 336 by Assembly member Antonio Villaraigosa¹⁰ in the 1990s; Assembly Bill 9¹¹ by Assembly member Fabian Núñez during the 2007-2008 legislative session; Senate Bill 1 by California State Senator Denise Moreno Ducheny¹² during the 2009-2010 legislative session; and, most recently, Senate Bill 241, by State Senator Noreen Evans¹³, which was introduced in 2013 and is listed as an inactive bill as of February, 2014.¹⁴

One bill in the California legislature, Assembly Bill 2 proposed by Assembly member Noreen Evans during the 2009-2010 legislative session, passed both houses of the California legislature and made it to the governor's desk. The bill not only included an energy extraction tax, but also a complex package of changes to the gasoline sales tax, gas/diesel excise taxes, and the state sales tax. The bill was ultimately vetoed by Governor Arnold Schwarzenegger.¹⁵

Proposition 87

In addition to legislative bills, one state ballot initiative has addressed this issue. In 2006, Proposition 87 went before California voters. This initiative included not only an energy extraction tax, but also would have created the California Energy Alternatives Program Authority, a \$4 billion program with the goal of reducing California's dependence on petroleum.¹⁶ Voters defeated this measure 54.7% to 45.4%.¹⁷ Proposition 87 was the most expensive initiative campaign in U.S. history, with the No on 87 sponsors raising over \$94 million¹⁸, including \$27 million from Aero Energy and \$30 million from Chevron.¹⁹

This history leaves California where it has always been: without an energy extraction tax that would raise revenue to benefit California's infrastructure and the future strength of its economy.

⁹ "Bill Analysis AB 1693". Legislative Counsel. Retrieved 29 December 2013.

¹⁰ "AB 336 Bill Text". Legislative Counsel. Retrieved 29 December 2013.

¹¹ "ABX3 9 Bill Text". Retrieved 29 December 2013.

¹² "SBX1 Bill Text". Legislative Counsel. Retrieved 29 December 2013.

¹³ "Senate Bill 241". Legislative Counsel. Retrieved 29 December 2013.

¹⁴ http://leginfo.ca.gov/pub/13-14/bill/sen/sb_0201-0250/sb_241_bill_20140203_status.html

¹⁵ "ABX4 2 Bill Text". Legislative Counsel. Retrieved 29 December 2013.

¹⁶ "Proposition 87 Analysis by the Legislative Analyst". California Secretary of State. Retrieved 29 December 2013.

¹⁷ "California Proposition 87, Alternative Energy Oil Tax (2006)". Ballotpedia. Retrieved 29 December 2013.

¹⁸ "California Proposition 87, Alternative Energy Oil Tax (2006)". Ballotpedia. Retrieved 29 December 2013.

¹⁹ "[Campaign Finance: Californians Against Higher Taxes - No On 87, A Coalition Of Taxpayers, Educators, Public Safety Officials, Businesses, Energy Producers](#)". California Secretary of State. 2006. Retrieved October 23, 2006.

Benefits and Uses of an Energy Extraction Tax in California

An energy extraction tax in California has multiple benefits to the state's citizens. Increased revenues from such a tax have both short-term and long-term benefits for the state, its infrastructure, and its economy.

Impact of an Extraction Tax

So, what would the impact of such a tax have? Oil companies say that they pay just as much tax in California as they do in other states and that adding an extraction tax would create a burden that would threaten their ability to do business in California. Oil industry representatives argue that an extraction tax will lower oil production in the state and that the burden of the tax will be passed on to consumers as higher gasoline prices.

Studies that have been done – when they have not been paid for by the oil industry – come to just the opposite conclusion. According to a 2008 analysis by the state Franchise Tax board and Board of Equalization, however, after counting regulatory fees, property, income and other taxes, California's combined tax burden on oil production was \$4.22 per barrel, less than a third of the \$14.33 per barrel found in Texas.²⁰

And, a Rand Corporation analysis completed for the California State Assembly, said that an extraction tax in California “would tend to fall on refiners and oil producers and not on the final consumers of petroleum products. And it would probably have relatively small effects on production.”²¹

These conclusions should come as no surprise since gasoline prices are largely controlled by global supply and demand of oil rather than production levels in any single state. And, only a little over one-third of the oil refined and sold in California actually comes out of the ground in California to begin with. An extraction tax in California would have absolutely no effect on the other two-thirds of the oil refined in the state.

Citizens Have the Burden with the Current Oil Tax System

Getting back to the oil companies' point of view: A 2014 industry-funded analysis of the oil industry's economic contribution to California claims that, as of 2012, the oil and gas industry contributes \$21.6 billion in local and state tax revenues, in the form of sales and excise taxes, property taxes, personal income taxes, corporate taxes on profits, and all “other” taxes.

²⁰ <http://www.bakersfieldcalifornian.com/business/kern-gusher/x954481284/Debate-over-state-oil-severance-tax-continues> . Retrieved 3 November 2014.

²¹ Camm, Frank; Myers, Christopher W.; Arguden, R. Yilmaz; Bell, Susan J.; Jacobsson, Thomas. *Effects of a Severance Tax on Oil Produced in California*. Rand Corporation, September, 1982. pp. vii – viii.

Looking at their numbers more closely shows how little of this money comes from the oil companies:

- Sales and excise taxes (\$14.6 billion) are paid by consumers at the gas pump. While excise taxes are technically paid by gas station owners (often franchisees rather than the oil companies themselves), this tax is already built into the price of a gallon of gas with the cost passed on to the consumer.
- Personal income taxes (\$1.1 billion) are paid by employees of the oil industry, not by the oil companies themselves.
- Property taxes (\$3.8 billion) are generally paid by property owners, not by the oil companies, which usually lease the land to extract the oil and natural gas.

Even using the oil industry's own numbers, some quick math reveals that oil companies pay less than 10% of the total tax revenue generated by their industry in California.

Two other issues artificially lower the amount of money paid by the oil industry in California:

- When oil companies do pay a portion of the property taxes, these taxes have been kept artificially low by California's Proposition 13.
- The Depletion Allowance, a special tax deduction for using up available energy reserves, acts as a loophole in lowering taxes paid on the oil produced.

California's current tax system is very favorable to the oil industry. Having an energy extraction tax would make this system more favorable to ordinary citizens.

New Revenues from an Extraction Tax

Let's consider the increase of state revenue for a range of tax levels. For an oil severance tax, assuming a range from 4.9% to 7.25% on the value of the unrefined crude oil, additional revenues of _____ to _____ would be generated annually, based on current production levels of _____ and a wholesale price of \$_____. **<PUT IN THE RANGE OF CRUDE OIL WHOLESAL PRICES FOR THE PAST 5 YEARS HERE; HOW MUCH IS GENERATED ANNUALLY NOW AND FOOTNOTE IT>.**

A natural gas extraction tax ranging from 3.2% to 5.75% of wholesale prices would create additional revenues of _____ to _____, based on current production levels of _____ and a wholesale price of _____. **<PUT IN THE RANGE OF NATURAL GAS WHOLESAL PRICES FOR THE PAST 5 YEARS HERE; HOW MUCH IS GENERATED ANNUALLY NOW AND FOOTNOTE IT>.**

²² Cooper, Christine, Ph.D; Sedgwick, Shannon M.; Mitra, Somjita, Ph.D. *Oil and Gas in California: The Industry and its Economic Contribution in 2012*. Economic and Policy Analysis Group, Los Angeles County Economic Development Corporation. April, 2014. http://laedc.org/wp-content/uploads/2014/04/OG_Contribution_20140418.pdf

These additional funds could be used to rebuild California's infrastructure to meet the needs of the state's rapidly expanding population and to keep California's economy strong.

Uses of Extraction Tax Revenues

Money from an energy extraction tax should be invested in three areas that will improve California's infrastructure and create a positive impact on Californians:

- Higher Education
 - o Invest back in our state by putting more money toward California's college systems.
 - o Reduce the cost of higher education for families in California.
 - o Support higher education which is crucial for California continuing to have an educated work force and vibrant economy.
- Mass Transit Systems
 - o Improve California's transportation infrastructure by creating new mass transit systems.
 - o Improve and expand current mass transit to encourage greater use of these important systems.
- Housing
 - o Create a state fund to offer grants and loans to support the building of new housing.
 - o Specifically target workforce housing and below-market-rate housing to improve the lives of working families.
 - o Build housing near transit hubs and close to jobs.

Benefits to the Citizens of California

The immediate positive impact of an extraction tax would be felt by California's college students and their families. With additional state money available for California's community colleges, California State Universities, and University of California campuses, college enrollment can remain strong since students wouldn't be dealing with constant tuition hikes such as the 5% annual increase just proposed by University of California President Janet Napolitano.²³

²³ <http://www.sfgate.com/bayarea/article/UC-to-consider-5-percent-tuition-hikes-for-5-years-5875748.php>.

Retrieved 7 November 2014.

Several positive effects will be felt if there are additional state funds available for higher education. College students will graduate with less debt, giving them better options for purchasing homes and spending money that would otherwise go toward paying off student loans. Keeping college tuition under control will also allow students from more diverse socioeconomic backgrounds to enroll in higher education so that low income students are not locked out of getting a college education. Increased access to higher education will also help give California the educated work force it needs to continue to grow its economy and serve as a world leader in innovation and technology.

Improvements to California's mass transit systems and state support for transit-oriented, workforce, and below-market housing development will have near-term and long-term benefits for Californians. Focus on this type of infrastructure improvement will:

- Encourage Californians to commute shorter distances, which will give working parents more time to spend with their families.
- Allow Californians to consume less Middle East oil to increase energy independence from foreign countries.
- Lower the amount of traffic on roads, helping to eliminate rush hour gridlock in California's metropolitan areas, improve commute times, and lower the amount of gasoline consumed.
- Lead to less pollution and cleaner air, which will have a dramatic impact on health risks, including increases in childhood asthma that have been seen in recent years.

An extraction tax on oil and natural gas will clearly benefit all Californians, generate additional state revenue, improve California's economy – all without placing an undue burden on the oil industry.

Conclusion

By not having an energy extraction tax on oil and natural gas, California is missing an opportunity to strengthen its infrastructure, grow its economy, and improve air quality. As the only oil-producing state in the U.S. without this tax, California has long relied on other energy taxes, which bring in less revenue and provide loopholes for oil companies to increase their profits at the expense of California's citizens.

Right now, large, multi-national oil companies pull natural resources out of the ground, make substantial profits from these resources, and pay only 10% of the total tax revenue connected to these resources. They are not paying their fair share. The one tax that is obviously missing in California is an energy tax on the actual oil and natural gas as it is pulled out of the ground.

Oil companies pay less tax per barrel in California than in Texas, and this is not a situation that can continue if Californians are serious about lowering pollution, improving traffic and transit, and leading the nation in higher education.

There are major benefits to everyone in California from the revenues generated from an energy extraction tax. Californians are currently being deprived of these benefits, and it is time to implement an energy extraction tax so that California will remain a world leader into the future.

Appendices

Appendix I: State-by-state comparison of total taxes on oil companies ²⁴

<CURRENTLY, THIS CHART IS 6 PAGES LONG. I WILL SEE IF IT CAN BE CONSOLIDATED. AND, CALIFORNIA IS INCLUDED ON THIS LIST. WE NEED TO WE NEED TO CREATE A SIMPLE FORM THAT DEMONSTRATES A CLEAR COMPARISON.

State	Type of Tax	Description of Tax Rates
Alabama	Oil and Gas Privilege Tax on Production	<ul style="list-style-type: none"> ▪ 8 percent of gross value at point of production ▪ 4 percent of gross value at point of incremental production for enhanced recovery projects ▪ 4 percent if oil wells produce 25 barrels or less per day or if gas wells produce 200,000 cubic feet or less gas per day ▪ 6 percent of gross value at point of production for certain on-shore and off-shore wells. ▪ 50 percent rate reduction for wells permitted by the oil and gas board on or after July 1, 1996 and before July 1, 2002 for 5 years from initial production, except for replacement wells for which the initial permit was dated before July 1, 1996.
Alaska	Petroleum Profits Tax (PPT)	<ul style="list-style-type: none"> ▪ Ranges from 25 percent to 50 percent depending on net value of oil and gas, which is the value at point of production minus certain lease expenditures ▪ 22.5 percent net value at wellhead ▪ There is an additional surcharge for each dollar when net value exceeds \$40 per barrel. This cannot exceed 25 percent of the monthly production tax value of taxable oil and gas. ▪ Conservation surcharge of 4 cents per barrel and an additional 1 cent per barrel if there is less than \$50 million in the Hazardous Release Fund
Arizona	Severance Tax	<ul style="list-style-type: none"> ▪ 3.125 percent for oil and gas production and nonmetal mining

²⁴ <http://www.ncsl.org/research/energy/oil-and-gas-severance-taxes.aspx>. Retrieved 7 November 2014.

Arkansas	Oil and Gas Conservation Tax	<ul style="list-style-type: none"> ▪ 0.3 of \$0.01 cent per MCF for natural gas ▪ Four percent to five percent depending on production levels for crude oil
California	Oil and Gas Production Assessment	<ul style="list-style-type: none"> ▪ Rate determined annually by Department of Conservation
Colorado	Severance Tax	<ul style="list-style-type: none"> ▪ Two to five percent based on gross income for oil, gas, carbon dioxide and coalbed methane ▪ Four percent of gross proceeds on production exceeding 15,000 tons per day for oil shal
	Oil and Gas Conservation Levy	<ul style="list-style-type: none"> ▪ Maximum 1.5 mills/\$1 of market value at wellhead
Florida	Oil, Gas and Sulfur Production Tax	<ul style="list-style-type: none"> ▪ Five percent of gross value for small well oil ▪ Eight percent of gross value for all other and an additional 12.5 percent for escaped oil ▪ For gas, the gas base rate times the gas base adjustment rate each fiscal yea
Idaho	Oil and Gas Production Tax	<ul style="list-style-type: none"> ▪ Maximum of five mills/bbl. of oil and five mills/50,000 cubic feet of gas
	Additional Oil and Gas Production Tax	<ul style="list-style-type: none"> ▪ Two percent of market value at site of production
Indiana	Petroleum Production Tax	<ul style="list-style-type: none"> ▪ One percent of value or \$0.24 per barrel for oil, or \$0.03 per 1,000 cubic feet of gas (whichever is greater)
Kansas	Severance Tax	<ul style="list-style-type: none"> ▪ Eight percent of gross value of oil and gas, less property tax credit of 3.67 percent
	Oil and Gas Conservation Tax	<ul style="list-style-type: none"> ▪ 91 mills/bbl crude oil or petroleum marketed or used each month ▪ 12.9 mills/1,000 cubic feet of gas sold or marketed each mont
Kentucky	Oil Production Tax	<ul style="list-style-type: none"> ▪ 4.5 percent of market value

	Natural Resource Severance Tax	<ul style="list-style-type: none"> 4.5 percent of gross value, less transportation expenses
Louisiana	Natural Resources Severance Tax	<ul style="list-style-type: none"> Varies according to substance
	Oil Field Restoration Fee	<ul style="list-style-type: none"> Varies according to type of well and production
Michigan	Gas and Oil Severance Tax	<ul style="list-style-type: none"> Five percent for gas 6.6 percent for oil Four percent (oil from stripper wells and marginal properties) of gross cash market value of the total production Maximum additional fee of 1 percent gross cash market value on all oil and gas produced in state in previous year
Mississippi	Oil and Gas Severance Tax	<ul style="list-style-type: none"> Six percent of the value at point of gas production Three percent of gross value of occluded natural gas from coal seams at point of production for the well's first five years Maximum 35 mills/bbl. oil or four mills/1,000 cubic feet of gas (Oil and Gas Board maintenance tax) Six percent of value at the point of oil production Three percent of value at production when enhanced oil recovery is used
Montana	Oil or Gas Conservation Tax	<ul style="list-style-type: none"> Maximum of 0.3 percent on the market value of each barrel of crude petroleum oil or 10,000 cubic feet of natural gas produced, saved and marketed or stored within or exported from the state
	Oil or Natural Gas Production Tax	<ul style="list-style-type: none"> Varies from 0.5 percent to 14.8 percent according to the well and type of production
Nebraska	Oil and Gas Severance Tax	<ul style="list-style-type: none"> Three percent of value of nonstripper oil and natural gas
	Oil and Gas Conservation Tax	<ul style="list-style-type: none"> Two percent of value of stripper oil. Maximum of 15 mills/\$1 of value at wellhead

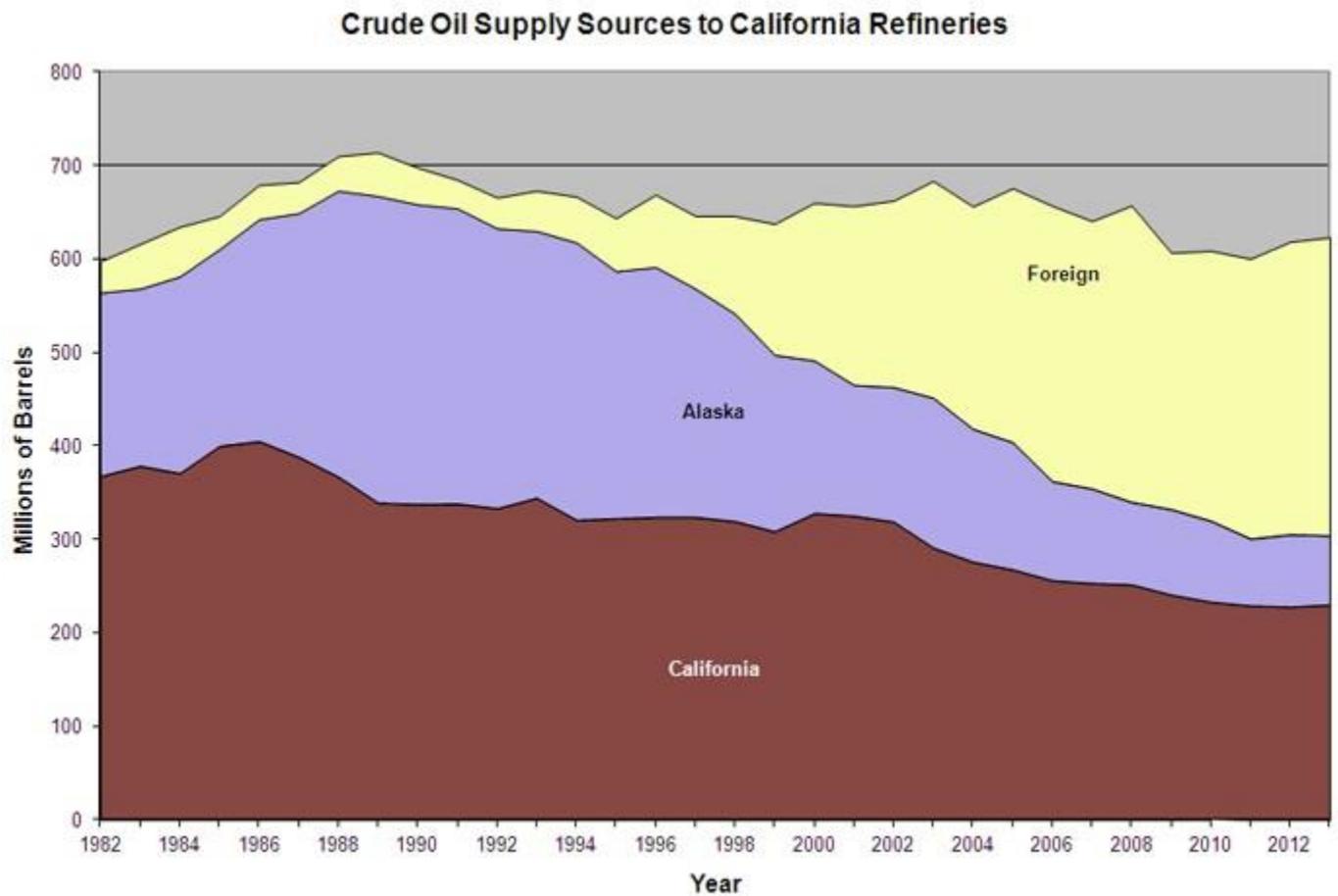
Nevada	Oil and Gas Conservation Tax	<ul style="list-style-type: none"> ▪ \$50/mills/bbl of oil and 50 mills/50,000 cubic feet of gas
New Hampshire	Refined Petroleum Products Tax	<ul style="list-style-type: none"> ▪ 0.1 percent of fair market value
	Excavation Tax	<ul style="list-style-type: none"> ▪ \$0.02 per cubic yard of earth excavated
New Mexico	Oil and Gas Severance Tax	<ul style="list-style-type: none"> ▪ 3.75 percent of value of oil, other liquid hydrocarbons, natural gas and carbon dioxide
	Oil and Gas Emergency School Tax	<ul style="list-style-type: none"> • 3.15 percent of value of oil, other liquid hydrocarbons and carbon dioxide; Four percent of the value of natural gas
	Natural Gas Processor's Tax	<ul style="list-style-type: none"> ▪ \$0.0220/mmBtu tax on the volume
	Oil and Gas Ad Valorem Production Tax	<ul style="list-style-type: none"> ▪ Based on property tax in the district of production
	Oil and Gas Conservation Tax	<ul style="list-style-type: none"> ▪ 0.19 percent of value
North Carolina	Oil and Gas Conservation Tax	<ul style="list-style-type: none"> ▪ Maximum of five mills/barrel of oil and 0.5 mill/1,000 cubic feet of gas
North Dakota	Oil Gross Production Tax	<ul style="list-style-type: none"> ▪ Five percent of gross value at the well
	Gas Gross Production Tax	<ul style="list-style-type: none"> ▪ \$0.04 per 1,000 cubic feet of gas produced. The rate is subject to a gas rate adjustment each fiscal year.
	Oil Extraction Tax	<ul style="list-style-type: none"> ▪ 6.5 percent of gross value at the well. Exceptions exist for certain production volumes and incentives for enhanced recovery projects.
Ohio	Resource Severance Tax	<ul style="list-style-type: none"> ▪ \$0.10/bbl of oil ▪ \$0.025/1,000 cubic feet of natural gas

Oklahoma	Oil, Gas and Mineral Gross Production Tax and Petroleum Excise Tax	<ul style="list-style-type: none"> ▪ Seven percent if greater than \$2.10 mcf; four percent if greater than \$1.75 mcf but less than \$2.10 mcf; and one percent if less than \$1.75 mcf natural gas and casinghead gas (a byproduct of natural gas extraction), and 0.95 percent levied on crude oil, casinghead gas and natural gas. ▪ Oil Gross Production Tax is variable based on the average price of Oklahoma oil. The tax rate is seven percent if average price is equal to or exceeds \$17/bbl; four percent if the average price is less than \$17/bbl but equal to or exceeds \$14/bbl; and one percent if the average price is less than \$14/bbl.
Oregon	Oil and Gas Production Tax	<ul style="list-style-type: none"> ▪ Six percent of gross value at well
South Dakota	Energy Minerals Severance Tax	<ul style="list-style-type: none"> ▪ 4.5 percent of taxable value of all energy minerals
	Conservation Tax	<ul style="list-style-type: none"> ▪ 2.4 mills of taxable value of all energy minerals
Tennessee	Oil and Gas Severance Tax	<ul style="list-style-type: none"> ▪ Three percent of sales price
Texas	Natural Gas Production Tax	<ul style="list-style-type: none"> ▪ 7.5 percent of market value of gas ▪ Condensate Production Tax is 4.6 percent of market value of gas
	Oil-Field Cleanup Regulatory Fees	<ul style="list-style-type: none"> ▪ 5/8 of \$0.01/barrel ▪ 1/15 of \$0.01/1,000 cubic feet of gas
Utah	Oil and Gas Severance Tax	<ul style="list-style-type: none"> ▪ Three percent of value for the first \$13 per barrel of oil and five percent if the value is \$13.01 or higher ▪ Three percent of value for the first \$1.50/mcf and five percent if the value is \$1.51 or higher ▪ Four percent of taxable value of natural gas liquids
	Oil and Gas Conservation Fee	<ul style="list-style-type: none"> ▪ 0.002 percent of market value at the wellhead

West Virginia	Natural Resource Severance Taxes	<ul style="list-style-type: none"> ▪ Five percent of gross value for natural gas; ten percent of net tax is distributed to local governments ▪ Five percent of gross value for oil; ten percent of net tax is distributed to local governments ▪ Additional tax for workers' compensation debt reduction rate of \$0.047/mcf of natural gas produced
Wisconsin	Oil and Gas Severance Tax	<ul style="list-style-type: none"> ▪ Seven percent of market value of oil or gas at the mouth of the well
Wyoming	Severance Taxes	<ul style="list-style-type: none"> ▪ Six percent on crude oil, lease condensate or natural gas ▪ Four percent for stripper oil

Appendix II: Sources of oil refined in California, showing that only 37% of oil refined in California is extracted in California.²⁵

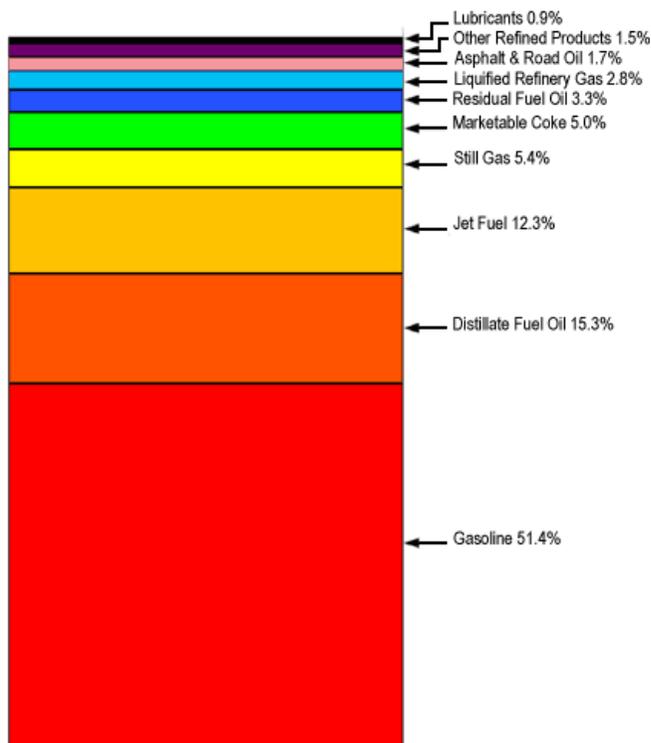
Oil Supply Sources to California Refineries



²⁵ http://energyalmanac.ca.gov/petroleum/statistics/crude_oil_receipts.html. Retrieved 7 November 2014.

Appendix III: Petroleum Products Yielded from One Barrel of Crude Oil ²⁶

Petroleum Products Yielded from One Barrel of Crude Oil in California



Product	Percent of Total
Finished Motor Gasoline	51.4%
Distillate Fuel Oil	15.3%
Jet Fuel	12.3%
Still Gas	5.4%
Marketable Coke	5.0%
Residual Fuel Oil	3.3%
Liquefied Refinery Gas	2.8%
Asphalt and Road Oil	1.7%
Other Refined Products	1.5%
Lubricants	0.9%

One barrel contains 42 gallons of crude oil. The total volume of products made from crude oil based origins is 48.43 gallons on average - 6.43 gallons greater than the original 42 gallons of crude oil. This represents a "processing gain" due to the additional other petroleum products such as alkylates that are added to the refining process to create the final products.

Additionally, California gasoline contains approximately 5.7 percent by volume of ethanol, a non-petroleum-based additive that brings the total processing gain to 7.59 gallons (or 49.59 total gallons).

Source: California Energy Commission, Fuels Office, PIIRA database. Based on 2004 data.

²⁶ http://energyalmanac.ca.gov/gasoline/whats_in_barrel_oil.html. Retrieved 7 November 2014.

Appendix IV: Sources of Crude Oil Refined in California ²⁷(Shows that less than half of Refined California Oil comes from California,

2013 Monthly Receipts of Crude Oil By Source				
(In thousands of barrels)				
Month	Alaska Crude Oil	California Crude Oil	Foreign Crude Oil	Total
January	6,225	19,311	22,716	48,252
February	5,571	18,287	19,578	43,436
March	6,858	19,731	25,155	51,744
April	7,489	19,346	22,240	49,075
May	8,386	18,730	26,918	54,034
June	5,955	17,827	29,799	53,581
July	5,307	20,382	28,902	54,591
August	4,222	19,607	34,584	58,413
September	4,629	18,880	28,109	51,618
October	4,880	19,906	30,078	54,864
November	6,076	18,819	24,928	49,823
December	8,030	19,650	26,574	54,254
Grand Total	73,628	230,476	319,581	623,685
Source: U.S. Department of Energy, Energy Information Administration				

²⁷ http://energyalmanac.ca.gov/petroleum/statistics/2013_monthly_oil_sources.html. Retrieved 7 November 2014.