



DEPARTMENT OF REVENUE

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Policy Statement

Important Clarification Concerning the Taxability of Tools Lost Down Hole

Wyoming has historically viewed tools lost down hole or tools damaged beyond repair, to be a taxable sale of tangible personal property. This was based on the opinion that while the tool may not be in a usable condition, consideration had been paid for the value of the tool and therefore a sale occurred. Tools lost down hole or damaged beyond repair were considered to be taxable sales regardless of what phase the well was in when the tool was lost or damaged. In review of this policy we find that it is not consistent with the administration of the statutes which govern oil and gas activities within the well site.

Therefore effective immediately, the Department will change its interpretation of the taxability of tools lost down hole or damaged beyond repair to be consistent with the phase of the well at the time the tool is lost or damaged. When a tool is lost down hole or damaged beyond repair during the pre-production casing phase of the well, and the customer is required to pay for the tool, the charge for the tool lost or damaged beyond repair will not be subject to sales tax. This is consistent with the taxability of the service performed during the pre-production casing phase. When a tool is lost or damaged beyond repair during the production casing phase of the well, and the customer is required to pay for the tool the charge for the tool will be subject to sales tax as the services performed during the production casing phase of the well are taxable.

Please understand that this change in no way affects the taxability of any services performed within an oil or gas well site.

Please feel free to contact the Education and Taxability Section of the Department of Revenue with any questions you may have concerning this or other taxability issues. We can be reached by e-mail at dor_taxability@wyo.gov