

STATE OF OKLAHOMA

2nd Session of the 43rd Legislature (1992)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
SENATE BILL NO. 684

BY: GILES of the SENATE

and

RHOADS (Karroll) and HAGER
of the HOUSE

COMMITTEE SUBSTITUTE AN ACT RELATING TO marginally producing oil and gas wells; creating the Commission on marginally producing oil and gas wells; stating membership of Commission; stating length of terms and providing for staggered terms; stating powers and duties of Commission; requiring Commission to elect certain officers at certain meetings; providing for certain compensation of members; levying certain fee to fund Commission; requiring fee to be collected by the Oklahoma Tax Commission; providing for exemption from fee; creating the Commission on marginally producing oil and gas wells revolving fund; authorizing Commission to employ certain staff; providing for advisory committees to be established; providing for codification; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 700 of Title 52, unless there is created a duplication in numbering, reads as follows:

A. There is hereby established a Commission on Marginally Producing Oil and Gas Wells which shall be subject to the Oklahoma Sunset Law, Section 3901 et seq. of Title 74 of the Oklahoma Statutes. The Commission shall consist of nine (9) members appointed by the Governor and confirmed by the Oklahoma State Senate.

B. Membership of the Commission shall be as follows:

1. One independent oil or gas operator from each of the four Oklahoma Corporation Commission regulatory districts as they existed on January 1, 1992. The appointee must be an operator in the district he or she represents;

2. One independent oil or gas operator from Osage County;

3. One Oklahoma independent oil or gas operator to be selected from a list of three operators supplied by the Oklahoma Independent Petroleum Association;

4. One major oil or gas operator to be selected from a list of three operators supplied by the Mid-Continent Oil and Gas Association;

5. One Oklahoma oil or gas royalty owner to be selected from a list of three royalty owners supplied by the Oklahoma Mineral Owners Association; and

6. One Oklahoma oil or gas royalty owner to be selected from a list of three royalty owners supplied by the National Association of Royalty Owners.

C. Commissioners shall be appointed for three-year terms which shall begin on January 1 of the first year of the appointment and end on December 31 of the third year. There shall be no limit to the number of consecutive terms served. If a vacancy should occur during a member's term, the Governor shall appoint a new member who meets the same qualifications to fill the remainder of the unexpired term. To establish staggered terms, the Governor shall make the initial terms of three Commissioners for one year, three

Commissioners for two years and three Commissioners for three years. Such terms shall be set at the time of the initial appointments.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 701 of Title 52, unless there is created a duplication in numbering, reads as follows:

Powers and duties of the Commission on Marginally Producing Oil and Gas Wells shall include, but not be limited to, the following:

1. To define and identify appropriate categories that may be used to characterize marginally producing oil and gas wells;
2. To research and collect information on the number, location, and operational conditions of marginally producing oil and gas wells in the State of Oklahoma;
3. To identify and evaluate the economic and operational factors that may extend the life of marginally producing oil and gas wells;
4. To propose legislative, regulatory and operational remedies that will extend the life of marginally producing oil and gas wells;
5. To collect data and make available to the public any information on the contributions of marginally producing oil and gas wells to the local economies of the State of Oklahoma;
6. To interact with national and regional organizations to ensure recognition of the importance of marginally producing oil and gas wells to the current and future domestic production of oil and gas;
7. To make an annual report to the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives on those methodologies and procedures that may aid in preserving the life of marginally producing oil and gas wells; and
8. To investigate any additional issues that may have any effect on the preservation of marginally producing oil and gas wells.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 702 of Title 52, unless there is created a duplication in numbering, reads as follows:

The Commission on Marginally Producing Oil and Gas Wells shall annually at the first meeting of each year elect a chairman, vice-chairman and a secretary from among its members. Standing and ad hoc committees of the Commission may be established to address various issues of interest to the Commission. The Commission shall hold regular monthly meetings at a location to be established by the Commission. The Commission may call additional meetings as required to discharge its duties. The Commission shall conduct all meetings in accordance with the Oklahoma Open Meeting Act, Section 301 et seq. of Title 25 of the Oklahoma Statutes. Members of the Commission shall receive compensation as provided for in the State Travel Reimbursement Act, Sections 500.1 et seq. of Title 74 of the Oklahoma Statutes.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 703 of Title 52, unless there is created a duplication in numbering, reads as follows:

To fund the activities of the Commission, a fee shall be levied in the amount of two-tenths of one cent (\$0.002) on each barrel of petroleum liquid and one-tenth of one cent (\$0.001) on each ten thousand (10,000) cubic feet of natural gas, including casinghead gas, produced from each well in the State of Oklahoma unless an exemption from the fee is applied for as provided in Section 5 of this act. The fees shall be collected by the Oklahoma Tax Commission and deposited in the Commission on Marginally Producing Oil and Gas Wells Revolving Fund.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 704 of Title 52, unless there is created a duplication in numbering, reads as follows:

Any person, firm or corporation subject to the fee provided in this act that objects to the collection of the fee may, within one hundred twenty (120) days after passage of this act, make application to the Commission for an exemption from such fee. The exemption shall apply to each well in the State of Oklahoma owned or operated by the person, firm or corporation making application for an exemption. If a person, firm or corporation wishes to pay the fee for wells which have previously been exempted it must submit notification to the Commission after which the fee shall be collected as provided for in Section 4 of this act. Any person firm or corporation not applying for an exemption within one hundred twenty (120) days after passage of this act shall be subject to the fee until he files for an exemption with the Commission. The Commission shall notify the Oklahoma Tax Commission within thirty (30) days after receiving an application that an exemption has been filed. Application forms for an exemption shall be furnished by the Commission.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 705 of Title 52, unless there is created a duplication in numbering, reads as follows:

There is hereby created in the State Treasury a revolving fund for the Commission on Marginally Producing Oil and Gas Wells to be designated the "Commission on Marginally Producing Oil and Gas Wells Revolving Fund". The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of monies collected from two-tenths of one cent (\$0.002) on each barrel of petroleum liquid and one-tenth of one cent (\$0.001) on each ten thousand (10,000) cubic feet of natural gas, including casinghead gas, produced from each well in the State of Oklahoma. All monies accruing to the credit of said fund are hereby appropriated and may be budgeted and expended by said Commission for any and all necessary expenses for the operation of said Commission.

Expenditures from said fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 706 of Title 52, unless there is created a duplication in numbering, reads as follows:

The Commission on Marginally Producing Oil and Gas Wells shall hire an Executive Director to provide the necessary support for the activities of the Commission. The Executive Director shall be fully knowledgeable of the oil and gas business, with particular understanding of the special conditions of the independent oil and gas producer. The Executive Director shall hire the appropriate staff to assist in discharging the duties assigned by the Commission.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 707 of Title 52, unless there is created a duplication in numbering, reads as follows:

The Commission on Marginally Producing Oil and Gas Wells shall establish advisory committees as necessary to provide advice and counsel to assist the Commission in the discharge of its duties. Such advisory committees shall serve at the pleasure of the Commission, and may be made up of Commission members or any individual with particular knowledge relevant to the interests of the Commission.

SECTION 9. This act shall become effective July 1, 1992.

SECTION 10. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

