

ENROLLED SENATE
BILL NO. 684

BY: GILES and GUSTAFSON of the
SENATE

and

RHOADS (Karroll), HAGER,
JOHNSON (Rob), SMITH
(Dale), APPLE and MADDUX
(Elmer) of the HOUSE

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; authorizing Oklahoma
Tax Commission to deposit certain monies into
certain revolving funds; providing for certain
refund of fee; requiring certain rules and
procedures; 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; and
providing an effective date.

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;

8. To investigate any additional issues that may have any effect on the preservation of marginally producing oil and gas wells; and

9. To promulgate rules to implement the provisions of this act.

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:

A. 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 except for oil and gas production exempt from the payment of gross production tax pursuant to Section 1001 of Title 68 of the Oklahoma Statutes.

B. The fee levied by subsection A of this section shall be deducted from the proceeds of production by the person remitting gross production tax to the Oklahoma Tax Commission pursuant to Section 1001 et seq. of Title 68 of the Oklahoma Statutes. Such fee shall be remitted to the Oklahoma Tax Commission in the same manner as is provided by law for the payment of gross production tax. To defray the costs of receiving and depositing the fees levied by this section, the Oklahoma Tax Commission shall retain three percent (3%) of the fees received for deposit into the Oklahoma Tax Commission Revolving Fund created pursuant to Section 113 of Title 68 of the Oklahoma Statutes. The remaining monies received by the Oklahoma Tax Commission pursuant to this section shall be deposited in the Commission on Marginally Producing Oil and Gas Wells Revolving Fund created by Section 6 of this act.

C. The Commission on Marginally Producing Oil and Gas Wells shall be responsible for taking appropriate and necessary actions to collect any fee which is not paid or is not properly paid. The Oklahoma Tax Commission shall not be responsible for collecting any fee not remitted to the Oklahoma Tax Commission for deposit into the Commission on Marginally Producing Oil and Gas Wells Revolving Fund. The Oklahoma Tax Commission shall report to the Commission on Marginally Producing Oil and Gas Wells any information it obtains regarding failure of any person to properly pay the fee due, including any documentation it may have of such failure.

D. The Oklahoma Tax Commission shall promulgate rules to establish such procedures and forms necessary for the remittance of the fee levied by this section.

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:

A. Any person subject to the fee levied by Section 4 of this act may request a refund as provided in this section of the fee paid on production for the preceding calendar year. Upon compliance with the provisions of this section and rules promulgated by the Commission on marginally producing oil and gas wells to implement

this section, the Commission shall refund to each person requesting a refund the amount of the fee paid by or on behalf of such person during the preceding calendar year.

B. The request for a refund of the fee paid on production for the preceding calendar year must be made during the first three (3) calendar months following the calendar year for which the refund is requested. Failure to request a refund during this period shall terminate the right of any person to receive a refund for the fee paid on production for the preceding calendar year. The Commission shall give notice of the availability of the refund through press releases or such other means as it deems appropriate.

C. Each request for a refund shall be made in such manner and upon such forms as the Commission may require. Each person requesting a refund shall execute an affidavit stating the description of the producing property generating the production for which the refund is requested, the amount of the refund requested and that affiant was the owner of the production upon which the fee was levied. The Commission may require such other information and documentation reasonably necessary to verify the accuracy of the request for a refund.

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 October 1, 1992.