

STATE OF OKLAHOMA

2nd Session of the 43rd Legislature (1992)

HOUSE BILL NO. 2363

BY: GRIESER

AS INTRODUCED

AN ACT RELATING TO REVENUE AND TAXATION; AMENDING 68

O.S. 1991, SECTIONS 1001, 1002, 1003, 1005, 1007,

1009, 1010, 1013, 1014, 1015, 1015.1 AND 1024,

WHICH RELATE TO THE GROSS PRODUCTION TAX;

CLARIFYING STATUTORY REFERENCES RELATING TO SUCH

TAX; DEFINING TERMS; DELETING OBSOLETE LANGUAGE;

DELETING AUTHORIZATION FOR SUBMISSION OF SETTLEMENT

SHEET TO THE TAX COMMISSION; PROVIDING FOR

CODIFICATION; AND DECLARING AN EMERGENCY.

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

SECTION 1. AMENDATORY 68 O.S. 1991, Section 1001, is amended to read as follows:

Section 1001. (a) There is hereby levied upon the production of asphalt, ores bearing lead, zinc, jack, gold, silver and copper a tax equal to three-fourths of one percent (3/4 of 1%) on the gross value thereof.

(b) Except as otherwise exempted pursuant to subsections (d) and (e) of this section, there is hereby levied upon the production of ~~petroleum or other crude or mineral~~ oil a tax equal to seven

percent (7%) of the gross value of the production of ~~petroleum or other crude or mineral~~ oil based on a per barrel measurement of forty-two (42) U.S. gallons of two hundred thirty-one (231) cubic inches per gallon, computed at a temperature of sixty (60) degrees Fahrenheit ~~for oil measurements~~ and a tax equal to seven percent (7%) of the gross value of the production of ~~natural gas and/or casinghead gas.~~ ~~The terms gas, natural gas or casinghead gas, when used in this article are interchangeable and any provisions relating to any one of these shall relate to all gas, natural gas or casinghead gas.~~

(c) The tax hereby levied shall also attach to, and is levied on, what is known as the royalty interest; and the amount of such tax shall be a lien on such interest.

(d) (1) Any incremental production which results from an enhanced recovery project shall be exempt from the gross production tax levied pursuant to this section from the project beginning date until project payback is achieved for new enhanced recovery projects or until project payback is achieved but not to exceed a period of thirty-six (36) months for tertiary enhanced recovery projects existing on the effective date of this act. This exemption shall take effect July 1, 1988. Project payback shall be determined by appropriate payback indicators, as established by the Oklahoma Corporation Commission and approved by the Oklahoma Tax Commission.

(2) The provisions of this subsection shall also not apply to any enhanced recovery project using fresh water as the primary injectant, except when using steam.

(3) For purposes of this subsection:

(i) Incremental production means the amount of crude oil or other liquid hydrocarbons which is produced during an enhanced recovery project and which is in excess of the base production amount of crude oil or other liquid hydrocarbons. The base production amount shall

be the average monthly amount of production for the twelve-month period immediately prior to the project beginning date minus the monthly rate of production decline for the project for each month beginning one hundred eighty (180) days prior to the project beginning date. The monthly rate of production decline shall be equal to the average extrapolated monthly decline rate for the twelve-month period immediately prior to the project beginning date as determined by the Corporation Commission based on the production history of the field, its current status, and sound reservoir engineering principles.

(ii) Project beginning date means the date on which the injection of liquids, gases, or other matter begins on an enhanced recovery project.

(4) The Oklahoma Corporation Commission shall promulgate rules for the qualification for this exemption which shall include, but not be limited to, procedures for determining incremental production as defined in subparagraph (i) of paragraph (3) of subsection (d) of this section, and the establishment of appropriate payback indicators which will not include any expenses beyond the completion date of the well.

(5) Any person, ~~firm, corporation, or association~~ requesting such exemption for projects existing on the effective date of this act shall file an application for qualification for such exemption with the Oklahoma Corporation Commission which, upon finding that the enhanced recovery project meets the requirements of this subsection, shall approve the application for qualification. For new enhanced recovery projects approved by the Oklahoma Corporation Commission after the effective date of this act, such approval shall constitute qualification for the exemption.

(6) Any person, ~~firm, corporation, or association~~ seeking such exemption shall file an application for such exemption with the Oklahoma Tax Commission which, upon determination of qualification by the Oklahoma Corporation Commission, shall approve the application for such exemption.

(7) The Tax Commission may require any person, ~~firm, corporation, or association~~ requesting such exemption to furnish information or records concerning the exemption as is deemed necessary by the Commission.

(8) Upon the expiration of the exemption granted pursuant to this subsection, the Tax Commission shall collect the gross production tax levied pursuant to this section.

(e) (1) The production of oil, gas or oil and gas from a horizontally drilled well producing prior to July 1, 1994 which production commenced after the effective date of this act, shall be exempt from the gross production tax levied pursuant to subsection (b) of this section from the project beginning date until project payback is achieved but not to exceed a period of twenty-four (24) months commencing with the month of initial production from the horizontally drilled well. Provided, any incremental production which results from a horizontally drilled well producing prior to July 1, 1994, shall be exempt from the gross production tax levied pursuant to subsection (b) of this section from the project beginning date until project payback is achieved but not to exceed a period of twenty-four (24) months commencing with the month of initial production from the horizontally drilled well. For purposes of subsection (d) of this section and this subsection, project payback shall be determined as of the date of the completion of the well and shall not include any expenses beyond the completion date of the well, and subject to the approval of the Oklahoma Tax Commission.

(2) As used in this subsection, "horizontally drilled well" shall mean an oil, gas or oil and gas well drilled or recompleted in a manner which encounters and subsequently produces from a geological formation at an angle in excess of seventy (70) degrees from vertical and which laterally penetrates a minimum of one hundred fifty (150) feet into the pay zone of said formation.

(3) The Corporation Commission and the Oklahoma Tax Commission shall promulgate joint rules for the qualification for this exemption and such rules shall contain provisions for verification of any horizontally drilled wells.

(4) Any person, ~~firm, corporation, or association~~ requesting such exemption shall file an application for qualification for such exemption with the Oklahoma Corporation Commission which, upon finding that the horizontally drilled well meets the requirements of this subsection, shall approve the application for qualification.

(5) Any person, ~~firm, corporation, or association~~ seeking such exemption shall file an application for such exemption with the Oklahoma Tax Commission which, upon determination of qualification by the Oklahoma Corporation Commission, shall approve the application for such exemption.

(6) The Tax Commission shall require any person, ~~firm, corporation, or association~~ requesting such exemption to furnish necessary financial and other information or records in order to determine and justify the exemption and to determine the project payback.

(7) Upon the expiration of the exemption granted pursuant to this subsection, the Tax Commission shall collect the gross production tax levied pursuant to this section.

(f) All persons, ~~firms, corporations, or associations~~ shall only be entitled to either the exemption granted pursuant to subsection (d) of this section or the exemption granted pursuant to subsection (e) of this section for each oil, gas or oil and gas well

drilled or recompleted in this state. However, any person, ~~firm,~~
~~corporation or association~~ which qualifies for the exemption granted
pursuant to subsection (e) of this section shall not be prohibited
from qualification for the exemption granted pursuant to subsection
(d) of this section, if the exemption granted pursuant to subsection
(e) of this section has expired.

(g) The Tax Commission shall have the power to require any such
person, ~~firm, corporation or association~~ engaged in mining or the
production or the purchase of such asphalt, mineral ores aforesaid,
~~petroleum or other crude oil or other mineral oil, natural gas or~~
~~easinghead~~ gas, or the owner of any royalty interest therein to
furnish any additional information by it deemed to be necessary for
the purpose of correctly computing the amount of said tax; and to
examine the books, records and files of such person, ~~firm,~~
~~corporation or association;~~ and shall have power to conduct hearings
and compel the attendance of witnesses, and the production of books,
records and papers of any person, ~~firm, association or corporation.~~

(h) Any person or any member of any firm or association, or any
officer, official, agent or employee of any corporation who shall
fail or refuse to testify; or who shall fail or refuse to produce
any books, records or papers which the Tax Commission shall require;
or who shall fail or refuse to furnish any other evidence or
information which the Tax Commission may require; or who shall fail
or refuse to answer any competent questions which may be put to him
by the Tax Commission, touching the business, property, assets or
effects of any such person, ~~firm, association or corporation,~~
relating to the gross production tax imposed by this article or
exemption authorized pursuant to subsection (d) of this section or
other laws, shall be guilty of a misdemeanor, and, upon conviction
thereof, shall be punished by a fine of not more than Five Hundred
Dollars (\$500.00), or imprisonment in the jail of the county where
such offense shall have been committed, for not more than one (1)

year, or by both such fine and imprisonment; and each day of such refusal on the part of such person shall constitute a separate and distinct offense.

(i) The Tax Commission shall have the power and authority to ascertain and determine whether or not any report herein required to be filed with it is a true and correct report of the gross products, and of the value thereof, of such person, ~~firm, corporation or association~~ engaged in the mining or production or purchase of asphalt and ores bearing minerals aforesaid and of ~~petroleum or other crude oil or mineral oil and of natural gas or casinghead gas;~~ and if. If any person, ~~firm, corporation or association~~ has made an untrue or incorrect report of the gross production or value or volume thereof, ~~as hereinbefore required,~~ or shall have failed or refused to make such report, the Tax Commission, ~~shall,~~ shall, under the rules ~~and regulations~~ prescribed by it, ascertain the correct amount of either, and compute said tax.

(j) The payment of the taxes herein levied shall be in full, and in lieu of all taxes by the state, counties, cities, towns, school districts and other municipalities upon any property rights attached to or inherent in the right to said minerals, upon producing leases for the mining of asphalt and ores bearing lead, zinc, jack, gold, silver or copper, or for ~~petroleum or other crude oil or other mineral oil, or for natural gas and/or casinghead gas,~~ upon the mineral rights and privileges for the minerals aforesaid belonging or appertaining to land, upon the machinery, appliances and equipment used in and around any well producing ~~petroleum or other crude or mineral oil, or natural gas and/or casinghead gas,~~ or any mine producing asphalt or any of the mineral ores aforesaid and actually used in the operation of such well or mine; ~~and also.~~ The payment of gross production tax shall also be in lieu of all taxes upon the oil, gas, asphalt or ores bearing minerals hereinbefore mentioned during the tax year in which the same is produced, and

upon any investment in any of the leases, rights, privileges, minerals or other property ~~hereinbefore in this paragraph mentioned or described; and any~~ herein. Any interest in the land, other than that herein enumerated, and oil in storage, asphalt and ores bearing minerals hereinbefore named, mined, produced and on hand at the date as of which property is assessed for general and ad valorem taxation for any subsequent tax year, shall be assessed and taxed as other property within the taxing district in which such property is situated at the time.

(k) No equipment, material or property shall be exempt from the payment of ad valorem tax by reason of the payment of the gross production tax ~~as herein provided~~ except such equipment, machinery, tools, material or property as is actually necessary and being used and in use in the production of asphalt or of ores bearing lead, zinc, jack, gold, silver or copper or of ~~petroleum or other crude oil, or other mineral oil or of natural gas and casinghead gas; and~~ it gas. It is expressly declared that no ice plants, hospitals, office buildings, garages, residences, gasoline extraction or absorption plants, water systems, fuel systems, rooming houses and other buildings, nor any equipment or material used in connection therewith, shall be exempt from ad valorem tax.

(l) The exemption from ad valorem tax set forth in subsections (j) and (k) of this section shall continue to apply to all property from which production of oil, gas or oil and gas is exempt from gross production tax pursuant to subsections (d) and (e) of this section.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1001.1 of Title 68, unless there is created a duplication in numbering, reads as follows:

As used in this article:

(a) "Gas" means natural gas or casinghead gas. The terms gas, natural gas or casinghead gas when used in this article are

interchangeable, and any provisions relating to any one of these shall relate to all gas, natural gas or casinghead gas;

(b) "Lease" means a spaced unit, a separately metered formation within the spaced unit, or each tract within a Corporation Commission approved unitization, or a lease which, for tax reporting purposes, has been assigned a production unit number;

(c) "Oil" means petroleum or other crude or mineral oil; and

(d) "Person" means any natural person, firm, partnership, joint venture, association, corporation, estate, trust, and any other group or combination acting as a unit.

SECTION 3. AMENDATORY 68 O.S. 1991, Section 1002, is amended to read as follows:

Section 1002. If any person, ~~firm, association, reclaiming plant, or corporation~~ shall fail to make the report of the gross production of any mine or oil or gas well, upon which a ~~tax is herein provided for~~ gross production tax is levied, within the time prescribed by law for such report it shall be the duty of the Tax Commission to examine the books, records and files of such person, ~~firm, association, reclaiming plant, or corporation~~ to ascertain the amount and value of such production and to compute the tax thereon ~~as provided herein~~.

SECTION 4. AMENDATORY 68 O.S. 1991, Section 1003, is amended to read as follows:

Section 1003. (a) It shall be the duty of the Tax Commission to collect (in addition to the gross production tax) twelve and one-half percent (12 1/2%) of the gross value of all ~~petroleum, crude oil or other mineral~~ oil reported to the Tax Commission as recovered from streams, lakes, ponds, ravines and other natural depressions to which ~~oil~~ oil shall have escaped or therein was found; and twelve and one-half percent (12 1/2%) of the gross value of all ~~petroleum crude oil or other mineral~~ oil which is reported to the Tax Commission and which report ~~or reports~~ does not disclose the

actual source of said ~~petroleum, crude oil or other mineral~~ oil; and the Tax Commission shall hold the proceeds thereof for twelve (12) months in its depository account with the State Treasurer, during which time the rightful owner or owners of the royalty interest therein, upon proper application and satisfactory proof made to the Tax Commission, shall be paid their proper interest or interests out of said depository account; otherwise, the Tax Commission shall, after the lapse of one (1) year from the collection of any such sum, distribute the same as provided by law for the distribution of gross production taxes.

(b) For purposes of this article, actual source shall be the well or wells and particular leasehold from which said ~~petroleum, crude oil or other mineral~~ oil shall have been was produced.

(c) The operators of salt water disposal facilities shall be required to pay to the Tax Commission the fee of twelve and one-half percent (12 1/2%) as required by this section on the amount of oil recovered in excess of one percent (1%) of the volume of water handled.

SECTION 5. AMENDATORY 68 O.S. 1991, Section 1005, is amended to read as follows:

Section 1005. (a) It shall be the duty of every railroad company, pipeline or transportation company to furnish to the Tax Commission, upon forms prescribed by it, any and all information relative to the transportation of crude oil or gas subject to gross production tax, that may be required to properly enforce the provisions of this article; and such reports shall contain, along with other information required, the name of shipper, amount of oil and gas transported, point of receipt of shipment and point of destination; ~~and the~~. The Tax Commission may require any such pipeline or transportation company to install suitable measuring devices to enable such company to include in such reports the

quantity of oil or gas transported within, into, out of, or across the State of Oklahoma.

(b) It shall be the duty of every person, ~~firm, association, or corporation~~ engaged in the operation of a refinery for the processing of ~~crude oil or other mineral oil or casinghead gas~~, in the State of Oklahoma to furnish monthly to the Tax Commission, upon forms prescribed by it, any and all information relative to the amount of ~~crude oil or other mineral oil or casinghead gas~~ subject to gross production tax that has been processed by it during such monthly period, and ~~crude oil or other mineral oil~~ on hand at the close of such period, that may be required to properly enforce the provisions of this article.

(c) It shall be the duty of every person, ~~firm, association or corporation~~ engaged in the selling, purchasing, treating or transporting of tank bottoms, pit oil or liquid hydrocarbons from which petroleum oil is extracted, to furnish monthly a report to the Tax Commission, upon forms prescribed by it, any and all information relative to the selling, purchasing, treating or transporting of all tank bottoms, pit oil or liquid hydrocarbons that may be required to properly enforce the provisions of this article.

(d) It shall be the duty of every person, ~~firm, association or corporation~~ engaged in the purchasing or storing of ~~crude petroleum oil or other mineral oil~~ subject to gross production tax in the State of Oklahoma to furnish monthly a report to the Tax Commission, upon forms prescribed by it, showing the amount of such oil in storage, giving, along with other information required, the location, identity, character and capacity of the storage receptacle in which such oil is stored.

(e) All reports required by ~~the Gross Production Tax Code~~ this article shall become due on the first day of each calendar month on all lead, zinc, jack, gold, silver or copper, petroleum oil, tank bottoms, pit oil and liquid hydrocarbons from which petroleum oil is

extracted, natural gas or casinghead gas produced in and saved during the preceding monthly period, and if such reports are not received on or before the tenth day of the calendar month following the month such reports become due, the reports shall become delinquent. The failure of any person, ~~firm, association or corporation~~ to comply with the provisions of this section shall make any such person, ~~firm, association or corporation~~ liable ~~to~~ for a penalty, in accordance with Section 1010 of this title, for each day it shall fail or refuse to furnish such statement or comply with the provisions of this article; ~~and such.~~ Such penalty may be recovered at the suit of the state, on relation of the Tax Commission; ~~and such penalty so collected~~ and shall be apportioned as other gross production tax penalties.

SECTION 6. AMENDATORY 68 O.S. 1991, Section 1007, is amended to read as follows:

Section 1007. All purchasers of oil or gas, or other minerals, ~~as hereinbefore referred to~~ subject to the tax levied by this article shall recognize the Tax Commission's order to withhold payment for all production wherein the required producers' reports are delinquent or the gross production tax and penalty, payable by any producer or royalty owner are unreported, unpaid or delinquent, until such reports are received or the tax and penalty paid; and on failure of the producer or royalty owner to file reports and/or pay such tax and penalty, the purchaser of such production shall, on order of the Tax Commission, (1) withhold payment for all production until notified by the Tax Commission that all reports have been received, (2) pay such tax and penalty, and its receipt therefor shall be accepted by such producer or royalty owner in lieu of cash in settlement for such production; ~~and this.~~ This shall also apply in any case where a subsequent purchaser, or purchaser of subsequent oil, gas or casinghead gas or other minerals shall be so notified, and shall also apply when the interest against which such tax and

penalty shall have accrued may have been transferred subsequent to the accrual of said tax and penalty.

SECTION 7. AMENDATORY 68 O.S. 1991, Section 1009, is amended to read as follows:

Section 1009. (a) The gross production tax on asphalt ~~or of~~ and on ores bearing lead, zinc, jack, gold, silver or copper, ~~or of~~ and on petroleum oil, tank bottoms, pit oil, and liquid hydrocarbons from which petroleum oil is extracted, ~~natural and on~~ gas or casinghead gas, as provided by law, shall be paid on a monthly basis in accordance with this article.

(b) The gross production tax shall become due on the first day of each calendar month on all lead, zinc, jack, gold, silver or copper, petroleum oil, tank bottoms, pit oil, and liquid hydrocarbons from which petroleum oil is extracted, natural gas or casinghead gas produced in and saved during the preceding monthly period, and, if the tax is not paid on or before the last day of the month the same becomes due, the tax shall become delinquent and shall be collected in the manner provided by law for the collection of delinquent gross production taxes. The provisions of this subsection shall apply to payment of gross production taxes irrespective of any other statute relating thereto.

(c) On all petroleum oil extracted from tank bottoms, pit oil, or liquid hydrocarbons, the gross production tax shall be paid by the operator of the reclaiming plant, unless the tax levied by this article has already been paid thereon.

(d) On oil, ~~gas or casinghead~~ and gas sold at the time of production, the gross production tax shall be paid by the purchaser of such products, and such purchaser shall, and is hereby authorized to deduct in making settlements with the producer and/or royalty owner, the amount of tax so paid. In the event oil ~~on which such gross production tax becomes due~~ is not sold at the time of production but is retained by the producer, the tax on such oil not

so sold shall be paid by the producer for himself including the tax due on royalty oil not sold; provided, that in settlement with the royalty owner such producer shall have the right to deduct the amount of such tax so paid on royalty oil or to deduct therefrom royalty oil equivalent in value at the time such tax becomes due with the amount of the tax paid. The gross production tax upon asphalt, or on ores bearing lead, zinc, jack, gold, silver or copper shall be paid by the producer for himself, including the royalty interest; provided, that in settlement with the royalty owner such producer shall have the right to deduct the amount of such tax so paid on royalty asphalt, or on ores bearing lead, zinc, jack, gold, silver or copper, or to deduct therefrom royalty asphalt, or ores bearing lead, zinc, jack, gold, silver or copper, equivalent in value at the time such tax became due, to the amount of tax paid.

(e) (1) Producers, either as operators of producing wells or as nonoperating working interest owners who take gas in kind at the wellhead at the time of production, may elect to report and pay the gross production tax on such gas in accordance with the provisions of this section, if the first sale of such gas by the producer is to a final consumer or user of the gas. This election shall not be available to a producer if the first sale of such gas is to a purchaser who is approved and bonded to remit gross production taxes or unless prior approval of the Oklahoma Tax Commission is obtained by the producer. This election shall not be controlled by any contractual provisions between the producer and the purchaser. This election shall be made only by the producer upon forms prescribed therefor.

Upon exercise of the election to report and pay the gross production tax by a producer, the purchaser of such gas shall not be liable for the gross production tax and shall not be required to obtain a purchaser's reporting number for such gas.

~~Casinghead gas~~ (2) Gas when produced and utilized in any manner, except when used in the operation of the lease or premises in the production of oil or gas ~~therefrom~~, or for repressuring ~~thereon~~, shall be considered for the purpose of this article, as to the amount utilized, as ~~casinghead~~ gas actually produced and saved.

(f) In case oil, ~~gas~~, or ~~casinghead~~ gas is sold under circumstances where the sale price does not represent the cash price ~~thereof~~ prevailing for oil, ~~gas~~, or ~~casinghead~~ gas of like kind, character or quality in the field from which such product is produced, the Tax Commission may require the said tax to be paid upon the basis of the prevailing price then being paid at the time of production ~~thereof~~ in said field for oil, ~~gas~~, or ~~casinghead~~ gas of like kind, quality and character.

(g) Pursuant to the provisions of a gas purchase contract or agreement, if the first purchaser makes payments to the producer as a result of the failure or refusal of said purchaser to take gas, said payments, for purposes of this article, are hereby deemed to be part of the gross value of gas taken according to said contract or agreement. The gross production tax shall be calculated upon the gross value, including said payments, in accordance with the provisions of this article. Gas on which the gross production tax has been paid in this manner when taken by said purchaser shall be reported as gas on which said tax has been paid. If said gas, which corresponds to such payments, is not taken but payments therefor are retained by the producer, then said payments are hereby deemed to be a premium on gas which was taken under said contract or agreement.

SECTION 8. AMENDATORY 68 O.S. 1991, Section 1010, is amended to read as follows:

Section 1010. (a) The tax provided for in this article shall be paid to the Tax Commission.

(b) Every person, ~~firm, association, or corporation~~ responsible for paying or remitting the tax levied by this article on the

production from any lease shall file with the Tax Commission a monthly report on each said lease, regardless of sales or purchases of production from said lease during the report period, under oath, on forms prescribed by the Tax Commission, giving, with other information required, the following:

(1) The Commission assigned production unit number, subnumber and merge number, ~~which the person, firm, association, or corporation is required to pay or remit said tax levied upon the production from during the last preceding monthly period,~~ or, with the consent of the Tax Commission, the full description of the property by lease name, subdivision of quarter section, section, township, and range, from which said oil, ~~gas,~~ or casinghead gas was produced, or both, as may be required by the Commission;

(2) The Commission assigned company reporting numbers of the producer and purchaser, or with the consent of the Commission, the company name;

(3) The gross amount of asphalt, ores bearing lead, zinc, jack, gold, silver or copper, ~~petroleum or crude oil, other mineral oil, gas, or casinghead~~ or gas produced or purchased, or, in the event of no production or no sale or purchase during the report period, zero gross amount shall be reported;

(4) The kind of mineral, oil, gas, or casinghead gas produced or purchased;

(5) The total value of the mineral oil, gas, or casinghead gas, at the time and place of production, including any and all premiums paid for the sale thereof, at the price paid, if purchased at the time of production ~~or, at the discretion of the Tax Commission, a purchaser, at time of production, may furnish a true, verified copy of the regular settlement sheet in use by said purchaser, if said sheet contains all the information required by the Tax Commission;~~

(6) If requested by the Tax Commission, the prevailing market price of oil not sold at the time of production; and

(7) The amount of royalty payable on the production from said lease, if the royalty is claimed to be exempt from taxation by law, and the facts on which such claim of exemption is based and such other information pertaining to said claim as the Commission may require.

Each report required by the provisions of this section shall be filed on separate forms as to product and county.

~~As used in this section, a lease is defined as a spaced unit, a separately metered formation within the spaced unit or each tract within a Corporation Commission approved unitization, or a lease or leases, which, for tax reporting purposes, has been assigned a Commission assigned production unit number.~~

(c) No person, ~~firm, association, or corporation~~ shall engage in the mining or production within this state of asphalt or ores bearing lead, zinc, jack, gold, silver, or copper, ~~petroleum oil, crude oil, or other mineral oil, or of natural gas or of casinghead~~ or gas, prior to obtaining from the Tax Commission a Commission assigned producer reporting number and a Commission assigned production unit number, subnumber and merge number for each producing lease. No person, ~~firm, association, or corporation~~ shall engage in the purchase of asphalt, ores bearing lead, zinc, jack, gold, silver or copper, ~~petroleum oil, crude oil, or other mineral oil, natural gas or casinghead~~ or gas from a producing lease prior to obtaining from the Tax Commission a Commission assigned purchaser reporting number and the Commission assigned production unit number, subnumber and merge number, of the lease from which said production is to be purchased.

(1) Every producer and purchaser shall make application, upon forms prescribed by the Tax Commission, for a Commission assigned producer or purchaser reporting number prior to producing or purchasing production. Every producer shall obtain, by making application upon forms prescribed by the Tax Commission, a

Commission assigned production unit number, subnumber and merge number for each lease from which lease production will be sold or disposed before disposing of production from any lease in the state.

Provided, however, the Tax Commission shall not approve any application for a Commission assigned producer or purchaser reporting number without proper confirmation that the applicant has posted the requisite surety documents with the Corporation Commission pursuant to Section 318.1 of Title 52 of the Oklahoma Statutes.

(2) Every producer or purchaser shall notify the Tax Commission within thirty (30) days of any changes of any producing lease in the state as may be required by the Tax Commission.

(3) Gross production tax reports from either the purchaser or producer shall become due on the first day of each calendar month on all ~~lead, zinc, jack, gold, silver, or copper, petroleum oil, tank bottoms, pit oil, and liquid hydrocarbons from which petroleum oil is extracted, natural gas or casinghead gas~~ products subject to the tax levied by this article produced in and saved during the preceding monthly period. If such reports are not received by the Tax Commission on or before the tenth day of the second calendar month following the month of production, the reports shall become delinquent. Any requested or required amended report, ~~amendment to report, or answers~~ or any requested information submitted in response to written demand for information which is not received by the Tax Commission on or before thirty (30) days after the mailing of ~~such~~ the request or demand by the Tax Commission or any of its ~~agents, servants, or~~ employees shall be delinquent.

(d) Every person, ~~firm, association, or corporation~~ required to file such forms or reports or who has been requested to file an amended report ~~or amendment to report or answer to a written demand for information~~ to provide information by written demand, or who has purchased oil or gas from a lease prior to being authorized by the

Tax Commission to purchase production from such lease, will be subject to and may be assessed the following penalties for each delinquency:

(1) Five Dollars (\$5.00) per day for each Commission assigned production unit number or subnumber or merge number or product code, upon which a form, report, amended report, ~~amendment to report,~~ or ~~answer~~ for which requested information in response to written demand ~~for information~~ is delinquent and for each day from the date a purchaser buys production from a lease from which it is not authorized to purchase to the date the Tax Commission approves the purchaser to buy from such lease; provided, such penalty shall not be assessed for an amount in excess of One Thousand Five Hundred Dollars (\$1,500.00). Said penalties may be waived by the Tax Commission or its designee for good cause shown; and

(2) If within twelve (12) months after a previous assessment of penalties as provided for by this section a subsequent delinquency occurs, penalties may be assessed at the rate of Ten Dollars (\$10.00) per day for each Commission assigned production unit number or subnumber or merge number, or product code; provided such penalty shall not be assessed for an amount in excess of One Thousand Five Hundred Dollars (\$1,500.00). Said penalty thereon may be waived, in whole or in part, by the Tax Commission, for good cause shown.

The penalties prescribed herein shall be in addition to other penalties assessable by the Tax Commission pursuant to the laws of this state. The penalties prescribed by this section may be collected and shall be apportioned in the same manner as gross production tax.

(e) Gross production tax forms reports, amended reports, ~~amendments to reports, or answers~~ or requested information in response to written demands ~~for information~~ which are received by the Tax Commission on or after the time fixed for delinquency, but which were mailed prior to the time fixed for delinquency, shall be

deemed to have been received by the Tax Commission before becoming delinquent. Postmark or registry or certified receipt showing deposit in the U.S. mails shall be conclusive evidence of the date of mailing. Provided all remittances due under such reports, or amended reports ~~or amendments to reports~~ must be received by the Tax Commission on or before the date specified by law regardless of when mailed.

(f) In the event a person, ~~firm, association, or corporation~~ required to remit the tax levied by the provisions of this article becomes delinquent in reporting or remitting said tax, or upon a determination by the Tax Commission that the state may lose tax revenues due to the difficulty of collecting same, the Tax Commission may require any person, ~~firm, association or corporation~~ required to remit said tax to furnish a sufficient cash deposit, bond, or other security in an amount as will protect said tax revenues of this state.

SECTION 9. AMENDATORY 68 O.S. 1991, Section 1013, is amended to read as follows:

Section 1013. (a) The Tax Commission is hereby authorized and empowered to prescribe and promulgate all necessary rules and regulations for the purpose of making and filing all reports required and otherwise necessary to the enforcement of this article. The Tax Commission, at its option and discretion, may require a sufficient bond from any person, ~~firm, or corporation~~ charged with the making and filing of reports and the payment of the taxes levied pursuant to the provisions of this article. Said bond shall run to the State of Oklahoma and shall be conditioned upon the making and filing of reports as required by law, upon compliance with the rules and regulations of the Tax Commission, and for the prompt payment, ~~by the principal therein,~~ of all taxes due the state by virtue of the provisions of this article.

(b) (1) Every person, ~~firm, or corporation~~ engaged in the transportation or hauling of petroleum oil, tank bottoms, pit oil, condensate, distillate, or other liquid hydrocarbons from which petroleum crude oil or other product subject to gross production tax is extracted, except where the transportation is by railroad tank car or by pipeline, shall secure an annual license and permit before engaging in such activity and shall post a surety bond with the Tax Commission. Said bond shall run to the State of Oklahoma and shall be conditioned upon compliance with the provisions of this article, the rules and regulations of the Tax Commission promulgated thereto ~~and shall be conditioned upon compliance with the provisions of this act.~~ Said permits shall expire one (1) year after the date of issuance or renewal thereof and shall become invalid on said date unless renewed. The fee for issuance of such permit or renewal thereof shall be determined by the Commission but shall not exceed Fifty Dollars (\$50.00). Any person, ~~firm, association, or corporation~~ engaged in the transportation or hauling of petroleum oil, tank bottoms, pit oil, condensate, distillate, or other liquid hydrocarbons prior to the effective date of this act for which the permit required in this subsection has been previously issued shall be required to renew such license by December 1, 1985, and annually thereafter. Unless otherwise renewed, said permits shall become invalid.

The application for and acceptance of the permit required by this section and any renewal thereof shall be conclusively deemed consent by the applicant for the stopping of the vehicle transporting said hydrocarbons, and the inspection of the load ticket and the cargo pursuant to Section 5 of this act.

(2) Every person operating a tank truck or other conveyance except railroad tank cars or pipelines transporting any of the products described in paragraph (1) of this subsection shall have in his possession at all times during such transportation an invoice or

load ticket showing, in addition to other information thereon, the following: a. date, b. truck permit number, c. name of company from whom trucker obtained product being transported, d. lease name and/or number, e. county, f. approximate number of barrels being transported, g. name of product, h. destination, and i. signature of truck driver. The invoice or load ticket shall be made in triplicate, one copy of which shall be retained by the company or person authorizing such transportation, one copy shall be retained by the person transporting such product, and one copy shall be furnished to the person, ~~firm, association, or corporation~~ storing, receiving, renting, or purchasing such product.

(3) Any person, ~~firm, association, or corporation~~ transporting oil or gas or any deleterious substance as such term is defined by Section 139 of Title 52 of the Oklahoma Statutes shall maintain a log containing the name of the agent of the company or person owning the product which authorized the transportation.

(4) All such copies of said log and invoices or load tickets shall be retained for a period of three (3) years. All copies of such log and invoices or load tickets shall be subject to inspection by the Tax Commission or its representatives or the Oklahoma Bureau of Investigation at all times during transit of such product or while same is stored or in the possession of any such person.

(5) A member of the Oklahoma State Bureau of Investigation or the Oklahoma Highway Patrol, any sheriff, any salaried deputy sheriff, any Oklahoma Corporation Commission inspector or enforcement officer, shall have the authority to stop and inspect any invoices or load tickets at all times during transit of any such product. If a person transporting or hauling petroleum oil, tank bottoms, pit oil, condensate, distillate, or other liquid hydrocarbons from which petroleum crude oil or any other product subject to gross production tax is extracted, fails to produce the invoice or load ticket as required pursuant to the provisions of

this section upon proper request therefor, or if the invoice or load ticket does not contain the required information, the product being transported, together with the tank truck or other conveyance, may be seized and held until a proper invoice or load ticket is furnished and the information thereon is verified by the seizing authority.

In the event a proper invoice or load ticket is not furnished the seizing authority within forty-eight (48) hours after such seizure, the seizing authority shall then deliver possession of such seized property to the sheriff of the county in which it was seized, who shall issue his receipt therefor, and inform the Tax Commission which shall declare the gross production tax, together with the amount due pursuant to the provisions of Section 1003 of this article, due immediately on the product so seized, and shall assess the same together with a penalty equal to the amount of said tax due. If the tax, penalty, additional amount due, and all accrued sheriff's costs are not paid to such sheriff within thirty (30) days after delivery to him, he will proceed to sell, without valuation as for taxes due the state, such seized property and distribute the proceeds of such sale in the same manner as is now provided for sales upon execution.

(6) Every tank truck or other conveyance except railroad tank cars or pipelines used in transporting any of the products named in this section must have painted or affixed by decalcomania process in a conspicuous place in at least four-inch letters and figures the company name and Gross Production Transport Permit number which permit number shall be preceded by the initials "O.T.C.".

(c) Any person, ~~firm, association, or corporation~~ transporting deleterious substances shall have in his possession at all times during such transportation an invoice or load ticket complying with paragraph (2) of subsection (b) of this section.

(d) The application for and acceptance of the permit or license required by Section 177.2 of Title 47 of the Oklahoma Statutes shall be conclusively deemed consent by the applicant for the stopping of the vehicle transporting said substances, and the inspection of the load ticket and the cargo by the Oklahoma Highway Patrol, sheriffs, or by agents of the Oklahoma State Bureau of Investigation or Federal Bureau of Investigation pursuant to Section 5 of this act.

SECTION 10. AMENDATORY 68 O.S. 1991, Section 1014, is amended to read as follows:

Section 1014. All producers, refiners, processors or purchasers of oil or ~~easinghead~~ gas shall prepare and file with the Tax Commission, at any time upon the demand of the Tax Commission, such amended producers', refiners', processors' or purchasers' reports as may be necessary to show the particular leasehold and also the particular well or wells from which oil or ~~easinghead~~ gas produced, refined, processed or purchased by them was produced.

SECTION 11. AMENDATORY 68 O.S. 1991, Section 1015, is amended to read as follows:

Section 1015. All persons, ~~firms, associations or corporations~~ operating refineries or processing plants engaged in the business of refining or processing of ~~crude petroleum oil or other mineral~~ oil or ~~easinghead~~ gas, upon which there is paid or payable gross production tax, shall secure a permit which shall be in the form of a license from the Tax Commission, by making application upon forms prescribed by it, and the Tax Commission may, at its option and discretion, require a bond from any such person, ~~firm, association or corporation~~ before the issuance of such permit; any bond required herein by the Tax Commission shall be for the purpose of indemnifying the State of Oklahoma against loss by reason of nonpayment of gross production tax upon any ~~crude petroleum~~ oil or ~~easinghead~~ gas refined or processed in such refineries or processing plants. In all cases where such permit is not secured, the State of

Oklahoma may institute, upon relation of the Tax Commission, suit to restrain such person, ~~firm, association or corporation~~ from operating such refinery or processing plant, until such permit is secured.

SECTION 12. AMENDATORY 68 O.S. 1991, Section 1015.1, is amended to read as follows:

Section 1015.1. A. All persons, ~~firms, associations, or corporations~~ operating reclaiming plants, or reclaiming oil, upon which there is paid or payable gross production tax, shall secure an annual permit which shall be in the form of a license from the Tax Commission, by making application upon forms prescribed by it, ~~and the~~. The Tax Commission may, at its option and discretion, require a bond from any such person, ~~firm, association, or corporation~~ before the issuance of such permit; ~~any~~. Any bond required herein by the Tax Commission shall be for the purpose of indemnifying the State of Oklahoma against loss by reason of nonpayment of gross production tax upon any oil reclaiming plants. In all cases where such permit is not secured, the State of Oklahoma may institute, upon relation of the Tax Commission, suit to restrain such person, ~~firm, association, or corporation~~ from operating such reclaiming plant, until such permit is secured.

B. 1. Said permits shall expire one (1) year after the date of issuance or renewal thereof and shall become invalid on said date unless renewed. The fee for issuance of such permit or renewal thereof shall be determined by the Commission but shall not exceed Fifty Dollars (\$50.00).

2. Any person, ~~firm, association, or corporation~~ operating a reclaiming plant prior to the effective date of this act for which the permit required by Section 1015 of ~~Title 68 of the Oklahoma Statutes~~ this title has been previously issued shall be required to obtain such new license by December 1, 1985, and annually thereafter.

C. The application for and acceptance of the permit required by subsection A of this section and any renewal thereof shall be conclusively deemed consent by the applicant for the inspections of the property of the applicant by the Oklahoma Tax Commission as authorized by Section 206 of ~~Title 68 of the Oklahoma Statutes~~ this title and by the Oklahoma State Bureau of Investigation.

SECTION 13. AMENDATORY 68 O.S. 1991, Section 1024, is amended to read as follows:

Section 1024. A. The Tax Commission may upon written request, release ~~the following information~~ to any person, ~~firm, association,~~ ~~or corporation or its designee,~~ the volume of production, during any specified available period of time, of any substance taxable pursuant to the provisions of ~~the Cross Production Tax Code, Section 1001 et seq. of this title, of this state,~~ this article from any lease lawfully plugged, pursuant to the laws of this state after certification of said plugging by the Oklahoma Corporation Commission.

B. The Tax Commission may, upon oral or written request, release the lease name, legal description, Oklahoma Tax Commission assigned production unit ~~or subnumber or merge~~ number for any lease or unit in this state and the Oklahoma Tax Commission assigned purchaser or producer reporting number and purchaser or producer name to any person.

C. The Tax Commission may, upon written request, release the volume of production, producing formation and well classification, active or inactive, on a lease by lease basis to any person, ~~firm,~~ ~~association,~~ ~~or corporation or its designee.~~

D. The Tax Commission shall, upon written request, release information provided in the Reclaimer's and Transporters Monthly Tax Report of Lease Production Stored and Sold, OTC Form 323A-7-81, or any form succeeding this form, to any person.

E. The Tax Commission shall, upon written request, release the following information to any person executing an affidavit, under penalty of perjury, declaring that they are an interest owner in the well, lease or unit for which the information is requested:

1. The gross, exempt and net volumes and values of production, tax reimbursements, additional values and taxes remitted thereon, during any available period of time of any substance taxable pursuant to the provisions of ~~the Cross Production Tax Code~~ this article or the Petroleum Excise Tax of this state.

2. The lease name, legal description, industry or company well or lease unique number, Oklahoma Tax Commission assigned production unit ~~or subnumber or merge~~ number for any lease or unit in this state and the Oklahoma Tax Commission assigned purchaser or producer reporting number and purchaser or producer name.

3. The producing formation and well classification, active or inactive, on a lease by lease basis and if available, on a well by well basis, and British Thermal Unit content, NGPA classification, gas code, gravity, tier, category and oil class.

F. It is specifically provided that:

1. The Tax Commission shall establish a schedule of costs for the furnishing of the information in accordance with the provisions of subsections A and B of this section and shall collect said costs;

2. No civil or criminal liability shall attach to any member of the Tax Commission, or to any agents, servants, or employees of the Tax Commission for any error or omission in the preparation and publication of the requested information;

3. No costs shall be charged to the Oklahoma Corporation Commission Oil and Gas Conservation Division or Energy Conservation Services Division or to the Oklahoma Geological Survey for examination of the files and records of the Tax Commission; and

4. All funds collected pursuant to the provisions of this section shall be paid to the State Treasury and deposited to the credit of the Tax Commission Revolving Fund.

G. A duly authorized agent of the Oklahoma Corporation Commission Oil and Gas Conservation Division or Energy Conservation Services Division or of the Oklahoma Geological Survey may examine necessary records and files of the Tax Commission relating to the gross production tax for the purpose of estimating or forecasting reserves or production of oil or gas. Such examination shall be limited to information of volume of production, producing formation and well classification, active or inactive, on a lease by lease basis.

H. The provisions of this section shall be exceptions to the provisions of Sections 205 and 205.1 of this title and said sections shall be strictly construed against the disclosure of any other information contained in the records and files of the Tax Commission except as otherwise provided by law.

I. Any violation of the provisions of this section shall constitute a misdemeanor and shall be punishable as provided for in Section 205 of this title.

SECTION 14. 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.

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