

STATE OF OKLAHOMA

2nd Session of the 44th Legislature (1994)

HOUSE BILL NO. 2430

By: Rice

AS INTRODUCED

An Act relating to revenue and taxation; providing exemption from severance tax for certain inactive wells; providing definitions; providing for application to Oklahoma Corporation Commission for exemption; providing for certain well tests to determine well capability; providing for notification upon termination of operation of well; providing for issuance of certain certificate; designating period to apply for inactive well certificate; providing for revocation of certificate; allowing for credit against certain taxes; providing for fines and penalties for certain violations; 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 1001.3 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. As used in this section:

1. "Commission" means the Oklahoma Corporation Commission;

2. "Hydrocarbons" means any oil or gas produced from a well;
and

3. "Two-year inactive well" means any well that has not produced for more than one (1) month in the two (2) years prior to the date of application for a tax exemption under this section.

B. Any hydrocarbons produced from a well shall qualify for an exemption from the tax imposed by Section 1001 et seq. of this title for a period of ten (10) years if the Commission designates the subject well as a two-year inactive well. The Commission may designate a well as a two-year inactive well without an application, or may require an application to be made to the Commission for approval under this section. The Commission may require an applicant to provide the Commission with any relevant information required to administer this section. The Commission may require additional well tests to determine well capability as the Commission deems necessary. The Commission shall immediately notify the Oklahoma Tax Commission in writing if the Commission determines that the operation of the two-year inactive well has been terminated or if the Commission discovers any information that affects the taxation of the production from any designated well.

C. If the Commission determines that a well is a two-year inactive well under this section, it shall issue a certificate designating the well as a two-year inactive well. The Commission may not designate a well as a two-year inactive well under this section after December 31, 1996.

D. An application for a two-year inactive well certification shall be made during the period beginning September 1, 1994, and ending August 31, 1996, to qualify for the exemption under this section. Any hydrocarbons sold after the date of certification shall be eligible for the exemption under this section.

E. The Commission may revoke at any time a certificate if any information indicates that a certified well was not a two-year

inactive well or if other lease production is credited to the certified well. Upon notice by the Commission to the operator of the well that the certificate for the exemption under this section has been revoked, the exemption may not be applied to any hydrocarbons sold from that well from the date of revocation.

F. The Commission shall promulgate the necessary rules to administer this section.

G. If the tax levied pursuant to Section 1001 of this title is paid prior to the approval by the Commission of an application for an exemption pursuant to this section, the operator shall be entitled to a credit against the tax levied pursuant to Section 1001 of this title in an amount equal to the tax paid by the operator. In order to receive the credit, the operator shall apply to the Oklahoma Tax Commission for the credit not later than one (1) year after the date the Commission certifies the well as a two-year inactive well.

H. Any person who knowingly makes or subscribes any false or untrue material fact on any application, report or other document required by the Commission or the Oklahoma Tax Commission under this section, and such person submits the application, report or document to the Commission for an exemption under this section, or any person who submits an application for an exemption under this section after the certification for a two-year inactive well has been revoked, shall be, upon conviction, guilty of a felony punishable by imprisonment in the State Penitentiary for not less than one (1) year or more than five (5) years, or by the imposition of a fine of not more than Ten Thousand Dollars (\$10,000.00), or both such fine and imprisonment. Such person shall also be liable for any taxes, penalties and interest due under this title as a result of any false application made under this section.

SECTION 2. This act shall become effective July 1, 1994.

SECTION 3. 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.

44-2-8225

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