

EHB 2506

THE STATE SENATE
Thursday, March 23, 2006

ENGROSSED

House Bill No. 2506

As Amended

ENGROSSED HOUSE BILL NO. 2506 - By: ADKINS, TIBBS and DORMAN of the House and LERBLANCE of the Senate.

oil and gas - amending 17 O.S., Section 180.10 - Corporation Commission Plugging Fund - amending 68 O.S., Sections 1101, 1102 and 1103 - petroleum excise tax - effective date - emergency]

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

SECTION 1. AMENDATORY 17 O.S. 2001, Section 180.10, is amended to read as follows:

Section 180.10 A. There is hereby created in the State Treasury a fund for the Corporation Commission to be designated the "Corporation Commission Plugging Fund". The plugging fund shall consist of monies received by the Corporation Commission as required by law to be deposited to the credit of said fund. Said fund shall be a continuing fund not subject to fiscal year limitations and shall not be subject to legislative appropriations. Expenditures from said plugging fund shall be made pursuant to the laws of this state and the statutes relating to the Corporation Commission. In addition, expenditures from said plugging fund may be made pursuant to the Oklahoma Central Purchasing Act, Section 85.1 et seq. of

1 Title 74 of the Oklahoma Statutes, for purposes of immediately
2 responding to emergency situations, within the Commission's
3 jurisdiction, having potentially critical environmental or public
4 safety impact. Warrants for expenditures from said fund shall be
5 drawn by the State Treasurer, based on claims signed by an
6 authorized employee or employee of the Corporation Commission and
7 approved for payment by the Director of State Finance. The
8 provisions of this act or rules ~~or regulations~~ promulgated pursuant
9 thereto, shall not be construed to relieve or in any way diminish
10 the surety bonding requirements required by Section 318.1 of Title
11 52 of the Oklahoma Statutes.

12 B. Prior to July 1, ~~2006~~ 2011, the plugging fund shall be
13 maintained at Five Million Dollars (\$5,000,000.00). If the plugging
14 fund falls below the five-million-dollar maintenance level, the
15 Corporation Commission shall notify the Tax Commission that the
16 plugging fund has fallen below the required maintenance level and
17 that the excise tax which has been levied by subsection A of Section
18 1101 of Title 68 of the Oklahoma Statutes and subsection A of
19 Section 1102 of Title 68 of the Oklahoma Statutes which is credited
20 and apportioned to the Corporation Commission Plugging Fund pursuant
21 to Section 1103 of Title 68 of the Oklahoma Statutes is to be
22 imposed. Such additional excise tax shall be imposed and collected
23 until such time as is necessary to meet the additional five-million-

1 dollar maintenance level. The Tax Commission shall notify the
2 persons responsible for payment of the excise tax on oil and gas of
3 the imposition of such tax. The provisions of this subsection shall
4 terminate on July 1, ~~2006~~ 2011.

5 SECTION 2. AMENDATORY 68 O.S. 2001, Section 1101, is
6 amended to read as follows:

7 Section 1101. A. Prior to July 1, ~~2006~~ 2011, and as provided
8 in Section 1103.1 of this title, there is hereby levied, in addition
9 to the gross production tax, an excise tax equal to ninety-five one
10 thousandths of one percent (.095 of 1%) of the gross value on each
11 and every barrel of petroleum oil produced in the State of Oklahoma
12 which is subject to gross production tax in the State of Oklahoma.
13 Such excise tax of ninety-five one thousandths of one percent (.095
14 of 1%) of the gross value shall be reported to and collected by the
15 Tax Commission at the same time and in the same manner as is
16 provided by law for the collection of gross production tax on
17 petroleum oil. On petroleum oil sold at the time of production, the
18 excise tax thereon shall be paid by the purchaser, who is hereby
19 authorized to deduct in making settlement with the producer and/or
20 royalty owner the amount of tax so paid; provided, that in the event
21 oil on which such tax becomes due is not sold at the time of
22 production, but is retained by the producer, the tax on such oil not
23 so sold shall be paid by the producer for himself, including the tax

1 due on royalty oil not sold; and provided, further, that in
2 settlement with royalty owner, such producer shall have the right to
3 deduct the amount of tax so paid on royalty oil, or to deduct
4 therefrom royalty oil equivalent in value at the time such tax
5 becomes due with the amount of tax paid.

6 The provisions of this subsection shall terminate on June 30,
7 ~~2006~~ 2011.

8 B. Beginning on July 1, ~~2006~~ 2011, there is hereby levied, in
9 addition to the gross production tax, an excise tax equal to eighty-
10 five one thousandths of one percent (.085 of 1%) of the gross value
11 on each and every barrel of petroleum oil produced in the State of
12 Oklahoma which is subject to gross production tax in the State of
13 Oklahoma. Such excise tax of eighty-five one thousandths of one
14 percent (.085 of 1%) of the gross value shall be reported to and
15 collected by the Tax Commission at the same time and in the same
16 manner as is provided by law for the collection of gross production
17 tax on petroleum oil. On petroleum oil sold at the time of
18 production, the excise tax thereon shall be paid by the purchaser,
19 who is hereby authorized to deduct in making settlement with the
20 producer and/or royalty owner the amount of tax so paid; provided,
21 that in the event oil on which such tax becomes due is not sold at
22 the time of production, but is retained by the producer, the tax on
23 such oil not so sold shall be paid by the producer, including the

1 tax due on royalty oil not sold; and provided, further, that in
2 settlement with royalty owner, such producer shall have the right to
3 deduct the amount of tax so paid on royalty oil, or to deduct
4 therefrom royalty oil equivalent in value at the time such tax
5 becomes due with the amount of tax paid.

6 SECTION 3. AMENDATORY 68 O.S. 2001, Section 1102, is
7 amended to read as follows:

8 Section 1102. A. Prior to July 1, ~~2006~~ 2011, and as provided
9 in Section 1103.1 of this title, there is hereby levied, in addition
10 to the gross production tax, an excise tax equal to ninety-five one
11 thousandths of one percent (.095 of 1%) of the gross value of all
12 natural gas and/or casinghead gas produced in the State of Oklahoma
13 which is subject to gross production tax in the State of Oklahoma.
14 Such excise tax of ninety-five one thousandths of one percent (.095
15 of 1%) of the gross value shall be reported to and collected by the
16 Tax Commission at the same time and in the same manner as is
17 provided by law for the collection of gross production tax on
18 natural gas and/or casinghead gas, and this excise tax shall apply
19 in all cases where the gross production tax provided for by law
20 applies to the production of natural gas and/or casinghead gas. The
21 excise tax shall be paid by the purchaser, who is hereby authorized
22 to deduct in making settlement with the producer and/or royalty
23 owner the amount of tax so paid, provided, however, that if such

1 natural gas and/or casinghead gas is retained by the producer, then
2 the tax shall be paid by the producer, who shall have the right to
3 deduct the amount of tax so paid on royalty gas at the time of
4 settlement with the royalty owner.

5 The provisions of this subsection shall terminate on June 30,
6 ~~2006~~ 2011.

7 B. Beginning on July 1, ~~2006~~ 2011, there is hereby levied, in
8 addition to the gross production tax, an excise tax equal to eighty-
9 five one thousandths of one percent (.085 of 1%) of the gross value
10 of all natural gas and/or casinghead gas produced in the State of
11 Oklahoma which is subject to gross production tax in the State of
12 Oklahoma. Such excise tax of eighty-five one thousandths of one
13 percent (.085 of 1%) of the gross value shall be reported to and
14 collected by the Tax Commission at the same time and in the same
15 manner as is provided by law for the collection of gross production
16 tax on natural gas and/or casinghead gas, and this excise tax shall
17 apply in all cases where the gross production tax provided for by
18 law applies to the production of natural gas and/or casinghead gas.
19 The excise tax shall be paid by the purchaser, who is hereby
20 authorized to deduct in making settlement with the producer and/or
21 royalty owner the amount of tax so paid, provided, however, that if
22 such natural gas and/or casinghead gas is retained by the producer,
23 then the tax shall be paid by the producer, who shall have the right

1 to deduct the amount of tax so paid on royalty gas at the time of
2 settlement with the royalty owner.

3 SECTION 4. AMENDATORY 68 O.S. 2001, Section 1103, as
4 amended by Section 2, Chapter 436, O.S.L. 2005 (68 O.S. Supp. 2005,
5 Section 1103), is amended to read as follows:

6 Section 1103. A. 1. Prior to July 1, ~~2006~~ 2011, and as
7 provided in Section 1103.1 of this title, all monies derived from
8 the levy of the excise tax on petroleum oil provided for by Section
9 1101 of this title shall be deposited with the State Treasurer, who
10 shall credit and apportion the same as follows:

- 11 a. eighty-two and six hundred thirty-four thousandths
12 percent (82.634%) of said excise tax shall be credited
13 to the General Revenue Fund of the State Treasury;
- 14 b. ten and five hundred twenty-six thousandths percent
15 (10.526%) shall be credited and apportioned to a
16 separate and distinct fund to be known as the
17 "Corporation Commission Plugging Fund"; and
- 18 c. the remaining six and eighty-four hundredths percent
19 (6.84%) of said excise tax shall be credited and
20 apportioned to a separate and distinct fund to be
21 known as "The Interstate Oil Compact Fund of
22 Oklahoma", which fund is hereby created.

1 2. Prior to July 1, ~~2006~~ 2011, and as provided in Section
2 1103.1 of this title, all monies derived from the levy of the excise
3 tax on natural gas and/or casinghead gas provided for by Section
4 1102 of this title shall be deposited with the State Treasurer, who
5 shall credit and apportion the same as follows:

6 a. eighty-two and six thousand forty-five ten thousandths
7 percent (82.6045%) of said excise tax shall be
8 credited to the General Revenue Fund of the State
9 Treasury;

10 b. ten and five thousand five hundred fifty-five ten
11 thousandths percent (10.5555%) shall be credited and
12 apportioned to the Corporation Commission Plugging
13 Fund; and

14 c. six and eighty-four hundredths percent (6.84%) of said
15 excise tax shall be credited and apportioned to The
16 Interstate Oil Compact Fund of Oklahoma.

17 3. Prior to July 1, ~~2006~~ 2011, and as provided in Section
18 1103.1 of this title, all monies to accrue to "The Interstate Oil
19 Compact Fund of Oklahoma" under the provisions of this article,
20 together with all monies remaining unexpended in "The Interstate Oil
21 Compact Fund of Oklahoma" created under this subsection are hereby
22 appropriated and shall be used for the payment of the compensation
23 of the assistant representative of the State of Oklahoma on "The

1 Interstate Oil Compact Commission", the compensation of such
2 clerical, technical, and legal assistants as he or she may with the
3 consent of the Governor employ; the actual and necessary traveling
4 expenses of said assistant representative and employees, and of the
5 Governor when traveling in his or her capacity as official
6 representative of the State of Oklahoma on "The Interstate Oil
7 Compact Commission"; all items of office expense, including the cost
8 of office supplies and equipment; such contributions as the Governor
9 shall deem necessary and proper to pay to "The Interstate Oil
10 Compact Commission" to defray its expenses; and such other necessary
11 expenses as may be incurred in enabling the State of Oklahoma to
12 fully cooperate in accomplishing the objects of the Interstate
13 Compact to conserve oil and gas. Said fund shall be disbursed by
14 the State Treasurer upon sworn, itemized claims approved by the
15 assistant representative and the Governor; provided, that if at the
16 end of any fiscal year any part of said special fund shall remain
17 unexpended, such balance shall be transferred by the State Treasurer
18 to, and become a part of, the General Revenue Fund of the state for
19 the ensuing fiscal year. Provided, further, that if the State of
20 Oklahoma withdraws from the Interstate Compact to conserve oil and
21 gas, any unencumbered monies in "The Interstate Oil Compact Fund of
22 Oklahoma" shall be transferred to and become a part of the General
23 Revenue Fund of the State Treasury and thereafter the excise tax on

1 petroleum oil, natural gas and/or casinghead gas levied by this
2 article shall be levied, collected and deposited in the General
3 Revenue Fund of the State Treasury.

4 4. All monies to accrue to the Corporation Commission Plugging
5 Fund are hereby appropriated and shall be used for payment of
6 expenses related to the statutory purpose of said fund.

7 The provisions of this subsection shall terminate on June 30,
8 ~~2006~~ 2011.

9 B. 1. Beginning on July 1, ~~2006~~ 2011, all monies derived from
10 the levy of the excise tax on petroleum oil provided for by Section
11 1101 of this Code shall be deposited with the State Treasurer, who
12 shall credit and apportion the same as follows:

13 a. ninety-two and thirty-five hundredths percent (92.35%)
14 of said excise tax shall be credited and apportioned
15 to the General Revenue Fund of the State Treasury, and
16 b. the remaining seven and sixty-five hundredths percent
17 (7.65%) of said excise tax shall be credited and
18 apportioned to a separate and distinct fund to be
19 known as "The Interstate Oil Compact Fund of
20 Oklahoma", which fund is hereby created.

21 2. Beginning on July 1, ~~2006~~ 2011, all monies derived from the
22 levy of the excise tax on natural gas and/or casinghead gas provided

1 for by Section 1102 of this Code shall be deposited with the State
2 Treasurer, who shall credit and apportion the same as follows:

3 a. ninety-two and thirty-five hundredths percent (92.35%)
4 of said excise tax shall be credited and apportioned
5 to the General Revenue Fund of the State Treasury, and

6 b. seven and sixty-five hundredths percent (7.65%) of
7 said excise tax shall be credited and apportioned to
8 The Interstate Oil Compact Fund of Oklahoma.

9 3. Beginning on July 1, ~~2006~~ 2011, all monies to accrue to "The
10 Interstate Oil Compact Fund of Oklahoma" under the provisions of
11 this article, together with all monies remaining unexpended in "The
12 Interstate Oil Compact Fund of Oklahoma" created under this
13 subsection are hereby appropriated and shall be used for the payment
14 of the compensation of the assistant representative of the State of
15 Oklahoma on "The Interstate Oil Compact Commission", the
16 compensation of such clerical, technical, and legal assistants as he
17 or she may with the consent of the Governor employ; the actual and
18 necessary traveling expenses of said assistant representative and
19 employees, and of the Governor when traveling in his or her capacity
20 as official representative of the State of Oklahoma on "The
21 Interstate Oil Compact Commission"; all items of office expense,
22 including the cost of office supplies and equipment; such
23 contributions as the Governor shall deem necessary and proper to pay

1 to "The Interstate Oil Compact Commission" to defray its expenses;
2 and such other necessary expenses as may be incurred in enabling the
3 State of Oklahoma to fully cooperate in accomplishing the objects of
4 the Interstate Compact to conserve oil and gas. Said fund shall be
5 disbursed by the State Treasurer upon sworn, itemized claims
6 approved by the assistant representative and the Governor; provided,
7 that if at the end of any fiscal year any part of said special fund
8 shall remain unexpended, such balance shall be transferred by the
9 State Treasurer to, and become a part of, the General Revenue Fund
10 of the State Treasury for the ensuing fiscal year. Provided,
11 further, that if the State of Oklahoma withdraws from the Interstate
12 Compact to conserve oil and gas, any unencumbered monies in "The
13 Interstate Oil Compact Fund of Oklahoma" shall be transferred to and
14 become a part of the General Revenue Fund of the State Treasury and
15 thereafter the excise tax on petroleum oil, natural gas and/or
16 casinghead gas levied by this article shall be levied, collected and
17 deposited in the General Revenue Fund of the State Treasury.

18 SECTION 5. This act shall become effective July 1, 2006.

19 SECTION 6. It being immediately necessary for the preservation
20 of the public peace, health and safety, an emergency is hereby
21 declared to exist, by reason whereof this act shall take effect and
22 be in full force from and after its passage and approval.

23 COMMITTEE REPORT BY: COMMITTEE ON FINANCE, dated 3-21-06 - DO PASS,
24 As Amended.