

STATE OF OKLAHOMA

1st Session of the 52nd Legislature (2009)

SENATE BILL 20

By: Gumm

AS INTRODUCED

An Act relating to revenue and taxation; amending 68 O.S. 2001, as last amended by Section 1, Chapter 380, O.S.L. 2008 (68 O.S. Supp. 2008, Section 1001), which relates to gross production tax; extending exemptions to certain wells drilled before certain dates and modifying time periods during which exemption may be claimed; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2001, Section 1001, as last amended by Section 1, Chapter 380, O.S.L. 2008 (68 O.S. Supp. 2008, 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. 1. Effective January 1, 1999, through June 30, 2010, except as otherwise exempted pursuant to subsections D, E, F, G, H, I and J of this section, there is hereby levied upon the production of oil a tax as set forth in this subsection on the gross value of

1 the production of oil based on a per barrel measurement of forty-
2 two (42) U.S. gallons of two hundred thirty-one (231) cubic inches
3 per gallon, computed at a temperature of sixty (60) degrees
4 Fahrenheit. If the average price of Oklahoma oil as determined by
5 the Oklahoma Tax Commission pursuant to the provisions of paragraph
6 3 of this subsection equals or exceeds Seventeen Dollars (\$17.00)
7 per barrel, then the tax shall be seven percent (7%). If the
8 average price of Oklahoma oil as determined by the Tax Commission
9 pursuant to paragraph 3 of this subsection is less than Seventeen
10 Dollars (\$17.00) but is equal to or exceeds Fourteen Dollars
11 (\$14.00) per barrel, then the tax shall be four percent (4%). If
12 the average price of Oklahoma oil as determined by the Tax
13 Commission pursuant to paragraph 3 of this subsection is less than
14 Fourteen Dollars (\$14.00) per barrel, then the tax shall be one
15 percent (1%).

16 2. Effective July 1, 2010, except as otherwise exempted
17 pursuant to subsections D, E, F, G, H, I and J of this section,
18 there shall be levied upon the production of oil a tax equal to
19 seven percent (7%) of the gross value of the production of oil
20 based on a per barrel measurement of forty-two (42) U.S. gallons of
21 two hundred thirty-one (231) cubic inches per gallon, computed at a
22 temperature of sixty (60) degrees Fahrenheit.

23 3. Effective January 1, 1999, through June 30, 2010, the
24 average price of Oklahoma oil for purposes of this section shall be

1 computed by the Tax Commission based on the total value of oil
2 reported each month that is subject to the tax levied under this
3 section. At the first of each month, the Tax Commission shall
4 compute the average price paid per barrel of oil reported on the
5 monthly tax report for the most current production month on file.
6 The average price as computed by the Tax Commission shall be used
7 to determine the applicable tax rate for the third month following
8 production. Effective July 1, 2002, through June 30, 2010, the
9 average price of gas for purposes of this section shall be computed
10 by the Tax Commission based on the total value of gas reported each
11 month that is subject to the tax levied by this section. At the
12 first of each month, the Tax Commission shall compute the average
13 price paid per thousand cubic feet (mcf) of gas as reported on the
14 monthly tax report for the most current production month on file.
15 The average price as computed by the Tax Commission shall be used
16 to determine the applicable tax rate for the third month following
17 production.

18 4. Effective July 1, 2002, through June 30, 2010, except as
19 otherwise exempted pursuant to subsections D, E, F, G, H, I and J
20 of this section, there is hereby levied upon the production of gas
21 a tax as set forth in this subsection on the gross value of the
22 production of gas. If the average price of gas as determined by
23 the Tax Commission pursuant to the provisions of paragraph 3 of
24 this subsection equals or exceeds Two Dollars and ten cents (\$2.10)

1 per thousand cubic feet (mcf), then the tax shall be seven percent
2 (7%). If the average price of gas as determined by the Tax
3 Commission pursuant to the provisions of paragraph 3 of this
4 subsection is less than Two Dollars and ten cents (\$2.10) per
5 thousand cubic feet (mcf) but is equal to or exceeds One Dollar and
6 seventy-five cents (\$1.75) per thousand cubic feet (mcf), then the
7 tax shall be four percent (4%). If the average price of gas as
8 determined by the Tax Commission pursuant to the provisions of
9 paragraph 3 of this subsection is less than One Dollar and seventy-
10 five cents (\$1.75) per thousand cubic feet (mcf), then the tax
11 shall be one percent (1%).

12 5. Effective July 1, 2010, except as otherwise exempted
13 pursuant to subsections D, E, F, G, H, I and J of this section,
14 there shall be levied a tax equal to seven percent (7%) of the
15 gross value of the production of gas.

16 C. The taxes hereby levied shall also attach to, and are
17 levied on, what is known as the royalty interest, and the amount of
18 such tax shall be a lien on such interest.

19 D. 1. Except as otherwise provided in this section, any
20 incremental production attributable to the working interest owners
21 which results from an enhanced recovery project shall be exempt
22 from the gross production tax levied pursuant to this section from
23 the project beginning date until project payback is achieved for
24 new enhanced recovery projects or until project payback is achieved

1 but not to exceed a period of thirty-six (36) months for tertiary
2 enhanced recovery projects existing on July 1, 1988. This
3 exemption shall take effect July 1, 1988, and shall apply to
4 enhanced recovery projects approved or having a project beginning
5 date prior to July 1, 1993. Project payback pursuant to this
6 paragraph for enhanced recovery projects qualifying for this
7 exemption on or after July 1, 1990, and on or before June 30, 1993,
8 shall be determined by appropriate payback indicators which will
9 not include any expenses beyond the completion date of the well.
10 Project payback pursuant to this paragraph for enhanced recovery
11 projects qualifying for this exemption on or after October 17,
12 1987, and on or before June 30, 1990, shall be determined by
13 appropriate payback indicators as previously established and
14 allowed by the Tax Commission for projects qualifying during such
15 period.

16 2. Except as otherwise provided in this section, for secondary
17 recovery projects approved and having a project beginning date on
18 or after July 1, 1993, and before July 1, 2000, any incremental
19 production attributable to the working interest owners which
20 results from such secondary recovery projects shall be exempt from
21 the gross production tax levied pursuant to this section from the
22 project beginning date until project payback is achieved but not to
23 exceed a period of ten (10) years. Project payback pursuant to
24 this paragraph shall be determined by appropriate payback

1 indicators which will provide for the recovery of capital expenses
2 and fifty percent (50%) of operating expenses, in determining
3 project payback.

4 3. Except as otherwise provided in this section, for secondary
5 recovery projects approved or having an initial project beginning
6 date on or after July 1, 2000, and before July 1, 2009, any
7 incremental production attributable to the working interest owners
8 which results from such secondary recovery projects shall be exempt
9 from the gross production tax levied pursuant to this section for a
10 period not to exceed five (5) years from the initial project
11 beginning date or for a period ending upon the termination of the
12 secondary recovery process, whichever occurs first.

13 4. Except as otherwise provided in this section, for tertiary
14 recovery projects approved and having a project beginning date on
15 or after July 1, 1993, and before July 1, 2009, any incremental
16 production attributable to the working interest owners which
17 results from such tertiary recovery projects shall be exempt from
18 the gross production tax levied pursuant to this section from the
19 project beginning date until project payback is achieved, but not
20 to exceed a period of ten (10) years. Project payback pursuant to
21 this paragraph shall be determined by appropriate payback
22 indicators which will provide for the recovery of capital expenses
23 and operating expenses, excluding administrative expenses, in
24 determining project payback. The capital expenses of pipelines

1 constructed to transport carbon dioxide to a tertiary recovery
2 project shall not be included in determining project payback
3 pursuant to this paragraph.

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

7 6. For purposes of this subsection:

8 a. "incremental production" means the amount of crude
9 oil or other liquid hydrocarbons which is produced
10 during an enhanced recovery project and which is in
11 excess of the base production amount of crude oil or
12 other liquid hydrocarbons. The base production
13 amount shall be the average monthly amount of
14 production for the twelve-month period immediately
15 prior to the project beginning date minus the monthly
16 rate of production decline for the project for each
17 month beginning one hundred eighty (180) days prior
18 to the project beginning date. The monthly rate of
19 production decline shall be equal to the average
20 extrapolated monthly decline rate for the twelve-
21 month period immediately prior to the project
22 beginning date as determined by the Corporation
23 Commission based on the production history of the
24

1 field, its current status, and sound reservoir
2 engineering principles, and

3 b. "project beginning date" means the date on which the
4 injection of liquids, gases, or other matter begins
5 on an enhanced recovery project.

6 7. The Corporation Commission shall promulgate rules for the
7 qualification for this exemption which shall include, but not be
8 limited to, procedures for determining incremental production as
9 defined in subparagraph a of paragraph 6 of this subsection, and
10 the establishment of appropriate payback indicators as approved by
11 the Tax Commission for the determination of project payback for
12 each of the exemptions authorized by this subsection.

13 8. For new secondary recovery projects and tertiary recovery
14 projects approved by the Corporation Commission on or after July 1,
15 1993, and before July 1, 2009, such approval shall constitute
16 qualification for an exemption.

17 9. Any person seeking an exemption shall file an application
18 for such exemption with the Tax Commission which, upon
19 determination of qualification by the Corporation Commission, shall
20 approve the application for such exemption.

21 10. The Tax Commission may require any person requesting such
22 exemption to furnish information or records concerning the
23 exemption as is deemed necessary by the Tax Commission.
24

1 11. Upon the expiration of the exemption granted pursuant to
2 this subsection, the Tax Commission shall collect the gross
3 production tax levied pursuant to this section.

4 E. 1. Except as otherwise provided in this section, the
5 production of oil, gas or oil and gas from a horizontally drilled
6 well producing prior to July 1, 2002, which production commenced
7 after July 1, 1995, shall be exempt from the gross production tax
8 levied pursuant to subsection B of this section from the project
9 beginning date until project payback is achieved but not to exceed
10 a period of twenty-four (24) months commencing with the month of
11 initial production from the horizontally drilled well. Except as
12 otherwise provided in this section, the production of oil, gas or
13 oil and gas from a horizontally drilled well producing prior to
14 ~~July 1, 2009~~ July 1, 2020, which production commenced after July 1,
15 2002, shall be exempt from the gross production tax levied pursuant
16 to subsection B of this section from the project beginning date
17 until project payback is achieved but not to exceed a period of
18 ~~forty-eight (48)~~ sixty (60) months commencing with the month of
19 initial production from the horizontally drilled well. Provided,
20 any incremental production which results from a horizontally
21 drilled well producing prior to July 1, 1994, shall be exempt from
22 the gross production tax levied pursuant to subsection B of this
23 section from the project beginning date until project payback is
24 achieved but not to exceed a period of twenty-four (24) months

1 commencing with the month of initial production from the
2 horizontally drilled well. For purposes of subsection D of this
3 section and this subsection, project payback shall be determined as
4 of the date of the completion of the well and shall not include any
5 expenses beyond the completion date of the well, and subject to the
6 approval of the Tax Commission.

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

13 F. 1. Except as otherwise provided by this section, the
14 severance or production of oil, gas or oil and gas from an inactive
15 well shall be exempt from the gross production tax levied pursuant
16 to subsection B of this section for a period of twenty-eight (28)
17 months from the date upon which production is reestablished. This
18 exemption shall take effect July 1, 1994, and shall apply to wells
19 for which work to reestablish or enhance production began on or
20 after July 1, 1994, and for which production is reestablished prior
21 to July 1, 2009. For all such production, a refund against gross
22 production taxes shall be issued as provided in subsection L of
23 this section.
24

1 2. As used in this subsection, for wells for which production
2 is reestablished prior to July 1, 1997, "inactive well" means any
3 well that has not produced oil, gas or oil and gas for a period of
4 not less than two (2) years as evidenced by the appropriate forms
5 on file with the Corporation Commission reflecting the well's
6 status. As used in this subsection, for wells for which production
7 is reestablished on or after July 1, 1997, and prior to July 1,
8 2009, "inactive well" means any well that has not produced oil, gas
9 or oil and gas for a period of not less than one (1) year as
10 evidenced by the appropriate forms on file with the Corporation
11 Commission reflecting the well's status. Wells which experience
12 mechanical failure or loss of mechanical integrity, as defined by
13 the Corporation Commission, including but not limited to, casing
14 leaks, collapse of casing or loss of equipment in a wellbore, or
15 any similar event which causes cessation of production, shall also
16 be considered inactive wells.

17 G. 1. Except as otherwise provided by this section, any
18 incremental production which results from a production enhancement
19 project shall be exempt from the gross production tax levied
20 pursuant to subsection B of this section for a period of twenty-
21 eight (28) months from the date of first sale after project
22 completion of the production enhancement project. This exemption
23 shall take effect July 1, 1994, and shall apply to production
24 enhancement projects having a project beginning date on or after

1 July 1, 1994, and prior to July 1, 2009. For all such production,
2 a refund against gross production taxes shall be issued as provided
3 in subsection L of this section.

4 2. As used in this subsection:

5 a. (1) for production enhancement projects having a
6 project beginning date prior to July 1, 1997,
7 "production enhancement project" means any
8 workover as defined in this paragraph,
9 recompletion as defined in this paragraph, or
10 fracturing of a producing well, and

11 (2) for production enhancement projects having a
12 project beginning date on or after July 1, 1997,
13 and prior to July 1, 2009, "production
14 enhancement project" means any workover as
15 defined in this paragraph, recompletion as
16 defined in this paragraph, reentry of plugged
17 and abandoned wellbores, or addition of a well
18 or field compression,

19 b. "incremental production" means the amount of crude
20 oil, natural gas or other hydrocarbons which are
21 produced as a result of the production enhancement
22 project in excess of the base production,

23 c. "base production" means the average monthly amount of
24 production for the twelve-month period immediately

1 prior to the commencement of the project or the
2 average monthly amount of production for the twelve-
3 month period immediately prior to the commencement of
4 the project less the monthly rate of production
5 decline for the project for each month beginning one
6 hundred eighty (180) days prior to the commencement
7 of the project. The monthly rate of production
8 decline shall be equal to the average extrapolated
9 monthly decline rate for the twelve-month period
10 immediately prior to the commencement of the project
11 based on the production history of the well. If the
12 well or wells covered in the application had
13 production for less than the full twelve-month period
14 prior to the filing of the application for the
15 production enhancement project, the base production
16 shall be the average monthly production for the
17 months during that period that the well or wells
18 produced,

- 19 d. (1) for production enhancement projects having a
20 project beginning date prior to July 1, 1997,
21 "recompletion" means any downhole operation in
22 an existing oil or gas well that is conducted to
23 establish production of oil or gas from any
24

1 geological interval not currently completed or
2 producing in such existing oil or gas well, and
3 (2) for production enhancement projects having a
4 project beginning date on or after July 1, 1997,
5 and prior to July 1, 2009, "recompletion" means
6 any downhole operation in an existing oil or gas
7 well that is conducted to establish production
8 of oil or gas from any geologic interval not
9 currently completed or producing in such
10 existing oil or gas well within the same or a
11 different geologic formation, and

12 e. "workover" means any downhole operation in an
13 existing oil or gas well that is designed to sustain,
14 restore or increase the production rate or ultimate
15 recovery in a geologic interval currently completed
16 or producing in the existing oil or gas well. For
17 production enhancement projects having a project
18 beginning date prior to July 1, 1997, "workover"
19 includes, but is not limited to, acidizing,
20 reperforating, fracture treating, sand/paraffin
21 removal, casing repair, squeeze cementing, or setting
22 bridge plugs to isolate water productive zones from
23 oil or gas productive zones, or any combination
24 thereof. For production enhancement projects having

1 a project beginning date on or after July 1, 1997,
2 and prior to July 1, 2009, "workover" includes, but
3 is not limited to:

- 4 (1) acidizing,
- 5 (2) reperforating,
- 6 (3) fracture treating,
- 7 (4) sand/paraffin/scale removal or other wellbore
8 cleanouts,
- 9 (5) casing repair,
- 10 (6) squeeze cementing,
- 11 (7) installation of compression on a well or group
12 of wells or initial installation of artificial
13 lifts on gas wells, including plunger lifts, rod
14 pumps, submersible pumps and coiled tubing
15 velocity strings,
- 16 (8) downsizing existing tubing to reduce well
17 loading,
- 18 (9) downhole commingling,
- 19 (10) bacteria treatments,
- 20 (11) upgrading the size of pumping unit equipment,
- 21 (12) setting bridge plugs to isolate water production
22 zones, or
- 23 (13) any combination thereof.
- 24

1 "Workover" shall not mean the routine maintenance,
2 routine repair, or like for like replacement of
3 downhole equipment such as rods, pumps, tubing,
4 packers, or other mechanical devices.

5 H. 1. For purposes of this subsection, "depth" means the
6 length of the maximum continuous string of drill pipe utilized
7 between the drill bit face and the drilling rig's kelly bushing.

8 2. Except as otherwise provided in subsection K of this
9 section:

10 a. the production of oil, gas or oil and gas from wells
11 spudded between July 1, 1997, and July 1, 2005, and
12 drilled to a depth of twelve thousand five hundred
13 (12,500) feet or greater and wells spudded between
14 July 1, 2005, and July 1, 2009, and drilled to a
15 depth between twelve thousand five hundred (12,500)
16 feet and fourteen thousand nine hundred ninety-nine
17 (14,999) feet shall be exempt from the gross
18 production tax levied pursuant to subsection B of
19 this section from the date of first sales for a
20 period of twenty-eight (28) months;

21 b. the production of oil, gas or oil and gas from wells
22 spudded between July 1, 2002, and July 1, 2005, and
23 drilled to a depth of fifteen thousand (15,000) feet
24 or greater and wells spudded between July 1, 2005,

1 and ~~July 1, 2011~~ July 1, 2020, and drilled to a depth
2 between fifteen thousand (15,000) feet and seventeen
3 thousand four hundred ninety-nine (17,499) feet shall
4 be exempt from the gross production tax levied
5 pursuant to subsection B of this section from the
6 date of first sales for a period of ~~forty-eight (48)~~
7 sixty (60) months; and

8 c. the production of oil, gas or oil and gas from wells
9 spudded between July 1, 2002, and ~~July 1, 2011~~ July
10 1, 2020, and drilled to a depth of seventeen thousand
11 five hundred (17,500) feet or greater shall be exempt
12 from the gross production tax levied pursuant to
13 subsection B of this section from the date of first
14 sales for a period of ~~sixty (60)~~ seventy-five (75)
15 months.

16 3. Except as otherwise provided for in this subsection, for
17 all such wells spudded, a refund against gross production taxes
18 shall be issued as provided in subsection L of this section.

19 4. For all wells spudded after July 1, 2005, and which are
20 exempt from gross production tax pursuant to subparagraphs b and c
21 of paragraph 2 of this subsection, the amount of refunds paid by
22 the Tax Commission shall be limited as follows:

23 a. for the fiscal year ending June 30, 2006, no claims
24 for refunds shall be paid,

- 1 b. for the fiscal year ending June 30, 2007, the total
2 amount of refunds paid shall be equal to or less than
3 Seventeen Million Dollars (\$17,000,000.00),
4 c. for the fiscal year ending June 30, 2008, the total
5 amount of refunds paid shall be equal to or less than
6 Twenty Million Dollars (\$20,000,000.00), and
7 d. for the fiscal year ending June 30, 2009, and any
8 fiscal year thereafter, the total amount of refunds
9 paid each fiscal year shall be equal to or less than
10 Twenty-five Million Dollars (\$25,000,000.00).

11 5. Except as otherwise provided for in paragraph 7 of this
12 subsection and paragraph 2 of subsection L of this section, for the
13 fiscal year ending June 30, 2006, and each fiscal year thereafter,
14 in order to qualify for a refund of gross production tax on wells
15 which are exempt pursuant to subparagraphs b and c of paragraph 2
16 of this subsection, claims for refunds shall be filed within six
17 (6) months after the first day of the fiscal year in which the
18 refund is first available pursuant to subsection L of this section.
19 When processing applications for qualification for an exemption as
20 provided for in paragraph 2 of subsection M of this section, the
21 Corporation Commission shall give priority to those applications
22 filed for an exemption pursuant to subparagraphs b and c of
23 paragraph 2 of this subsection in order for applicants to comply
24 with the six-month filing period as provided for in this paragraph.

1 6. If the total amount of claims for refunds made during any
2 fiscal year are greater than the total amount of refunds allowed
3 for that fiscal year as provided for in paragraph 4 of this
4 subsection, the Tax Commission shall proportionately reduce the
5 amount of each claim so that the total amount of claims equal the
6 total amount allowed for refunds.

7 7. If the total amount of claims for a refund filed within the
8 six-month filing period for a fiscal year is less than the total
9 amount of refunds allowed for that fiscal year as provided for in
10 paragraph 4 of this subsection, the Tax Commission shall pay the
11 claims that have been filed. Then for any remaining funds, the Tax
12 Commission shall extend the claims-filing period for three (3)
13 months and shall pay any claims filed during the extended filing
14 period up to the total amount of remaining funds. If the amount of
15 claims for refunds filed during the extended filing period is
16 greater than the total amount of remaining funds, the Tax
17 Commission shall proportionately reduce the amount of each claim as
18 provided for in paragraph 6 of this subsection.

19 I. 1. Except as otherwise provided by this section, the
20 production of oil, gas or oil and gas from wells spudded or
21 reentered between July 1, 1995, and July 1, 2009, which qualify as
22 a new discovery pursuant to this subsection shall be exempt from
23 the gross production tax levied pursuant to subsection B of this
24 section from the date of first sales for a period of twenty-eight

1 (28) months. For all such wells spudded or reentered, a refund
2 against gross production taxes shall be issued as provided in
3 subsection L of this section. As used in this subsection, "new
4 discovery" means production of oil, gas or oil and gas from:

5 a. (1) for wells spudded or reentered on or after July
6 1, 1997, a well that discovers crude oil in
7 paying quantities that is more than one (1) mile
8 from the nearest oil well producing from the
9 same producing formation, and

10 (2) for wells spudded or reentered on or after July
11 1, 1997, and prior to July 1, 2009, a well that
12 discovers crude oil in paying quantities that is
13 more than one (1) mile from the nearest oil well
14 producing from the same producing interval of
15 the same formation,

16 b. (1) for wells spudded or reentered prior to July 1,
17 1997, a well that discovers crude oil in paying
18 quantities beneath current production in a
19 deeper producing formation that is more than one
20 (1) mile from the nearest oil well producing
21 from the same deeper producing formation, and

22 (2) for wells spudded or reentered on or after July
23 1, 1997, and prior to July 1, 2009, a well that
24 discovers crude oil in paying quantities beneath

1 current production in a deeper producing
2 interval that is more than one (1) mile from the
3 nearest oil well producing from the same deeper
4 producing interval,

- 5 c. (1) for wells spudded or reentered prior to July 1,
6 1997, a well that discovers natural gas in
7 paying quantities that is more than two (2)
8 miles from the nearest gas well producing from
9 the same producing formation, and
10 (2) for wells spudded or reentered on or after July
11 1, 1997, and prior to July 1, 2009, a well that
12 discovers natural gas in paying quantities that
13 is more than two (2) miles from the nearest gas
14 well producing from the same producing interval,
15 or

- 16 d. (1) for wells spudded or reentered prior to July 1,
17 1997, a well that discovers natural gas in
18 paying quantities beneath current production in
19 a deeper producing formation that is more than
20 two (2) miles from the nearest gas well
21 producing from the same deeper producing
22 formation, and
23 (2) for wells spudded or reentered on and after July
24 1, 1997, and prior to July 1, 2009, a well that

1 discovers natural gas in paying quantities
2 beneath current production in a deeper producing
3 interval that is more than two (2) miles from
4 the nearest gas well producing from the same
5 deeper producing interval.

6 2. The Corporation Commission shall deliver to the Legislature
7 a report on the number of wells as defined by paragraph 1 of this
8 subsection that are drilled and the amount of production from those
9 wells. The first such report shall be delivered to the Legislature
10 no later than February 1, 1997, and each February 1, thereafter,
11 until the conclusion of the program.

12 J. Except as otherwise provided by this section, the
13 production of oil, gas or oil and gas from any well, drilling of
14 which is commenced after July 1, 2000, and prior to July 1, 2009,
15 located within the boundaries of a three-dimensional seismic shoot
16 and drilled based on three-dimensional seismic technology, shall be
17 exempt from the gross production tax levied pursuant to subsection
18 B of this section from the date of first sales as follows:

19 1. If the three-dimensional seismic shoot is shot prior to
20 July 1, 2000, for a period of eighteen (18) months; and

21 2. If the three-dimensional seismic shoot is shot on or after
22 July 1, 2000, for a period of twenty-eight (28) months.

23 For all such production, a refund against gross production
24 taxes shall be issued as provided in subsection L of this section.

1 K. 1. The exemptions provided for in subsections F, G, I and
2 J of this section, the exemption provided for in subparagraph a of
3 paragraph 2 of subsection H of this section, and the exemptions
4 provided for in subparagraphs b and c of paragraph 2 of subsection
5 H of this section for production from wells spudded before July 1,
6 2005, shall not apply:

- 7 a. to the severance or production of oil, upon
8 determination by the Tax Commission that the weighted
9 average price of Oklahoma oil exceeds Thirty Dollars
10 (\$30.00) per barrel calculated on an annual calendar
11 year basis,
- 12 b. to the severance or production of oil or gas upon
13 which gross production taxes are paid at a rate of
14 one percent (1%) pursuant to the provisions of
15 subsection B of this section, and
- 16 c. to the severance or production of gas, upon
17 determination by the Tax Commission that the weighted
18 average wellhead price of Oklahoma gas exceeds Five
19 Dollars (\$5.00) per thousand cubic feet (mcf)
20 calculated on an annual calendar year basis.

21 2. Notwithstanding the exemptions granted pursuant to
22 subsections E, F, G, H, I and J of this section, there shall
23 continue to be levied upon the production of petroleum or other
24 crude or mineral oil or natural gas or casinghead gas, as provided

1 in subsection B of this section, from any wells provided for in
2 subsection E, F, G, H, I or J of this section, a tax equal to one
3 percent (1%) of the gross value of the production of petroleum or
4 other crude or mineral oil or natural gas or casinghead gas. The
5 tax hereby levied shall be apportioned as follows:

6 a. fifty percent (50%) of the sum collected shall be
7 apportioned to the County Highway Fund as provided in
8 subparagraph b of paragraph 1 of Section 1004 of this
9 title, and

10 b. fifty percent (50%) of the sum collected shall be
11 apportioned to the appropriate school district as
12 provided in subparagraph c of paragraph 1 of Section
13 1004 of this title.

14 Upon the expiration of the exemption granted pursuant to
15 subsection E, F, G, H, I or J of this section, the provisions of
16 this paragraph shall have no force or effect.

17 L. For all oil and gas production exempt from gross production
18 taxes pursuant to subsections E, F, G, H, I and J of this section
19 during a given fiscal year, a refund of gross production taxes
20 shall be issued to the well operator or a designee in the amount of
21 such gross production taxes paid during such period, subject to the
22 following provisions:

23 1. A refund shall not be claimed until after the end of such
24 fiscal year. As used in this subsection, a fiscal year shall be

1 deemed to begin on July 1 of one calendar year and shall end on
2 June 30 of the subsequent calendar year;

3 2. No claims for refunds pursuant to the provisions of this
4 subsection shall be filed more than eighteen (18) months after the
5 first day of the fiscal year in which the refund is first
6 available;

7 3. No claims for refunds pursuant to the provisions of this
8 subsection shall be filed by or on behalf of persons other than the
9 operator or a working interest owner of record at the time of
10 production;

11 4. No refunds shall be claimed or paid pursuant to the
12 provisions of this subsection for oil or gas production upon which
13 a tax is paid at a rate of one percent (1%) as specified in
14 subsection B of this section; and

15 5. No refund shall be paid unless the person making the claim
16 for refund demonstrates by affidavit or other means prescribed by
17 the Tax Commission that an amount equal to or greater than the
18 amount of the refund has been invested in the exploration for or
19 production of crude oil or natural gas in this state by such person
20 not more than three (3) years prior to the date of the claim. No
21 amount of investment used to qualify for a refund pursuant to the
22 provisions of this paragraph may be used to qualify for another
23 refund pursuant to the provisions of this paragraph.
24

1 If there are insufficient funds collected from the production
2 of oil to satisfy the refunds claimed for oil production pursuant
3 to subsection E, F, G, H, I or J of this section, the Tax
4 Commission shall pay the balance of the refund claims out of the
5 gross production taxes collected from the production of gas.

6 M. 1. The Corporation Commission and the Tax Commission shall
7 promulgate joint rules for the qualification for the exemptions
8 provided for in subsections E, F, G, H, I and J of this section and
9 the rules shall contain provisions for verification of any wells
10 from which production may be qualified for the exemptions.

11 2. Any person requesting any exemption shall file an
12 application for qualification for the exemption with the
13 Corporation Commission which, upon finding that the well meets the
14 requirements of subsection E, F, G, H, I or J of this section,
15 shall approve the application for qualification.

16 3. Any person seeking an exemption shall:

17 a. file an application for the exemption with the Tax
18 Commission which, upon determination of qualification
19 by the Corporation Commission, shall approve the
20 application for an exemption, and

21 b. provide a copy of the approved application to the
22 remitter of the gross production tax.

1 4. The Tax Commission may require any person requesting an
2 exemption to furnish necessary financial and other information or
3 records in order to determine and justify the refund.

4 5. Upon the expiration of the exemption granted pursuant to
5 subsection E, F, G, H, I or J of this section, the Tax Commission
6 shall collect the gross production tax levied pursuant to this
7 section. If a person who qualifies for the exemption elects to
8 remit his or her own gross production tax during the exemption
9 period, the first purchaser shall not be liable to withhold or
10 remit the tax until the first day of the month following the
11 receipt of written notification from the person who is qualified
12 for such exemption stating that such exemption has expired and
13 directing the first purchaser to resume tax remittance on his or
14 her behalf.

15 N. All persons shall only be entitled to either the exemption
16 granted pursuant to subsection D of this section or the exemption
17 granted pursuant to subsection E, F, G, H, I or J of this section
18 for each oil, gas or oil and gas well drilled or recompleted in
19 this state. However, any person who qualifies for the exemption
20 granted pursuant to subsection E, F, G, H, I or J of this section
21 shall not be prohibited from qualification for the exemption
22 granted pursuant to subsection D of this section, if the exemption
23 granted pursuant to subsection E, F, G, H, I or J of this section
24 has expired.

1 O. The Tax Commission shall have the power to require any such
2 person engaged in mining or the production or the purchase of such
3 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any
4 royalty interest therein to furnish any additional information by
5 it deemed to be necessary for the purpose of correctly computing
6 the amount of the tax; and to examine the books, records and files
7 of such person; and shall have power to conduct hearings and compel
8 the attendance of witnesses, and the production of books, records
9 and papers of any person.

10 P. Any person or any member of any firm or association, or any
11 officer, official, agent or employee of any corporation who shall
12 fail or refuse to testify; or who shall fail or refuse to produce
13 any books, records or papers which the Tax Commission shall
14 require; or who shall fail or refuse to furnish any other evidence
15 or information which the Tax Commission may require; or who shall
16 fail or refuse to answer any competent questions which may be put
17 to him or her by the Tax Commission, touching the business,
18 property, assets or effects of any such person relating to the
19 gross production tax imposed by this article or exemption
20 authorized pursuant to this section or other laws, shall be guilty
21 of a misdemeanor, and, upon conviction thereof, shall be punished
22 by a fine of not more than Five Hundred Dollars (\$500.00), or
23 imprisonment in the jail of the county where such offense shall
24 have been committed, for not more than one (1) year, or by both

1 such fine and imprisonment; and each day of such refusal on the
2 part of such person shall constitute a separate and distinct
3 offense.

4 Q. The Tax Commission shall have the power and authority to
5 ascertain and determine whether or not any report herein required
6 to be filed with it is a true and correct report of the gross
7 products, and of the value thereof, of such person engaged in the
8 mining or production or purchase of asphalt and ores bearing
9 minerals aforesaid and of oil and gas. If any person has made an
10 untrue or incorrect report of the gross production or value or
11 volume thereof, or shall have failed or refused to make such
12 report, the Tax Commission shall, under the rules prescribed by it,
13 ascertain the correct amount of either, and compute the tax.

14 R. The payment of the taxes herein levied shall be in full,
15 and in lieu of all taxes by the state, counties, cities, towns,
16 school districts and other municipalities upon any property rights
17 attached to or inherent in the right to the minerals, upon
18 producing leases for the mining of asphalt and ores bearing lead,
19 zinc, jack, gold, silver or copper, or for oil, or for gas, upon
20 the mineral rights and privileges for the minerals aforesaid
21 belonging or appertaining to land, upon the machinery, appliances
22 and equipment used in and around any well producing oil, or gas, or
23 any mine producing asphalt or any of the mineral ores aforesaid and
24 actually used in the operation of such well or mine. The payment

1 of gross production tax shall also be in lieu of all taxes upon the
2 oil, gas, asphalt or ores bearing minerals hereinbefore mentioned
3 during the tax year in which the same is produced, and upon any
4 investment in any of the leases, rights, privileges, minerals or
5 other property described herein. Any interest in the land, other
6 than that herein enumerated, and oil in storage, asphalt and ores
7 bearing minerals hereinbefore named, mined, produced and on hand at
8 the date as of which property is assessed for general and ad
9 valorem taxation for any subsequent tax year, shall be assessed and
10 taxed as other property within the taxing district in which such
11 property is situated at the time.

12 S. No equipment, material or property shall be exempt from the
13 payment of ad valorem tax by reason of the payment of the gross
14 production tax except such equipment, machinery, tools, material or
15 property as is actually necessary and being used and in use in the
16 production of asphalt or of ores bearing lead, zinc, jack, gold,
17 silver or copper or of oil or gas. It is expressly declared that
18 no ice plants, hospitals, office buildings, garages, residences,
19 gasoline extraction or absorption plants, water systems, fuel
20 systems, rooming houses and other buildings, nor any equipment or
21 material used in connection therewith, shall be exempt from ad
22 valorem tax.

23 T. The exemption from ad valorem tax set forth in subsections
24 R and S of this section shall continue to apply to all property

1 from which production of oil, gas or oil and gas is exempt from
2 gross production tax pursuant to subsection D, E, F, G, H, I or J
3 of this section.

4 SECTION 2. This act shall become effective November 1, 2009.

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