

1 STATE OF OKLAHOMA

2 1st Session of the 53rd Legislature (2011)

3 SENATE BILL 587

By: Bingman

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5  
6 AS INTRODUCED

7 An Act relating to the Corporation Commission Well  
8 Plugging Fund; amending 17 O.S. 2001, Section 180.10,  
9 as last amended by Section 1, Chapter 252, O.S.L.  
10 2006 (17 O.S. Supp. 2010, Section 180.10), which  
11 relates to the Corporation Commission Plugging Fund;  
12 modifying certain termination date for plugging fund;  
13 clarifying language; and amending 68 O.S. 2001,  
14 Sections 1101, 1102 and 1103, as last amended by  
15 Sections 2, 3 and 4, Chapter 252, O.S.L. 2006 (68  
16 O.S. Supp. 2010, Section 1101, 1102 and 1103), which  
17 relate to the excise tax on oil and gas; extending  
18 termination date for certain taxes; providing an  
19 effective date; and declaring an emergency.

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

26 SECTION 1. AMENDATORY 17 O.S. 2001, Section 180.10, as  
27 last amended by Section 1, Chapter 252, O.S.L. 2006 (17 O.S. Supp.  
28 2010, Section 180.10), is amended to read as follows:

29 Section 180.10 A. There is hereby created in the State  
30 Treasury a fund for the Corporation Commission to be designated the  
31 "Corporation Commission Plugging Fund". The plugging fund shall  
32 consist of monies received by the Corporation Commission as required  
33 by law to be deposited to the credit of said fund. ~~Said~~ The fund

1 shall be a continuing fund not subject to fiscal year limitations  
2 and shall not be subject to legislative appropriations.  
3 Expenditures from ~~said~~ the plugging fund shall be made pursuant to  
4 the laws of this state and the statutes relating to the Corporation  
5 Commission. In addition, expenditures from ~~said~~ the plugging fund  
6 may be made pursuant to the Oklahoma Central Purchasing Act, Section  
7 85.1 et seq. of Title 74 of the Oklahoma Statutes, for purposes of  
8 immediately responding to emergency situations, within the  
9 Commission's jurisdiction, having potentially critical environmental  
10 or public safety impact. Warrants for expenditures from ~~said~~ the  
11 fund shall be drawn by the State Treasurer, based on claims signed  
12 by an authorized employee ~~or employee~~ of the Corporation Commission  
13 and approved for payment by the Director of State Finance. The  
14 provisions of this act or rules promulgated pursuant thereto, shall  
15 not be construed to relieve or in any way diminish the surety  
16 bonding requirements required by Section 318.1 of Title 52 of the  
17 Oklahoma Statutes.

18 B. Prior to July 1, ~~2011~~ 2016, the plugging fund shall be  
19 maintained at Five Million Dollars (\$5,000,000.00). If the plugging  
20 fund falls below the five-million-dollar maintenance level, the  
21 Corporation Commission shall notify the Tax Commission that the  
22 plugging fund has fallen below the required maintenance level and  
23 that the excise tax which has been levied by subsection A of Section  
24 1101 of Title 68 of the Oklahoma Statutes and subsection A of

1 Section 1102 of Title 68 of the Oklahoma Statutes which is credited  
2 and apportioned to the Corporation Commission Plugging Fund pursuant  
3 to Section 1103 of Title 68 of the Oklahoma Statutes is to be  
4 imposed. Such additional excise tax shall be imposed and collected  
5 until such time as is necessary to meet the additional five-million-  
6 dollar maintenance level. The Tax Commission shall notify the  
7 persons responsible for payment of the excise tax on oil and gas of  
8 the imposition of such tax. The provisions of this subsection shall  
9 terminate on July 1, ~~2011~~ 2016.

10 SECTION 2. AMENDATORY 68 O.S. 2001, Section 1101, as  
11 amended by Section 2, Chapter 252, O.S.L. 2006 (68 O.S. Supp. 2010,  
12 Section 1101), is amended to read as follows:

13 Section 1101. A. Prior to July 1, ~~2011~~ 2016, and as provided  
14 in Section 1103.1 of this title, there is hereby levied, in addition  
15 to the gross production tax, an excise tax equal to ninety-five one  
16 thousandths of one percent (.095 of 1%) of the gross value on each  
17 ~~and every~~ barrel of petroleum oil produced in the State of Oklahoma  
18 which is subject to gross production tax in the State of Oklahoma.  
19 Such excise tax of ninety-five one thousandths of one percent (.095  
20 of 1%) of the gross value shall be reported to and collected by the  
21 Tax Commission at the same time and in the same manner as is  
22 provided by law for the collection of gross production tax on  
23 petroleum oil. On petroleum oil sold at the time of production, the  
24 excise tax thereon shall be paid by the purchaser, who is hereby

1 authorized to deduct in making settlement with the producer and/or  
2 royalty owner the amount of tax so paid; provided, that in the event  
3 oil on which such tax becomes due is not sold at the time of  
4 production, but is retained by the producer, the tax on such oil not  
5 so sold shall be paid by the producer ~~for himself~~, including the tax  
6 due on royalty oil not sold; and provided, further, that in  
7 settlement with royalty owner, such producer shall have the right to  
8 deduct the amount of tax so paid on royalty oil, or to deduct  
9 therefrom royalty oil equivalent in value at the time such tax  
10 becomes due with the amount of tax paid.

11 The provisions of this subsection shall terminate on June 30,  
12 ~~2011~~ 2016.

13 B. Beginning on July 1, ~~2011~~ 2016, there is hereby levied, in  
14 addition to the gross production tax, an excise tax equal to eighty-  
15 five one thousandths of one percent (.085 of 1%) of the gross value  
16 on each ~~and every~~ barrel of petroleum oil produced in the State of  
17 Oklahoma which is subject to gross production tax in the State of  
18 Oklahoma. Such excise tax of eighty-five one thousandths of one  
19 percent (.085 of 1%) of the gross value shall be reported to and  
20 collected by the Tax Commission at the same time and in the same  
21 manner as is provided by law for the collection of gross production  
22 tax on petroleum oil. On petroleum oil sold at the time of  
23 production, the excise tax thereon shall be paid by the purchaser,  
24 who is hereby authorized to deduct in making settlement with the

1 producer and/or royalty owner the amount of tax so paid; provided,  
2 that in the event oil on which such tax becomes due is not sold at  
3 the time of production, but is retained by the producer, the tax on  
4 such oil not so sold shall be paid by the producer, including the  
5 tax due on royalty oil not sold; and provided, further, that in  
6 settlement with royalty owner, such producer shall have the right to  
7 deduct the amount of tax so paid on royalty oil, or to deduct  
8 therefrom royalty oil equivalent in value at the time such tax  
9 becomes due with the amount of tax paid.

10 SECTION 3. AMENDATORY 68 O.S. 2001, Section 1102, as  
11 amended by Section 3, Chapter 252, O.S.L. 2006 (68 O.S. Supp. 2010,  
12 Section 1102), is amended to read as follows:

13 Section 1102. A. Prior to July 1, ~~2011~~ 2016, and as provided  
14 in Section 1103.1 of this title, there is hereby levied, in addition  
15 to the gross production tax, an excise tax equal to ninety-five one  
16 thousandths of one percent (.095 of 1%) of the gross value of all  
17 natural gas and/or casinghead gas produced in the State of Oklahoma  
18 which is subject to gross production tax in the State of Oklahoma.  
19 Such excise tax of ninety-five one thousandths of one percent (.095  
20 of 1%) of the gross value shall be reported to and collected by the  
21 Tax Commission at the same time and in the same manner as is  
22 provided by law for the collection of gross production tax on  
23 natural gas and/or casinghead gas, and this excise tax shall apply  
24 in all cases where the gross production tax provided for by law

1 applies to the production of natural gas and/or casinghead gas. The  
2 excise tax shall be paid by the purchaser, who is hereby authorized  
3 to deduct in making settlement with the producer and/or royalty  
4 owner the amount of tax so paid, provided, however, that if such  
5 natural gas and/or casinghead gas is retained by the producer, then  
6 the tax shall be paid by the producer, who shall have the right to  
7 deduct the amount of tax so paid on royalty gas at the time of  
8 settlement with the royalty owner.

9 The provisions of this subsection shall terminate on June 30,  
10 ~~2011~~ 2016.

11 B. Beginning on July 1, ~~2011~~ 2016, there is hereby levied, in  
12 addition to the gross production tax, an excise tax equal to eighty-  
13 five one thousandths of one percent (.085 of 1%) of the gross value  
14 of all natural gas and/or casinghead gas produced in the State of  
15 Oklahoma which is subject to gross production tax in the State of  
16 Oklahoma. Such excise tax of eighty-five one thousandths of one  
17 percent (.085 of 1%) of the gross value shall be reported to and  
18 collected by the Tax Commission at the same time and in the same  
19 manner as is provided by law for the collection of gross production  
20 tax on natural gas and/or casinghead gas, and this excise tax shall  
21 apply in all cases where the gross production tax provided for by  
22 law applies to the production of natural gas and/or casinghead gas.  
23 The excise tax shall be paid by the purchaser, who is hereby  
24 authorized to deduct in making settlement with the producer and/or

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

6 SECTION 4. AMENDATORY 68 O.S. 2001, Section 1103, as  
7 last amended by Section 4, Chapter 252, O.S.L. 2006 (68 O.S. Supp.  
8 2010, Section 1103), is amended to read as follows:

9 Section 1103. A. 1. Prior to July 1, ~~2011~~ 2016, and as  
10 provided in Section 1103.1 of this title, all monies derived from  
11 the levy of the excise tax on petroleum oil provided for by Section  
12 1101 of this title shall be deposited with the State Treasurer, who  
13 shall credit and apportion the same as follows:

- 14 a. eighty-two and six hundred thirty-four thousandths  
15 percent (82.634%) of said excise tax shall be credited  
16 to the General Revenue Fund of the State Treasury;
- 17 b. ten and five hundred twenty-six thousandths percent  
18 (10.526%) shall be credited and apportioned to a  
19 separate and distinct fund to be known as the  
20 "Corporation Commission Plugging Fund"; and
- 21 c. the remaining six and eighty-four hundredths percent  
22 (6.84%) of said excise tax shall be credited and  
23 apportioned to a separate and distinct fund to be  
24

1 known as "The Interstate Oil Compact Fund of  
2 Oklahoma", which fund is hereby created.

3 2. Prior to July 1, ~~2011~~ 2016, and as provided in Section  
4 1103.1 of this title, all monies derived from the levy of the excise  
5 tax on natural gas and/or casinghead gas provided for by Section  
6 1102 of this title shall be deposited with the State Treasurer, who  
7 shall credit and apportion the same as follows:

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

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

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

19 3. Prior to July 1, ~~2011~~ 2016, and as provided in Section  
20 1103.1 of this title, all monies to accrue to "The Interstate Oil  
21 Compact Fund of Oklahoma" under the provisions of this article,  
22 together with all monies remaining unexpended in "The Interstate Oil  
23 Compact Fund of Oklahoma" created under this subsection are hereby  
24 appropriated and shall be used for the payment of the compensation

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

1 thereafter the excise tax on petroleum oil, natural gas and/or  
2 casinghead gas levied by this article shall be levied, collected and  
3 deposited in the General 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~~ the fund.

7 The provisions of this subsection shall terminate on June 30,  
8 ~~2011~~ 2016.

9 B. 1. Beginning on July 1, ~~2011~~ 2016, 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, ~~2011~~ 2016, all monies derived from the  
22 levy of the excise tax on natural gas and/or casinghead gas provided  
23 for by Section 1102 of this Code shall be deposited with the State  
24 Treasurer, who shall credit and apportion the same as follows:

- 1           a.    ninety-two and thirty-five hundredths percent (92.35%)  
2                   of said excise tax shall be credited and apportioned  
3                   to the General Revenue Fund of the State Treasury, and  
4           b.    seven and sixty-five hundredths percent (7.65%) of  
5                   said excise tax shall be credited and apportioned to  
6                   The Interstate Oil Compact Fund of Oklahoma.

7           3.    Beginning on July 1, ~~2011~~ 2016, all monies to accrue to "The  
8 Interstate Oil Compact Fund of Oklahoma" under the provisions of  
9 this article, together with all monies remaining unexpended in "The  
10 Interstate Oil Compact Fund of Oklahoma" created under this  
11 subsection are hereby appropriated and shall be used for the payment  
12 of the compensation of the assistant representative of the State of  
13 Oklahoma on "The Interstate Oil Compact Commission", the  
14 compensation of such clerical, technical, and legal assistants as he  
15 or she may with the consent of the Governor employ; the actual and  
16 necessary traveling expenses of ~~said~~ the assistant representative  
17 and employees, and of the Governor when traveling in ~~his or her~~ the  
18 Governor's capacity as official representative of the State of  
19 Oklahoma on "The Interstate Oil Compact Commission"; all items of  
20 office expense, including the cost of office supplies and equipment;  
21 such contributions as the Governor shall deem necessary and proper  
22 to pay to "The Interstate Oil Compact Commission" to defray its  
23 expenses; and such other necessary expenses as may be incurred in  
24 enabling the State of Oklahoma to fully cooperate in accomplishing

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

16 SECTION 5. This act shall become effective July 1, 2011.

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

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