

1 ENGROSSED HOUSE AMENDMENT
TO
2 ENGROSSED SENATE BILL NO. 1577 By: Bingman of the Senate
3 and
4 Hickman of the House
5
6

7 An Act relating to gross production tax exemption;
8 amending 68 O.S. 2011, Section 1001.3a, as amended by
9 Section 2, Chapter 346, O.S.L. 2014 (68 O.S. Supp.
10 2015, Section 1001.3a), which relates to exemption
11 for economically at-risk oil or gas leases; limiting
12 production eligible for exemption; clarifying time
13 period during which refund may be paid; providing an
14 effective date; and declaring an emergency.

15 AMENDMENT NO. 1. Page 1, line 13 through page 4, line 8, delete all
16 of Section 1 and insert a new Section 1 to read

17 "SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001.3a, as
18 amended by Section 2, Chapter 346, O.S.L. 2014 (68 O.S. Supp. 2015,
19 Section 1001.3a), is amended to read as follows:

20 Section 1001.3a A. As used in this section:

21 1. ~~"Economically~~ Prior to January 1, 2015, "economically at-
22 risk oil or gas lease" means any oil or gas lease operated at a net
23 loss or at a net profit which is less than the total gross
24 production tax remitted for such lease during the previous calendar
year; ~~and~~

1 2. On or after January 1, 2015, "economically at-risk oil or
2 gas lease" means any oil or gas lease with one or more producing
3 wells with an average production volume per well of ten (10) barrels
4 of oil or sixty (60) MCF of natural gas per day or less operated at
5 a net loss or at a net profit which is less than the total gross
6 production tax remitted for such lease during the previous calendar
7 year; and

8 3. "Lease" shall be defined as in Section 1001.2 of this title.

9 B. When certified as such pursuant to the provisions of this
10 section, production from an economically at-risk oil or gas lease
11 shall be eligible for an exemption from the gross production tax
12 levied pursuant to subsection B of Section 1001 of this title for
13 production on such lease during the previous calendar year in the
14 following amounts:

15 1. If the gross production tax rate levied pursuant to
16 subsection B of Section 1001 of this title was seven percent (7%),
17 then the exemption shall equal six-sevenths (6/7) of the gross
18 production tax levied;

19 2. If the gross production tax rate levied pursuant to
20 subsection B of Section 1001 of this title was four percent (4%),
21 then the exemption shall equal three-fourths (3/4) of the gross
22 production tax levied; and
23
24

1 3. If the gross production tax rate levied pursuant to
2 subsection B of Section 1001 of this title was one percent (1%) or
3 two percent (2%), no exemption shall apply.

4 C. For all production exempt from gross production taxes
5 pursuant to this section, a refund of gross production taxes paid
6 for production in the previous calendar year in the amounts
7 specified in ~~this~~ subsection B of this section, subject to the
8 limitations specified in subsection D of this section, shall be
9 issued to the well operator or a designee. ~~The~~ For production in
10 calendar years ending on or before December 31, 2015, the refund
11 shall not be claimed until after July 1 of the year ~~subsequent to~~
12 following the year of production. For production in the calendar
13 year ending December 31, 2016, and each year thereafter, the refund
14 shall be claimed before July 1 of the year following the year of
15 production. The Tax Commission shall not accept or pay any claim
16 for refund filed on or after July 1 of each year following the year
17 of production.

18 D. For oil and natural gas produced from qualifying leases in
19 calendar years 2015 through 2020, the total amount of refunds
20 authorized in this section for each calendar year shall not exceed
21 Twelve Million Five Hundred Thousand Dollars (\$12,500,000.00) for
22 all products combined. If the amount of claims exceeds Twelve
23 Million Five Hundred Thousand Dollars (\$12,500,000.00), the Tax
24 Commission shall determine the percentage of the refund which

1 establishes the proportionate share of the refund which may be
2 claimed by any taxpayer so that the maximum amount authorized by
3 this subsection is not exceeded.

4 E. Any operator making application for an economically at-risk
5 oil or gas lease status under the provisions of this section shall
6 submit documentation to the Tax Commission, as determined by the Tax
7 Commission to be appropriate and necessary ~~including, but not~~
8 ~~limited to, the operator's federal income tax return for the~~
9 ~~previous year for such lease.~~

10 ~~E.~~ F. For the purposes of this section, determination of the
11 economically at-risk oil or gas lease status shall be made by
12 subtracting from the gross revenue of that lease for the previous
13 calendar year severance taxes, if any, royalty, operating expenses
14 of the lease to include expendable workover and recompletion costs
15 for the previous calendar year, and including overhead costs up to
16 the maximum overhead percentage allowed by the Council of Petroleum
17 Accountants Societies (COPAS) guidelines. For the purposes of this
18 calculation, depreciation, depletion or intangible drilling costs
19 shall not be included as lease operating expenses.

20 ~~F.~~ G. The Tax Commission shall have sole authority to determine
21 if an oil or gas lease qualifies for certification as an
22 economically at-risk oil or gas lease ~~and shall make the~~
23 ~~determination within sixty (60) days after an application is filed~~
24 ~~for economically at-risk oil or gas lease status.~~ The Tax

1 Commission shall promulgate rules governing the certification
2 process.

3 ~~G.~~ H. Except as provided in subsection ~~H~~ I of this section,
4 gross production tax exemptions under the provisions of this section
5 shall be limited to production from calendar years 2005, 2006, 2007,
6 2008, 2009, 2010, 2011, 2012 and 2013; provided, no claims for
7 refunds for calendar years provided in this subsection shall be paid
8 on or after December 31, 2015.

9 ~~H.~~ I. Gross production tax exemptions claimed under the
10 provisions of this section shall be limited to production from
11 calendar years 2014 through 2020; provided, no claims for refunds
12 for the calendar years 2014 ~~through 2020~~ and 2015 shall be claimed
13 or paid more than eighteen (18) months after the first day of the
14 fiscal year during which the refund is first available. For
15 production in calendar years 2016 through 2020, no claim for refund
16 filed on or after July 1 following the calendar year shall be
17 claimed or paid."

18 and amend title to conform
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1 Passed the House of Representatives the 19th day of May, 2016.

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4 Presiding Officer of the House of
5 Representatives

6 Passed the Senate the ____ day of _____, 2016.

7
8
9 Presiding Officer of the Senate

1 ENGROSSED SENATE
2 BILL NO. 1577

By: Bingman of the Senate

3 and

4 Hickman of the House

5
6 An Act relating to gross production tax exemption;
7 amending 68 O.S. 2011, Section 1001.3a, as amended by
8 Section 2, Chapter 346, O.S.L. 2014 (68 O.S. Supp.
9 2015, Section 1001.3a), which relates to exemption
10 for economically at-risk oil or gas leases; limiting
11 production eligible for exemption; clarifying time
12 period during which refund may be paid; providing an
13 effective date; and declaring an emergency.

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

15 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001.3a, as
16 amended by Section 2, Chapter 346, O.S.L. 2014 (68 O.S. Supp. 2015,
17 Section 1001.3a), is amended to read as follows:

18 Section 1001.3a. A. As used in this section:

19 1. "Economically at-risk oil or gas lease" means any oil or gas
20 lease operated at a net loss or at a net profit which is less than
21 the total gross production tax remitted for such lease during the
22 previous calendar year; and

23 2. "Lease" shall be defined as in Section 1001.2 of this title.

24 B. When certified as such pursuant to the provisions of this
section, production from an economically at-risk oil or gas lease
shall be eligible for an exemption from the gross production tax

1 levied pursuant to subsection B of Section 1001 of this title for
2 production on such lease during the previous calendar year in the
3 following amounts:

4 1. If the gross production tax rate levied pursuant to
5 subsection B of Section 1001 of this title was seven percent (7%),
6 then the exemption shall equal six-sevenths (6/7) of the gross
7 production tax levied;

8 2. If the gross production tax rate levied pursuant to
9 subsection B of Section 1001 of this title was four percent (4%),
10 then the exemption shall equal three-fourths (3/4) of the gross
11 production tax levied; and

12 3. If the gross production tax rate levied pursuant to
13 subsection B of Section 1001 of this title was one percent (1%) or
14 two percent (2%), no exemption shall apply.

15 C. For all production exempt from gross production taxes
16 pursuant to this section, a refund of gross production taxes paid
17 for production in the previous calendar year in the amounts
18 specified in this subsection shall be issued to the well operator or
19 a designee. The refund shall not be claimed until after July 1 of
20 the year subsequent to the year of production.

21 D. Any operator making application for an economically at-risk
22 oil or gas lease status under the provisions of this section shall
23 submit documentation to the Tax Commission, as determined by the Tax
24 Commission to be appropriate and necessary including, but not

1 limited to, the operator's federal income tax return for the
2 previous year for such lease.

3 E. For the purposes of this section, determination of the
4 economically at-risk oil or gas lease status shall be made by
5 subtracting from the gross revenue of that lease for the previous
6 calendar year severance taxes, if any, royalty, operating expenses
7 of the lease to include expendable workover and recompletion costs
8 for the previous calendar year, and including overhead costs up to
9 the maximum overhead percentage allowed by the Council of Petroleum
10 Accountants Societies (COPAS) guidelines. For the purposes of this
11 calculation, depreciation, depletion or intangible drilling costs
12 shall not be included as lease operating expenses.

13 F. The Tax Commission shall have sole authority to determine if
14 an oil or gas lease qualifies for certification as an economically
15 at-risk oil or gas lease and shall make the determination within
16 sixty (60) days after an application is filed for economically at-
17 risk oil or gas lease status. The Tax Commission shall promulgate
18 rules governing the certification process.

19 G. Except as provided in subsection H of this section, gross
20 production tax exemptions under the provisions of this section shall
21 be limited to production from calendar years 2005, 2006, 2007, 2008,
22 2009, 2010, 2011, 2012 and 2013; provided, no claims for refunds for
23 calendar years provided in this subsection shall be paid on or after
24 December 31, 2015.

1 H. Gross production tax exemptions claimed under the provisions
2 of this section shall be limited to production from calendar ~~years~~
3 ~~2014 through 2020; provided, no claims for refunds for the calendar~~
4 ~~years 2014 through 2020 shall be claimed or paid more than eighteen~~
5 ~~(18) months after the first day of the fiscal year during which the~~
6 ~~refund is first available~~ year 2014; provided, no claims for refunds
7 provided in this subsection shall be paid on or after December 31,
8 2016.

9 SECTION 2. This act shall become effective July 1, 2016.

10 SECTION 3. It being immediately necessary for the preservation
11 of the public peace, health and safety, an emergency is hereby
12 declared to exist, by reason whereof this act shall take effect and
13 be in full force from and after its passage and approval.

14 Passed the Senate the 12th day of May, 2016.

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16 _____
17 Presiding Officer of the Senate

18 Passed the House of Representatives the ____ day of _____,
19 2016.

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21 _____
22 Presiding Officer of the House
23 of Representatives
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