

1 STATE OF OKLAHOMA

2 2nd Session of the 55th Legislature (2016)

3 SENATE BILL 1139

By: Marlatt

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5
6 AS INTRODUCED

7 An Act relating to the Corporation Commission
8 Plugging Fund; amending 17 O.S. 2011, Section 180.10,
9 as last amended by Section 1, Chapter 314, O.S.L.
10 2015 (17 O.S. Supp. 2015, Section 180.10), which
11 relates to the Corporation Commission Plugging Fund;
12 extending termination date; amending 68 O.S. 2011,
13 Section 1101, 1102, and 1103, as amended by Section
14 1, Chapter 331, O.S.L. 2012 (68 O.S. Supp. 2015,
15 Section 1103), which relates to the excise tax on oil
16 and gas and apportionment of tax; extending certain
17 termination dates; and declaring an emergency.

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

19 SECTION 1. AMENDATORY 17 O.S. 2011, Section 180.10, as
20 last amended by Section 1, Chapter 314, O.S.L. 2015 (17 O.S. Supp.
21 2015, Section 180.10), is amended to read as follows:

22 Section 180.10. A. There is hereby created in the State
23 Treasury a fund for the Corporation Commission to be designated the
24 "Corporation Commission Plugging Fund". The plugging fund shall
25 consist of monies received by the Corporation Commission as required
26 by law to be deposited to the credit of said fund. The fund shall
27 be a continuing fund not subject to fiscal year limitations and

1 shall not be subject to legislative appropriations. Expenditures
2 from the plugging fund shall be made pursuant to the laws of this
3 state and the statutes relating to the Corporation Commission. For
4 each fiscal year, the Commission may expend not more than eight
5 percent (8%) of the total amount deposited to the credit of the
6 plugging fund during the previous fiscal year for the purpose of
7 responding to occurrences of seeping natural gas as provided for in
8 Section 317.1 of Title 52 of the Oklahoma Statutes. In addition,
9 expenditures from the plugging fund may be made pursuant to The
10 Oklahoma Central Purchasing Act, Section 85.1 et seq. of Title 74 of
11 the Oklahoma Statutes, for purposes of immediately responding to
12 emergency situations, within the Commission's jurisdiction, having
13 potentially critical environmental or public safety impact.

14 Warrants for expenditures from the fund shall be drawn by the State
15 Treasurer, based on claims signed by an authorized employee of the
16 Corporation Commission and approved for payment by the Director of
17 the Office of Management and Enterprise Services. The provisions of
18 this act or rules promulgated pursuant thereto, shall not be
19 construed to relieve or in any way diminish the surety bonding
20 requirements required by Section 318.1 of Title 52 of the Oklahoma
21 Statutes.

22 B. Prior to July 1, ~~2016~~ 2021, the plugging fund shall be
23 maintained at Five Million Dollars (\$5,000,000.00). If the plugging
24 fund falls below the five-million-dollar maintenance level, the

1 Corporation Commission shall notify the Tax Commission that the
2 plugging fund has fallen below the required maintenance level and
3 that the excise tax which has been levied by subsection A of Section
4 1101 of Title 68 of the Oklahoma Statutes and subsection A of
5 Section 1102 of Title 68 of the Oklahoma Statutes which is credited
6 and apportioned to the Corporation Commission Plugging Fund pursuant
7 to Section 1103 of Title 68 of the Oklahoma Statutes is to be
8 imposed. Such additional excise tax shall be imposed and collected
9 until such time as is necessary to meet the additional five-million-
10 dollar maintenance level. The Tax Commission shall notify the
11 persons responsible for payment of the excise tax on oil and gas of
12 the imposition of such tax. The provisions of this subsection shall
13 terminate on July 1, ~~2016~~ 2021.

14 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1101, is
15 amended to read as follows:

16 Section 1101. A. Prior to July 1, ~~2016~~ 2021, and as provided
17 in Section 1103.1 of this title, there is hereby levied, in addition
18 to the gross production tax, an excise tax equal to ninety-five one
19 thousandths of one percent (.095 of 1%) of the gross value on each
20 barrel of petroleum oil produced in the State of Oklahoma which is
21 subject to gross production tax in the State of Oklahoma. Such
22 excise tax of ninety-five one thousandths of one percent (.095 of
23 1%) of the gross value shall be reported to and collected by the Tax
24 Commission at the same time and in the same manner as is provided by

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

13 The provisions of this subsection shall terminate on June 30,
14 ~~2016~~ 2021.

15 B. Beginning on July 1, ~~2016~~ 2021, there is hereby levied, in
16 addition to the gross production tax, an excise tax equal to eighty-
17 five one thousandths of one percent (.085 of 1%) of the gross value
18 on each barrel of petroleum oil produced in the State of Oklahoma
19 which is subject to gross production tax in the State of Oklahoma.
20 Such excise tax of eighty-five one thousandths of one percent (.085
21 of 1%) of the gross value shall be reported to and collected by the
22 Tax Commission at the same time and in the same manner as is
23 provided by law for the collection of gross production tax on
24 petroleum oil. On petroleum oil sold at the time of production, the

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

12 SECTION 3. AMENDATORY 68 O.S. 2011, Section 1102, is
13 amended to read as follows:

14 Section 1102. A. Prior to July 1, ~~2016~~ 2021, and as provided
15 in Section 1103.1 of this title, there is hereby levied, in addition
16 to the gross production tax, an excise tax equal to ninety-five one
17 thousandths of one percent (.095 of 1%) of the gross value of all
18 natural gas and/or casinghead gas produced in the State of Oklahoma
19 which is subject to gross production tax in the State of Oklahoma.
20 Such excise tax of ninety-five one thousandths of one percent (.095
21 of 1%) of the gross value shall be reported to and collected by the
22 Tax Commission at the same time and in the same manner as is
23 provided by law for the collection of gross production tax on
24 natural gas and/or casinghead gas, and this excise tax shall apply

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

10 The provisions of this subsection shall terminate on June 30,
11 ~~2016~~ 2021.

12 B. Beginning on July 1, ~~2016~~ 2021, there is hereby levied, in
13 addition to the gross production tax, an excise tax equal to eighty-
14 five one thousandths of one percent (.085 of 1%) of the gross value
15 of all natural gas and/or casinghead gas produced in the State of
16 Oklahoma which is subject to gross production tax in the State of
17 Oklahoma. Such excise tax of eighty-five one thousandths of one
18 percent (.085 of 1%) of the gross value shall be reported to and
19 collected by the Tax Commission at the same time and in the same
20 manner as is provided by law for the collection of gross production
21 tax on natural gas and/or casinghead gas, and this excise tax shall
22 apply in all cases where the gross production tax provided for by
23 law applies to the production of natural gas and/or casinghead gas.
24 The excise tax 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, however, that if
3 such natural gas and/or casinghead gas is retained by the producer,
4 then the tax shall be paid by the producer, who shall have the right
5 to deduct the amount of tax so paid on royalty gas at the time of
6 settlement with the royalty owner.

7 SECTION 4. AMENDATORY 68 O.S. 2011, Section 1103, as
8 amended by Section 1, Chapter 331, O.S.L. 2012 (68 O.S. Supp. 2015,
9 Section 1103), is amended to read as follows:

10 Section 1103. A. 1. Prior to July 1, ~~2016~~ 2021, and as
11 provided in Section 1103.1 of this title, all monies derived from
12 the levy of the excise tax on petroleum oil provided for by Section
13 1101 of this title shall be deposited with the State Treasurer, who
14 shall credit and apportion the same as follows:

- 15 a. eighty-two and six hundred thirty-four thousandths
16 percent (82.634%) of said excise tax shall be credited
17 to the General Revenue Fund of the State Treasury;
18 provided, in each fiscal year beginning on or after
19 July 1, 2013, the first One Million Three Hundred
20 Fifty Thousand Dollars (\$1,350,000.00) which would
21 otherwise have been apportioned to the General Revenue
22 Fund pursuant to this subparagraph shall be
23 transferred to the Oil and Gas Division Revolving Fund
24 of the Oklahoma Corporation Commission;

- 1 b. ten and five hundred twenty-six thousandths percent
2 (10.526%) shall be credited and apportioned to a
3 separate and distinct fund to be known as the
4 "Corporation Commission Plugging Fund"; and
- 5 c. the remaining six and eighty-four hundredths percent
6 (6.84%) of said excise tax shall be credited and
7 apportioned to a separate and distinct fund to be
8 known as "The Interstate Oil Compact Fund of
9 Oklahoma", which fund is hereby created.

10 2. Prior to July 1, ~~2016~~ 2021, and as provided in Section
11 1103.1 of this title, all monies derived from the levy of the excise
12 tax on natural gas and/or casinghead gas provided for by Section
13 1102 of this title shall be deposited with the State Treasurer, who
14 shall credit and apportion the same as follows:

- 15 a. eighty-two and six thousand forty-five ten thousandths
16 percent (82.6045%) of said excise tax shall be
17 credited to the General Revenue Fund of the State
18 Treasury; provided, in each fiscal year beginning on
19 or after July 1, 2013, the first One Million Three
20 Hundred Fifty Thousand Dollars (\$1,350,000.00) which
21 would otherwise have been apportioned to the General
22 Revenue Fund pursuant to this subparagraph shall be
23 transferred to the Oil and Gas Division Revolving Fund
24 of the Oklahoma Corporation Commission;

1 b. ten and five thousand five hundred fifty-five ten
2 thousandths percent (10.5555%) shall be credited and
3 apportioned to the Corporation Commission Plugging
4 Fund; and

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

8 3. Prior to July 1, ~~2016~~ 2021, and as provided in Section
9 1103.1 of this title, all monies to accrue to "The Interstate Oil
10 Compact Fund of Oklahoma" under the provisions of this article,
11 together with all monies remaining unexpended in "The Interstate Oil
12 Compact Fund of Oklahoma" created under this subsection are hereby
13 appropriated and shall be used for the payment of the compensation
14 of the assistant representative of the State of Oklahoma on "The
15 Interstate Oil Compact Commission", the compensation of such
16 clerical, technical, and legal assistants as he or she may with the
17 consent of the Governor employ; the actual and necessary traveling
18 expenses of the assistant representative and employees, and of the
19 Governor when traveling in the Governor's capacity as official
20 representative of the State of Oklahoma on "The Interstate Oil
21 Compact Commission"; all items of office expense, including the cost
22 of office supplies and equipment; such contributions as the Governor
23 shall deem necessary and proper to pay to "The Interstate Oil
24 Compact Commission" to defray its expenses; and such other necessary

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

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

20 The provisions of this subsection shall terminate on June 30,
21 ~~2016~~ 2021.

22 B. 1. Beginning on July 1, ~~2016~~ 2021, all monies derived from
23 the levy of the excise tax on petroleum oil provided for by Section
24

1 1101 of this Code shall be deposited with the State Treasurer, who
2 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;
6 provided, in each fiscal year beginning on or after
7 July 1, 2013, the first One Million Three Hundred
8 Fifty Thousand Dollars (\$1,350,000.00) which would
9 otherwise have been apportioned to the General Revenue
10 Fund pursuant to this subparagraph shall be
11 transferred to the Oil and Gas Division Revolving Fund
12 of the Oklahoma Corporation Commission, and
- 13 b. the remaining seven and sixty-five hundredths percent
14 (7.65%) of said excise tax shall be credited and
15 apportioned to a separate and distinct fund to be
16 known as "The Interstate Oil Compact Fund of
17 Oklahoma", which fund is hereby created.

18 2. Beginning on July 1, ~~2016~~ 2021, all monies derived from the
19 levy of the excise tax on natural gas and/or casinghead gas provided
20 for by Section 1102 of this Code shall be deposited with the State
21 Treasurer, who shall credit and apportion the same as follows:

- 22 a. ninety-two and thirty-five hundredths percent (92.35%)
23 of said excise tax shall be credited and apportioned
24 to the General Revenue Fund of the State Treasury;

1 provided, in each fiscal year beginning on or after
2 July 1, 2013, the first One Million Three Hundred
3 Fifty Thousand Dollars (\$1,350,000.00) which would
4 otherwise have been apportioned to the General Revenue
5 Fund pursuant to this subparagraph shall be
6 transferred to the Oil and Gas Division Revolving Fund
7 of the Oklahoma Corporation Commission, and

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

11 3. Beginning on July 1, ~~2016~~ 2021, all monies to accrue to "The
12 Interstate Oil Compact Fund of Oklahoma" under the provisions of
13 this article, together with all monies remaining unexpended in "The
14 Interstate Oil Compact Fund of Oklahoma" created under this
15 subsection are hereby appropriated and shall be used for the payment
16 of the compensation of the assistant representative of the State of
17 Oklahoma on "The Interstate Oil Compact Commission", the
18 compensation of such clerical, technical, and legal assistants as he
19 or she may with the consent of the Governor employ; the actual and
20 necessary traveling expenses of the assistant representative and
21 employees, and of the Governor when traveling in the Governor's
22 capacity as official representative of the State of Oklahoma on "The
23 Interstate Oil Compact Commission"; all items of office expense,
24 including the cost of office supplies and equipment; such

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

19 SECTION 5. 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.

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24 55-2-2664

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