05/20/2014 09:10:35 PM

HOUSE OF REPRESENTATIVES
CONFERENCE COMMITTEE REPORT

Mr. President:
Mr. Speaker:

The Conference Committee, to which was referred

HB2562

By: Hickman of the House and Marlatt of the Senate

Title: Revenue and taxation; Gross Production Tax Technical Amendments Act of 2014; emergency.

Together with Engrossed Senate Amendments thereto, beg leave to report that we have had the same under consideration and herewith return the same with the following recommendations:

1. That the Senate recede from its amendment; and
2. That the attached Conference Committee Substitute be adopted.

Respectfully submitted,

House Action ________________ Date _________ Senate Action ________________ Date _________

HB2562 CCR (A)

HOUSE CONFEREES

Armes, Don		Billy, Lisa J.	
Brown, Mike		Christian, Mike	
Coody, Ann		Cox, Doug	
Denney, Lee		Dorman, Joe	
Hoskin, Chuck		Kern, Sally	
Martin, Scott		McCullough, Mark	
McDaniel, Jeannie		McNiel, Skye	
McPeak, Jerry		Morrissette, Richard	
Nelson, Jason		Newell, Tom	
Osborn, Leslie		Ownbey, Pat	
Proctor, Eric		Ritze, Mike	
Roberts, Sean		Sanders, Mike	
Schwartz, Colby		Sears, Earl	
Sherrer, Ben		Watson, Weldon	
Wesselhoft, Paul			

HB 2562 CCR A

SENATE CONFEREES

Bass____________________

Branan____________________

Brinkley____________________

Coates____________________

Crain____________________

David____________________

Ellis____________________

Fields____________________

Ford____________________

Griffin____________________

Halligan____________________

Holt____________________

Ivester____________________

C. Johnson____________________

R. Johnson____________________

Jolley____________________

Justice____________________

Marlatt____________________

Mazzei____________________

Newberry____________________

Paddack____________________

Standridge____________________

Stanislawski____________________

Sykes____________________

Treat____________________

Wyrick____________________

House Action __________ Date ________ Senate Action __________ Date ________

AUTHOR(s)/COAUTHOR(s)CURRENTLY IN THE QUEUE for HB2562

As of 5/20/2014 9:07:55 PM

Add as coauthor Representative Wood

Add as coauthor Representative Cleveland

Add as coauthor Representative Roberts (Sean)

Remove as author Senator Marlatt and substitute with Senator Johnson (Rob)

Add as coauthor Senator Marlatt

Remove as coauthor Senator Fields

Add as coauthor Senator Shortey

House Action ________________ Date _________ Senate Action ________________ Date _________

STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

CONFERENCE COMMITTEE SUBSTITUTE FOR ENGROSSED HOUSE BILL NO. 2562

By: Hickman and Dank of the House

and

Marlatt, Branan and Fields of the Senate

CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to gross production tax; amending 68 O.S. 2011, Sections 1001, as amended by Section 1, Chapter 401, O.S.L. 2013 and 1001.3a (68 O.S. Supp. 2013, Section 1001), which relate to adjustments to tax rate; deleting obsolete language; providing expiration date for specific tax levies; providing for tax levy after specified date on certain production; extending expiration date for exemptions for production from certain enhanced recovery projects; providing expiration date for certain tax rate on production from horizontally drilled wells; extending expiration date for exemption related to production from certain inactive wells; extending expiration date for exemption related to production from certain production enhancement projects; modifying expiration dates for exemptions related to production from wells of specified depths; modifying expiration date; extending expiration date for exemption related to production from certain new discovery wells; extending expiration date for exemption related to production from wells drilled with three-dimensional seismic technology; clarifying manner in which tax incentive is applied; modifying expiration date of certain exemption; providing for application of certain tax rate for production from wells drilled with three-dimensional seismic technology; modifying time period during which certain refund procedures apply; providing refund procedures for certain production after a specified date; providing limitations on manner in which certain refunds may be claimed during specified time periods; providing for manner of payment of certain refund claims if funds are insufficient; limiting ability to claim or pay refunds for production prior to specified date; deleting references; modifying time period during which certain exemptions may be claimed; limiting application of exemptions at specified tax rate; providing exception; limiting ability to claim refund for certain time period; amending 68 O.S. 2011, Section 1004, as last amended by Section 1, Chapter 205, O.S.L. 2012 (68 O.S. Supp. 2013, Section 1004), which relates to apportionment of gross production taxes; providing for apportionment of monies collected at a tax rate of two percent; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001, as amended by Section 1, Chapter 401, O.S.L. 2013 (68 O.S. Supp. 2013, 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 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, 2013, 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 the~~

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

~~2.~~ Effective July 1, 2013, <u>through June 30, 2015,</u> except as otherwise exempted pursuant to subsections D, E, F, G, H, I and J of this section, there shall be levied upon the production of oil a tax equal to seven percent (7%) of the gross value of the production of oil based on a per barrel measurement of forty-two (42) U.S. gallons of two hundred thirty-one (231) cubic inches per gallon, computed at a temperature of sixty (60) degrees Fahrenheit.

~~3. Effective January 1, 1999, through June 30, 2013, the average price of Oklahoma oil for purposes of this section shall be computed by the Tax Commission based on the total value of oil~~

~~reported each month that is subject to the tax levied under this section. At the first of each month, the Tax Commission shall compute the average price paid per barrel of oil reported on the monthly tax report for the most current production month on file. The average price as computed by the Tax Commission shall be used to determine the applicable tax rate for the third month following production. Effective July 1, 2002, through June 30, 2013, the average price of gas for purposes of this section shall be computed by the Tax Commission based on the total value of gas reported each month that is subject to the tax levied by this section. At the first of each month, the Tax Commission shall compute the average price paid per thousand cubic feet (mcf) of gas as reported on the monthly tax report for the most current production month on file. The average price as computed by the Tax Commission shall be used to determine the applicable tax rate for the third month following production.~~

~~4. Effective July 1, 2002, through June 30, 2013, 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 gas a tax as set forth in this subsection on the gross value of the production of gas. If the average price of gas as determined by the Tax Commission pursuant to the provisions of paragraph 3 of this subsection equals or exceeds Two Dollars and ten cents ($2.10) per thousand cubic feet (mcf), then the tax shall be seven percent (7%).~~

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

~~5.~~ 2. Effective July 1, 2013, through June 30, 2015, except as otherwise exempted pursuant to subsections D, E, F, G, H, I and J of this section, there shall be levied a tax equal to seven percent (7%) of the gross value of the production of gas.

3. Effective July 1, 2015, except as otherwise provided in this section, there shall be levied a tax on the gross value of the production of oil and gas as follows:

a. upon the production of oil a tax equal to seven percent (7%) of the gross value of the production of oil based on a per barrel measurement of forty-two (42) U.S. gallons of two hundred thirty-one (231) cubic inches per gallon, computed at a temperature of sixty (60) degrees Fahrenheit,

b. upon the production of gas a tax equal to seven percent (7%) of the gross value of the production of gas, and

c. notwithstanding the levies in subparagraphs a and b of this paragraph, the production of oil, gas, or oil and gas from wells spudded on or after July 1, 2015, shall be taxed at a rate of two percent (2%) commencing with the month of first production for a period of thirty-six (36) months. Thereafter, the production shall be taxed as provided in subparagraphs a and b of this paragraph.

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

D. 1. ~~Except as otherwise provided in this section, any incremental production attributable to the working interest owners which results from an enhanced recovery project shall be exempt from the gross production tax levied pursuant to this section from the project beginning date until project payback is achieved for new enhanced recovery projects or until project payback is achieved but not to exceed a period of thirty-six (36) months for tertiary enhanced recovery projects existing on July 1, 1988. This exemption shall take effect July 1, 1988, and shall apply to enhanced recovery projects approved or having a project beginning date prior to July~~

~~1, 1993. Project payback pursuant to this paragraph for enhanced recovery projects qualifying for this exemption on or after July 1, 1990, and on or before June 30, 1993, shall be determined by appropriate payback indicators which will not include any expenses beyond the completion date of the well. Project payback pursuant to this paragraph for enhanced recovery projects qualifying for this exemption on or after October 17, 1987, and on or before June 30, 1990, shall be determined by appropriate payback indicators as previously established and allowed by the Tax Commission for projects qualifying during such period.~~

~~2. Except as otherwise provided in this section, for secondary recovery projects approved and having a project beginning date on or after July 1, 1993, and before July 1, 2000, any incremental production attributable to the working interest owners which results from such secondary recovery projects shall be exempt from the gross production tax levied pursuant to this section from the project beginning date until project payback is achieved but not to exceed a period of ten (10) years. Project payback pursuant to this paragraph shall be determined by appropriate payback indicators which will provide for the recovery of capital expenses and fifty percent (50%) of operating expenses, in determining project payback.~~

~~3.~~ Except as otherwise provided in this section, for secondary recovery projects approved or having an initial project beginning date on or after July 1, 2000, and before ~~July 1, 2014~~ July 1, 2020, any incremental production attributable to the working interest owners which results from such secondary recovery projects shall be exempt from the gross production tax levied pursuant to this section for a period not to exceed five (5) years from the initial project beginning date or for a period ending upon the termination of the secondary recovery process, whichever occurs first.

~~4.~~ 2. Except as otherwise provided in this section, for tertiary recovery projects approved and having a project beginning date on or after July 1, 1993, and before ~~July 1, 2014~~ July 1, 2020, any incremental production attributable to the working interest owners which results from such tertiary recovery projects shall be exempt from the gross production tax levied pursuant to this section from the project beginning date until project payback is achieved, but not to exceed a period of ten (10) years. Project payback pursuant to this paragraph shall be determined by appropriate payback indicators which will provide for the recovery of capital expenses and operating expenses, excluding administrative expenses, in determining project payback. The capital expenses of pipelines constructed to transport carbon dioxide to a tertiary recovery project shall not be included in determining project payback pursuant to this paragraph.

~~5.~~ 3. The provisions of this subsection shall also not apply to any enhanced recovery project using fresh water as the primary injectant, except when using steam.

~~6.~~ 4. For purposes of this subsection:

a. "incremental production" means the amount of crude oil or other liquid hydrocarbons which is produced during an enhanced recovery project and which is in excess of the base production amount of crude oil or other liquid hydrocarbons. The base production amount shall be the average monthly amount of production for the twelve-month period immediately prior to the project beginning date minus the monthly rate of production decline for the project for each month beginning one hundred eighty (180) days prior to the project beginning date. The monthly rate of production decline shall be equal to the average extrapolated monthly decline rate for the twelve-month period immediately prior to the project beginning date as determined by the Corporation Commission based on the production history of the field, its current status, and sound reservoir engineering principles, and

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

~~7.~~ 5. The Corporation Commission shall promulgate rules for the qualification for this exemption which shall include, but not be limited to, procedures for determining incremental production as defined in subparagraph a of paragraph ~~6~~ <u>4</u> of this subsection, and the establishment of appropriate payback indicators as approved by the Tax Commission for the determination of project payback for each of the exemptions authorized by this subsection.

~~8.~~ <u>6.</u> For new secondary recovery projects and tertiary recovery projects approved by the Corporation Commission on or after July 1, 1993, and before ~~July 1, 2014~~ <u>July 1, 2020</u>, such approval shall constitute qualification for an exemption.

~~9.~~ <u>7.</u> Any person seeking an exemption shall file an application for such exemption with the Tax Commission which, upon determination of qualification by the Corporation Commission, shall approve the application for such exemption.

~~10.~~ <u>8.</u> The Tax Commission may require any person requesting such exemption to furnish information or records concerning the exemption as is deemed necessary by the Tax Commission.

~~11.~~ <u>9.</u> Upon the expiration of the exemption granted pursuant to this subsection, the Tax Commission shall collect the gross production tax levied pursuant to this section.

E. 1. Except as otherwise provided in this section, the production of oil, gas or oil and gas from a horizontally drilled well producing prior to July 1, 2011, which production commenced after July 1, 2002, shall be exempt from the gross production tax levied pursuant to subsection B of this section from the project beginning date until project payback is achieved but not to exceed a period of forty-eight (48) months commencing with the month of initial production from the horizontally drilled well. For purposes of subsection D of this section and this subsection, project payback shall be determined as of the date of the completion of the well and shall not include any expenses beyond the completion date of the well, and subject to the approval of the Tax Commission.

2. Claims for refund for the production periods within the fiscal years ending June 30, 2010, and June 30, 2011, shall be filed and received by the Tax Commission no later than December 31, 2011.

3. For production commenced on or after July 1, 2011, and prior to July 1, 2015, the tax levied pursuant to the provisions of this section on the production of oil, gas or oil and gas from a horizontally drilled well shall be reduced to a rate of one percent (1%) for a period of forty-eight (48) months from the month of initial production. The taxes collected from the production of oil shall be apportioned pursuant to the provisions of paragraph ~~7~~ 8 of subsection A of Section 1004 of this title. The taxes collected from the production of gas shall be apportioned pursuant to the provisions of paragraph 4 of subsection A of Section 1004 of this title.

4. The ~~provisions of this paragraph shall only apply to wells qualifying for the exemption provided under this subsection prior to July 1, 2011. The~~ production of oil, gas or oil and gas on or after July 1, 2011, and prior to July 1, 2015, from these qualifying wells

shall be taxed at a rate of one percent (1%) until the expiration of forty-eight (48) months commencing with the month of initial production.

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

F. 1. Except as otherwise provided by this section, the severance or production of oil, gas or oil and gas from an inactive well shall be exempt from the gross production tax levied pursuant to subsection B of this section for a period of twenty-eight (28) months from the date upon which production is reestablished. This exemption shall take effect July 1, 1994, and shall apply to wells for which work to reestablish or enhance production began on or after July 1, 1994, and for which production is reestablished prior to ~~July 1, 2014~~ July 1, 2020. For all such production, a refund against gross production taxes shall be issued as provided in subsection L of this section.

2. As used in this subsection, for wells for which production is reestablished prior to July 1, 1997, "inactive well" means any well that has not produced oil, gas or oil and gas for a period of not less than two (2) years as evidenced by the appropriate forms on

file with the Corporation Commission reflecting the well's status. As used in this subsection, for wells for which production is reestablished on or after July 1, 1997, and prior to ~~July 1, 2014~~ July 1, 2020, "inactive well" means any well that has not produced oil, gas or oil and gas for a period of not less than one (1) year as evidenced by the appropriate forms on file with the Corporation Commission reflecting the well's status. Wells which experience mechanical failure or loss of mechanical integrity, as defined by the Corporation Commission, including but not limited to, casing leaks, collapse of casing or loss of equipment in a wellbore, or any similar event which causes cessation of production, shall also be considered inactive wells.

G. 1. Except as otherwise provided by this section, any incremental production which results from a production enhancement project shall be exempt from the gross production tax levied pursuant to subsection B of this section for a period of twenty-eight (28) months from the date of first sale after project completion of the production enhancement project. This exemption shall take effect July 1, 1994, and shall apply to production enhancement projects having a project beginning date on or after July 1, 1994, and prior to ~~July 1, 2014~~ July 1, 2020. For all such production, a refund against gross production taxes shall be issued as provided in subsection L of this section.

2. As used in this subsection:

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

~~(2)~~ for production enhancement projects having a project beginning date on or after July 1, 1997, and prior to ~~July 1, 2014~~ <u>July 1, 2020</u>, "production enhancement project" means any workover as defined in this paragraph, recompletion as defined in this paragraph, reentry of plugged and abandoned wellbores, or addition of a well or field compression,

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

c. "base production" means the average monthly amount of production for the twelve-month period immediately prior to the commencement of the project or the average monthly amount of production for the twelve-month period immediately prior to the commencement of the project less the monthly rate of production decline for the project for each month beginning one hundred eighty (180) days prior to the commencement of the project. The monthly rate of production decline shall be equal to the average extrapolated monthly decline rate for the twelve-month period immediately prior to the commencement of the project based on the production history of the well. If the well or wells covered in the application had production for less than the full twelve-month period prior to the filing of the application for the production enhancement project, the base production shall be the average monthly production for the months during that period that the well or wells produced,

d. ~~(1)~~ ~~for production enhancement projects having a project beginning date prior to July 1, 1997, "recompletion" means any downhole operation in an existing oil or gas well that is conducted to establish production of oil or gas from any geological interval not currently completed or producing in such existing oil or gas well, and~~

~~(2)~~ for production enhancement projects having a project beginning date on or after July 1, 1997, and prior to ~~July 1, 2014~~ July 1, 2020, "recompletion" means any downhole operation in an existing oil or gas well that is conducted to establish production of oil or gas from any geologic interval not currently completed or producing in such existing oil or gas well within the same or a different geologic formation, and

e. "workover" means any downhole operation in an existing oil or gas well that is designed to sustain, restore or increase the production rate or ultimate recovery in a geologic interval currently completed or producing in the existing oil or gas well. ~~For production enhancement projects having a project beginning date prior to July 1, 1997, "workover" includes, but is not limited to, acidizing, reperforating, fracture treating, sand/paraffin removal, casing repair, squeeze cementing, or setting bridge plugs to isolate water productive zones from oil or gas productive zones, or any combination thereof.~~ For production enhancement projects having a project beginning date on or after July 1, 1997, and prior to ~~July 1, 2014~~ July 1, 2020, "workover" includes, but is not limited to:

(1) acidizing,

(2) reperforating,

(3) fracture treating,

(4) sand/paraffin/scale removal or other wellbore cleanouts,

(5) casing repair,

(6) squeeze cementing,

(7) installation of compression on a well or group of wells or initial installation of artificial lifts on gas wells, including plunger lifts, rod pumps, submersible pumps and coiled tubing velocity strings,

(8) downsizing existing tubing to reduce well loading,

(9) downhole commingling,

(10) bacteria treatments,

(11) upgrading the size of pumping unit equipment,

(12) setting bridge plugs to isolate water production zones, or

(13) any combination thereof.

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

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

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

a. the production of oil, gas or oil and gas from wells spudded between July 1, 1997, and July 1, 2005, and drilled to a depth of twelve thousand five hundred (12,500) feet or greater and wells spudded between July 1, 2005, and ~~July 1, 2014~~ July 1, 2015, and drilled to a depth between twelve thousand five hundred (12,500) feet and fourteen thousand nine hundred ninety-nine (14,999) feet shall be exempt from the gross production tax levied pursuant to subsection B of this section from the date of first sales for a period of twenty-eight (28) months~~;~~,

b. the production of oil, gas or oil and gas from wells spudded between July 1, 2002, and July 1, 2005, and drilled to a depth of fifteen thousand (15,000) feet or greater and wells spudded between July 1, 2005, and July 1, 2011, and drilled to a depth between fifteen thousand (15,000) feet and seventeen thousand four hundred ninety-nine (17,499) feet shall be exempt from the gross production tax levied pursuant to subsection B of this section from the date of first sales for a period of forty-eight (48) months;

c. the production of oil, gas or oil and gas from wells spudded between July 1, 2002, and July 1, 2011, and drilled to a depth of seventeen thousand five hundred (17,500) feet or greater shall be exempt from the gross production tax levied pursuant to subsection B of this section from the date of first sales for a period of sixty (60) months;

d. the tax levied pursuant to the provisions of this section on the production of oil, gas or oil and gas from wells spudded between July 1, 2011, and July 1, 2015, and drilled to a depth between fifteen thousand (15,000) feet and seventeen thousand four hundred ninety-nine (17,499) feet shall be reduced to a rate of four percent (4%) for a period of forty-eight (48) months from the date of first sales. The taxes collected from the production of oil shall be apportioned pursuant to the provisions of paragraph ~~6~~ 7 of subsection A of Section 1004 of this title. The taxes collected from the production of gas shall be apportioned pursuant to the provisions of paragraph 3 of subsection A of Section 1004 of this title~~;~~,

e. the tax levied pursuant to the provisions of this section on the production of oil, gas or oil and gas from wells spudded between July 1, 2011, and July 1, 2015, and drilled to a depth of seventeen thousand five hundred (17,500) feet or greater shall be reduced to a rate of four percent (4%) for a period of sixty (60) months from the date of first sales. The taxes collected from the production of oil shall be apportioned pursuant to the provisions of paragraph ~~6~~ 7 of subsection A of Section 1004 of this title. The taxes collected from the production of gas shall be apportioned pursuant to the provisions of paragraph 3 of subsection A of Section 1004 of this title~~;~~, and

f. the provisions of subparagraphs b and c of this paragraph shall only apply to the production of wells qualifying for the exemption provided under these subparagraphs prior to July 1, 2011. The production of oil, gas or oil and gas on or after July 1, 2011, and before July 1, 2015, from wells qualifying under subparagraph b of this paragraph shall be taxed at a rate of four percent (4%) until the expiration of forty-eight (48) months from the date of first sales and the production of oil, gas or oil and gas on or after July 1, 2011, and before July 1, 2015, from wells qualifying under subparagraph c of this paragraph shall be taxed at a rate of four percent

(4%) until the expiration of sixty (60) months from the date of first sales.

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

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

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

~~b. for the fiscal year ending June 30, 2007, the total amount of refunds paid shall be equal to or less than Seventeen Million Dollars ($17,000,000.00),~~

~~c. for the fiscal year ending June 30, 2008, the total amount of refunds paid shall be equal to or less than Twenty Million Dollars ($20,000,000.00), and~~

~~d. for the fiscal years ending June 30, 2009, through June 30, 2011, the total amount of refunds paid each fiscal year shall be equal to or less than Twenty-five Million Dollars ($25,000,000.00).~~

~~5. Except as otherwise provided for in paragraph 7 of this subsection and paragraph 2 of subsection L of this section, for the fiscal years ending on or before June 30, 2011, in order to qualify~~

~~for a refund of gross production tax on wells which are exempt pursuant to subparagraphs b and c of paragraph 2 of this subsection, claims for refunds shall be filed within six (6) months after the first day of the fiscal year in which the refund is first available pursuant to subsection L of this section. When processing applications for qualification for an exemption as provided for in paragraph 2 of subsection M of this section, the Corporation Commission shall give priority to those applications filed for an exemption pursuant to subparagraphs b and c of paragraph 2 of this subsection in order for applicants to comply with the six-month filing period as provided for in this paragraph.~~

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

~~7. If the total amount of claims for a refund filed within the six-month filing period for a fiscal year is less than the total amount of refunds allowed for that fiscal year as provided for in paragraph 4 of this subsection, the Tax Commission shall pay the claims that have been filed. Then for any remaining funds, the Tax Commission shall extend the claims-filing period for three (3) months and shall pay any claims filed during the extended filing~~

~~period up to the total amount of remaining funds. If the amount of claims for refunds filed during the extended filing period is greater than the total amount of remaining funds, the Tax Commission shall proportionately reduce the amount of each claim as provided for in paragraph 6 of this subsection.~~

I. ~~1.~~ Except as otherwise provided by this section, the production of oil, gas or oil and gas from wells spudded or reentered between July 1, 1995, and ~~July 1, 2014~~ July 1, 2015, which qualify as a new discovery pursuant to this subsection shall be exempt from the gross production tax levied pursuant to subsection B of this section from the date of first sales for a period of twenty-eight (28) months. For all such wells spudded or reentered, a refund against gross production taxes shall be issued as provided in subsection L of this section. As used in this subsection, "new discovery" means production of oil, gas or oil and gas from:

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

~~(2)~~ ~~for~~

1. For wells spudded or reentered on or after July 1, 1997, and prior to ~~July 1, 2014~~ July 1, 2015, a well that discovers crude oil in paying quantities that is more than one (1) mile from the nearest

oil well producing from the same producing interval of the same formation~~,~~;

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

~~(2) for~~

2. For wells spudded or reentered on or after July 1, 1997, and prior to ~~July 1, 2014~~ July 1, 2015, a well that discovers crude oil in paying quantities beneath current production in a deeper producing interval that is more than one (1) mile from the nearest oil well producing from the same deeper producing interval~~,~~;

~~c. (1) for wells spudded or reentered prior to July 1, 1997, a well that discovers natural gas in paying quantities that is more than two (2) miles from the nearest gas well producing from the same producing formation, and~~

~~(2) for~~

3. For wells spudded or reentered on or after July 1, 1997, and prior to ~~July 1, 2014~~ July 1, 2015, a well that discovers natural gas in paying quantities that is more than two (2) miles from the nearest gas well producing from the same producing interval~~,~~; or

~~d.~~ ~~(1)~~ ~~for wells spudded or reentered prior to July 1, 1997, a well that discovers natural gas in paying quantities beneath current production in a deeper producing formation that is more than two (2) miles from the nearest gas well producing from the same deeper producing formation, and~~

~~(2)~~ ~~for~~

4. For wells spudded or reentered on and after July 1, 1997, and prior to ~~July 1, 2014~~ July 1, 2015, a well that discovers natural gas in paying quantities beneath current production in a deeper producing interval that is more than two (2) miles from the nearest gas well producing from the same deeper producing interval.

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

J. Except as otherwise provided by this section, the production of oil, gas or oil and gas from any well, drilling of which is commenced after July 1, 2000, and prior to ~~July 1, 2014~~ July 1, 2015, located within the boundaries of a three-dimensional seismic shoot and drilled based on three-dimensional seismic technology, shall be exempt from the gross production tax levied pursuant to subsection B of this section from the date of first sales as follows:

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

2. If the three-dimensional seismic shoot is shot on or after July 1, 2000, for a period of twenty-eight (28) months. For all such production, a refund against gross production taxes shall be issued as provided in subsection L of this section.

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

a. to the severance or production of oil, upon determination by the Tax Commission that the average annual index price of Oklahoma oil exceeds Thirty Dollars ($30.00) per barrel calculated on an annual calendar year basis, as adjusted for inflation using the Consumer Price Index-All Urban Consumers (CPI-U) as published by the Bureau of Labor Statistics of the U.S. Department of Labor or its successor agency. Such adjustment shall be based on the most current data available for the preceding twelve-month period and shall be applied for the fiscal year which begins on the July 1 date immediately following the release of the CPI-U data by the Bureau of Statistics.

(1) The "average annual index price" will be calculated by multiplying the West Texas Intermediate closing price by the "index price ratio". The index price ratio is defined as the immediate preceding three-year historical average ratio of the actual weighted average wellhead price to the West Texas Intermediate close price published on the last business day of each month.

(2) The average annual index price will be updated annually by the Oklahoma Tax Commission no later than March 31 of each year.

(3) If the West Texas Intermediate Crude price is unavailable for any reason, an industry benchmark price may be substituted and used for the calculation of the index price as determined by the Tax Commission,

b. to the severance or production of oil or gas upon which gross production taxes are paid at a rate of one percent (1%) pursuant to the provisions of subsection B of this section, and

c. to the severance or production of gas, upon determination by the Tax Commission that the average annual index price of Oklahoma gas exceeds Five Dollars ($5.00) per thousand cubic feet (mcf) calculated on an annual calendar year basis as adjusted for inflation using the Consumer Price Index-All Urban Consumers (CPI-U) as published by the Bureau of Labor Statistics of the U.S. Department of Labor or its successor agency. Such adjustment shall be based on the most current data available for the preceding twelve-month period and shall be applied for the fiscal year which begins on the July 1 date immediately following the release of the CPI-U data by the Bureau of Statistics.

(1) The "average annual index price" will be calculated by multiplying the Henry Hub 3-Day Average Close price by the "index price ratio". The index price ratio is defined as the immediate preceding three-year historical average ratio of the actual weighted average wellhead price to the Henry Hub 3-Day Average Close price published on the last business day of each month.

(2) The average annual index price will be updated annually by the Oklahoma Tax Commission no later than March 31 of each year.

(3) If the Henry Hub 3-Day Average Close price is unavailable for any reason, an industry benchmark price may be substituted and used for the calculation of the index price as determined by the Tax Commission.

2. Notwithstanding the exemptions granted pursuant to subsections F, G, I, J, paragraph 1 of subsection E, and subparagraph a of paragraph 2 of subsection H of this section, there shall continue to be levied upon the production of petroleum or other crude or mineral oil or natural gas or casinghead gas, as provided in subsection B of this section, from any wells provided for in subsections F, G, I, J, paragraph 1 of subsection E, and subparagraph a of paragraph 2 of subsection H of this section, a tax equal to one percent (1%) of the gross value of the production of petroleum or other crude or mineral oil or natural gas or casinghead gas. The tax hereby levied shall be apportioned as follows:

a. fifty percent (50%) of the sum collected shall be apportioned to the County Highway Fund as provided in subparagraph b of paragraph 1 of <u>subsection A of</u> Section 1004 of this title, and

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

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

L. ~~Except~~ 1. Prior to July 1, 2015, and except as provided in subsection M of this section, for all oil and gas production exempt from gross production taxes pursuant to subsections E, F, G, H, I and J of this section during a given fiscal year, a refund of gross production taxes shall be issued to the well operator or a designee in the amount of such gross production taxes paid during such period, subject to the following provisions:

~~1. A~~

a. a refund shall not be claimed until after the end of such fiscal year. As used in this subsection, a fiscal year shall be deemed to begin on July 1 of one calendar year and shall end on June 30 of the subsequent calendar year~~;~~,

~~2. Unless~~

b. unless otherwise specified, no claims for refunds pursuant to the provisions of this subsection shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is first available~~;~~,

~~3. No~~

c. no claims for refunds pursuant to the provisions of this subsection shall be filed by or on behalf of persons other than the operator or a working interest owner of record at the time of production~~;~~,

~~4. No~~

d. no refunds shall be claimed or paid pursuant to the provisions of this subsection for oil or gas production upon which a tax is paid at a rate of one percent (1%) as specified in subsection B of this section~~;~~, and

~~5. No~~

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

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

2. On or after July 1, 2015, for all oil and gas production exempt from gross production taxes pursuant to subsections F and G of this section during a given fiscal year, a refund of gross production taxes shall be issued to the well operator or a designee in the amount of such gross production taxes paid during such period, subject to the following provisions:

a. a refund shall not be claimed until after the end of such fiscal year. As used in this subsection, a fiscal year shall be deemed to begin on July 1 of one calendar year and shall end on June 30 of the subsequent calendar year,

b. unless otherwise specified, no claims for refunds pursuant to the provisions of this subsection shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is first available,

c. no claims for refunds pursuant to the provisions of this subsection shall be filed by or on behalf of persons other than the operator or a working interest owner of record at the time of production,

d. no refunds shall be claimed or paid pursuant to the provisions of this subsection for oil or gas production upon which a tax is paid at a rate of two percent (2%), and

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

If there are insufficient funds collected from the production of oil or gas to satisfy the refunds claimed for oil or gas production pursuant to subsection F or G of this section, the Tax Commission shall pay the balance of the refund claims out of the gross

<u>production taxes collected from either the production of oil or gas, as necessary.</u>

<u>3. Notwithstanding any other provisions of law, after the effective date of this act, no refund of gross production taxes shall be claimed for oil and gas production exempt from gross production taxes pursuant to subsections E, F, G, H, I and J of this section for production occurring prior to July 1, 2003.</u>

M. Claims for refunds filed for the exemptions provided in paragraph 1 of subsection E, and subparagraphs b and c of paragraph 2 of subsection H of this section for the production periods beginning on or after July 1, 2009, and ending on or before June 30, 2011, shall be paid pursuant to the provisions of this subsection. The claims for refunds referenced herein shall be paid in equal payments of a period of thirty-six (36) months. The first payment shall be made after July 1, 2012, but prior to August 1, 2012. The Tax Commission shall provide, not later than June 30, 2012, to the operator or designated interest owner, a schedule of rebates to be paid out over the thirty-six-month period. The payments required to be made pursuant to the provisions of this subsection shall be subject to a penalty rate of interest equal to nine percent (9%) per annum. The penalty rate of interest shall accrue for each day that a required payment is not made by the end of the month for which the payment is required to be made by the Tax Commission. For purposes of computing the per diem rate of interest pursuant to this subsection, a calendar year shall be deemed to consist of three hundred sixty (360) days.

N. 1. The Corporation Commission and the Tax Commission shall promulgate joint rules for the qualification for the exemptions provided for in ~~subsections E, F, G, H, I and J of~~ this section and the rules shall contain provisions for verification of any wells from which production may be qualified for the exemptions. The Tax Commission shall adopt rules and regulations which establish guidelines for production of oil or gas after July 1, 2011, which is exempt from tax pursuant to the provisions of paragraph 1 of subsection E and subparagraphs b and c of paragraph 2 of subsection H of this section to remit tax at the reduced rate provided in paragraph 2 of subsection E and subparagraphs d and e of paragraph 2 of subsection H of this section until the end of the qualifying exemption period.

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

3. Any person seeking an exemption shall:

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

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

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

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

O. ~~All~~ 1. Prior to July 1, 2015, persons shall only be entitled to either the exemption granted pursuant to subsection D of this section or the exemption granted pursuant to subsection E, F, G, H, I or J of this section for each oil, gas or oil and gas well drilled or recompleted in this state. However, any person who qualifies for the exemption granted pursuant to subsection E, F, G, H, I or J of this section shall not be prohibited from qualification for the exemption granted pursuant to subsection D of this section, if the exemption granted pursuant to subsection E, F, G, H, I or J of this section has expired.

2. On or after July 1, 2015, all persons shall only be entitled to either the exemption granted pursuant to subsection D of this section or the exemption granted pursuant to subsection F or G of this section for each oil, gas, or oil and gas well drilled or recompleted in this state. However, any person who qualifies for the exemption granted pursuant to subsections F and G of this section shall not be prohibited from qualification for the exemption granted pursuant to subsection D of this section if the exemption granted pursuant to subsection F or G of this section has expired. Further, the exemption granted pursuant to subsection D of this section shall not apply to any production upon which a tax is paid at a rate of two percent (2%).

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

Q. Any person or any member of any firm or association, or any officer, official, agent or employee of any corporation who shall fail or refuse to testify; or who shall fail or refuse to produce any books, records or papers which the Tax Commission shall require; or who shall fail or refuse to furnish any other evidence or information which the Tax Commission may require; or who shall fail or refuse to answer any competent questions which may be put to him or her by the Tax Commission, touching the business, property, assets or effects of any such person relating to the gross production tax imposed by this article or exemption authorized pursuant to this section or other laws, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not more than Five Hundred Dollars ($500.00), or imprisonment in the jail of the county where such offense shall have been committed, for not more than one (1) year, or by both such fine and imprisonment; and each day of such refusal on the part of such person shall constitute a separate and distinct offense.

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

S. The payment of the taxes herein levied shall be in full, and in lieu of all taxes by the state, counties, cities, towns, school districts and other municipalities upon any property rights attached to or inherent in the right to the minerals, upon producing leases for the mining of asphalt and ores bearing lead, zinc, jack or copper, or for oil, or for gas, upon the mineral rights and privileges for the minerals aforesaid belonging or appertaining to land, upon the machinery, appliances and equipment used in and around any well producing oil, or gas, or any mine producing asphalt or any of the mineral ores aforesaid and actually used in the operation of such well or mine. The payment of gross production tax shall also be in lieu of all taxes upon the oil, gas, asphalt or ores bearing minerals hereinbefore mentioned during the tax year in which the same is produced, and upon any investment in any of the leases, rights, privileges, minerals or other property described herein. Any interest in the land, other than that herein enumerated, and oil in storage, asphalt and ores bearing minerals hereinbefore named, mined, produced and on hand at the date as of which property is assessed for general and ad valorem taxation for any subsequent tax year, shall be assessed and taxed as other property within the taxing district in which such property is situated at the time.

T. No equipment, material or property shall be exempt from the payment of ad valorem tax by reason of the payment of the gross production tax except such equipment, machinery, tools, material or property as is actually necessary and being used and in use in the production of asphalt or of ores bearing lead, zinc, jack or copper or of oil or gas. Provided, the exemption shall include the wellbore and non-recoverable down-hole material, including casing, actually used in the disposal of waste materials produced with such oil or gas. It is expressly declared that no ice plants, hospitals, office buildings, garages, residences, gasoline extraction or absorption plants, water systems, fuel systems, rooming houses and other buildings, nor any equipment or material used in connection therewith, shall be exempt from ad valorem tax.

U. The exemption from ad valorem tax set forth in subsections S and T of this section shall continue to apply to all property from which production of oil, gas or oil and gas is exempt from gross production tax pursuant to subsection D, E, F, G, H, I or J of this section.

SECTION 2. AMENDATORY 68 O.S. 2011, Section 1001.3a, is amended to read as follows:

Section 1001.3a A. As used in this section:

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

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

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

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

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

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

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

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

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

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

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

H. Gross production tax exemptions claimed under the provisions of this section shall be limited to production from calendar years 2014 through 2020; provided, no claims for refunds for the calendar years 2014 through 2020 shall be claimed or paid more than eighteen (18) months after the first day of the fiscal year during which the refund is first available.

SECTION 3. AMENDATORY 68 O.S. 2011, Section 1004, as last amended by Section 1, Chapter 205, O.S.L. 2012 (68 O.S. Supp. 2013, Section 1004), is amended to read as follows:

Section 1004. A. Beginning July 1, 2002, the gross production tax provided for in Section 1001 of this title is hereby levied and shall be collected and apportioned as follows:

1. For all monies collected from the tax levied on asphalt or ores bearing uranium, lead, zinc, jack, gold, silver or copper:

a. eighty-five and seventy-two one-hundredths percent (85.72%) shall be paid to the State Treasurer of the state to be placed in the General Revenue Fund of the state and used for the general expense of state government, to be paid out pursuant to direct appropriation by the Legislature,

b. seven and fourteen one-hundredths percent (7.14%) of the sum collected from natural gas and/or casinghead gas or asphalt or ores bearing uranium, lead, zinc, jack, gold, silver or copper shall be paid to the various county treasurers to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year, and

c. seven and fourteen one-hundredths percent (7.14%) shall be allocated to each county as provided for in subparagraph b of this paragraph and shall be apportioned, on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction;

2. For all monies collected from the tax levied on natural gas and/or casinghead gas at a tax rate of seven percent (7%) pursuant to the provisions of subsection B of Section 1001 of this title:

a. eighty-five and seventy-two one-hundredths percent (85.72%) shall be paid to the State Treasurer of the state to be placed in the General Revenue Fund of the state and used for the general expense of state government, to be paid out pursuant to direct appropriation by the Legislature,

b. seven and fourteen one-hundredths percent (7.14%) of the sum collected from natural gas and/or casinghead gas shall be paid to the various county treasurers to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year, and

c. seven and fourteen one-hundredths percent (7.14%) shall be allocated to each county as provided for in subparagraph b of this paragraph and shall be apportioned, on an average daily attendance per capita distribution basis, as certified by the State

Superintendent of Public Instruction to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction;

3. For all monies collected from the tax levied on natural gas and/or casinghead gas at a tax rate of four percent (4%) pursuant to the provisions of subsection B of Section 1001 of this title:

a. seventy-five percent (75%) shall be paid to the State Treasurer of the state to be placed in the General Revenue Fund of the state and used for the general expense of state government, to be paid out pursuant to direct appropriation by the Legislature,

b. twelve and one-half percent (12.5%) of the sum collected from natural gas and/or casinghead gas shall be paid to the various county treasurers to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year, and

c. twelve and one-half percent (12.5%) shall be allocated to each county as provided for in subparagraph b of this paragraph and shall be apportioned, on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction;

4. For all monies collected from the tax levied on natural gas and/or casinghead gas at a tax rate of one percent (1%) pursuant to the provisions of subsection B of Section 1001 of this title:

a. fifty percent (50%) of the sum collected from natural gas and/or casinghead gas shall be paid to the various county treasurers to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year, and

b. fifty percent (50%) shall be allocated to each county as provided for in subparagraph a of this paragraph and shall be apportioned, on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction;

5. For all monies collected from the tax levied on natural gas and/or casinghead gas at a tax rate of two percent (2%) pursuant to the provisions of subparagraph c of paragraph 3 of subsection B of Section 1001 of this title:

a. fifty percent (50%) shall be paid to the State Treasurer to be placed in the General Revenue Fund of the state and used for the general expense of state government, to be paid out pursuant to direct appropriation by the Legislature,

b. twenty-five percent (25%) of the sum collected from natural gas and/or casinghead gas shall be paid to the various county treasurers to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year, and

c. twenty-five percent (25%) shall be allocated to each county as provided for in subparagraph b of this paragraph and shall be apportioned on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction, to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction;

6. For all monies collected from the tax levied on oil at a tax rate of seven percent (7%) pursuant to the provisions of subsection B of Section 1001 of this title:

a. twenty-five and seventy-two one-hundredths percent (25.72%) shall be paid to the State Treasurer to be placed in the Common Education Technology Revolving Fund created in Section 34.90 of Title 62 of the Oklahoma Statutes,

b. twenty-five and seventy-two one-hundredths percent (25.72%) shall be paid to the State Treasurer to be placed in the Higher Education Capital Revolving Fund created in Section 34.91 of Title 62 of the Oklahoma Statutes,

c. twenty-five and seventy-two one-hundredths percent (25.72%) shall be paid to the State Treasurer to be placed in the Oklahoma Student Aid Revolving Fund created in Section 34.92 of Title 62 of the Oklahoma Statutes,

d. three and seven hundred forty-five one-thousandths percent (3.745%) shall be distributed to the various counties of the state for deposit into the County Bridge and Road Improvement Fund of each county based on a formula developed by the Department of Transportation and approved by the Department of Transportation County Advisory Board created pursuant to Section 302.1 of Title 69 of the Oklahoma Statutes to be used for the purposes set forth in the County Bridge and Road Improvement Act. The formula shall be similar to the formula currently used for the distribution of monies in the County Bridge Program funds, but shall also take into consideration the effect of the terrain and traffic volume as related to county road improvement and maintenance costs,

e. four and twenty-eight one-hundredths percent (4.28%) shall be paid to the State Treasurer to be apportioned to:

(1) the following sources and in the following amounts through the fiscal year ending June 30, 2016:

(a) thirty-three and one-third percent (33 1/3%) to the Oklahoma Tourism and Recreation Department Capital Expenditure Revolving Fund created pursuant to Section 2254.1 of Title 74 of the Oklahoma Statutes,

(b) thirty-three and one-third percent (33 1/3%) to the Oklahoma Conservation Commission Infrastructure Revolving Fund created pursuant to Section 3-2-110 of Title 27A of the Oklahoma Statutes, and

(c) thirty-three and one-third percent (33 1/3%) to the Community Water Infrastructure Development Revolving Fund created pursuant to Section 1085.7A of Title 82 of the Oklahoma Statutes, and

(2) the Oklahoma Water Resources Board Rural Economic Action Plan Water Projects Fund for the fiscal year beginning July 1, 2016, and for each fiscal year thereafter,

f. seven and fourteen one-hundredths percent (7.14%) of the sum collected from oil shall be paid to the various county treasurers, to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year,

g. seven and fourteen one-hundredths percent (7.14%) shall be allocated to each county as provided in subparagraph f of this paragraph and shall be apportioned, on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction, to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction, and

h. five hundred thirty-five one-thousandths percent (0.535%) of the levy shall be transmitted by the Oklahoma Tax Commission to the Statewide Circuit Engineering District Revolving Fund as created in Section 687.2 of Title 69 of the Oklahoma Statutes;

~~6.~~ 7. For all monies collected from the tax levied on oil at a tax rate of four percent (4%) pursuant to the provisions of subsection B of Section 1001 of this title:

a. twenty-two and one-half percent (22.5%) shall be paid to the State Treasurer to be placed in the Common Education Technology Revolving Fund created in Section 34.90 of Title 62 of the Oklahoma Statutes,

b. twenty-two and one-half percent (22.5%) shall be paid to the State Treasurer to be placed in the Higher Education Capital Revolving Fund created in Section 34.91 of Title 62 of the Oklahoma Statutes,

c. twenty-two and one-half percent (22.5%) shall be paid to the State Treasurer to be placed in the Oklahoma Student Aid Revolving Fund created in Section 34.92 of Title 62 of the Oklahoma Statutes,

d. three and twenty-eight one-hundredths percent (3.28%) shall be distributed to the various counties of the state for deposit into the County Bridge and Road Improvement Fund of each county based on a formula developed by the Department of Transportation and approved by the Department of Transportation County Advisory Board created pursuant to Section 302.1 of Title 69 of the Oklahoma Statutes to be used for the purposes set forth in the County Bridge and Road

Improvement Act. The formula shall be similar to the formula currently used for the distribution of monies in the County Bridge Program funds, but shall also take into consideration the effect of the terrain and traffic volume as related to county road improvement and maintenance costs,

e. three and seventy-five one-hundredths percent (3.75%) shall be paid to the State Treasurer to be apportioned to:

(1) the following sources and in the following amounts through the fiscal year ending June 30, 2016:

(a) thirty-three and one-third percent (33 1/3%) to the Oklahoma Tourism and Recreation Department Capital Expenditure Revolving Fund created pursuant to Section 2254.1 of Title 74 of the Oklahoma Statutes,

(b) thirty-three and one-third percent (33 1/3%) to the Oklahoma Conservation Commission Infrastructure Revolving Fund created pursuant to Section 3-2-110 of Title 27A of the Oklahoma Statutes, and

(c) thirty-three and one-third percent (33 1/3%) to the Community Water Infrastructure

Development Revolving Fund created pursuant to Section 1085.7A of Title 82 of the Oklahoma Statutes, and

(2) the Oklahoma Water Resources Board Rural Economic Action Plan Water Projects Fund for the fiscal year beginning July 1, 2016, and for each fiscal year thereafter,

f. twelve and one-half percent (12.5%) of the sum collected from oil shall be paid to the various county treasurers, to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year,

g. twelve and one-half percent (12.5%) shall be allocated to each county as provided in subparagraph f of this paragraph and shall be apportioned on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction, to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction, and

h. forty-seven one-hundredths percent (0.47%) of the levy shall be transmitted by the Tax Commission to the Statewide Circuit Engineering District Revolving Fund as created in Section 687.2 of Title 69 of the Oklahoma Statutes;

~~7.~~ 8. For all monies collected from the tax levied on oil at a tax rate of one percent (1%) pursuant to the provisions of subsection B of Section 1001 of this title:

a. fifty percent (50%) of the sum collected shall be paid to the various county treasurers, to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year, and

b. fifty percent (50%) shall be allocated to each county as provided for in subparagraph a of this paragraph and shall be apportioned on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction, to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction~~.~~;

9. For all monies collected from the tax levied on oil at a tax rate of two percent (2%) pursuant to the provisions of subparagraph c of paragraph 3 of subsection B of Section 1001 of this title:

a. fifty percent (50%) shall be paid to the State Treasurer to be placed in the General Revenue Fund of the state and used for the general expense of state government, to be paid out pursuant to direct appropriation by the Legislature,

b. twenty-five percent (25%) of the sum collected from oil shall be paid to the various county treasurers, to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year, and

c. twenty-five percent (25%) shall be allocated to each county as provided in subparagraph b of this paragraph and shall be apportioned on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction, to the school districts of the county where such pupils attend school regardless of residence of such pupil,

<u>provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction</u>.

B. Provided, notwithstanding any other provision of this section, the total amounts deposited to the Common Education Technology Revolving Fund, the Higher Education Capital Revolving Fund, the Oklahoma Student Aid Revolving Fund, the Rural Economic Action Plan Water Projects Fund, the Oklahoma Tourism and Recreation Department Capital Expenditure Revolving Fund, the Oklahoma Conservation Commission Infrastructure Revolving Fund and the Community Water Infrastructure Development Revolving Fund pursuant to paragraphs ~~5~~ <u>6</u> and ~~6~~ <u>7</u> of subsection A of this section shall not exceed One Hundred Fifty Million Dollars ($150,000,000.00) in any fiscal year. Except as otherwise provided in this subsection, all sums in excess of One Hundred Fifty Million Dollars ($150,000,000.00) in any fiscal year which would otherwise be deposited in such funds shall be apportioned by the Oklahoma Tax Commission to the General Revenue Fund of the state. ~~Provided, amounts which would otherwise be apportioned by the Oklahoma Tax Commission to the General Revenue Fund for the fiscal year ending on June 30, 2012, pursuant to this subsection, shall be apportioned as follows:~~

~~1. Thirty-seven Million Six Hundred Thousand Dollars ($37,600,000.00) to the State Department of Education disbursing~~

~~fund authorized by the Office of State Finance pursuant to the provisions of Section 34.48 of Title 62 of the Oklahoma Statutes, to be used for the purpose of funding the certified employee and support personnel health benefit allowance;~~

~~2. Fourteen Million Eight Hundred Forty-five Thousand Seven Hundred Dollars ($14,845,700.00) to the State Department of Education disbursing fund authorized by the Office of State Finance pursuant to the provisions of Section 34.48 of Title 62 of the Oklahoma Statutes, to be used for the purpose of providing bonuses to teachers who have achieved National Board certification, to school psychologists who have been designated as Nationally Certified School Psychologists by the National School Psychology Certification Board, and to speech-language pathologists and audiologists who hold a Certificate of Clinical Competence awarded by the American Speech-Language Hearing Association, pursuant to the Education Leadership Oklahoma Act;~~

~~3. Five Million Dollars ($5,000,000.00) to the Department of Public Safety Patrol Academy Revolving Fund created in Section 2-146 of Title 47 of the Oklahoma Statutes;~~

~~4. One Million Dollars ($1,000,000.00) to the Chief Medical Examiner Revolving Fund created in Section 954 of Title 63 of the Oklahoma Statutes;~~

~~5. Thirty-four Million One Hundred Forty-five Thousand Seven Hundred Six Dollars ($34,145,706.00) to the State Emergency Fund created in Section 139.42 of Title 62 of the Oklahoma Statutes; and~~

~~6. All funds except those deposited pursuant to the provisions of paragraphs 1 through 5 of this subsection to the General Revenue Fund.~~

SECTION 4. This act shall become effective July 1, 2014.

SECTION 5. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

54-2-11054 MAH 05/19/14