

1 ENGROSSED SENATE
2 BILL NO. 1577

By: Bingman of the Senate

3 and

4 Hickman of the House

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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16 _____
17 Presiding Officer of the Senate

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

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22 Presiding Officer of the House
23 of Representatives
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