

FLOOR AMENDMENT

HOUSE OF REPRESENTATIVES

State of Oklahoma

SPEAKER:

CHAIR:

I move to amend SB475

			Of the printed Bill
Page	<u>3</u>	Section	<u>1</u>
		Lines	<u>7 1/2</u>
			Of the Engrossed Bill

By inserting a new Section 2 to read as follows:

[INSERT ATTACHED]

And by renumbering the subsequent section.

AMEND TITLE TO CONFORM TO AMENDMENTS

Amendment submitted by: Scott Inman

Adopted: _____

Reading Clerk

1 "SECTION 2. AMENDATORY 68 O.S. 2011, Section 1001, as
2 last amended by Section 1, Chapter 346, O.S.L. 2014 (68 O.S. Supp.
3 2016, Section 1001), is amended to read as follows:

4 Section 1001. A. There is hereby levied upon the production of
5 asphalt, ores bearing lead, zinc, jack and copper a tax equal to
6 three-fourths of one percent ($3/4$ of 1%) on the gross value thereof.

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

14 2. Effective July 1, 2013, through June 30, 2015, except as
15 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of
16 this section, there shall be levied a tax equal to seven percent
17 (7%) of the gross value of the production of gas.

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

- 21 a. upon the production of oil a tax equal to seven
22 percent (7%) of the gross value of the production of
23 oil based on a per barrel measurement of forty-two
24 (42) U.S. gallons of two hundred thirty-one (231)

1 cubic inches per gallon, computed at a temperature of
2 sixty (60) degrees Fahrenheit,

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

6 c. notwithstanding the levies in subparagraphs a and b of
7 this paragraph, the production of oil, gas, or oil and
8 gas from wells spudded on or after July 1, 2015 and
9 prior to July 1, 2017, shall be taxed at a rate of two
10 percent (2%) commencing with the month of first
11 production for a period of thirty-six (36) months,
12 provided however, that such production shall be taxed
13 at a rate of five percent (5%) beginning July 1, 2017,
14 and for the remainder of the period otherwise provided
15 for under the provisions of this subparagraph.

16 Thereafter, the production shall be taxed as provided
17 in subparagraphs a and b of this paragraph.

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

21 D. 1. Except as otherwise provided in this section, for
22 secondary recovery projects approved or having an initial project
23 beginning date on or after July 1, 2000, and before July 1, ~~2020~~
24 2017, any incremental production attributable to the working

1 interest owners which results from such secondary recovery projects
2 shall be exempt from the gross production tax levied pursuant to
3 this section for a period not to exceed five (5) years from the
4 initial project beginning date or for a period ending upon the
5 termination of the secondary recovery process, whichever occurs
6 first, provided however, that such production shall be taxed at a
7 rate of five percent (5%) beginning July 1, 2017, and for the
8 remainder of the period otherwise provided for under the provisions
9 of this paragraph.

10 2. Except as otherwise provided in this section, for tertiary
11 recovery projects approved and having a project beginning date on or
12 after July 1, 1993, and before July 1, ~~2020~~ 2017, any incremental
13 production attributable to the working interest owners which results
14 from such tertiary recovery projects shall be exempt from the gross
15 production tax levied pursuant to this section from the project
16 beginning date until project payback is achieved, but not to exceed
17 a period of ten (10) years, provided however, that such production
18 shall be taxed at a rate of five percent (5%) beginning July 1,
19 2017, and for the remainder of the period otherwise provided for
20 under the provisions of this paragraph. Project payback pursuant to
21 this paragraph shall be determined by appropriate payback indicators
22 which will provide for the recovery of capital expenses and
23 operating expenses, excluding administrative expenses, in
24 determining project payback. The capital expenses of pipelines

1 constructed to transport carbon dioxide to a tertiary recovery
2 project shall not be included in determining project payback
3 pursuant to this paragraph.

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

7 4. For purposes of this subsection:

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

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

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

11 6. For new secondary recovery projects and tertiary recovery
12 projects approved by the Corporation Commission on or after July 1,
13 1993, and before July 1, ~~2020~~ 2017, such approval shall constitute
14 qualification for an exemption.

15 7. Any person seeking an exemption shall file an application
16 for such exemption with the Tax Commission which, upon determination
17 of qualification by the Corporation Commission, shall approve the
18 application for such exemption.

19 8. The Tax Commission may require any person requesting such
20 exemption to furnish information or records concerning the exemption
21 as is deemed necessary by the Tax Commission.

22 9. Upon the expiration of the exemption granted pursuant to
23 this subsection, the Tax Commission shall collect the gross
24 production tax levied pursuant to this section.

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

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

16 3. For production commenced on or after July 1, 2011, and prior
17 to July 1, 2015, the tax levied pursuant to the provisions of this
18 section on the production of oil, gas or oil and gas from a
19 horizontally drilled well shall be reduced to a rate of one percent
20 (1%) for a period of forty-eight (48) months from the month of
21 initial production, provided however, that such production shall be
22 taxed at a rate of five percent (5%) beginning July 1, 2017, and for
23 the remainder of the period otherwise provided for under the
24 provisions of this paragraph. The taxes collected from the

1 production of oil shall be apportioned pursuant to the provisions of
2 paragraph 8 of subsection A B of Section 1004 of this title. The
3 taxes collected from the production of gas shall be apportioned
4 pursuant to the provisions of paragraph 4 of subsection A B of
5 Section 1004 of this title.

6 4. The production of oil, gas or oil and gas on or after July
7 1, 2011, and prior to July 1, 2015, from these qualifying wells
8 shall be taxed at a rate of one percent (1%) until the expiration of
9 forty-eight (48) months commencing with the month of initial
10 production, provided however, that such production shall be taxed at
11 a rate of five percent (5%) beginning July 1, 2017, and for the
12 remainder of the period otherwise provided for under the provisions
13 of this paragraph.

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

20 F. 1. Except as otherwise provided by this section, the
21 severance or production of oil, gas or oil and gas from an inactive
22 well shall be exempt from the gross production tax levied pursuant
23 to subsection B of this section for a period of twenty-eight (28)
24 months from the date upon which production is reestablished,

1 provided however, that such production shall be taxed at a rate of
2 five percent (5%) beginning July 1, 2017, and for the remainder of
3 the period otherwise provided for under the provisions of this
4 paragraph. This exemption shall take effect July 1, 1994, and shall
5 apply to wells for which work to reestablish or enhance production
6 began on or after July 1, 1994, and for which production is
7 reestablished prior to July 1, ~~2020~~ 2017. For all such production,
8 a refund against gross production taxes shall be issued as provided
9 in subsection L of this section.

10 2. As used in this subsection, for wells for which production
11 is reestablished prior to July 1, 1997, "inactive well" means any
12 well that has not produced oil, gas or oil and gas for a period of
13 not less than two (2) years as evidenced by the appropriate forms on
14 file with the Corporation Commission reflecting the well's status.
15 As used in this subsection, for wells for which production is
16 reestablished on or after July 1, 1997, and prior to July 1, ~~2020~~
17 2017, "inactive well" means any well that has not produced oil, gas
18 or oil and gas for a period of not less than one (1) year as
19 evidenced by the appropriate forms on file with the Corporation
20 Commission reflecting the well's status. Wells which experience
21 mechanical failure or loss of mechanical integrity, as defined by
22 the Corporation Commission, including but not limited to, casing
23 leaks, collapse of casing or loss of equipment in a wellbore, or any
24

1 similar event which causes cessation of production, shall also be
2 considered inactive wells.

3 G. 1. Except as otherwise provided by this section, any
4 incremental production which results from a production enhancement
5 project shall be exempt from the gross production tax levied
6 pursuant to subsection B of this section for a period of twenty-
7 eight (28) months from the date of first sale after project
8 completion of the production enhancement project, provided however,
9 that such production shall be taxed at a rate of five percent (5%)
10 beginning July 1, 2017, and for the remainder of the period
11 otherwise provided for under the provisions of this paragraph. This
12 exemption shall take effect July 1, 1994, and shall apply to
13 production enhancement projects having a project beginning date on
14 or after July 1, 1994, and prior to July 1, ~~2020~~ 2017. For all such
15 production, a refund against gross production taxes shall be issued
16 as provided in subsection L of this section.

17 2. As used in this subsection:

18 a. for production enhancement projects having a project
19 beginning date on or after July 1, 1997, and prior to
20 July 1, ~~2020~~ 2017, "production enhancement project"
21 means any workover as defined in this paragraph,
22 recompletion as defined in this paragraph, reentry of
23 plugged and abandoned wellbores, or addition of a well
24 or field compression,

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

5 c. "base production" means the average monthly amount of
6 production for the twelve-month period immediately
7 prior to the commencement of the project or the
8 average monthly amount of production for the twelve-
9 month period immediately prior to the commencement of
10 the project less the monthly rate of production
11 decline for the project for each month beginning one
12 hundred eighty (180) days prior to the commencement of
13 the project. The monthly rate of production decline
14 shall be equal to the average extrapolated monthly
15 decline rate for the twelve-month period immediately
16 prior to the commencement of the project based on the
17 production history of the well. If the well or wells
18 covered in the application had production for less
19 than the full twelve-month period prior to the filing
20 of the application for the production enhancement
21 project, the base production shall be the average
22 monthly production for the months during that period
23 that the well or wells produced,

d. for production enhancement projects having a project beginning date on or after July 1, 1997, and prior to July 1, ~~2020~~ 2017, "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 on or after July 1, 1997, and prior to July 1, ~~2020~~ 2017, "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

1 drilled to a depth of twelve thousand five hundred
2 (12,500) feet or greater and wells spudded between
3 July 1, 2005, and July 1, 2015, and drilled to a depth
4 between twelve thousand five hundred (12,500) feet and
5 fourteen thousand nine hundred ninety-nine (14,999)
6 feet shall be exempt from the gross production tax
7 levied pursuant to subsection B of this section from
8 the date of first sales for a period of twenty-eight
9 (28) months, provided however, that such production
10 shall be taxed at a rate of five percent (5%)
11 beginning July 1, 2017, and for the remainder of the
12 period otherwise provided for under the provisions of
13 this subparagraph,

- 14 b. the production of oil, gas or oil and gas from wells
15 spudded between July 1, 2002, and July 1, 2005, and
16 drilled to a depth of fifteen thousand (15,000) feet
17 or greater and wells spudded between July 1, 2005, and
18 July 1, 2011, and drilled to a depth between fifteen
19 thousand (15,000) feet and seventeen thousand four
20 hundred ninety-nine (17,499) feet shall be exempt from
21 the gross production tax levied pursuant to subsection
22 B of this section from the date of first sales for a
23 period of forty-eight (48) months,
24

- 1 c. the production of oil, gas or oil and gas from wells
2 spudded between July 1, 2002, and July 1, 2011, and
3 drilled to a depth of seventeen thousand five hundred
4 (17,500) feet or greater shall be exempt from the
5 gross production tax levied pursuant to subsection B
6 of this section from the date of first sales for a
7 period of sixty (60) months,
- 8 d. the tax levied pursuant to the provisions of this
9 section on the production of oil, gas or oil and gas
10 from wells spudded between July 1, 2011, and July 1,
11 2015, and drilled to a depth between fifteen thousand
12 (15,000) feet and seventeen thousand four hundred
13 ninety-nine (17,499) feet shall be reduced to a rate
14 of four percent (4%) for a period of forty-eight (48)
15 months from the date of first sales, provided however,
16 that such production shall be taxed at a rate of five
17 percent (5%) beginning July 1, 2017, and for the
18 remainder of the period otherwise provided for under
19 the provisions of this subparagraph. The taxes
20 collected from the production of oil shall be
21 apportioned pursuant to the provisions of paragraph 7
22 of subsection A B of Section 1004 of this title. The
23 taxes collected from the production of gas shall be
24

1 apportioned pursuant to the provisions of paragraph 3
2 of subsection A B of Section 1004 of this title,
3 e. the tax levied pursuant to the provisions of this
4 section on the production of oil, gas or oil and gas
5 from wells spudded between July 1, 2011, and July 1,
6 2015, and drilled to a depth of seventeen thousand
7 five hundred (17,500) feet or greater shall be reduced
8 to a rate of four percent (4%) for a period of sixty
9 (60) months from the date of first sales, provided
10 however, that such production shall be taxed at a rate
11 of five percent (5%) beginning July 1, 2017, and for
12 the remainder of the period otherwise provided for
13 under the provisions of this subparagraph. The taxes
14 collected from the production of oil shall be
15 apportioned pursuant to the provisions of paragraph 7
16 of subsection A B of Section 1004 of this title. The
17 taxes collected from the production of gas shall be
18 apportioned pursuant to the provisions of paragraph 3
19 of subsection A B of Section 1004 of this title, and
20 f. the provisions of subparagraphs b and c of this
21 paragraph shall only apply to the production of wells
22 qualifying for the exemption provided under these
23 subparagraphs prior to July 1, 2011. The production
24 of oil, gas or oil and gas on or after July 1, 2011,

1 and before July 1, 2015, from wells qualifying under
2 subparagraph b of this paragraph shall be taxed at a
3 rate of four percent (4%) until the expiration of
4 forty-eight (48) months from the date of first sales,
5 provided however, that such production shall be taxed
6 at a rate of five percent (5%) beginning July 1, 2017,
7 and for the remainder of the period otherwise provided
8 for under the provisions of this subparagraph, and the
9 production of oil, gas or oil and gas on or after July
10 1, 2011, and before July 1, 2015, from wells
11 qualifying under subparagraph c of this paragraph
12 shall be taxed at a rate of four percent (4%) until
13 the expiration of sixty (60) months from the date of
14 first sales, provided however, that such production
15 shall be taxed at a rate of five percent (5%)
16 beginning July 1, 2017, and for the remainder of the
17 period otherwise provided for under the provisions of
18 this subparagraph.

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

22 I. Except as otherwise provided by this section, the production
23 of oil, gas or oil and gas from wells spudded or reentered between
24 July 1, 1995, and July 1, 2015, which qualify as a new discovery

1 pursuant to this subsection shall be exempt from the gross
2 production tax levied pursuant to subsection B of this section from
3 the date of first sales for a period of twenty-eight (28) months,
4 provided however, that such production shall be taxed at a rate of
5 five percent (5%) beginning July 1, 2017, and for the remainder of
6 the period otherwise provided for under the provisions of this
7 subsection. For all such wells spudded or reentered, a refund
8 against gross production taxes shall be issued as provided in
9 subsection L of this section. As used in this subsection, "new
10 discovery" means production of oil, gas or oil and gas from:

11 1. For wells spudded or reentered on or after July 1, 1997, and
12 prior to July 1, 2015, a well that discovers crude oil in paying
13 quantities that is more than one (1) mile from the nearest oil well
14 producing from the same producing interval of the same formation;

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

20 3. For wells spudded or reentered on or after July 1, 1997, and
21 prior to July 1, 2015, a well that discovers natural gas in paying
22 quantities that is more than two (2) miles from the nearest gas well
23 producing from the same producing interval; or
24

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

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

13 1. If the three-dimensional seismic shoot is shot prior to July
14 1, 2000, for a period of eighteen (18) months; and

15 2. If the three-dimensional seismic shoot is shot on or after
16 July 1, 2000, for a period of twenty-eight (28) months, provided
17 however, that such production shall be taxed at a rate of five
18 percent (5%) beginning July 1, 2017, and for the remainder of the
19 period otherwise provided for under the provisions of this
20 subsection. For all such production, a refund against gross
21 production taxes shall be issued as provided in subsection L of this
22 section.

23 K. 1. The exemptions provided for in subsections F, G, I and J
24 of this section, the exemption provided for in subparagraph a of

1 paragraph 2 of subsection H of this section, and the exemptions
2 provided for in subparagraphs b and c of paragraph 2 of subsection H
3 of this section for production from wells spudded before July 1,
4 2005, shall not apply:

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

18 (1) The "average annual index price" will be
19 calculated by multiplying the West Texas
20 Intermediate closing price by the "index price
21 ratio". The index price ratio is defined as the
22 immediate preceding three-year historical average
23 ratio of the actual weighted average wellhead
24

1 price to the West Texas Intermediate close price
2 published on the last business day of each month.

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

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

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

15 c. to the severance or production of gas, upon
16 determination by the Tax Commission that the average
17 annual index price of Oklahoma gas exceeds Five
18 Dollars (\$5.00) per thousand cubic feet (mcf)
19 calculated on an annual calendar year basis as
20 adjusted for inflation using the Consumer Price Index-
21 All Urban Consumers (CPI-U) as published by the Bureau
22 of Labor Statistics of the U.S. Department of Labor or
23 its successor agency. Such adjustment shall be based
24 on the most current data available for the preceding

1 twelve-month period and shall be applied for the
2 fiscal year which begins on the July 1 date
3 immediately following the release of the CPI-U data by
4 the Bureau of Statistics.

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

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

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

21 2. Notwithstanding the exemptions granted pursuant to
22 subsections F, G, I, J, paragraph 1 of subsection E, and
23 subparagraph a of paragraph 2 of subsection H of this section, there
24 shall continue to be levied upon the production of petroleum or

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

8 a. fifty percent (50%) of the sum collected shall be
9 apportioned to the County Highway Fund as provided in
10 subparagraph b of paragraph 1 of subsection ~~A~~ B of
11 Section 1004 of this title, and

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

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

19 L. 1. Prior to July 1, 2015, and except as provided in
20 subsection M of this section, for all oil and gas production exempt
21 from gross production taxes pursuant to subsections E, F, G, H, I
22 and J of this section during a given fiscal year, a refund of gross
23 production taxes shall be issued to the well operator or a designee
24

1 in the amount of such gross production taxes paid during such
2 period, subject to the following provisions:

- 3 a. a refund shall not be claimed until after the end of
4 such fiscal year. As used in this subsection, a
5 fiscal year shall be deemed to begin on July 1 of one
6 calendar year and shall end on June 30 of the
7 subsequent calendar year,
- 8 b. unless otherwise specified, no claims for refunds
9 pursuant to the provisions of this subsection shall be
10 filed more than eighteen (18) months after the first
11 day of the fiscal year in which the refund is first
12 available,
- 13 c. no claims for refunds pursuant to the provisions of
14 this subsection shall be filed by or on behalf of
15 persons other than the operator or a working interest
16 owner of record at the time of production,
- 17 d. no refunds shall be claimed or paid pursuant to the
18 provisions of this subsection for oil or gas
19 production upon which a tax is paid at a rate of one
20 percent (1%) as specified in subsection B of this
21 section, and
- 22 e. no refund shall be paid unless the person making the
23 claim for refund demonstrates by affidavit or other
24 means prescribed by the Tax Commission that an amount

1 equal to or greater than the amount of the refund has
2 been invested in the exploration for or production of
3 crude oil or natural gas in this state by such person
4 not more than three (3) years prior to the date of the
5 claim. No amount of investment used to qualify for a
6 refund pursuant to the provisions of this subsection
7 may be used to qualify for another refund pursuant to
8 the provisions of this subsection.

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

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

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

- 1 b. unless otherwise specified, no claims for refunds
2 pursuant to the provisions of this subsection shall be
3 filed more than eighteen (18) months after the first
4 day of the fiscal year in which the refund is first
5 available,
- 6 c. no claims for refunds pursuant to the provisions of
7 this subsection shall be filed by or on behalf of
8 persons other than the operator or a working interest
9 owner of record at the time of production,
- 10 d. no refunds shall be claimed or paid pursuant to the
11 provisions of this subsection for oil or gas
12 production upon which a tax is paid at a rate of two
13 percent (2%), and
- 14 e. no refund shall be paid unless the person making the
15 claim for refund demonstrates by affidavit or other
16 means prescribed by the Tax Commission that an amount
17 equal to or greater than the amount of the refund has
18 been invested in the exploration for or production of
19 crude oil or natural gas in this state by such person
20 not more than three (3) years prior to the date of the
21 claim. No amount of investment used to qualify for a
22 refund pursuant to the provisions of this paragraph
23 may be used to qualify for another refund pursuant to
24 the provisions of this paragraph.

1 If there are insufficient funds collected from the production of
2 oil or gas to satisfy the refunds claimed for oil or gas production
3 pursuant to subsection F or G of this section, the Tax Commission
4 shall pay the balance of the refund claims out of the gross
5 production taxes collected from either the production of oil or gas,
6 as necessary.

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

12 M. Claims for refunds filed for the exemptions provided in
13 paragraph 1 of subsection E, and subparagraphs b and c of paragraph
14 2 of subsection H of this section for the production periods
15 beginning on or after July 1, 2009, and ending on or before June 30,
16 2011, shall be paid pursuant to the provisions of this subsection.
17 The claims for refunds referenced herein shall be paid in equal
18 payments of a period of thirty-six (36) months. The first payment
19 shall be made after July 1, 2012, but prior to August 1, 2012. The
20 Tax Commission shall provide, not later than June 30, 2012, to the
21 operator or designated interest owner, a schedule of rebates to be
22 paid out over the thirty-six-month period. The payments required to
23 be made pursuant to the provisions of this subsection shall be
24 subject to a penalty rate of interest equal to nine percent (9%) per

1 annum. The penalty rate of interest shall accrue for each day that
2 a required payment is not made by the end of the month for which the
3 payment is required to be made by the Tax Commission. For purposes
4 of computing the per diem rate of interest pursuant to this
5 subsection, a calendar year shall be deemed to consist of three
6 hundred sixty (360) days.

7 N. 1. The Corporation Commission and the Tax Commission shall
8 promulgate joint rules for the qualification for the exemptions
9 provided for in this section and the rules shall contain provisions
10 for verification of any wells from which production may be qualified
11 for the exemptions. The Tax Commission shall adopt rules and
12 regulations which establish guidelines for production of oil or gas
13 after July 1, 2011, which is exempt from tax pursuant to the
14 provisions of paragraph 1 of subsection E and subparagraphs b and c
15 of paragraph 2 of subsection H of this section to remit tax at the
16 reduced rate provided in paragraph 2 of subsection E and
17 subparagraphs d and e of paragraph 2 of subsection H of this section
18 until the end of the qualifying exemption period.

19 2. Any person requesting any exemption shall file an
20 application for qualification for the exemption with the Corporation
21 Commission which, upon finding that the well meets the requirements
22 of this section, shall approve the application for qualification.

23 3. Any person seeking an exemption shall:
24

- 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 an exemption granted pursuant to 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.

0. 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

1 the exemption granted pursuant to subsection E, F, G, H, I or J of
2 this section shall not be prohibited from qualification for the
3 exemption granted pursuant to subsection D of this section, if the
4 exemption granted pursuant to subsection E, F, G, H, I or J of this
5 section has expired.

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

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

1 attendance of witnesses, and the production of books, records and
2 papers of any person.

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

20 R. The Tax Commission shall have the power and authority to
21 ascertain and determine whether or not any report herein required to
22 be filed with it is a true and correct report of the gross products,
23 and of the value thereof, of such person engaged in the mining or
24 production or purchase of asphalt and ores bearing minerals

1 aforesaid and of oil and gas. If any person has made an untrue or
2 incorrect report of the gross production or value or volume thereof,
3 or shall have failed or refused to make such report, the Tax
4 Commission shall, under the rules prescribed by it, ascertain the
5 correct amount of either, and compute the tax.

6 S. The payment of the taxes herein levied shall be in full, and
7 in lieu of all taxes by the state, counties, cities, towns, school
8 districts and other municipalities upon any property rights attached
9 to or inherent in the right to the minerals, upon producing leases
10 for the mining of asphalt and ores bearing lead, zinc, jack or
11 copper, or for oil, or for gas, upon the mineral rights and
12 privileges for the minerals aforesaid belonging or appertaining to
13 land, upon the machinery, appliances and equipment used in and
14 around any well producing oil, or gas, or any mine producing asphalt
15 or any of the mineral ores aforesaid and actually used in the
16 operation of such well or mine. The payment of gross production tax
17 shall also be in lieu of all taxes upon the oil, gas, asphalt or
18 ores bearing minerals hereinbefore mentioned during the tax year in
19 which the same is produced, and upon any investment in any of the
20 leases, rights, privileges, minerals or other property described
21 herein. Any interest in the land, other than that herein
22 enumerated, and oil in storage, asphalt and ores bearing minerals
23 hereinbefore named, mined, produced and on hand at the date as of
24 which property is assessed for general and ad valorem taxation for

1 any subsequent tax year, shall be assessed and taxed as other
2 property within the taxing district in which such property is
3 situated at the time.

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

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

22
23 56-1-7559 JM 04/12/17
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