

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, shall
9 be taxed at a rate of two percent (2%) commencing with
10 the month of first production ~~for a period of thirty-~~
11 ~~six (36) months~~ until July 1, 2017. Thereafter, the
12 production shall be taxed as provided in subparagraphs
13 a and b of this paragraph.

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

17 D. 1. Except as otherwise provided in this section, for
18 secondary recovery projects approved or having an initial project
19 beginning date on or after July 1, 2000, and before July 1, ~~2020~~
20 2017, any incremental production attributable to the working
21 interest owners which results from such secondary recovery projects
22 shall be exempt from the gross production tax levied pursuant to
23 this section for a period not to exceed five (5) years from the
24 initial project beginning date or for a period ending upon the

1 termination of the secondary recovery process, whichever occurs
2 first; provided however, the exemption otherwise authorized by this
3 paragraph shall not apply to production occurring on or after July
4 1, 2017.

5 2. Except as otherwise provided in this section, for tertiary
6 recovery projects approved and having a project beginning date on or
7 after July 1, 1993, and before July 1, ~~2020~~ 2017, any incremental
8 production attributable to the working interest owners which results
9 from such tertiary recovery projects shall be exempt from the gross
10 production tax levied pursuant to this section from the project
11 beginning date until project payback is achieved, but not to exceed
12 a period of ten (10) years; provided however, the exemption
13 otherwise authorized by this paragraph shall not apply to production
14 occurring on or after July 1, 2017. Project payback pursuant to
15 this paragraph shall be determined by appropriate payback indicators
16 which will provide for the recovery of capital expenses and
17 operating expenses, excluding administrative expenses, in
18 determining project payback. The capital expenses of pipelines
19 constructed to transport carbon dioxide to a tertiary recovery
20 project shall not be included in determining project payback
21 pursuant to this paragraph.

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

1 4. For purposes of this subsection:

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

22 5. The Corporation Commission shall promulgate rules for the
23 qualification for this exemption which shall include, but not be
24 limited to, procedures for determining incremental production as

1 defined in subparagraph a of paragraph 4 of this subsection, and the
2 establishment of appropriate payback indicators as approved by the
3 Tax Commission for the determination of project payback for each of
4 the exemptions authorized by this subsection.

5 6. For new secondary recovery projects and tertiary recovery
6 projects approved by the Corporation Commission on or after July 1,
7 1993, and before July 1, ~~2020~~ 2017, such approval shall constitute
8 qualification for an exemption.

9 7. Any person seeking an exemption shall file an application
10 for such exemption with the Tax Commission which, upon determination
11 of qualification by the Corporation Commission, shall approve the
12 application for such exemption.

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

16 9. Upon the expiration of the exemption granted pursuant to
17 this subsection, the Tax Commission shall collect the gross
18 production tax levied pursuant to this section.

19 E. 1. Except as otherwise provided in this section, the
20 production of oil, gas or oil and gas from a horizontally drilled
21 well producing prior to July 1, 2011, which production commenced
22 after July 1, 2002, shall be exempt from the gross production tax
23 levied pursuant to subsection B of this section from the project
24 beginning date until project payback is achieved but not to exceed a

1 period of forty-eight (48) months commencing with the month of
2 initial production from the horizontally drilled well. For purposes
3 of subsection D of this section and this subsection, project payback
4 shall be determined as of the date of the completion of the well and
5 shall not include any expenses beyond the completion date of the
6 well, and subject to the approval of the Tax Commission.

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

10 3. For production commenced on or after July 1, 2011, and prior
11 to July 1, 2015, the tax levied pursuant to the provisions of this
12 section on the production of oil, gas or oil and gas from a
13 horizontally drilled well shall be reduced to a rate of one percent
14 (1%) for a period of forty-eight (48) months from the month of
15 initial production; provided however, the exemption otherwise
16 authorized by this paragraph shall not apply to production occurring
17 on or after July 1, 2017. The taxes collected from the production
18 of oil shall be apportioned pursuant to the provisions of paragraph
19 8 of subsection ~~A~~ B of Section 1004 of this title. The taxes
20 collected from the production of gas shall be apportioned pursuant
21 to the provisions of paragraph 4 of subsection ~~A~~ B of Section 1004
22 of this title.

23 4. The production of oil, gas or oil and gas on or after July
24 1, 2011, and prior to July 1, 2015, from these qualifying wells

1 shall be taxed at a rate of one percent (1%) until the expiration of
2 forty-eight (48) months commencing with the month of initial
3 production; provided however, the exemption otherwise authorized by
4 this paragraph shall not apply to production occurring on or after
5 July 1, 2017.

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

12 F. 1. Except as otherwise provided by this section, the
13 severance or production of oil, gas or oil and gas from an inactive
14 well shall be exempt from the gross production tax levied pursuant
15 to subsection B of this section for a period of twenty-eight (28)
16 months from the date upon which production is reestablished;
17 provided however, the exemption otherwise authorized by this
18 paragraph shall not apply to production occurring on or after July
19 1, 2017. This exemption shall take effect July 1, 1994, and shall
20 apply to wells for which work to reestablish or enhance production
21 began on or after July 1, 1994, and for which production is
22 reestablished prior to July 1, ~~2020~~ 2017. For all such production,
23 a refund against gross production taxes shall be issued as provided
24 in subsection L of this section.

1 2. As used in this subsection, for wells for which production
2 is reestablished prior to July 1, 1997, "inactive well" means any
3 well that has not produced oil, gas or oil and gas for a period of
4 not less than two (2) years as evidenced by the appropriate forms on
5 file with the Corporation Commission reflecting the well's status.
6 As used in this subsection, for wells for which production is
7 reestablished on or after July 1, 1997, and prior to July 1, ~~2020~~
8 2017, "inactive well" means any well that has not produced oil, gas
9 or oil and gas for a period of not less than one (1) year as
10 evidenced by the appropriate forms on file with the Corporation
11 Commission reflecting the well's status. Wells which experience
12 mechanical failure or loss of mechanical integrity, as defined by
13 the Corporation Commission, including but not limited to, casing
14 leaks, collapse of casing or loss of equipment in a wellbore, or any
15 similar event which causes cessation of production, shall also be
16 considered inactive wells.

17 G. 1. Except as otherwise provided by this section, any
18 incremental production which results from a production enhancement
19 project shall be exempt from the gross production tax levied
20 pursuant to subsection B of this section for a period of twenty-
21 eight (28) months from the date of first sale after project
22 completion of the production enhancement project; provided however,
23 the exemption otherwise authorized by this paragraph shall not apply
24 to production occurring on or after July 1, 2017. This exemption

1 shall take effect July 1, 1994, and shall apply to production
2 enhancement projects having a project beginning date on or after
3 July 1, 1994, and prior to July 1, ~~2020~~ 2017. For all such
4 production, a refund against gross production taxes shall be issued
5 as provided in subsection L of this section.

6 2. As used in this subsection:

- 7 a. for production enhancement projects having a project
8 beginning date on or after July 1, 1997, and prior to
9 July 1, ~~2020~~ 2017, "production enhancement project"
10 means any workover as defined in this paragraph,
11 recompletion as defined in this paragraph, reentry of
12 plugged and abandoned wellbores, or addition of a well
13 or field compression,
- 14 b. "incremental production" means the amount of crude
15 oil, natural gas or other hydrocarbons which are
16 produced as a result of the production enhancement
17 project in excess of the base production,
- 18 c. "base production" means the average monthly amount of
19 production for the twelve-month period immediately
20 prior to the commencement of the project or the
21 average monthly amount of production for the twelve-
22 month period immediately prior to the commencement of
23 the project less the monthly rate of production
24 decline for the project for each month beginning one

1 hundred eighty (180) days prior to the commencement of
2 the project. The monthly rate of production decline
3 shall be equal to the average extrapolated monthly
4 decline rate for the twelve-month period immediately
5 prior to the commencement of the project based on the
6 production history of the well. If the well or wells
7 covered in the application had production for less
8 than the full twelve-month period prior to the filing
9 of the application for the production enhancement
10 project, the base production shall be the average
11 monthly production for the months during that period
12 that the well or wells produced,

13 d. for production enhancement projects having a project
14 beginning date on or after July 1, 1997, and prior to
15 July 1, ~~2020~~ 2017, "recompletion" means any downhole
16 operation in an existing oil or gas well that is
17 conducted to establish production of oil or gas from
18 any geologic interval not currently completed or
19 producing in such existing oil or gas well within the
20 same or a different geologic formation, and

21 e. "workover" means any downhole operation in an existing
22 oil or gas well that is designed to sustain, restore
23 or increase the production rate or ultimate recovery
24 in a geologic interval currently completed or

1 producing in the existing oil or gas well. For
2 production enhancement projects having a project
3 beginning date on or after July 1, 1997, and prior to
4 July 1, ~~2020~~ 2017, "workover" includes, but is not
5 limited to:

- 6 (1) acidizing,
- 7 (2) reperforating,
- 8 (3) fracture treating,
- 9 (4) sand/paraffin/scale removal or other wellbore
10 cleanouts,
- 11 (5) casing repair,
- 12 (6) squeeze cementing,
- 13 (7) installation of compression on a well or group of
14 wells or initial installation of artificial lifts
15 on gas wells, including plunger lifts, rod pumps,
16 submersible pumps and coiled tubing velocity
17 strings,
- 18 (8) downsizing existing tubing to reduce well
19 loading,
- 20 (9) downhole commingling,
- 21 (10) bacteria treatments,
- 22 (11) upgrading the size of pumping unit equipment,
- 23 (12) setting bridge plugs to isolate water production
24 zones, or

1 (13) any combination thereof.

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

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

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

11 a. the production of oil, gas or oil and gas from wells
12 spudded between July 1, 1997, and July 1, 2005, and
13 drilled to a depth of twelve thousand five hundred
14 (12,500) feet or greater and wells spudded between
15 July 1, 2005, and July 1, 2015, and drilled to a depth
16 between twelve thousand five hundred (12,500) feet and
17 fourteen thousand nine hundred ninety-nine (14,999)
18 feet shall be exempt from the gross production tax
19 levied pursuant to subsection B of this section from
20 the date of first sales for a period of twenty-eight
21 (28) months; provided however, the exemption otherwise
22 authorized by this subparagraph shall not apply to
23 production occurring on or after July 1, 2017,
24

- 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)

1 months from the date of first sales; provided however,
2 the exemption otherwise authorized by this
3 subparagraph shall not apply to production occurring
4 on or after July 1, 2017. The taxes collected from
5 the production of oil shall be apportioned pursuant to
6 the provisions of paragraph 7 of subsection A B of
7 Section 1004 of this title. The taxes collected from
8 the production of gas shall be apportioned pursuant to
9 the provisions of paragraph 3 of subsection ~~A~~ B of
10 Section 1004 of this title,

- 11 e. the tax levied pursuant to the provisions of this
12 section on the production of oil, gas or oil and gas
13 from wells spudded between July 1, 2011, and July 1,
14 2015, and drilled to a depth of seventeen thousand
15 five hundred (17,500) feet or greater shall be reduced
16 to a rate of four percent (4%) for a period of sixty
17 (60) months from the date of first sales; provided
18 however, the exemption otherwise authorized by this
19 subparagraph shall not apply to production occurring
20 on or after July 1, 2017. The taxes collected from
21 the production of oil shall be apportioned pursuant to
22 the provisions of paragraph 7 of subsection A B of
23 Section 1004 of this title. The taxes collected from
24 the production of gas shall be apportioned pursuant to

1 the provisions of paragraph 3 of subsection ~~A~~ B of
2 Section 1004 of this title, and

3 f. the provisions of subparagraphs b and c of this
4 paragraph shall only apply to the production of wells
5 qualifying for the exemption provided under these
6 subparagraphs prior to July 1, 2011. The production
7 of oil, gas or oil and gas on or after July 1, 2011,
8 and before July 1, 2015, from wells qualifying under
9 subparagraph b of this paragraph shall be taxed at a
10 rate of four percent (4%) until the expiration of
11 forty-eight (48) months from the date of first sales
12 ~~and the~~; provided however, the exemption otherwise
13 authorized by this subparagraph shall not apply to
14 production occurring on or after July 1, 2017. The
15 production of oil, gas or oil and gas on or after July
16 1, 2011, and before July 1, 2015, from wells
17 qualifying under subparagraph c of this paragraph
18 shall be taxed at a rate of four percent (4%) until
19 the expiration of sixty (60) months from the date of
20 first sales; provided however, the exemption otherwise
21 authorized by this subparagraph shall not apply to
22 production occurring on or after July 1, 2017.
23
24

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

4 I. Except as otherwise provided by this section, the production
5 of oil, gas or oil and gas from wells spudded or reentered between
6 July 1, 1995, and July 1, 2015, which qualify as a new discovery
7 pursuant to this subsection shall be exempt from the gross
8 production tax levied pursuant to subsection B of this section from
9 the date of first sales for a period of twenty-eight (28) months;
10 provided however, the exemption otherwise authorized by this
11 subsection shall not apply to production occurring on or after July
12 1, 2017. For all such wells spudded or reentered, a refund against
13 gross production taxes shall be issued as provided in subsection L
14 of this section. As used in this subsection, "new discovery" means
15 production of oil, gas or oil and gas from:

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

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

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

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

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

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

19 2. If the three-dimensional seismic shoot is shot on or after
20 July 1, 2000, for a period of twenty-eight (28) months; provided
21 however, the exemption otherwise authorized by this paragraph shall
22 not apply to production occurring on or after July 1, 2017. For all
23 such production, a refund against gross production taxes shall be
24 issued as provided in subsection L of this section.

1 K. 1. The exemptions provided for in subsections F, G, I and J
2 of this section, the exemption provided for in subparagraph a of
3 paragraph 2 of subsection H of this section, and the exemptions
4 provided for in subparagraphs b and c of paragraph 2 of subsection H
5 of this section for production from wells spudded before July 1,
6 2005, shall not apply:

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

20 (1) The "average annual index price" will be
21 calculated by multiplying the West Texas
22 Intermediate closing price by the "index price
23 ratio". The index price ratio is defined as the
24 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

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

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

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

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

22 2. Notwithstanding the exemptions granted pursuant to
23 subsections F, G, I, ~~I~~ and J of this section, paragraph 1 of
24 subsection E of this section, and subparagraph a of paragraph 2 of

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

- 10 a. fifty percent (50%) of the sum collected shall be
11 apportioned to the County Highway Fund as provided in
12 subparagraph b of paragraph 1 of subsection ~~A~~ B of
13 Section 1004 of this title, and
14 b. fifty percent (50%) of the sum collected shall be
15 apportioned to the appropriate school district as
16 provided in subparagraph c of paragraph 1 of
17 subsection ~~A~~ B of Section 1004 of this title.

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

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

1 production taxes shall be issued to the well operator or a designee
2 in the amount of such gross production taxes paid during such
3 period, subject to the following provisions:

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

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

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

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

23 e. no refund shall be paid unless the person making the
24 claim for refund demonstrates by affidavit or other

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

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

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

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

1 calendar year and shall end on June 30 of the
2 subsequent calendar year,

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

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

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

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

1 may be used to qualify for another refund pursuant to
2 the provisions of this paragraph.

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

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

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

1 payments required to be made pursuant to the provisions of this
2 subsection shall be subject to a penalty rate of interest equal to
3 nine percent (9%) per annum. The penalty rate of interest shall
4 accrue for each day that a required payment is not made by the end
5 of the month for which the payment is required to be made by the Tax
6 Commission. For purposes of computing the per diem rate of interest
7 pursuant to this subsection, a calendar year shall be deemed to
8 consist of three hundred sixty (360) days.

9 N. 1. The Corporation Commission and the Tax Commission shall
10 promulgate joint rules for the qualification for the exemptions
11 provided for in this section and the rules shall contain provisions
12 for verification of any wells from which production may be qualified
13 for the exemptions. The Tax Commission shall adopt rules and
14 regulations which establish guidelines for production of oil or gas
15 after July 1, 2011, which is exempt from tax pursuant to the
16 provisions of paragraph 1 of subsection E of this section and
17 subparagraphs b and c of paragraph 2 of subsection H of this section
18 to remit tax at the reduced rate provided in paragraph 2 of
19 subsection E of this section and subparagraphs d and e of paragraph
20 2 of subsection H of this section until the end of the qualifying
21 exemption period.

22 2. Any person requesting any exemption shall file an
23 application for qualification for the exemption with the Corporation
24

1 Commission which, upon finding that the well meets the requirements
2 of this section, shall approve the application for qualification.

3 3. Any person seeking an exemption shall:

- 4 a. file an application for the exemption with the Tax
5 Commission which, upon determination of qualification
6 by the Corporation Commission, shall approve the
7 application for an exemption, and
- 8 b. provide a copy of the approved application to the
9 remitter of the gross production tax.

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

13 5. Upon the expiration of an exemption granted pursuant to this
14 section, the Tax Commission shall collect the gross production tax
15 levied pursuant to this section. If a person who qualifies for the
16 exemption elects to remit his or her own gross production tax during
17 the exemption period, the first purchaser shall not be liable to
18 withhold or remit the tax until the first day of the month following
19 the receipt of written notification from the person who is qualified
20 for such exemption stating that such exemption has expired and
21 directing the first purchaser to resume tax remittance on his or her
22 behalf.

23 O. 1. Prior to July 1, 2015, persons shall only be entitled to
24 either the exemption granted pursuant to subsection D of this

1 section or the exemption granted pursuant to subsection E, F, G, H,
2 I or J of this section for each oil, gas or oil and gas well drilled
3 or recompleted in this state. However, any person who qualifies for
4 the exemption granted pursuant to subsection E, F, G, H, I or J of
5 this section shall not be prohibited from qualification for the
6 exemption granted pursuant to subsection D of this section, if the
7 exemption granted pursuant to subsection E, F, G, H, I or J of this
8 section has expired.

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

21 P. The Tax Commission shall have the power to require any such
22 person engaged in mining or the production or the purchase of such
23 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any
24 royalty interest therein to furnish any additional information by it

1 deemed to be necessary for the purpose of correctly computing the
2 amount of the tax; and to examine the books, records and files of
3 such person; and shall have power to conduct hearings and compel the
4 attendance of witnesses, and the production of books, records and
5 papers of any person.

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

23 R. The Tax Commission shall have the power and authority to
24 ascertain and determine whether or not any report herein required to

1 be filed with it is a true and correct report of the gross products,
2 and of the value thereof, of such person engaged in the mining or
3 production or purchase of asphalt and ores bearing minerals
4 aforesaid and of oil and gas. If any person has made an untrue or
5 incorrect report of the gross production or value or volume thereof,
6 or shall have failed or refused to make such report, the Tax
7 Commission shall, under the rules prescribed by it, ascertain the
8 correct amount of either, and compute the tax.

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

1 enumerated, and oil in storage, asphalt and ores bearing minerals
2 hereinbefore named, mined, produced and on hand at the date as of
3 which property is assessed for general and ad valorem taxation for
4 any subsequent tax year, shall be assessed and taxed as other
5 property within the taxing district in which such property is
6 situated at the time.

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

20 U. The exemption from ad valorem tax set forth in subsections S
21 and T of this section shall continue to apply to all property from
22 which production of oil, gas or oil and gas is exempt from gross
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24

1 production tax pursuant to subsection D, E, F, G, H, I or J of this
2 section."

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