

SENATE CHAMBER
STATE OF OKLAHOMA

DISPOSITION

☐ FLOOR AMENDMENT

No. _____

☐ COMMITTEE AMENDMENT

(Date)

Mr./Madame President:

I move to amend Bill No.24X , as follows:

On Page 1, Line 16, through Page 2, Line 5, by deleting all language;

On Page 1, Line 16, by inserting the attached new Section 1; and

By amending title to conform

Submitted by:

Senator David

David-JCR-FA-Req#24X
10/30/2017 6:15 PM

(Floor Amendments Only) Date and Time Filed: _____

☐ Untimely

☐ Amendment Cycle Extended

☐ Secondary Amendment

SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001, as last amended by Section 1, Chapter 355, O.S.L. 2017 (68 O.S. Supp. 2015, Section 1001), is amended to read as follows:

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

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

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

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

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

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. Thereafter, the production shall be
12 taxed as provided in subparagraphs a and b of this
13 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, 2017,
20 any incremental production attributable to the working interest
21 owners which results from such secondary recovery projects shall be
22 exempt from the gross production tax levied pursuant to this section
23 for a period not to exceed five (5) years from the initial project
24 beginning date or for a period ending upon the termination of the

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

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

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

24 4. For purposes of this subsection:

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

21 5. The Corporation Commission shall promulgate rules for the
22 qualification for this exemption which shall include, but not be
23 limited to, procedures for determining incremental production as
24 defined in subparagraph a of paragraph 4 of this subsection, and the

1 establishment of appropriate payback indicators as approved by the
2 Tax Commission for the determination of project payback for each of
3 the exemptions authorized by this subsection.

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

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

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

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

18 E. 1. Except as otherwise provided in this section, the
19 production of oil, gas or oil and gas from a horizontally drilled
20 well producing prior to July 1, 2011, which production commenced
21 after July 1, 2002, shall be exempt from the gross production tax
22 levied pursuant to subsection B of this section from the project
23 beginning date until project payback is achieved but not to exceed a
24 period of forty-eight (48) months commencing with the month of

1 initial production from the horizontally drilled well. For purposes
2 of subsection D of this section and this subsection, project payback
3 shall be determined as of the date of the completion of the well and
4 shall not include any expenses beyond the completion date of the
5 well, and subject to the approval of the Tax Commission.

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

9 3. For production commenced on or after July 1, 2011, and prior
10 to July 1, 2015, the tax levied pursuant to the provisions of this
11 section on the production of oil, gas or oil and gas from a
12 horizontally drilled well shall be reduced to a rate of one percent
13 (1%) for a period of forty-eight (48) months from the month of
14 initial production; provided however, such production occurring on
15 or after ~~the effective date of this act for the remainder of such~~
16 ~~forty-eight-month period~~ July 1, 2017, and before December 1, 2017,
17 shall be subject to a reduced rate of four percent (4%). Production
18 occurring on or after December 1, 2017, shall not be subject to a
19 reduced rate. The taxes collected from the production of oil shall
20 be apportioned pursuant to the provisions of paragraph 7 of
21 subsection B of Section 1004 of this title. The taxes collected
22 from the production of gas shall be apportioned pursuant to the
23 provisions of paragraph 3 of subsection B of Section 1004 of this
24 title.

1 4. ~~The~~ Except as otherwise provided in paragraph 3 of this
2 subsection, the production of oil, gas or oil and gas on or after
3 July 1, 2011, and prior to July 1, 2015, from these qualifying wells
4 shall be taxed at a rate of one percent (1%) until the expiration of
5 forty-eight (48) months commencing with the month of initial
6 production.

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

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

1 gross production taxes shall be issued as provided in subsection L
2 of this section.

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

19 G. 1. Except as otherwise provided by this section, any
20 incremental production which results from a production enhancement
21 project shall be exempt from the gross production tax levied
22 pursuant to subsection B of this section for a period of twenty-
23 eight (28) months from the date of first sale after project
24 completion of the production enhancement project; provided however,

1 that the exemption provided by this paragraph shall not apply to
2 production occurring on or after July 1, 2017. This exemption shall
3 take effect July 1, 1994, and shall apply to production enhancement
4 projects having a project beginning date on or after July 1, 1994,
5 and prior to July 1, 2017. For all such production, a refund
6 against gross production taxes shall be issued as provided in
7 subsection L of this section.

8 2. As used in this subsection:

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

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

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

23 e. "workover" means any downhole operation in an existing
24 oil or gas well that is designed to sustain, restore

1 or increase the production rate or ultimate recovery
2 in a geologic interval currently completed or
3 producing in the existing oil or gas well. For
4 production enhancement projects having a project
5 beginning date on or after July 1, 1997, and prior to
6 July 1, 2017, "workover" includes, but is not limited
7 to:

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

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

3 (13) any combination thereof.

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

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

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

13 a. the production of oil, gas or oil and gas from wells
14 spudded between July 1, 1997, and July 1, 2005, and
15 drilled to a depth of twelve thousand five hundred
16 (12,500) feet or greater and wells spudded between
17 July 1, 2005, and July 1, 2015, and drilled to a depth
18 between twelve thousand five hundred (12,500) feet and
19 fourteen thousand nine hundred ninety-nine (14,999)
20 feet shall be exempt from the gross production tax
21 levied pursuant to subsection B of this section from
22 the date of first sales for a period of twenty-eight
23 (28) months; provided however, that the exemption
24

provided by this subparagraph shall not apply to
production occurring on or after July 1, 2017,

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

1 ninety-nine (17,499) feet shall be reduced to a rate
2 of four percent (4%) for a period of forty-eight (48)
3 months from the date of first sales. The taxes
4 collected from the production of oil shall be
5 apportioned pursuant to the provisions of paragraph 7
6 of subsection B of Section 1004 of this title. The
7 taxes collected from the production of gas shall be
8 apportioned pursuant to the provisions of paragraph 3
9 of subsection B of Section 1004 of this title,

- 10 e. the tax levied pursuant to the provisions of this
11 section on the production of oil, gas or oil and gas
12 from wells spudded between July 1, 2011, and July 1,
13 2015, and drilled to a depth of seventeen thousand
14 five hundred (17,500) feet or greater shall be reduced
15 to a rate of four percent (4%) for a period of sixty
16 (60) months from the date of first sales. The taxes
17 collected from the production of oil shall be
18 apportioned pursuant to the provisions of paragraph 7
19 of subsection B of Section 1004 of this title. The
20 taxes collected from the production of gas shall be
21 apportioned pursuant to the provisions of paragraph 3
22 of subsection B of Section 1004 of this title, and
23 f. the provisions of subparagraphs b and c of this
24 paragraph shall only apply to the production of wells

1 qualifying for the exemption provided under these
2 subparagraphs prior to July 1, 2011. The production
3 of oil, gas or oil and gas on or after July 1, 2011,
4 and before July 1, 2015, from wells qualifying under
5 subparagraph b of this paragraph shall be taxed at a
6 rate of four percent (4%) until the expiration of
7 forty-eight (48) months from the date of first sales
8 and the production of oil, gas or oil and gas on or
9 after July 1, 2011, and before July 1, 2015, from
10 wells qualifying under subparagraph c of this
11 paragraph shall be taxed at a rate of four percent
12 (4%) until the expiration of sixty (60) months from
13 the date of first sales.

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

17 I. Except as otherwise provided by this section, the production
18 of oil, gas or oil and gas from wells spudded or reentered between
19 July 1, 1995, and July 1, 2015, which qualify as a new discovery
20 pursuant to this subsection shall be exempt from the gross
21 production tax levied pursuant to subsection B of this section from
22 the date of first sales for a period of twenty-eight (28) months;
23 provided however, that the exemption provided by this subsection
24 shall not apply to production occurring on or after July 1, 2017.

1 For all such wells spudded or reentered, a refund against gross
2 production taxes shall be issued as provided in subsection L of this
3 section. As used in this subsection, "new discovery" means
4 production of oil, gas or oil and gas from:

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

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

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

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

23 J. Except as otherwise provided by this section, the production
24 of oil, gas or oil and gas from any well, drilling of which is

1 commenced after July 1, 2000, and prior to July 1, 2015, located
2 within the boundaries of a three-dimensional seismic shoot and
3 drilled based on three-dimensional seismic technology, shall be
4 exempt from the gross production tax levied pursuant to subsection B
5 of this section from the date of first sales as follows:

6 1. If the three-dimensional seismic shoot is shot prior to July
7 1, 2000, for a period of eighteen (18) months; and

8 2. If the three-dimensional seismic shoot is shot on or after
9 July 1, 2000, for a period of twenty-eight (28) months; provided
10 however, that the exemption provided by this subsection shall not
11 apply to production occurring on or after July 1, 2017. For all
12 such production, a refund against gross production taxes shall be
13 issued as provided in subsection L of this section.

14 K. 1. The exemptions provided for in subsections F, G, I and J
15 of this section, the exemption provided for in subparagraph a of
16 paragraph 2 of subsection H of this section, and the exemptions
17 provided for in subparagraphs b and c of paragraph 2 of subsection H
18 of this section for production from wells spudded before July 1,
19 2005, shall not apply:

20 a. to the severance or production of oil, upon
21 determination by the Tax Commission that the average
22 annual index price of Oklahoma oil exceeds Thirty
23 Dollars (\$30.00) per barrel calculated on an annual
24 calendar year basis, as adjusted for inflation using

1 the Consumer Price Index-All Urban Consumers (CPI-U)
2 as published by the Bureau of Labor Statistics of the
3 U.S. Department of Labor or its successor agency.
4 Such adjustment shall be based on the most current
5 data available for the preceding twelve-month period
6 and shall be applied for the fiscal year which begins
7 on the July 1 date immediately following the release
8 of the CPI-U data by the Bureau of Statistics.

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

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

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

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

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

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

Henry Hub 3-Day Average Close price published on
the last business day of each month.

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

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

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

a. fifty percent (50%) of the sum collected shall be
apportioned to the County Highway Fund as provided in

1 subparagraph b of paragraph 1 of subsection B of
2 Section 1004 of this title, and

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

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

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

- 17 a. a refund shall not be claimed until after the end of
18 such fiscal year. As used in this subsection, a
19 fiscal year shall be deemed to begin on July 1 of one
20 calendar year and shall end on June 30 of the
21 subsequent calendar year,
22 b. unless otherwise specified, no claims for refunds
23 pursuant to the provisions of this subsection shall be
24 filed more than eighteen (18) months after the first

1 day of the fiscal year in which the refund is first
2 available,

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

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

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

23 If there are insufficient funds collected from the production of
24 oil to satisfy the refunds claimed for oil production pursuant to

1 subsection E, F, G, H, I or J of this section, the Tax Commission
2 shall pay the balance of the refund claims out of the gross
3 production taxes collected from the production of gas.

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

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

15 b. unless otherwise specified, no claims for refunds
16 pursuant to the provisions of this subsection shall be
17 filed more than eighteen (18) months after the first
18 day of the fiscal year in which the refund is first
19 available, or September 30, 2017, whichever is sooner,

20 c. no claims for refunds pursuant to the provisions of
21 this subsection shall be filed by or on behalf of
22 persons other than the operator or a working interest
23 owner of record at the time of production,
24

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

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

16 If there are insufficient funds collected from the production of
17 oil or gas to satisfy the refunds claimed for oil or gas production
18 pursuant to subsection F or G of this section, the Tax Commission
19 shall pay the balance of the refund claims out of the gross
20 production taxes collected from either the production of oil or gas,
21 as necessary.

22 3. Notwithstanding any other provisions of law, after the
23 effective date of this act, no refund of gross production taxes
24 shall be claimed for oil and gas production exempt from gross

1 production taxes pursuant to subsections E, F, G, H, I and J of this
2 section for production occurring prior to July 1, 2003.

3 4. Notwithstanding any other provision of this section, no
4 claims for refunds pursuant to the provisions of subsections F, G, I
5 and J and subparagraph a of paragraph 2 of subsection H of this
6 section shall be filed or accepted on or after October 1, 2017.

7 M. Claims for refunds pursuant to the provisions of subsections
8 F, G, I and J and subparagraph a of paragraph 2 of subsection H of
9 this section for production periods ending on or before June 30,
10 2017, shall be paid pursuant to the provisions of this subsection.
11 The claims for refunds referenced herein shall be paid in equal
12 payments over a period of thirty-six (36) months. The first payment
13 shall be made after July 1, 2018, but prior to August 1, 2018. The
14 Tax Commission shall provide, not later than June 30, 2018, to the
15 operator or designated interest owner, a schedule of rebates to be
16 paid out over the thirty-six-month period.

17 N. 1. The Corporation Commission and the Tax Commission shall
18 promulgate joint rules for the qualification for the exemptions
19 provided for in this section and the rules shall contain provisions
20 for verification of any wells from which production may be qualified
21 for the exemptions. The Tax Commission shall adopt rules and
22 regulations which establish guidelines for production of oil or gas
23 after July 1, 2011, which is exempt from tax pursuant to the
24 provisions of paragraph 1 of subsection E and subparagraphs b and c

1 of paragraph 2 of subsection H of this section to remit tax at the
2 reduced rate provided in paragraph 2 of subsection E and
3 subparagraphs d and e of paragraph 2 of subsection H of this section
4 until the end of the qualifying exemption period.

5 2. Any person requesting any exemption shall file an
6 application for qualification for the exemption with the Corporation
7 Commission which, upon finding that the well meets the requirements
8 of this section, shall approve the application for qualification.

9 3. Any person seeking an exemption shall:

- 10 a. file an application for the exemption with the Tax
11 Commission which, upon determination of qualification
12 by the Corporation Commission, shall approve the
13 application for an exemption, and
14 b. provide a copy of the approved application to the
15 remitter of the gross production tax.

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

19 5. Upon the expiration of an exemption granted pursuant to this
20 section, the Tax Commission shall collect the gross production tax
21 levied pursuant to this section. If a person who qualifies for the
22 exemption elects to remit his or her own gross production tax during
23 the exemption period, the first purchaser shall not be liable to
24 withhold or remit the tax until the first day of the month following

1 the receipt of written notification from the person who is qualified
2 for such exemption stating that such exemption has expired and
3 directing the first purchaser to resume tax remittance on his or her
4 behalf.

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

15 2. On or after July 1, 2015, all persons shall only be entitled
16 to either the exemption granted pursuant to subsection D of this
17 section or the exemption granted pursuant to subsection F or G of
18 this section for each oil, gas, or oil and gas well drilled or
19 recompleted in this state. However, any person who qualifies for
20 the exemption granted pursuant to subsections F and G of this
21 section shall not be prohibited from qualification for the exemption
22 granted pursuant to subsection D of this section if the exemption
23 granted pursuant to subsection F or G of this section has expired.
24 Further, the exemption granted pursuant to subsection D of this

1 section shall not apply to any production upon which a tax is paid
2 at a rate of two percent (2%).

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

12 Q. Any person or any member of any firm or association, or any
13 officer, official, agent or employee of any corporation who shall
14 fail or refuse to testify; or who shall fail or refuse to produce
15 any books, records or papers which the Tax Commission shall require;
16 or who shall fail or refuse to furnish any other evidence or
17 information which the Tax Commission may require; or who shall fail
18 or refuse to answer any competent questions which may be put to him
19 or her by the Tax Commission, touching the business, property,
20 assets or effects of any such person relating to the gross
21 production tax imposed by this article or exemption authorized
22 pursuant to this section or other laws, shall be guilty of a
23 misdemeanor, and, upon conviction thereof, shall be punished by a
24 fine of not more than Five Hundred Dollars (\$500.00), or

1 imprisonment in the jail of the county where such offense shall have
2 been committed, for not more than one (1) year, or by both such fine
3 and imprisonment; and each day of such refusal on the part of such
4 person shall constitute a separate and distinct offense.

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

15 S. The payment of the taxes herein levied shall be in full, and
16 in lieu of all taxes by the state, counties, cities, towns, school
17 districts and other municipalities upon any property rights attached
18 to or inherent in the right to the minerals, upon producing leases
19 for the mining of asphalt and ores bearing lead, zinc, jack or
20 copper, or for oil, or for gas, upon the mineral rights and
21 privileges for the minerals aforesaid belonging or appertaining to
22 land, upon the machinery, appliances and equipment used in and
23 around any well producing oil, or gas, or any mine producing asphalt
24 or any of the mineral ores aforesaid and actually used in the

1 operation of such well or mine. The payment of gross production tax
2 shall also be in lieu of all taxes upon the oil, gas, asphalt or
3 ores bearing minerals hereinbefore mentioned during the tax year in
4 which the same is produced, and upon any investment in any of the
5 leases, rights, privileges, minerals or other property described
6 herein. Any interest in the land, other than that herein
7 enumerated, and oil in storage, asphalt and ores bearing minerals
8 hereinbefore named, mined, produced and on hand at the date as of
9 which property is assessed for general and ad valorem taxation for
10 any subsequent tax year, shall be assessed and taxed as other
11 property within the taxing district in which such property is
12 situated at the time.

13 T. No equipment, material or property shall be exempt from the
14 payment of ad valorem tax by reason of the payment of the gross
15 production tax except such equipment, machinery, tools, material or
16 property as is actually necessary and being used and in use in the
17 production of asphalt or of ores bearing lead, zinc, jack or copper
18 or of oil or gas. Provided, the exemption shall include the
19 wellbore and non-recoverable down-hole material, including casing,
20 actually used in the disposal of waste materials produced with such
21 oil or gas. It is expressly declared that no ice plants, hospitals,
22 office buildings, garages, residences, gasoline extraction or
23 absorption plants, water systems, fuel systems, rooming houses and
24

1 other buildings, nor any equipment or material used in connection
2 therewith, shall be exempt from ad valorem tax.

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

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