

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 SENATE BILL 475

By: Schulz

6 AS INTRODUCED

7 An Act relating to gross production tax; amending 68
8 O.S. 2011, Section 1003, as amended by Section 1,
Chapter 114, O.S.L. 2016 (68 O.S. Supp. 2016, Section
9 1003), which relates to tax on oil from recovered or
unknown sources; conforming language; construing
10 term; providing methodology for specified
allocation;, requiring filing of certain report for
11 specified production and payment of specified taxes
related thereto; requiring copy of certain report to
12 specified operators; construing certain production
and proceeds as subject to specified act; and
13 declaring an emergency.

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

16 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1003, as
17 amended by Section 1, Chapter 114, O.S.L. 2016 (68 O.S. Supp. 2016,
18 Section 1003), is amended to read as follows:

19 Section 1003. A. It shall be the duty of the Oklahoma Tax
20 Commission to collect, in addition to the gross production tax,
21 twelve and one-half percent (12 1/2%) of the gross value of all oil
22 reported to the Tax Commission as recovered from streams, lakes,
23 ponds, ravines and other natural depressions to which oil shall have
24 escaped or therein was found and twelve and one-half percent (12

1 1/2%) of the gross value of all oil which is reported to the Tax
2 Commission and which report does not disclose the actual source of
3 the oil. In the event the rightful owner or owners of the royalty
4 interest therein provide satisfactory proof of mineral ownership to
5 the Tax Commission within twelve (12) months of when the tax payment
6 was received by the Tax Commission, such royalty interest owners
7 shall be paid their proper interest or interests. Otherwise, the
8 Tax Commission shall distribute such sum as provided by law for the
9 distribution of gross production taxes.

10 B. For purposes of this section, "actual source" shall be the
11 well or wells and particular leasehold from which the oil was
12 produced. The well or wells from which salt water or oil was
13 received at a salt water disposal facility, salt water recycling
14 facility or oil recovery reclaiming facility shall be considered the
15 actual source of the oil recovered at facility.

16 ~~C. The operators of salt water disposal facilities shall be~~
17 ~~required to pay to the Tax Commission the fee of twelve and one-half~~
18 ~~percent (12 1/2%) as required by this section on the amount of oil~~
19 ~~recovered in excess of two percent (2%) of the volume of water~~
20 ~~handled~~ The facility operator shall allocate the oil recovered,
21 saved and sold to each source thereof, based upon the barrels of
22 salt water and oil received from a particular source for the month,
23 divided by the total barrels of salt water and oil received by the
24 facility for the month. Utilizing the allocation provided for in

1 this subsection, the facility operator shall file a report with the
2 Tax Commission, and pay the applicable production taxes, reflecting
3 the volume of the oil recovered, saved and sold, and the gross
4 proceeds from the sale thereof, allocated to each of the sources,
5 and shall provide a copy of the report to each operator of the well
6 or wells to which the oil was deemed to have been produced. The
7 production and proceeds allocated to each well pursuant to this
8 subsection shall be considered production and proceeds from the well
9 or wells, subject to the Production Revenue Standards Act.

10 SECTION 2. It being immediately necessary for the preservation
11 of the public peace, health or safety, an emergency is hereby
12 declared to exist, by reason whereof this act shall take effect and
13 be in full force from and after its passage and approval.

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