An Act

ENROLLED HOUSE
BILL NO. 1372

By: Boles and Waldron of the House

and

Green of the Senate

An Act relating to revenue and taxation; amending 68 O.S. 2021, Section 1001, as amended by Section 8, Chapter 346, O.S.L. 2022 (68 O.S. Supp. 2024, Section 1001), which relates to gross production tax; providing a temporary discounted tax rate for certain oil and gas recovery projects; requiring certain surety; providing surety amount; providing an effective date; and declaring an emergency.

SUBJECT: Revenue and taxation

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 1001, as amended by Section 8, Chapter 346, O.S.L. 2022 (68 O.S. Supp. 2024, 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 (3/4 of 1%) on the gross value thereof.

B. On or after the effective date of this act and except as provided by paragraph 4 of this subsection, there shall be levied a tax on the gross value of the production of oil and gas as follows:

1. 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. Upon the production of gas a tax equal to seven percent (7%) of the gross value of the production of gas;

3. Notwithstanding the levies in paragraphs 1 and 2 of this subsection, the production of oil, gas, or oil and gas from wells spudded prior to the effective date of this act, and on or after the effective date of this act, shall be taxed at a rate of five percent (5%) commencing with the month of first production for a period of thirty-six (36) months. Thereafter, the production shall be taxed as provided in paragraphs 1 and 2 of this subsection; and

4. If the provisions of Article XIII-C of the Oklahoma Constitution are approved by the people pursuant to adoption of State Question No. 795, the rate of gross production tax imposed by paragraph 3 of this subsection shall be reduced to two percent (2%) for the first thirty-six (36) months of production and thereafter the rate of taxation shall be seven percent (7%).

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

D. 1. Except as otherwise provided in this section, for secondary and tertiary recovery projects approved or having an initial project start date on or after July 1, 2022, all production which results from such secondary and tertiary recovery projects shall be exempt from the gross production tax levied pursuant to this section for a period not to exceed five (5) years from the initial project start date or for a period ending upon the termination of the secondary and tertiary recovery process, whichever occurs first.

2. For purposes of this subsection, "project start date" means the date on which the injection of liquids, gases, or other matter begins on an enhanced recovery project.

3. For new secondary and tertiary recovery projects approved by the Oklahoma Corporation Commission on or after July 1, 2022, such approval shall constitute qualification for an exemption.

4. For all production exempted pursuant to this subsection, a refund against gross production taxes shall be issued as provided in subsection F of this section.

<u>5. Except as otherwise provided in this section, any production which results from a recovery project from a well on the Corporation Commission's orphaned well list shall receive a fifty-percent reduction from the gross production tax levied pursuant to paragraph 3 of subsection B of this section from the project beginning date for a period of thirty-six (36) months, after which the rate shall increase to the full rate of tax prescribed by paragraph 3 of subsection B of this section. Furthermore, before any production from a recovery project under this paragraph occurs the producer overseeing the project shall file a corporate surety bond, letter of credit from a banking institution, cash, or a certificate of deposit with the Secretary of State in the sum of Twenty-five Thousand Dollars ($25,000.00), per well transferred from the Corporation Commission's orphaned well list, conditioned upon recovery under this project for thirty-six (36) months. The Secretary of State shall hold such corporate surety bond, letter of credit from a banking institution, cash, or certificate of deposit for the benefit of the Corporation Commission Plugging Fund if such well is abandoned by the producer and returns to the Corporation Commission's orphaned well list.</u>

E. Except as otherwise provided by this section, the production of oil, gas, or oil and gas from wells drilled but not completed as of July 1, 2021, which are completed with the use of recycled water on or after July 1, 2022, shall earn an exemption from the gross production tax levied from the date of first sales for a period of twenty-four (24) months. The exemption provided in this subsection shall be proportional to the percentage of the total amount of water used to complete the well that is recycled water. For all production exempted pursuant to this subsection, a refund against gross production taxes shall be issued as provided in subsection F of this section. For purposes of this subsection, "recycled water" means oil and gas produced water and waste that has been reconditioned or treated by mechanical or chemical processes into a reusable form.

F. On or after July 1, 2022, for all oil and gas production exempt from gross production taxes pursuant to subsections D and E of this section during a given fiscal year, a refund of gross production taxes shall be issued to the well operator or a designee in the amount of such exempted gross production taxes paid during such period, subject to the following provisions:

1. A refund shall not be claimed until after the end of the fiscal year. As used in this subsection, a fiscal year shall be

deemed to begin on July 1 of one calendar year and shall end on June 30 of the subsequent calendar year;

2. Unless otherwise specified, no claims for refunds pursuant to the provisions of this subsection shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is first available;

3. Any person claiming a refund pursuant to the exemption provided in subsections D and E of this section shall file an application with the Tax Commission which, upon determination of qualification by the Corporation Commission, shall approve the application for such exemption;

4. The Tax Commission may require any person claiming a refund pursuant to the exemptions provided in subsections D and E of this section to furnish information or records concerning the exemption as is deemed necessary by the Tax Commission;

5. No claims for refunds pursuant to the provisions of this subsection shall be filed by or on behalf of persons other than the operator or a working interest owner of record at the time of production;

6. No entity, including subsidiaries of the entity, shall be authorized to receive refunds claimed pursuant to the exemption provided in subsection D of this section that exceed twenty percent (20%) of the limitation provided in paragraph 7 of this subsection; and

7. The total amount of refunds authorized shall not exceed Fifteen Million Dollars ($15,000,000.00) pursuant to the exemption provided in subsection D of this section and Ten Million Dollars ($10,000,000.00) pursuant to the exemption provided in subsection E of this section for any fiscal year. If the amount of claims for refunds exceed the limits provided in this paragraph, the Tax Commission shall determine the percentage of the refund which establishes the proportionate share of the refund which may be claimed by any taxpayer so that the maximum amounts authorized by this paragraph are not exceeded.

G. On or after July 1, 2022, all persons shall only be entitled to either the exemption granted pursuant to subsection D or E of this section for each oil, gas, or oil and gas well drilled or recompleted in this state. However, any person who qualifies for the exemption granted pursuant to subsection E of this section shall not be prohibited from qualification for the exemption granted pursuant to subsection D of this section if the exemption granted pursuant to subsection E of this section has expired.

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

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

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

K. The payment of the taxes herein levied shall be in full, and in lieu of all taxes by the state, counties, cities, towns, school districts and other municipalities upon any property rights attached to or inherent in the right to the minerals, upon producing leases for the mining of asphalt and ores bearing lead, zinc, jack or copper, or for oil, or for gas, upon the mineral rights and privileges for the minerals aforesaid belonging or appertaining to land, upon the machinery, appliances and equipment used in and around any well producing oil, or gas, or any mine producing asphalt or any of the mineral ores aforesaid and actually used in the operation of such well or mine. The payment of gross production tax shall also be in lieu of all taxes upon the oil, gas, asphalt or ores bearing minerals hereinbefore mentioned during the tax year in which the same is produced, and upon any investment in any of the leases, rights, privileges, minerals or other property described herein. Any interest in the land, other than that herein enumerated, and oil in storage, asphalt and ores bearing minerals hereinbefore named, mined, produced and on hand at the date as of which property is assessed for general and ad valorem taxation for any subsequent tax year, shall be assessed and taxed as other property within the taxing district in which such property is situated at the time.

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

SECTION 2. This act shall become effective July 1, 2025.

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

Passed the House of Representatives the 11th day of March, 2025.

____
Presiding Officer of the House of Representatives

Passed the Senate the 30th day of April, 2025.

____
Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this ____________________ day of ___________________, 20_______, at _______ o'clock _______ M.

By: _________________________________

Approved by the Governor of the State of Oklahoma this _________ day of ___________________, 20_______, at _______ o'clock _______ M.

____
Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this __________ day of ___________________, 20_______, at _______ o'clock _______ M.

By: _________________________________