

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 311

By: Deevers

AS INTRODUCED

An Act relating to 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 on certain interests; modifying tax rate; updating statutory references; updating statutory language; and providing an effective date.

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~~ Upon 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%)~~ five percent (5%) of the gross value of the production of oil based

1 on a per barrel measurement of forty-two (42) U.S. gallons of two
2 hundred thirty-one (231) cubic inches per gallon, computed at a
3 temperature of sixty (60) degrees Fahrenheit;

4 2. Upon the production of gas a tax equal to ~~seven percent (7%)~~
5 five percent (5%) of the gross value of the production of gas;

6 3. Notwithstanding the levies in paragraphs 1 and 2 of this
7 subsection, the production of oil, gas, or oil and gas from wells
8 spudded prior to ~~the effective date of this act~~ July 18, 2018, and
9 on or after ~~the effective date of this act~~ July 18, 2018, shall be
10 taxed at a rate of five percent (5%) commencing with the month of
11 first production for a period of thirty-six (36) months.

12 Thereafter, the production shall be taxed as provided in paragraphs
13 1 and 2 of this subsection; and

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

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

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

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

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

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

17 E. Except as otherwise provided by this section, the production
18 of oil, gas, or oil and gas from wells drilled but not completed as
19 of July 1, 2021, which are completed with the use of recycled water
20 on or after July 1, 2022, shall earn an exemption from the gross
21 production tax levied from the date of first sales for a period of
22 twenty-four (24) months. The exemption provided in this subsection
23 shall be proportional to the percentage of the total amount of water
24 used to complete the well that is recycled water. For all

1 production exempted pursuant to this subsection, a refund against
2 gross production taxes shall be issued as provided in subsection F
3 of this section. For purposes of this subsection, "recycled water"
4 means oil and gas produced water and waste that has been
5 reconditioned or treated by mechanical or chemical processes into a
6 reusable form.

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

13 1. A refund shall not be claimed until after the end of the
14 fiscal year. As used in this subsection, a fiscal year shall be
15 deemed to begin on July 1 of one calendar year and shall end on June
16 30 of the subsequent calendar year;

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

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

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

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

11 6. No entity, including subsidiaries of the entity, shall be
12 authorized to receive refunds claimed pursuant to the exemption
13 provided in subsection D of this section that exceed twenty percent
14 (20%) of the limitation provided in paragraph 7 of this subsection;
15 and

16 7. The total amount of refunds authorized shall not exceed
17 Fifteen Million Dollars (\$15,000,000.00) pursuant to the exemption
18 provided in subsection D of this section and Ten Million Dollars
19 (\$10,000,000.00) pursuant to the exemption provided in subsection E
20 of this section for any fiscal year. If the amount of claims for
21 refunds exceed the limits provided in this paragraph, the Tax
22 Commission shall determine the percentage of the refund which
23 establishes the proportionate share of the refund which may be
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1 claimed by any taxpayer so that the maximum amounts authorized by
2 this paragraph are not exceeded.

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

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

20 I. Any person or any member of any firm or association, or any
21 officer, official, agent or employee of any corporation who shall
22 fail or refuse to testify; or who shall fail or refuse to produce
23 any books, records or papers which the Tax Commission shall require;
24 or who shall fail or refuse to furnish any other evidence or

1 information which the Tax Commission may require; or who shall fail
2 or refuse to answer any competent questions which may be put to him
3 or her by the Tax Commission, touching the business, property,
4 assets or effects of any such person relating to the gross
5 production tax imposed by this article or exemption authorized
6 pursuant to this section or other laws, shall be guilty of a
7 misdemeanor, and, upon conviction thereof, shall be punished by a
8 fine ~~of~~ not more than Five Hundred Dollars (\$500.00), or
9 imprisonment in the jail of the county where such offense shall have
10 been committed, for not more than one (1) year, or by both such fine
11 and imprisonment; and each day of such refusal on the part of such
12 person shall constitute a separate and distinct offense.

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

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

21 L. No equipment, material or property shall be exempt from the
22 payment of ad valorem tax by reason of the payment of the gross
23 production tax except such equipment, machinery, tools, material or
24 property as is actually necessary and being used and in use in the

1 production of asphalt or of ores bearing lead, zinc, jack or copper
2 or of oil or gas. Provided, the exemption shall include the
3 wellbore and non-recoverable down-hole material, including casing,
4 actually used in the disposal of waste materials produced with such
5 oil or gas. It is expressly declared that no ice plants, hospitals,
6 office buildings, garages, residences, gasoline extraction or
7 absorption plants, water systems, fuel systems, rooming houses and
8 other buildings, nor any equipment or material used in connection
9 therewith, shall be exempt from ad valorem tax.

10 SECTION 2. This act shall become effective November 1, 2025.
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