

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 1007

By: Inman

4
5
6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68
8 O.S. 2011, Section 1001, as last amended by Section
9 1, Chapter 355, O.S.L. 2017 (68 O.S. Supp. 2017,
10 Section 1001), which relates to gross production tax;
11 limiting period where certain reduced rate is
12 applicable; and declaring an emergency.

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

14 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001, as
15 last amended by Section 1, Chapter 355, O.S.L. 2017 (68 O.S. Supp.
16 2017, Section 1001), is amended to read as follows:

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

20 B. 1. Effective July 1, 2013, through June 30, 2015, except as
21 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of
22 this section, there shall be levied upon the production of oil a tax
23 equal to seven percent (7%) of the gross value of the production of
24 oil based on a per barrel measurement of forty-two (42) U.S. gallons

1 of two hundred thirty-one (231) cubic inches per gallon, computed at
2 a temperature of sixty (60) degrees Fahrenheit.

3 2. Effective July 1, 2013, through June 30, 2015, except as
4 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of
5 this section, there shall be levied a tax equal to seven percent
6 (7%) of the gross value of the production of gas.

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

10 a. upon the production of oil a tax equal to seven
11 percent (7%) of the gross value of the production of
12 oil based on a per barrel measurement of forty-two
13 (42) U.S. gallons of two hundred thirty-one (231)
14 cubic inches per gallon, computed at a temperature of
15 sixty (60) degrees Fahrenheit,

16 b. upon the production of gas a tax equal to seven
17 percent (7%) of the gross value of the production of
18 gas, and

19 c. notwithstanding the levies in subparagraphs a and b of
20 this paragraph, the production of oil, gas, or oil and
21 gas from wells spudded on or after July 1, 2015, and
22 prior to the effective date of this act, shall be
23 taxed at a rate of two percent (2%) commencing with
24 the month of first production for a period of thirty-

1 six (36) months. Thereafter, the production shall be
2 taxed as provided in subparagraphs a and b of this
3 paragraph.

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

7 D. 1. Except as otherwise provided in this section, for
8 secondary recovery projects approved or having an initial project
9 beginning date on or after July 1, 2000, and before July 1, 2017,
10 any incremental production attributable to the working interest
11 owners which results from such secondary recovery projects shall be
12 exempt from the gross production tax levied pursuant to this section
13 for a period not to exceed five (5) years from the initial project
14 beginning date or for a period ending upon the termination of the
15 secondary recovery process, whichever occurs first; provided
16 however, that the exemption provided by this paragraph shall not
17 apply to production occurring on or after July 1, 2017.

18 2. Except as otherwise provided in this section, for tertiary
19 recovery projects approved and having a project beginning date on or
20 after July 1, 1993, and before July 1, 2017, any incremental
21 production attributable to the working interest owners which results
22 from such tertiary recovery projects shall be exempt from the gross
23 production tax levied pursuant to this section from the project
24 beginning date until project payback is achieved, but not to exceed

1 a period of ten (10) years; provided however, that the exemption
2 provided by this paragraph shall not apply to production occurring
3 on or after July 1, 2017. Project payback pursuant to this
4 paragraph shall be determined by appropriate payback indicators
5 which will provide for the recovery of capital expenses and
6 operating expenses, excluding administrative expenses, in
7 determining project payback. The capital expenses of pipelines
8 constructed to transport carbon dioxide to a tertiary recovery
9 project shall not be included in determining project payback
10 pursuant to this paragraph.

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

14 4. For purposes of this subsection:

15 a. "incremental production" means the amount of crude oil
16 or other liquid hydrocarbons which is produced during
17 an enhanced recovery project and which is in excess of
18 the base production amount of crude oil or other
19 liquid hydrocarbons. The base production amount shall
20 be the average monthly amount of production for the
21 twelve-month period immediately prior to the project
22 beginning date minus the monthly rate of production
23 decline for the project for each month beginning one
24 hundred eighty (180) days prior to the project

1 beginning date. The monthly rate of production
2 decline shall be equal to the average extrapolated
3 monthly decline rate for the twelve-month period
4 immediately prior to the project beginning date as
5 determined by the Corporation Commission based on the
6 production history of the field, its current status,
7 and sound reservoir engineering principles, and

8 b. "project beginning date" means the date on which the
9 injection of liquids, gases, or other matter begins on
10 an enhanced recovery project.

11 5. The Corporation Commission shall promulgate rules for the
12 qualification for this exemption which shall include, but not be
13 limited to, procedures for determining incremental production as
14 defined in subparagraph a of paragraph 4 of this subsection, and the
15 establishment of appropriate payback indicators as approved by the
16 Tax Commission for the determination of project payback for each of
17 the exemptions authorized by this subsection.

18 6. For new secondary recovery projects and tertiary recovery
19 projects approved by the Corporation Commission on or after July 1,
20 1993, and before July 1, 2017, such approval shall constitute
21 qualification for an exemption.

22 7. Any person seeking an exemption shall file an application
23 for such exemption with the Tax Commission which, upon determination
24

1 of qualification by the Corporation Commission, shall approve the
2 application for such exemption.

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

6 9. Upon the expiration of the exemption granted pursuant to
7 this subsection, the Tax Commission shall collect the gross
8 production tax levied pursuant to this section.

9 E. 1. Except as otherwise provided in this section, the
10 production of oil, gas or oil and gas from a horizontally drilled
11 well producing prior to July 1, 2011, which production commenced
12 after July 1, 2002, shall be exempt from the gross production tax
13 levied pursuant to subsection B of this section from the project
14 beginning date until project payback is achieved but not to exceed a
15 period of forty-eight (48) months commencing with the month of
16 initial production from the horizontally drilled well. For purposes
17 of subsection D of this section and this subsection, project payback
18 shall be determined as of the date of the completion of the well and
19 shall not include any expenses beyond the completion date of the
20 well, and subject to the approval of the Tax Commission.

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

24

1 3. For production commenced on or after July 1, 2011, and prior
2 to July 1, 2015, the tax levied pursuant to the provisions of this
3 section on the production of oil, gas or oil and gas from a
4 horizontally drilled well shall be reduced to a rate of one percent
5 (1%) for a period of forty-eight (48) months from the month of
6 initial production; provided however, such production occurring on
7 or after the effective date of this act for the remainder of such
8 forty-eight-month period shall be subject to a reduced rate of four
9 percent (4%). The taxes collected from the production of oil shall
10 be apportioned pursuant to the provisions of paragraph 7 of
11 subsection B of Section 1004 of this title. The taxes collected
12 from the production of gas shall be apportioned pursuant to the
13 provisions of paragraph 3 of subsection B of Section 1004 of this
14 title.

15 4. The production of oil, gas or oil and gas on or after July
16 1, 2011, and prior to July 1, 2015, from these qualifying wells
17 shall be taxed at a rate of one percent (1%) until the expiration of
18 forty-eight (48) months commencing with the month of initial
19 production.

20 5. As used in this subsection, "horizontally drilled well"
21 shall mean an oil, gas or oil and gas well drilled or recompleted in
22 a manner which encounters and subsequently produces from a
23 geological formation at an angle in excess of seventy (70) degrees
24

1 from vertical and which laterally penetrates a minimum of one
2 hundred fifty (150) feet into the pay zone of the formation.

3 F. 1. Except as otherwise provided by this section, the
4 severance or production of oil, gas or oil and gas from an inactive
5 well shall be exempt from the gross production tax levied pursuant
6 to subsection B of this section for a period of twenty-eight (28)
7 months from the date upon which production is reestablished;
8 provided however, that the exemption provided by this paragraph
9 shall not apply to production occurring on or after July 1, 2017.
10 This exemption shall take effect July 1, 1994, and shall apply to
11 wells for which work to reestablish or enhance production began on
12 or after July 1, 1994, and for which production is reestablished
13 prior to July 1, 2017. For all such production, a refund against
14 gross production taxes shall be issued as provided in subsection L
15 of this section.

16 2. As used in this subsection, for wells for which production
17 is reestablished prior to July 1, 1997, "inactive well" means any
18 well that has not produced oil, gas or oil and gas for a period of
19 not less than two (2) years as evidenced by the appropriate forms on
20 file with the Corporation Commission reflecting the well's status.
21 As used in this subsection, for wells for which production is
22 reestablished on or after July 1, 1997, and prior to July 1, 2017,
23 "inactive well" means any well that has not produced oil, gas or oil
24 and gas for a period of not less than one (1) year as evidenced by

1 the appropriate forms on file with the Corporation Commission
2 reflecting the well's status. Wells which experience mechanical
3 failure or loss of mechanical integrity, as defined by the
4 Corporation Commission, including but not limited to, casing leaks,
5 collapse of casing or loss of equipment in a wellbore, or any
6 similar event which causes cessation of production, shall also be
7 considered inactive wells.

8 G. 1. Except as otherwise provided by this section, any
9 incremental production which results from a production enhancement
10 project shall be exempt from the gross production tax levied
11 pursuant to subsection B of this section for a period of twenty-
12 eight (28) months from the date of first sale after project
13 completion of the production enhancement project; provided however,
14 that the exemption provided by this paragraph shall not apply to
15 production occurring on or after July 1, 2017. This exemption shall
16 take effect July 1, 1994, and shall apply to production enhancement
17 projects having a project beginning date on or after July 1, 1994,
18 and prior to July 1, 2017. For all such production, a refund
19 against gross production taxes shall be issued as provided in
20 subsection L of this section.

21 2. As used in this subsection:

22 a. for production enhancement projects having a project
23 beginning date on or after July 1, 1997, and prior to
24 July 1, 2017, "production enhancement project" means

1 any workover as defined in this paragraph,
2 recompletion as defined in this paragraph, reentry of
3 plugged and abandoned wellbores, or addition of a well
4 or field compression,

5 b. "incremental production" means the amount of crude
6 oil, natural gas or other hydrocarbons which are
7 produced as a result of the production enhancement
8 project in excess of the base production,

9 c. "base production" means the average monthly amount of
10 production for the twelve-month period immediately
11 prior to the commencement of the project or the
12 average monthly amount of production for the twelve-
13 month period immediately prior to the commencement of
14 the project less the monthly rate of production
15 decline for the project for each month beginning one
16 hundred eighty (180) days prior to the commencement of
17 the project. The monthly rate of production decline
18 shall be equal to the average extrapolated monthly
19 decline rate for the twelve-month period immediately
20 prior to the commencement of the project based on the
21 production history of the well. If the well or wells
22 covered in the application had production for less
23 than the full twelve-month period prior to the filing
24 of the application for the production enhancement

1 project, the base production shall be the average
2 monthly production for the months during that period
3 that the well or wells produced,

4 d. for production enhancement projects having a project
5 beginning date on or after July 1, 1997, and prior to
6 July 1, 2017, "recompletion" means any downhole
7 operation in an existing oil or gas well that is
8 conducted to establish production of oil or gas from
9 any geologic interval not currently completed or
10 producing in such existing oil or gas well within the
11 same or a different geologic formation, and

12 e. "workover" means any downhole operation in an existing
13 oil or gas well that is designed to sustain, restore
14 or increase the production rate or ultimate recovery
15 in a geologic interval currently completed or
16 producing in the existing oil or gas well. For
17 production enhancement projects having a project
18 beginning date on or after July 1, 1997, and prior to
19 July 1, 2017, "workover" includes, but is not limited
20 to:

- 21 (1) acidizing,
- 22 (2) reperforating,
- 23 (3) fracture treating,

24

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

18 "Workover" shall not mean the routine maintenance,
19 routine repair, or like for like replacement of
20 downhole equipment such as rods, pumps, tubing,
21 packers, or other mechanical devices.

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

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

3 a. the production of oil, gas or oil and gas from wells
4 spudded between July 1, 1997, and July 1, 2005, and
5 drilled to a depth of twelve thousand five hundred
6 (12,500) feet or greater and wells spudded between
7 July 1, 2005, and July 1, 2015, and drilled to a depth
8 between twelve thousand five hundred (12,500) feet and
9 fourteen thousand nine hundred ninety-nine (14,999)
10 feet shall be exempt from the gross production tax
11 levied pursuant to subsection B of this section from
12 the date of first sales for a period of twenty-eight
13 (28) months; provided however, that the exemption
14 provided by this subparagraph shall not apply to
15 production occurring on or after July 1, 2017,

16 b. the production of oil, gas or oil and gas from wells
17 spudded between July 1, 2002, and July 1, 2005, and
18 drilled to a depth of fifteen thousand (15,000) feet
19 or greater and wells spudded between July 1, 2005, and
20 July 1, 2011, and drilled to a depth between fifteen
21 thousand (15,000) feet and seventeen thousand four
22 hundred ninety-nine (17,499) feet shall be exempt from
23 the gross production tax levied pursuant to subsection
24

1 B of this section from the date of first sales for a
2 period of forty-eight (48) months,

3 c. the production of oil, gas or oil and gas from wells
4 spudded between July 1, 2002, and July 1, 2011, and
5 drilled to a depth of seventeen thousand five hundred
6 (17,500) feet or greater shall be exempt from the
7 gross production tax levied pursuant to subsection B
8 of this section from the date of first sales for a
9 period of sixty (60) months,

10 d. 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 between fifteen thousand
14 (15,000) feet and seventeen thousand four hundred
15 ninety-nine (17,499) feet shall be reduced to a rate
16 of four percent (4%) for a period of forty-eight (48)
17 months from the date of first sales. The taxes
18 collected from the production of oil shall be
19 apportioned pursuant to the provisions of paragraph 7
20 of subsection B of Section 1004 of this title. The
21 taxes collected from the production of gas shall be
22 apportioned pursuant to the provisions of paragraph 3
23 of subsection B of Section 1004 of this title,
24

- 1 e. the tax levied pursuant to the provisions of this
2 section on the production of oil, gas or oil and gas
3 from wells spudded between July 1, 2011, and July 1,
4 2015, and drilled to a depth of seventeen thousand
5 five hundred (17,500) feet or greater shall be reduced
6 to a rate of four percent (4%) for a period of sixty
7 (60) months from the date of first sales. The taxes
8 collected from the production of oil shall be
9 apportioned pursuant to the provisions of paragraph 7
10 of subsection B of Section 1004 of this title. The
11 taxes collected from the production of gas shall be
12 apportioned pursuant to the provisions of paragraph 3
13 of subsection B of Section 1004 of this title, and
14 f. the provisions of subparagraphs b and c of this
15 paragraph shall only apply to the production of wells
16 qualifying for the exemption provided under these
17 subparagraphs prior to July 1, 2011. The production
18 of oil, gas or oil and gas on or after July 1, 2011,
19 and before July 1, 2015, from wells qualifying under
20 subparagraph b of this paragraph shall be taxed at a
21 rate of four percent (4%) until the expiration of
22 forty-eight (48) months from the date of first sales
23 and the production of oil, gas or oil and gas on or
24 after July 1, 2011, and before July 1, 2015, from

1 wells qualifying under subparagraph c of this
2 paragraph shall be taxed at a rate of four percent
3 (4%) until the expiration of sixty (60) months from
4 the date of first sales.

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

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

20 1. 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 that is more than one (1) mile from the nearest oil well
23 producing from the same producing interval of the same formation;
24

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

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

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

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

22 1. If the three-dimensional seismic shoot is shot prior to July
23 1, 2000, for a period of eighteen (18) months; and
24

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

7 K. 1. The exemptions provided for in subsections F, G, I and J
8 of this section, the exemption provided for in subparagraph a of
9 paragraph 2 of subsection H of this section, and the exemptions
10 provided for in subparagraphs b and c of paragraph 2 of subsection H
11 of this section for production from wells spudded before July 1,
12 2005, shall not apply:

13 a. to the severance or production of oil, upon
14 determination by the Tax Commission that the average
15 annual index price of Oklahoma oil exceeds Thirty
16 Dollars (\$30.00) per barrel calculated on an annual
17 calendar year basis, as adjusted for inflation using
18 the Consumer Price Index-All Urban Consumers (CPI-U)
19 as published by the Bureau of Labor Statistics of the
20 U.S. Department of Labor or its successor agency.
21 Such adjustment shall be based on the most current
22 data available for the preceding twelve-month period
23 and shall be applied for the fiscal year which begins
24

1 on the July 1 date immediately following the release
2 of the CPI-U data by the Bureau of Statistics.

3 (1) The "average annual index price" will be
4 calculated by multiplying the West Texas
5 Intermediate closing price by the "index price
6 ratio". The index price ratio is defined as the
7 immediate preceding three-year historical average
8 ratio of the actual weighted average wellhead
9 price to the West Texas Intermediate close price
10 published on the last business day of each month.

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

14 (3) If the West Texas Intermediate Crude price is
15 unavailable for any reason, an industry benchmark
16 price may be substituted and used for the
17 calculation of the index price as determined by
18 the Tax Commission,

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

23 c. to the severance or production of gas, upon
24 determination by the Tax Commission that the average

1 annual index price of Oklahoma gas exceeds Five
2 Dollars (\$5.00) per thousand cubic feet (mcf)
3 calculated on an annual calendar year basis as
4 adjusted for inflation using the Consumer Price Index-
5 All Urban Consumers (CPI-U) as published by the Bureau
6 of Labor Statistics of the U.S. Department of Labor or
7 its successor agency. Such adjustment shall be based
8 on the most current data available for the preceding
9 twelve-month period and shall be applied for the
10 fiscal year which begins on the July 1 date
11 immediately following the release of the CPI-U data by
12 the Bureau of Statistics.

13 (1) The "average annual index price" will be
14 calculated by multiplying the Henry Hub 3-Day
15 Average Close price by the "index price ratio".
16 The index price ratio is defined as the immediate
17 preceding three-year historical average ratio of
18 the actual weighted average wellhead price to the
19 Henry Hub 3-Day Average Close price published on
20 the last business day of each month.

21 (2) The average annual index price will be updated
22 annually by the Oklahoma Tax Commission no later
23 than March 31 of each year.
24

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

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

17 a. fifty percent (50%) of the sum collected shall be
18 apportioned to the County Highway Fund as provided in
19 subparagraph b of paragraph 1 of subsection B of
20 Section 1004 of this title, and

21 b. fifty percent (50%) of the sum collected shall be
22 apportioned to the appropriate school district as
23 provided in subparagraph c of paragraph 1 of
24 subsection B of Section 1004 of this title.

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

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

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

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

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

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 one
4 percent (1%) as specified in subsection B of this
5 section, and

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

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

22 2. On or after July 1, 2015, for all oil and gas production
23 exempt from gross production taxes pursuant to subsections F and G
24 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, or September 30, 2017, whichever is sooner,

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 two
21 percent (2%), and

22 e. no refund shall be paid unless the person making the
23 claim for refund demonstrates by affidavit or other
24 means prescribed by the Tax Commission that an amount

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

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

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

20 4. Notwithstanding any other provision of this section, no
21 claims for refunds pursuant to the provisions of subsections F, G, I
22 and J and subparagraph a of paragraph 2 of subsection H of this
23 section shall be filed or accepted on or after October 1, 2017.
24

1 M. Claims for refunds pursuant to the provisions of subsections
2 F, G, I and J and subparagraph a of paragraph 2 of subsection H of
3 this section for production periods ending on or before June 30,
4 2017, shall be paid pursuant to the provisions of this subsection.
5 The claims for refunds referenced herein shall be paid in equal
6 payments over a period of thirty-six (36) months. The first payment
7 shall be made after July 1, 2018, but prior to August 1, 2018. The
8 Tax Commission shall provide, not later than June 30, 2018, to the
9 operator or designated interest owner, a schedule of rebates to be
10 paid out over the thirty-six-month period.

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

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

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
23 production tax pursuant to subsection D, E, F, G, H, I or J of this
24 section.

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

5

6 56-1EX-50014 JM 09/21/17

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24