

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 1013

By: Inman

4  
5  
6 AS INTRODUCED

7 An Act relating to revenue and taxation; ordering a  
8 legislative referendum pursuant to the Oklahoma  
9 Constitution; amending 68 O.S. 2011, Section 1001, as  
10 last amended by Section 1, Chapter 355, O.S.L. 2017  
11 (68 O.S. Supp. 2017, Section 1001), which relates to  
12 gross production tax; limiting period where certain  
13 reduced rates are applicable; implementing an  
14 additional reduced rate for certain periods; amending  
15 68 O.S. 2011, Section 1004, as last amended by  
16 Section 2, Chapter 355, O.S.L. 2017 (68 O.S. Supp.  
17 2017, Section 1004), which relates to the  
18 apportionment and use of proceeds of gross production  
19 tax; providing for apportionment of certain tax  
20 proceeds; providing ballot title; and directing  
21 filing.

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

23 SECTION 1. Pursuant to Section 3 of Article V of the Oklahoma  
24 Constitution, there is hereby ordered the following legislative  
referendum which shall be filed with the Secretary of State and  
addressed to the Governor of the state, who shall submit the same to  
the people for their approval or rejection at the next General  
Election.

1 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1001, as  
2 last amended by Section 1, Chapter 355, O.S.L. 2017 (68 O.S. Supp.  
3 2017, Section 1001), is amended to read as follows:

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

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

14 2. Effective July 1, 2013, through June 30, 2015, except as  
15 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of  
16 this section, there shall be levied a tax equal to seven percent  
17 (7%) of the gross value of the production of gas.

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

21 a. upon the production of oil a tax equal to seven  
22 percent (7%) of the gross value of the production of  
23 oil based on a per barrel measurement of forty-two  
24 (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, and  
9 prior to the effective date of this act, shall be  
10 taxed at a rate of two percent (2%) commencing with  
11 the month of first production for a period of thirty-  
12 six (36) months. Thereafter, the production shall be  
13 taxed as provided in subparagraphs a and b of this  
14 paragraph, and

15 d. notwithstanding the levies in subparagraphs a and b of  
16 this paragraph, the production of oil, gas, or oil and  
17 gas from wells spudded on or after the effective date  
18 of this act, shall be subject to a reduced rate of  
19 five percent (5%) commencing with the month of first  
20 production for a period of thirty-six (36) months.

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

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

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

1 determining project payback. The capital expenses of pipelines  
2 constructed to transport carbon dioxide to a tertiary recovery  
3 project shall not be included in determining project payback  
4 pursuant to this paragraph.

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

8 4. For purposes of this subsection:

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

1 production history of the field, its current status,  
2 and sound reservoir engineering principles, and

3 b. "project beginning date" means the date on which the  
4 injection of liquids, gases, or other matter begins on  
5 an enhanced recovery project.

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

13 6. For new secondary recovery projects and tertiary recovery  
14 projects approved by the Corporation Commission on or after July 1,  
15 1993, and before July 1, 2017, such approval shall constitute  
16 qualification for an exemption.

17 7. Any person seeking an exemption shall file an application  
18 for such exemption with the Tax Commission which, upon determination  
19 of qualification by the Corporation Commission, shall approve the  
20 application for such exemption.

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

1           9. Upon the expiration of the exemption granted pursuant to  
2 this subsection, the Tax Commission shall collect the gross  
3 production tax levied pursuant to this section.

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

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

19           3. For production commenced on or after July 1, 2011, and prior  
20 to July 1, 2015, the tax levied pursuant to the provisions of this  
21 section on the production of oil, gas or oil and gas from a  
22 horizontally drilled well shall be reduced to a rate of one percent  
23 (1%) for a period of forty-eight (48) months from the month of  
24 initial production; provided however, such production occurring on

1 or after the effective date of this act for the remainder of such  
2 forty-eight-month period shall be subject to a reduced rate of four  
3 percent (4%). The taxes collected from the production of oil shall  
4 be apportioned pursuant to the provisions of paragraph 7 of  
5 subsection B of Section 1004 of this title. The taxes collected  
6 from the production of gas shall be apportioned pursuant to the  
7 provisions of paragraph 3 of subsection B of Section 1004 of this  
8 title.

9 4. The production of oil, gas or oil and gas on or after July  
10 1, 2011, and prior to July 1, 2015, from these qualifying wells  
11 shall be taxed at a rate of one percent (1%) until the expiration of  
12 forty-eight (48) months commencing with the month of initial  
13 production.

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

20 F. 1. Except as otherwise provided by this section, the  
21 severance or production of oil, gas or oil and gas from an inactive  
22 well shall be exempt from the gross production tax levied pursuant  
23 to subsection B of this section for a period of twenty-eight (28)  
24 months from the date upon which production is reestablished;



1 provided however, that the exemption provided by this paragraph  
2 shall not apply to production occurring on or after July 1, 2017.  
3 This exemption shall take effect July 1, 1994, and shall apply to  
4 wells for which work to reestablish or enhance production began on  
5 or after July 1, 1994, and for which production is reestablished  
6 prior to July 1, 2017. For all such production, a refund against  
7 gross production taxes shall be issued as provided in subsection L  
8 of this section.

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

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

14 2. As used in this subsection:

15 a. for production enhancement projects having a project  
16 beginning date on or after July 1, 1997, and prior to  
17 July 1, 2017, "production enhancement project" means  
18 any workover as defined in this paragraph,  
19 recompletion as defined in this paragraph, reentry of  
20 plugged and abandoned wellbores, or addition of a well  
21 or field compression,

22 b. "incremental production" means the amount of crude  
23 oil, natural gas or other hydrocarbons which are  
24

1 produced as a result of the production enhancement  
2 project in excess of the base production,

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

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

1 operation in an existing oil or gas well that is  
2 conducted to establish production of oil or gas from  
3 any geologic interval not currently completed or  
4 producing in such existing oil or gas well within the  
5 same or a different geologic formation, and

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

- 15 (1) acidizing,
- 16 (2) reperforating,
- 17 (3) fracture treating,
- 18 (4) sand/paraffin/scale removal or other wellbore  
19 cleanouts,
- 20 (5) casing repair,
- 21 (6) squeeze cementing,
- 22 (7) installation of compression on a well or group of  
23 wells or initial installation of artificial lifts  
24 on gas wells, including plunger lifts, rod pumps,

- 1 submersible pumps and coiled tubing velocity  
2 strings,  
3 (8) downsizing existing tubing to reduce well  
4 loading,  
5 (9) downhole commingling,  
6 (10) bacteria treatments,  
7 (11) upgrading the size of pumping unit equipment,  
8 (12) setting bridge plugs to isolate water production  
9 zones, or  
10 (13) any combination thereof.

11 "Workover" shall not mean the routine maintenance,  
12 routine repair, or like for like replacement of  
13 downhole equipment such as rods, pumps, tubing,  
14 packers, or other mechanical devices.

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

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

- 20 a. the production of oil, gas or oil and gas from wells  
21 spudded between July 1, 1997, and July 1, 2005, and  
22 drilled to a depth of twelve thousand five hundred  
23 (12,500) feet or greater and wells spudded between  
24 July 1, 2005, and July 1, 2015, and drilled to a depth

1 between twelve thousand five hundred (12,500) feet and  
2 fourteen thousand nine hundred ninety-nine (14,999)  
3 feet shall be exempt from the gross production tax  
4 levied pursuant to subsection B of this section from  
5 the date of first sales for a period of twenty-eight  
6 (28) months; provided however, that the exemption  
7 provided by this subparagraph shall not apply to  
8 production occurring on or after July 1, 2017,

9 b. the production of oil, gas or oil and gas from wells  
10 spudded between July 1, 2002, and July 1, 2005, and  
11 drilled to a depth of fifteen thousand (15,000) feet  
12 or greater and wells spudded between July 1, 2005, and  
13 July 1, 2011, and drilled to a depth between fifteen  
14 thousand (15,000) feet and seventeen thousand four  
15 hundred ninety-nine (17,499) feet shall be exempt from  
16 the gross production tax levied pursuant to subsection  
17 B of this section from the date of first sales for a  
18 period of forty-eight (48) months,

19 c. the production of oil, gas or oil and gas from wells  
20 spudded between July 1, 2002, and July 1, 2011, and  
21 drilled to a depth of seventeen thousand five hundred  
22 (17,500) feet or greater shall be exempt from the  
23 gross production tax levied pursuant to subsection B  
24

1 of this section from the date of first sales for a  
2 period of sixty (60) months,

3 d. the tax levied pursuant to the provisions of this  
4 section on the production of oil, gas or oil and gas  
5 from wells spudded between July 1, 2011, and July 1,  
6 2015, and drilled to a depth between fifteen thousand  
7 (15,000) feet and seventeen thousand four hundred  
8 ninety-nine (17,499) feet shall be reduced to a rate  
9 of four percent (4%) for a period of forty-eight (48)  
10 months from the date of first sales. The taxes  
11 collected from the production of oil shall be  
12 apportioned pursuant to the provisions of paragraph 7  
13 of subsection B of Section 1004 of this title. The  
14 taxes collected from the production of gas shall be  
15 apportioned pursuant to the provisions of paragraph 3  
16 of subsection B of Section 1004 of this title,

17 e. the tax levied pursuant to the provisions of this  
18 section on the production of oil, gas or oil and gas  
19 from wells spudded between July 1, 2011, and July 1,  
20 2015, and drilled to a depth of seventeen thousand  
21 five hundred (17,500) feet or greater shall be reduced  
22 to a rate of four percent (4%) for a period of sixty  
23 (60) months from the date of first sales. The taxes  
24 collected from the production of oil shall be

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

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



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

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

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

22 3. For wells spudded or reentered on or after July 1, 1997, and  
23 prior to July 1, 2015, a well that discovers natural gas in paying  
24

1 quantities that is more than two (2) miles from the nearest gas well  
2 producing from the same producing interval; or

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

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

15 1. If the three-dimensional seismic shoot is shot prior to July  
16 1, 2000, for a period of eighteen (18) months; and

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

23 K. 1. The exemptions provided for in subsections F, G, I and J  
24 of this section, the exemption provided for in subparagraph a of

1 paragraph 2 of subsection H of this section, and the exemptions  
2 provided for in subparagraphs b and c of paragraph 2 of subsection H  
3 of this section for production from wells spudded before July 1,  
4 2005, shall not apply:

5 a. to the severance or production of oil, upon  
6 determination by the Tax Commission that the average  
7 annual index price of Oklahoma oil exceeds Thirty  
8 Dollars (\$30.00) per barrel calculated on an annual  
9 calendar year basis, as adjusted for inflation using  
10 the Consumer Price Index-All Urban Consumers (CPI-U)  
11 as published by the Bureau of Labor Statistics of the  
12 U.S. Department of Labor or its successor agency.  
13 Such adjustment shall be based on the most current  
14 data available for the preceding twelve-month period  
15 and shall be applied for the fiscal year which begins  
16 on the July 1 date immediately following the release  
17 of the CPI-U data by the Bureau of Statistics.

18 (1) The "average annual index price" will be  
19 calculated by multiplying the West Texas  
20 Intermediate closing price by the "index price  
21 ratio". The index price ratio is defined as the  
22 immediate preceding three-year historical average  
23 ratio of the actual weighted average wellhead  
24

1 price to the West Texas Intermediate close price  
2 published on the last business day of each month.

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

6 (3) If the West Texas Intermediate Crude price is  
7 unavailable for any reason, an industry benchmark  
8 price may be substituted and used for the  
9 calculation of the index price as determined by  
10 the Tax Commission,

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

15 c. to the severance or production of gas, upon  
16 determination by the Tax Commission that the average  
17 annual index price of Oklahoma gas exceeds Five  
18 Dollars (\$5.00) per thousand cubic feet (mcf)  
19 calculated on an annual calendar year basis as  
20 adjusted for inflation using the Consumer Price Index-  
21 All Urban Consumers (CPI-U) as published by the Bureau  
22 of Labor Statistics of the U.S. Department of Labor or  
23 its successor agency. Such adjustment shall be based  
24 on the most current data available for the preceding

1 twelve-month period and shall be applied for the  
2 fiscal year which begins on the July 1 date  
3 immediately following the release of the CPI-U data by  
4 the Bureau of Statistics.

5 (1) The "average annual index price" will be  
6 calculated by multiplying the Henry Hub 3-Day  
7 Average Close price by the "index price ratio".  
8 The index price ratio is defined as the immediate  
9 preceding three-year historical average ratio of  
10 the actual weighted average wellhead price to the  
11 Henry Hub 3-Day Average Close price published on  
12 the last business day of each month.

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

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

21 2. Notwithstanding the exemptions granted pursuant to  
22 subsections F, G, I, J, paragraph 1 of subsection E, and  
23 subparagraph a of paragraph 2 of subsection H of this section, there  
24 shall continue to be levied upon the production of petroleum or

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

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

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

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

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

3 a. a refund shall not be claimed until after the end of  
4 such fiscal year. As used in this subsection, a  
5 fiscal year shall be deemed to begin on July 1 of one  
6 calendar year and shall end on June 30 of the  
7 subsequent calendar year,

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

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

17 d. no refunds shall be claimed or paid pursuant to the  
18 provisions of this subsection for oil or gas  
19 production upon which a tax is paid at a rate of one  
20 percent (1%) as specified in subsection B of this  
21 section, 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 subsection  
7 may be used to qualify for another refund pursuant to  
8 the provisions of this subsection.

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

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

20 a. a refund shall not be claimed until after the end of  
21 such fiscal year. As used in this subsection, a  
22 fiscal year shall be deemed to begin on July 1 of one  
23 calendar year and shall end on June 30 of the  
24 subsequent calendar year,



- 1           b.    unless otherwise specified, no claims for refunds  
2                   pursuant to the provisions of this subsection shall be  
3                   filed more than eighteen (18) months after the first  
4                   day of the fiscal year in which the refund is first  
5                   available, or September 30, 2017, whichever is sooner,
- 6           c.    no claims for refunds pursuant to the provisions of  
7                   this subsection shall be filed by or on behalf of  
8                   persons other than the operator or a working interest  
9                   owner of record at the time of production,
- 10          d.    no refunds shall be claimed or paid pursuant to the  
11                provisions of this subsection for oil or gas  
12                production upon which a tax is paid at a rate of two  
13                percent (2%), and
- 14          e.    no refund shall be paid unless the person making the  
15                claim for refund demonstrates by affidavit or other  
16                means prescribed by the Tax Commission that an amount  
17                equal to or greater than the amount of the refund has  
18                been invested in the exploration for or production of  
19                crude oil or natural gas in this state by such person  
20                not more than three (3) years prior to the date of the  
21                claim. No amount of investment used to qualify for a  
22                refund pursuant to the provisions of this paragraph  
23                may be used to qualify for another refund pursuant to  
24                the provisions of this paragraph.

1 If there are insufficient funds collected from the production of  
2 oil or gas to satisfy the refunds claimed for oil or gas production  
3 pursuant to subsection F or G of this section, the Tax Commission  
4 shall pay the balance of the refund claims out of the gross  
5 production taxes collected from either the production of oil or gas,  
6 as necessary.

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

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

16 M. Claims for refunds pursuant to the provisions of subsections  
17 F, G, I and J and subparagraph a of paragraph 2 of subsection H of  
18 this section for production periods ending on or before June 30,  
19 2017, shall be paid pursuant to the provisions of this subsection.  
20 The claims for refunds referenced herein shall be paid in equal  
21 payments over a period of thirty-six (36) months. The first payment  
22 shall be made after July 1, 2018, but prior to August 1, 2018. The  
23 Tax Commission shall provide, not later than June 30, 2018, to the  
24

1 operator or designated interest owner, a schedule of rebates to be  
2 paid out over the thirty-six-month period.

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

15 2. Any person requesting any exemption shall file an  
16 application for qualification for the exemption with the Corporation  
17 Commission which, upon finding that the well meets the requirements  
18 of this section, shall approve the application for qualification.

19 3. Any person seeking an exemption shall:

20 a. file an application for the exemption with the Tax  
21 Commission which, upon determination of qualification  
22 by the Corporation Commission, shall approve the  
23 application for an exemption, and  
24

1           b.    provide a copy of the approved application to the  
2                    remitter of the gross production tax.

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

6           5.    Upon the expiration of an exemption granted pursuant to this  
7 section, the Tax Commission shall collect the gross production tax  
8 levied pursuant to this section.  If a person who qualifies for the  
9 exemption elects to remit his or her own gross production tax during  
10 the exemption period, the first purchaser shall not be liable to  
11 withhold or remit the tax until the first day of the month following  
12 the receipt of written notification from the person who is qualified  
13 for such exemption stating that such exemption has expired and  
14 directing the first purchaser to resume tax remittance on his or her  
15 behalf.

16           O.  1.  Prior to July 1, 2015, persons shall only be entitled to  
17 either the exemption granted pursuant to subsection D of this  
18 section or the exemption granted pursuant to subsection E, F, G, H,  
19 I or J of this section for each oil, gas or oil and gas well drilled  
20 or recompleted in this state.  However, any person who qualifies for  
21 the exemption granted pursuant to subsection E, F, G, H, I or J of  
22 this section shall not be prohibited from qualification for the  
23 exemption granted pursuant to subsection D of this section, if the  
24

1 exemption granted pursuant to subsection E, F, G, H, I or J of this  
2 section has expired.

3       2. On or after July 1, 2015, all persons shall only be entitled  
4 to either the exemption granted pursuant to subsection D of this  
5 section or the exemption granted pursuant to subsection F or G of  
6 this section for each oil, gas, or oil and gas well drilled or  
7 recompleted in this state. However, any person who qualifies for  
8 the exemption granted pursuant to subsections F and G of this  
9 section shall not be prohibited from qualification for the exemption  
10 granted pursuant to subsection D of this section if the exemption  
11 granted pursuant to subsection F or G of this section has expired.  
12 Further, the exemption granted pursuant to subsection D of this  
13 section shall not apply to any production upon which a tax is paid  
14 at a rate of two percent (2%).

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

24

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

18 R. The Tax Commission shall have the power and authority to  
19 ascertain and determine whether or not any report herein required to  
20 be filed with it is a true and correct report of the gross products,  
21 and of the value thereof, of such person engaged in the mining or  
22 production or purchase of asphalt and ores bearing minerals  
23 aforesaid and of oil and gas. If any person has made an untrue or  
24 incorrect report of the gross production or value or volume thereof,

1 or shall have failed or refused to make such report, the Tax  
2 Commission shall, under the rules prescribed by it, ascertain the  
3 correct amount of either, and compute the tax.

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

1 property within the taxing district in which such property is  
2 situated at the time.

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

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

21 SECTION 3. AMENDATORY 68 O.S. 2011, Section 1004, as  
22 last amended by Section 2, Chapter 355, O.S.L. 2017 (68 O.S. Supp.  
23 2017, Section 1004), is amended to read as follows:

24 Section 1004. A. As used in this section:



1 1. "Moving five-year average amount for gas" means, for  
2 purposes of the apportionments prescribed by this section, the  
3 amount of gross production tax on natural gas collected for each of  
4 the five (5) complete fiscal years, as computed by the State Board  
5 of Equalization pursuant to Section 34.103 of Title 62 of the  
6 Oklahoma Statutes; and

7 2. "Moving five-year average amount for oil" means, for  
8 purposes of the apportionments prescribed by this section, the  
9 amount of gross production tax on oil collected for each of the five  
10 (5) complete fiscal years, as computed by the State Board of  
11 Equalization pursuant to Section 34.103 of Title 62 of the Oklahoma  
12 Statutes.

13 B. Beginning July 1, 2017, the gross production tax provided  
14 for in Section 1001 of this title is hereby levied and shall be  
15 collected and apportioned as follows:

16 1. For all monies collected from the tax levied on asphalt or  
17 ores bearing uranium, lead, zinc, jack, gold, silver or copper:

18 a. eighty-five and seventy-two one-hundredths percent  
19 (85.72%) shall be paid to the State Treasurer of the  
20 state to be placed in the General Revenue Fund of the  
21 state and used for the general expense of state  
22 government, to be paid out pursuant to direct  
23 appropriation by the Legislature,

24

1           b.    seven and fourteen one-hundredths percent (7.14%) of  
2                    the sum collected from natural gas and/or casinghead  
3                    gas or asphalt or ores bearing uranium, lead, zinc,  
4                    jack, gold, silver or copper shall be paid to the  
5                    various county treasurers to be credited to the County  
6                    Highway Fund as follows: Each county shall receive a  
7                    proportionate share of the funds available based upon  
8                    the proportion of the total value of production from  
9                    such county in the corresponding month of the  
10                  preceding year, and

11           c.    seven and fourteen one-hundredths percent (7.14%)  
12                    shall be allocated to each county as provided for in  
13                    subparagraph b of this paragraph and shall be  
14                    apportioned, on an average daily attendance per capita  
15                    distribution basis, as certified by the State  
16                    Superintendent of Public Instruction to the school  
17                    districts of the county where such pupils attend  
18                    school regardless of residence of such pupil, provided  
19                    the school district makes an ad valorem tax levy of  
20                    fifteen (15) mills for the current year and maintains  
21                    twelve (12) years of instruction;

22           2.    For all monies collected from the tax levied on natural gas  
23                    and/or casinghead gas at a tax rate of seven percent (7%) pursuant  
24                    to the provisions of subsection B of Section 1001 of this title:

1 a. after the total revenue apportioned to the General  
2 Revenue Fund as prescribed by subparagraph b of this  
3 paragraph equals the moving five-year average amount  
4 for gas as defined by paragraph 1 of subsection A of  
5 this section, there shall be apportioned from the  
6 gross production tax levy imposed pursuant to Section  
7 1001 of this title on natural gas and/or casinghead  
8 gas to the Revenue Stabilization Fund created by  
9 Section 34.102 of Title 62 of the Oklahoma Statutes,  
10 the amount of revenue, if any, which exceeds the  
11 moving five-year average amount for gas as defined  
12 pursuant to paragraph 1 of subsection A of this  
13 section,

14 b. until the apportionment to the General Revenue Fund  
15 equals the moving five-year average amount for gas as  
16 prescribed by paragraph 1 of subsection A of this  
17 section, eighty-five and seventy-two one-hundredths  
18 percent (85.72%) shall be paid to the State Treasurer  
19 of the state to be placed in the General Revenue Fund  
20 of the state and used for the general expense of state  
21 government, to be paid out pursuant to direct  
22 appropriation by the Legislature,

23 c. before any other apportionment of revenue has been  
24 made pursuant to this paragraph, seven and fourteen

1 one-hundredths percent (7.14%) of the sum collected  
2 from natural gas and/or casinghead gas shall be paid  
3 to the various county treasurers to be credited to the  
4 County Highway Fund as follows: Each county shall  
5 receive a proportionate share of the funds available  
6 based upon the proportion of the total value of  
7 production from such county in the corresponding month  
8 of the preceding year, and

9 d. before any other apportionment of revenue has been  
10 made pursuant to this paragraph, seven and fourteen  
11 one-hundredths percent (7.14%) shall be allocated to  
12 each county as provided for in subparagraph c of this  
13 paragraph and shall be apportioned, on an average  
14 daily attendance per capita distribution basis, as  
15 certified by the State Superintendent of Public  
16 Instruction to the school districts of the county  
17 where such pupils attend school regardless of  
18 residence of such pupil, provided the school district  
19 makes an ad valorem tax levy of fifteen (15) mills for  
20 the current year and maintains twelve (12) years of  
21 instruction;

22 3. For all monies collected from the tax levied on natural gas  
23 and/or casinghead gas at a tax rate of four percent (4%) pursuant to  
24

1 the provisions of subsections B and E and subparagraphs d and e of  
2 paragraph 2 of subsection H of Section 1001 of this title:

3 a. after the total revenue apportioned to the General  
4 Revenue Fund as prescribed by subparagraph b of this  
5 paragraph equals the moving five-year average amount  
6 for gas as defined by paragraph 1 of subsection A of  
7 this section, there shall be apportioned from the  
8 gross production tax levy imposed pursuant to Section  
9 1001 of this title on natural gas and/or casinghead  
10 gas to the Revenue Stabilization Fund created pursuant  
11 to Section 34.102 of Title 62 of the Oklahoma  
12 Statutes, the amount of revenue, if any, which exceeds  
13 the moving five-year average amount for gas as defined  
14 pursuant to paragraph 1 of subsection A of this  
15 section,

16 b. until the apportionment to the General Revenue Fund  
17 equals the moving five-year average amount for gas as  
18 prescribed by paragraph 1 of subsection A of this  
19 section, seventy-five percent (75%) shall be paid to  
20 the State Treasurer of the state to be placed in the  
21 General Revenue Fund of the state and used for the  
22 general expense of state government, to be paid out  
23 pursuant to direct appropriation by the Legislature,  
24

1 c. before any other apportionment of revenue has been  
2 made pursuant to this paragraph, twelve and one-half  
3 percent (12.5%) of the sum collected from natural gas  
4 and/or casinghead gas shall be paid to the various  
5 county treasurers to be credited to the County Highway  
6 Fund as follows: Each county shall receive a  
7 proportionate share of the funds available based upon  
8 the proportion of the total value of production from  
9 such county in the corresponding month of the  
10 preceding year, and

11 d. before any other apportionment of revenue has been  
12 made pursuant to this paragraph, twelve and one-half  
13 percent (12.5%) shall be allocated to each county as  
14 provided for in subparagraph c of this paragraph and  
15 shall be apportioned, on an average daily attendance  
16 per capita distribution basis, as certified by the  
17 State Superintendent of Public Instruction to the  
18 school districts of the county where such pupils  
19 attend school regardless of residence of such pupil,  
20 provided the school district makes an ad valorem tax  
21 levy of fifteen (15) mills for the current year and  
22 maintains twelve (12) years of instruction;  
23  
24

1 4. For all monies collected from the tax levied on natural gas  
2 and/or casinghead gas at a tax rate of one percent (1%) pursuant to  
3 the provisions of subsection B of Section 1001 of this title:

4 a. fifty percent (50%) of the sum collected from natural  
5 gas and/or casinghead gas shall be paid to the various  
6 county treasurers to be credited to the County Highway  
7 Fund as follows: Each county shall receive a  
8 proportionate share of the funds available based upon  
9 the proportion of the total value of production from  
10 such county in the corresponding month of the  
11 preceding year, and

12 b. fifty percent (50%) shall be allocated to each county  
13 as provided for in subparagraph a of this paragraph  
14 and shall be apportioned, on an average daily  
15 attendance per capita distribution basis, as certified  
16 by the State Superintendent of Public Instruction to  
17 the school districts of the county where such pupils  
18 attend school regardless of residence of such pupil,  
19 provided the school district makes an ad valorem tax  
20 levy of fifteen (15) mills for the current year and  
21 maintains twelve (12) years of instruction;

22 5. For all monies collected from the tax levied on natural gas  
23 and/or casinghead gas at a tax rate of two percent (2%) or five  
24 percent (5%) pursuant to the provisions of ~~subparagraph~~

1 subparagraphs c and d of paragraph 3 of subsection B of Section 1001  
2 of this title:

- 3 a. after the total revenue apportioned to the General  
4 Revenue Fund as prescribed by subparagraph b of this  
5 paragraph equals the moving five-year average amount  
6 for gas as defined by paragraph 1 of subsection A of  
7 this section, there shall be apportioned from the  
8 gross production tax levy imposed pursuant to Section  
9 1001 of this title on gas to the Revenue Stabilization  
10 Fund created by Section 34.102 of Title 62 of the  
11 Oklahoma Statutes, the amount of revenue, if any,  
12 which exceeds the moving five-year average amount for  
13 natural gas and/or casinghead gas as defined pursuant  
14 to paragraph 1 of subsection A of this section,
- 15 b. until the apportionment to the General Revenue Fund  
16 equals the moving five-year average amount for gas as  
17 prescribed by paragraph 1 of subsection A of this  
18 section, fifty percent (50%) shall be paid to the  
19 State Treasurer to be placed in the General Revenue  
20 Fund of the state and used for the general expense of  
21 state government, to be paid out pursuant to direct  
22 appropriation by the Legislature,
- 23 c. before any other apportionment of revenue has been  
24 made pursuant to this paragraph, twenty-five percent



1 (25%) of the sum collected from natural gas and/or  
2 casinghead gas shall be paid to the various county  
3 treasurers to be credited to the County Highway Fund  
4 as follows: Each county shall receive a proportionate  
5 share of the funds available based upon the proportion  
6 of the total value of production from such county in  
7 the corresponding month of the preceding year, and

8 d. before any other apportionment of revenue has been  
9 made pursuant to this paragraph, twenty-five percent  
10 (25%) shall be allocated to each county as provided  
11 for in subparagraph c of this paragraph and shall be  
12 apportioned on an average daily attendance per capita  
13 distribution basis, as certified by the State  
14 Superintendent of Public Instruction, to the school  
15 districts of the county where such pupils attend  
16 school regardless of residence of such pupil, provided  
17 the school district makes an ad valorem tax levy of  
18 fifteen (15) mills for the current year and maintains  
19 twelve (12) years of instruction;

20 6. For all monies collected from the tax levied on oil at a tax  
21 rate of seven percent (7%) pursuant to the provisions of subsection  
22 B of Section 1001 of this title:

23 a. there shall be apportioned from the gross production  
24 tax levy imposed pursuant to Section 1001 of this

1 title on oil to the Revenue Stabilization Fund created  
2 by Section 34.102 of Title 62 of the Oklahoma  
3 Statutes, after the applicable maximum amount  
4 prescribed by subsection C of this section has been  
5 deposited to the funds therein specified, the amount  
6 of revenue, if any, which would otherwise be  
7 apportioned to the General Revenue Fund and which  
8 exceeds the moving five-year average amount for oil as  
9 defined pursuant to paragraph 2 of subsection A of  
10 this section,

11 b. before any other apportionment of revenue has been  
12 made pursuant to this paragraph, twenty-five and  
13 seventy-two one-hundredths percent (25.72%) shall be  
14 paid to the State Treasurer to be placed in the Common  
15 Education Technology Revolving Fund created in Section  
16 34.90 of Title 62 of the Oklahoma Statutes,

17 c. before any other apportionment of revenue has been  
18 made pursuant to this paragraph, twenty-five and  
19 seventy-two one-hundredths percent (25.72%) shall be  
20 paid to the State Treasurer to be placed in the Higher  
21 Education Capital Revolving Fund created in Section  
22 34.91 of Title 62 of the Oklahoma Statutes,

23 d. before any other apportionment of revenue has been  
24 made pursuant to this paragraph, twenty-five and

1           seventy-two one-hundredths percent (25.72%) shall be  
2           paid to the State Treasurer to be placed in the  
3           Oklahoma Student Aid Revolving Fund created in Section  
4           34.92 of Title 62 of the Oklahoma Statutes,

5           e.   before any other apportionment of revenue has been  
6           made pursuant to this paragraph, three and seven  
7           hundred forty-five one-thousandths percent (3.745%)  
8           shall be distributed to the various counties of the  
9           state for deposit into the County Bridge and Road  
10          Improvement Fund of each county based on a formula  
11          developed by the Department of Transportation and  
12          approved by the Department of Transportation County  
13          Advisory Board created pursuant to Section 302.1 of  
14          Title 69 of the Oklahoma Statutes to be used for the  
15          purposes set forth in the County Bridge and Road  
16          Improvement Act. The formula shall be similar to the  
17          formula currently used for the distribution of monies  
18          in the County Bridge Program funds, but shall also  
19          take into consideration the effect of the terrain and  
20          traffic volume as related to county road improvement  
21          and maintenance costs,

22          f.   before any other apportionment of revenue has been  
23          made pursuant to this paragraph, four and twenty-eight  
24

1 one-hundredths percent (4.28%) shall be paid to the  
2 State Treasurer to be apportioned to:

3 (1) the following sources and in the following  
4 amounts through the fiscal year ending June 30,  
5 2019:

6 (a) thirty-three and one-third percent (33 1/3%)  
7 to the Oklahoma Tourism and Recreation  
8 Department Capital Expenditure Revolving  
9 Fund created pursuant to Section 2254.1 of  
10 Title 74 of the Oklahoma Statutes,

11 (b) thirty-three and one-third percent (33 1/3%)  
12 to the Oklahoma Conservation Commission  
13 Infrastructure Revolving Fund created  
14 pursuant to Section 3-2-110 of Title 27A of  
15 the Oklahoma Statutes, and

16 (c) thirty-three and one-third percent (33 1/3%)  
17 to the Community Water Infrastructure  
18 Development Revolving Fund created pursuant  
19 to Section 1085.7A of Title 82 of the  
20 Oklahoma Statutes, and

21 (2) the Oklahoma Water Resources Board Rural Economic  
22 Action Plan Water Projects Fund for the fiscal  
23 year beginning July 1, 2019, and for each fiscal  
24 year thereafter,

1 g. before any other apportionment of revenue has been  
2 made pursuant to this paragraph, seven and fourteen  
3 one-hundredths percent (7.14%) of the sum collected  
4 from oil shall be paid to the various county  
5 treasurers, to be credited to the County Highway Fund  
6 as follows: Each county shall receive a proportionate  
7 share of the funds available based upon the proportion  
8 of the total value of production from such county in  
9 the corresponding month of the preceding year,

10 h. before any other apportionment of revenue has been  
11 made pursuant to this paragraph, seven and fourteen  
12 one-hundredths percent (7.14%) shall be allocated to  
13 each county as provided in subparagraph g of this  
14 paragraph and shall be apportioned, on an average  
15 daily attendance per capita distribution basis, as  
16 certified by the State Superintendent of Public  
17 Instruction, to the school districts of the county  
18 where such pupils attend school regardless of  
19 residence of such pupil, provided the school district  
20 makes an ad valorem tax levy of fifteen (15) mills for  
21 the current year and maintains twelve (12) years of  
22 instruction, and

23 i. before any other apportionment of revenue has been  
24 made pursuant to this paragraph, five hundred thirty-

1 five one-thousandths percent (0.535%) of the levy  
2 shall be transmitted by the Oklahoma Tax Commission to  
3 the Statewide Circuit Engineering District Revolving  
4 Fund as created in Section 687.2 of Title 69 of the  
5 Oklahoma Statutes;

6 7. For all monies collected from the tax levied on oil at a tax  
7 rate of four percent (4%) pursuant to the provisions of subsections  
8 B and E and subparagraphs d and e of paragraph 2 of subsection H of  
9 Section 1001 of this title:

- 10 a. there shall be apportioned from the gross production  
11 tax levy imposed pursuant to Section 1001 of this  
12 title on oil to the Revenue Stabilization Fund created  
13 by Section 34.102 of Title 62 of the Oklahoma  
14 Statutes, after the applicable maximum amount  
15 prescribed by subsection C of this section has been  
16 deposited to the funds therein specified, the amount  
17 of revenue, if any, which would otherwise be  
18 apportioned to the General Revenue Fund and which  
19 exceeds the moving five-year average amount for oil as  
20 defined pursuant to paragraph 2 of subsection A of  
21 this section,
- 22 b. before any other apportionment of revenue has been  
23 made pursuant to this paragraph, twenty-two and one-  
24 half percent (22.5%) shall be paid to the State

1           Treasurer to be placed in the Common Education  
2           Technology Revolving Fund created in Section 34.90 of  
3           Title 62 of the Oklahoma Statutes,

4           c.   before any other apportionment of revenue has been  
5           made pursuant to this paragraph, twenty-two and one-  
6           half percent (22.5%) shall be paid to the State

7           Treasurer to be placed in the Higher Education Capital  
8           Revolving Fund created in Section 34.91 of Title 62 of  
9           the Oklahoma Statutes,

10          d.   before any other apportionment of revenue has been  
11          made pursuant to this paragraph, twenty-two and one-  
12          half percent (22.5%) shall be paid to the State

13          Treasurer to be placed in the Oklahoma Student Aid  
14          Revolving Fund created in Section 34.92 of Title 62 of  
15          the Oklahoma Statutes,

16          e.   before any other apportionment of revenue has been  
17          made pursuant to this paragraph, three and twenty-  
18          eight one-hundredths percent (3.28%) shall be

19          distributed to the various counties of the state for  
20          deposit into the County Bridge and Road Improvement  
21          Fund of each county based on a formula developed by  
22          the Department of Transportation and approved by the  
23          Department of Transportation County Advisory Board  
24          created pursuant to Section 302.1 of Title 69 of the

1 Oklahoma Statutes to be used for the purposes set  
2 forth in the County Bridge and Road Improvement Act.  
3 The formula shall be similar to the formula currently  
4 used for the distribution of monies in the County  
5 Bridge Program funds, but shall also take into  
6 consideration the effect of the terrain and traffic  
7 volume as related to county road improvement and  
8 maintenance costs,

9 f. before any other apportionment of revenue has been  
10 made pursuant to this paragraph, three and seventy-  
11 five one-hundredths percent (3.75%) shall be paid to  
12 the State Treasurer to be apportioned to:

13 (1) the following sources and in the following  
14 amounts through the fiscal year ending June 30,  
15 2019:

16 (a) thirty-three and one-third percent (33 1/3%)  
17 to the Oklahoma Tourism and Recreation  
18 Department Capital Expenditure Revolving  
19 Fund created pursuant to Section 2254.1 of  
20 Title 74 of the Oklahoma Statutes,

21 (b) thirty-three and one-third percent (33 1/3%)  
22 to the Oklahoma Conservation Commission  
23 Infrastructure Revolving Fund created  
24



1                   pursuant to Section 3-2-110 of Title 27A of  
2                   the Oklahoma Statutes, and

3                   (c) thirty-three and one-third percent (33 1/3%)  
4                   to the Community Water Infrastructure  
5                   Development Revolving Fund created pursuant  
6                   to Section 1085.7A of Title 82 of the  
7                   Oklahoma Statutes, and

8                   (2) the Oklahoma Water Resources Board Rural Economic  
9                   Action Plan Water Projects Fund for the fiscal  
10                  year beginning July 1, 2019, and for each fiscal  
11                  year thereafter,

12           g.    before any other apportionment of revenue has been  
13                  made pursuant to this paragraph, twelve and one-half  
14                  percent (12.5%) of the sum collected from oil shall be  
15                  paid to the various county treasurers, to be credited  
16                  to the County Highway Fund as follows: Each county  
17                  shall receive a proportionate share of the funds  
18                  available based upon the proportion of the total value  
19                  of production from such county in the corresponding  
20                  month of the preceding year,

21           h.    before any other apportionment of revenue has been  
22                  made pursuant to this paragraph, twelve and one-half  
23                  percent (12.5%) shall be allocated to each county as  
24                  provided in subparagraph g of this paragraph and shall

1 be apportioned on an average daily attendance per  
2 capita distribution basis, as certified by the State  
3 Superintendent of Public Instruction, to the school  
4 districts of the county where such pupils attend  
5 school regardless of residence of such pupil, provided  
6 the school district makes an ad valorem tax levy of  
7 fifteen (15) mills for the current year and maintains  
8 twelve (12) years of instruction, and

- 9 i. before any other apportionment of revenue has been  
10 made pursuant to this paragraph, forty-seven one-  
11 hundredths percent (0.47%) of the levy shall be  
12 transmitted by the Tax Commission to the Statewide  
13 Circuit Engineering District Revolving Fund as created  
14 in Section 687.2 of Title 69 of the Oklahoma Statutes;

15 8. For all monies collected from the tax levied on oil at a tax  
16 rate of one percent (1%) pursuant to the provisions of subsection B  
17 of Section 1001 of this title:

- 18 a. fifty percent (50%) of the sum collected shall be paid  
19 to the various county treasurers, to be credited to  
20 the County Highway Fund as follows: Each county shall  
21 receive a proportionate share of the funds available  
22 based upon the proportion of the total value of  
23 production from such county in the corresponding month  
24 of the preceding year, and

1           b.   fifty percent (50%) shall be allocated to each county  
2                   as provided for in subparagraph a of this paragraph  
3                   and shall be apportioned on an average daily  
4                   attendance per capita distribution basis, as certified  
5                   by the State Superintendent of Public Instruction, to  
6                   the school districts of the county where such pupils  
7                   attend school regardless of residence of such pupil,  
8                   provided the school district makes an ad valorem tax  
9                   levy of fifteen (15) mills for the current year and  
10                  maintains twelve (12) years of instruction;

11           9.   For all monies collected from the tax levied on oil at a tax  
12                  rate of two percent (2%) or five percent (5%) pursuant to the  
13                  provisions of ~~subparagraph~~ subparagraphs c and d of paragraph 3 of  
14                  subsection B of Section 1001 of this title:

- 15                  a.   there shall be apportioned from the gross production  
16                          tax levy imposed pursuant to Section 1001 of this  
17                          title on oil to the Revenue Stabilization Fund created  
18                          by Section 34.102 of Title 62 of the Oklahoma  
19                          Statutes, the amount of revenue, if any, which exceeds  
20                          the moving five-year average amount for oil as defined  
21                          pursuant to paragraph 2 of subsection A of this  
22                          section,
- 23                  b.   until the apportionment to the General Revenue Fund  
24                          equals the moving five-year average amount for oil as

1 prescribed by paragraph 2 of subsection A of this  
2 section, fifty percent (50%) shall be paid to the  
3 State Treasurer to be placed in the General Revenue  
4 Fund of the state and used for the general expense of  
5 state government, to be paid out pursuant to direct  
6 appropriation by the Legislature,

7 c. before any other apportionment of revenue has been  
8 made pursuant to this paragraph, twenty-five percent  
9 (25%) of the sum collected from oil shall be paid to  
10 the various county treasurers, to be credited to the  
11 County Highway Fund as follows: Each county shall  
12 receive a proportionate share of the funds available  
13 based upon the proportion of the total value of  
14 production from such county in the corresponding month  
15 of the preceding year, and

16 d. before any other apportionment of revenue has been  
17 made pursuant to this paragraph, twenty-five percent  
18 (25%) shall be allocated to each county as provided in  
19 subparagraph c of this paragraph and shall be  
20 apportioned on an average daily attendance per capita  
21 distribution basis, as certified by the State  
22 Superintendent of Public Instruction, to the school  
23 districts of the county where such pupils attend  
24 school regardless of residence of such pupil, provided

1 the school district makes an ad valorem tax levy of  
2 fifteen (15) mills for the current year and maintains  
3 twelve (12) years of instruction.

4 C. Provided, notwithstanding any other provision of this  
5 section, the total amounts deposited to the Common Education  
6 Technology Revolving Fund, the Higher Education Capital Revolving  
7 Fund, the Oklahoma Student Aid Revolving Fund, the Rural Economic  
8 Action Plan Water Projects Fund, the Oklahoma Tourism and Recreation  
9 Department Capital Expenditure Revolving Fund, the Oklahoma  
10 Conservation Commission Infrastructure Revolving Fund and the  
11 Community Water Infrastructure Development Revolving Fund pursuant  
12 to paragraphs 6 and 7 of subsection B of this section shall not  
13 exceed One Hundred Fifty Million Dollars (\$150,000,000.00) in any  
14 fiscal year. Except as otherwise provided in this subsection, all  
15 sums in excess of One Hundred Fifty Million Dollars  
16 (\$150,000,000.00) in any fiscal year which would otherwise be  
17 deposited in such funds shall be apportioned by the Oklahoma Tax  
18 Commission to the General Revenue Fund of the state.

19 SECTION 4. The Ballot Title for the proposed act shall be in  
20 the following form:

21 BALLLOT TITLE

22 Legislative Referendum No. \_\_\_\_\_ State Question No. \_\_\_\_\_

23 THE GIST OF THE PROPOSITION IS AS FOLLOWS:  
24

1 For new oil and gas wells where drilling commences on or after  
2 the effective date of the measure, the measure modifies gross  
3 production tax rate incentives for oil and gas production that  
4 currently reduce the gross production tax rate on certain  
5 production below 7%. The measure creates a 5% reduced rate  
6 applicable to 36 months of production for new oil and gas wells  
7 where drilling commences on or after the effective date of this  
8 measure, and the measure provides for the apportionment of gross  
9 production taxes collected at the 5% rate.

10 SHALL THE PROPOSAL BE APPROVED?

11 FOR THE PROPOSAL - YES \_\_\_\_\_

12 AGAINST THE PROPOSAL - NO \_\_\_\_\_

13 SECTION 5. The Chief Clerk of the House of Representatives,  
14 immediately after the passage of this act, shall prepare and file  
15 one copy thereof, including the Ballot Title set forth in SECTION 4  
16 hereof, with the Secretary of State and one copy with the Attorney  
17 General.

18  
19 56-1EX-50019 JM 09/23/17  
20  
21  
22  
23  
24