

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 55th Legislature (2016)

4 HOUSE BILL 2303

 By: Watson of the House

5 and

6 Marlatt of the Senate

7

8

9 AS INTRODUCED

10 An Act relating to the Corporation Commission Well
11 Plugging Fund; amending 17 O.S. 2011, Section 180.10,
12 as last amended by Section 1, Chapter 314, O.S.L.
13 2015 (17 O.S. Supp. 2015, Section 180.10), which
14 relates to the Corporation Commission Plugging Fund;
15 modifying certain termination date for plugging fund;
16 amending 68 O.S. 2011, Sections 1101, 1102 and 1103,
17 as last amended by Sections 1, Chapter 331, O.S.L.
18 2013 (68 O.S. Supp. 2011, Section 1103), which relate
19 to the excise tax on oil and gas; extending
20 termination date for certain taxes; and declaring an
21 emergency.

22

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

24 SECTION 1. AMENDATORY 17 O.S. 2011, Section 180.10, as
 last amended by Section 1, Chapter 314, O.S.L. 2015 (17 O.S. Supp.
 2015, Section 180.10), is amended to read as follows:

 Section 180.10 A. There is hereby created in the State
 Treasury a fund for the Corporation Commission to be designated the
 "Corporation Commission Plugging Fund". The plugging fund shall

1 consist of monies received by the Corporation Commission as required
2 by law to be deposited to the credit of said fund. The fund shall
3 be a continuing fund not subject to fiscal year limitations and
4 shall not be subject to legislative appropriations. Expenditures
5 from the plugging fund shall be made pursuant to the laws of this
6 state and the statutes relating to the Corporation Commission. For
7 each fiscal year, the Commission may expend not more than eight
8 percent (8%) of the total amount deposited to the credit of the
9 plugging fund during the previous fiscal year for the purpose of
10 responding to occurrences of seeping natural gas as provided for in
11 Section 317.1 of Title 52 of the Oklahoma Statutes. In addition,
12 expenditures from the plugging fund may be made pursuant to The
13 Oklahoma Central Purchasing Act, Section 85.1 et seq. of Title 74 of
14 the Oklahoma Statutes, for purposes of immediately responding to
15 emergency situations, within the Commission's jurisdiction, having
16 potentially critical environmental or public safety impact.
17 Warrants for expenditures from the fund shall be drawn by the State
18 Treasurer, based on claims signed by an authorized employee of the
19 Corporation Commission and approved for payment by the Director of
20 the Office of Management and Enterprise Services. The provisions of
21 this act or rules promulgated pursuant thereto, shall not be
22 construed to relieve or in any way diminish the surety bonding
23 requirements required by Section 318.1 of Title 52 of the Oklahoma
24 Statutes.

1 B. Prior to July 1, ~~2016~~ 2021, the plugging fund shall be
2 maintained at Five Million Dollars (\$5,000,000.00). If the plugging
3 fund falls below the five-million-dollar maintenance level, the
4 Corporation Commission shall notify the Tax Commission that the
5 plugging fund has fallen below the required maintenance level and
6 that the excise tax which has been levied by subsection A of Section
7 1101 of Title 68 of the Oklahoma Statutes and subsection A of
8 Section 1102 of Title 68 of the Oklahoma Statutes which is credited
9 and apportioned to the Corporation Commission Plugging Fund pursuant
10 to Section 1103 of Title 68 of the Oklahoma Statutes is to be
11 imposed. Such additional excise tax shall be imposed and collected
12 until such time as is necessary to meet the additional five-million-
13 dollar maintenance level. The Tax Commission shall notify the
14 persons responsible for payment of the excise tax on oil and gas of
15 the imposition of such tax. The provisions of this subsection shall
16 terminate on July 1, ~~2016~~ 2021.

17 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1101, is
18 amended to read as follows:

19 Section 1101. A. Prior to July 1, ~~2016~~ 2021, and as provided
20 in Section 1103.1 of this title, there is hereby levied, in addition
21 to the gross production tax, an excise tax equal to ninety-five one
22 thousandths of one percent (.095 of 1%) of the gross value on each
23 barrel of petroleum oil produced in the State of Oklahoma which is
24 subject to gross production tax in the State of Oklahoma. Such

1 excise tax of ninety-five one thousandths of one percent (.095 of
2 1%) of the gross value shall be reported to and collected by the Tax
3 Commission at the same time and in the same manner as is provided by
4 law for the collection of gross production tax on petroleum oil. On
5 petroleum oil sold at the time of production, the excise tax thereon
6 shall be paid by the purchaser, who is hereby authorized to deduct
7 in making settlement with the producer and/or royalty owner the
8 amount of tax so paid; provided, that in the event oil on which such
9 tax becomes due is not sold at the time of production, but is
10 retained by the producer, the tax on such oil not so sold shall be
11 paid by the producer, including the tax due on royalty oil not sold;
12 and provided, further, that in settlement with royalty owner, such
13 producer shall have the right to deduct the amount of tax so paid on
14 royalty oil, or to deduct therefrom royalty oil equivalent in value
15 at the time such tax becomes due with the amount of tax paid.

16 The provisions of this subsection shall terminate on June 30,
17 ~~2016~~ 2021.

18 B. Beginning on July 1, ~~2016~~ 2021, there is hereby levied, in
19 addition to the gross production tax, an excise tax equal to eighty-
20 five one thousandths of one percent (.085 of 1%) of the gross value
21 on each barrel of petroleum oil produced in the State of Oklahoma
22 which is subject to gross production tax in the State of Oklahoma.
23 Such excise tax of eighty-five one thousandths of one percent (.085
24 of 1%) of the gross value shall be reported to and collected by the

1 Tax Commission at the same time and in the same manner as is
2 provided by law for the collection of gross production tax on
3 petroleum oil. On petroleum oil sold at the time of production, the
4 excise tax thereon shall be paid by the purchaser, who is hereby
5 authorized to deduct in making settlement with the producer and/or
6 royalty owner the amount of tax so paid; provided, that in the event
7 oil on which such tax becomes due is not sold at the time of
8 production, but is retained by the producer, the tax on such oil not
9 so sold shall be paid by the producer, including the tax due on
10 royalty oil not sold; and provided, further, that in settlement with
11 royalty owner, such producer shall have the right to deduct the
12 amount of tax so paid on royalty oil, or to deduct therefrom royalty
13 oil equivalent in value at the time such tax becomes due with the
14 amount of tax paid.

15 SECTION 3. AMENDATORY 68 O.S. 2011, Section 1102, is
16 amended to read as follows:

17 Section 1102. A. Prior to July 1, ~~2016~~ 2021, and as provided
18 in Section 1103.1 of this title, there is hereby levied, in addition
19 to the gross production tax, an excise tax equal to ninety-five one
20 thousandths of one percent (.095 of 1%) of the gross value of all
21 natural gas and/or casinghead gas produced in the State of Oklahoma
22 which is subject to gross production tax in the State of Oklahoma.
23 Such excise tax of ninety-five one thousandths of one percent (.095
24 of 1%) of the gross value shall be reported to and collected by the

1 Tax Commission at the same time and in the same manner as is
2 provided by law for the collection of gross production tax on
3 natural gas and/or casinghead gas, and this excise tax shall apply
4 in all cases where the gross production tax provided for by law
5 applies to the production of natural gas and/or casinghead gas. The
6 excise tax shall be paid by the purchaser, who is hereby authorized
7 to deduct in making settlement with the producer and/or royalty
8 owner the amount of tax so paid, provided, however, that if such
9 natural gas and/or casinghead gas is retained by the producer, then
10 the tax shall be paid by the producer, who shall have the right to
11 deduct the amount of tax so paid on royalty gas at the time of
12 settlement with the royalty owner.

13 The provisions of this subsection shall terminate on June 30,
14 ~~2016~~ 2021.

15 B. Beginning on July 1, ~~2016~~ 2021, there is hereby levied, in
16 addition to the gross production tax, an excise tax equal to eighty-
17 five one thousandths of one percent (.085 of 1%) of the gross value
18 of all natural gas and/or casinghead gas produced in the State of
19 Oklahoma which is subject to gross production tax in the State of
20 Oklahoma. Such excise tax of eighty-five one thousandths of one
21 percent (.085 of 1%) of the gross value shall be reported to and
22 collected by the Tax Commission at the same time and in the same
23 manner as is provided by law for the collection of gross production
24 tax on natural gas and/or casinghead gas, and this excise tax shall

1 apply in all cases where the gross production tax provided for by
2 law applies to the production of natural gas and/or casinghead gas.
3 The excise tax shall be paid by the purchaser, who is hereby
4 authorized to deduct in making settlement with the producer and/or
5 royalty owner the amount of tax so paid, provided, however, that if
6 such natural gas and/or casinghead gas is retained by the producer,
7 then the tax shall be paid by the producer, who shall have the right
8 to deduct the amount of tax so paid on royalty gas at the time of
9 settlement with the royalty owner.

10 SECTION 4. AMENDATORY 68 O.S. 2011, Section 1103, as
11 amended by Section 1, Chapter 331, O.S.L. 2013 (68 O.S. Supp. 2015,
12 Section 1103), is amended to read as follows:

13 Section 1103. A. 1. Prior to July 1, ~~2016~~ 2021, and as
14 provided in Section 1103.1 of this title, all monies derived from
15 the levy of the excise tax on petroleum oil provided for by Section
16 1101 of this title shall be deposited with the State Treasurer, who
17 shall credit and apportion the same as follows:

18 a. eighty-two and six hundred thirty-four thousandths
19 percent (82.634%) of said excise tax shall be credited
20 to the General Revenue Fund of the State Treasury;
21 provided, in each fiscal year beginning on or after
22 July 1, 2013, the first One Million Three Hundred
23 Fifty Thousand Dollars (\$1,350,000.00) which would
24 otherwise have been apportioned to the General Revenue

1 Fund pursuant to this subparagraph shall be
2 transferred to the Oil and Gas Division Revolving Fund
3 of the Oklahoma Corporation Commission;

4 b. ten and five hundred twenty-six thousandths percent
5 (10.526%) shall be credited and apportioned to a
6 separate and distinct fund to be known as the
7 "Corporation Commission Plugging Fund"; and

8 c. the remaining six and eighty-four hundredths percent
9 (6.84%) of said excise tax shall be credited and
10 apportioned to a separate and distinct fund to be
11 known as "The Interstate Oil Compact Fund of
12 Oklahoma", which fund is hereby created.

13 2. Prior to July 1, ~~2016~~ 2021, and as provided in Section
14 1103.1 of this title, all monies derived from the levy of the excise
15 tax on natural gas and/or casinghead gas provided for by Section
16 1102 of this title shall be deposited with the State Treasurer, who
17 shall credit and apportion the same as follows:

18 a. eighty-two and six thousand forty-five ten thousandths
19 percent (82.6045%) of said excise tax shall be
20 credited to the General Revenue Fund of the State
21 Treasury; provided, in each fiscal year beginning on
22 or after July 1, 2013, the first One Million Three
23 Hundred Fifty Thousand Dollars (\$1,350,000.00) which
24 would otherwise have been apportioned to the General

1 Revenue Fund pursuant to this subparagraph shall be
2 transferred to the Oil and Gas Division Revolving Fund
3 of the Oklahoma Corporation Commission;

4 b. ten and five thousand five hundred fifty-five ten
5 thousandths percent (10.5555%) shall be credited and
6 apportioned to the Corporation Commission Plugging
7 Fund; and

8 c. six and eighty-four hundredths percent (6.84%) of said
9 excise tax shall be credited and apportioned to The
10 Interstate Oil Compact Fund of Oklahoma.

11 3. Prior to July 1, ~~2016~~ 2021, and as provided in Section
12 1103.1 of this title, all monies to accrue to "The Interstate Oil
13 Compact Fund of Oklahoma" under the provisions of this article,
14 together with all monies remaining unexpended in "The Interstate Oil
15 Compact Fund of Oklahoma" created under this subsection are hereby
16 appropriated and shall be used for the payment of the compensation
17 of the assistant representative of the State of Oklahoma on "The
18 Interstate Oil Compact Commission", the compensation of such
19 clerical, technical, and legal assistants as he or she may with the
20 consent of the Governor employ; the actual and necessary traveling
21 expenses of the assistant representative and employees, and of the
22 Governor when traveling in the Governor's capacity as official
23 representative of the State of Oklahoma on "The Interstate Oil
24 Compact Commission"; all items of office expense, including the cost

1 of office supplies and equipment; such contributions as the Governor
2 shall deem necessary and proper to pay to "The Interstate Oil
3 Compact Commission" to defray its expenses; and such other necessary
4 expenses as may be incurred in enabling the State of Oklahoma to
5 fully cooperate in accomplishing the objects of the Interstate
6 Compact to conserve oil and gas. The fund shall be disbursed by the
7 State Treasurer upon sworn, itemized claims approved by the
8 assistant representative and the Governor; provided, that if at the
9 end of any fiscal year any part of the special fund shall remain
10 unexpended, such balance shall be transferred by the State Treasurer
11 to, and become a part of, the General Revenue Fund of the state for
12 the ensuing fiscal year. Provided, further, that if the State of
13 Oklahoma withdraws from the Interstate Compact to conserve oil and
14 gas, any unencumbered monies in "The Interstate Oil Compact Fund of
15 Oklahoma" shall be transferred to and become a part of the General
16 Revenue Fund of the State Treasury and thereafter the excise tax on
17 petroleum oil, natural gas and/or casinghead gas levied by this
18 article shall be levied, collected and deposited in the General
19 Revenue Fund of the State Treasury.

20 4. All monies to accrue to the Corporation Commission Plugging
21 Fund are hereby appropriated and shall be used for payment of
22 expenses related to the statutory purpose of the fund.

23 The provisions of this subsection shall terminate on June 30,
24 ~~2016~~ 2021.

1 B. 1. Beginning on July 1, ~~2016~~ 2021, all monies derived from
2 the levy of the excise tax on petroleum oil provided for by Section
3 1101 of this ~~Code~~ title shall be deposited with the State Treasurer,
4 who shall credit and apportion the same as follows:

- 5 a. ninety-two and thirty-five hundredths percent (92.35%)
6 of said excise tax shall be credited and apportioned
7 to the General Revenue Fund of the State Treasury;
8 provided, in each fiscal year beginning on or after
9 July 1, 2013, the first One Million Three Hundred
10 Fifty Thousand Dollars (\$1,350,000.00) which would
11 otherwise have been apportioned to the General Revenue
12 Fund pursuant to this subparagraph shall be
13 transferred to the Oil and Gas Division Revolving Fund
14 of the Oklahoma Corporation Commission, and
- 15 b. the remaining seven and sixty-five hundredths percent
16 (7.65%) of said excise tax shall be credited and
17 apportioned to a separate and distinct fund to be
18 known as "The Interstate Oil Compact Fund of
19 Oklahoma", which fund is hereby created.

20 2. Beginning on July 1, ~~2016~~ 2021, all monies derived from the
21 levy of the excise tax on natural gas and/or casinghead gas provided
22 for by Section 1102 of this ~~Code~~ title shall be deposited with the
23 State Treasurer, who shall credit and apportion the same as follows:
24

- 1 a. ninety-two and thirty-five hundredths percent (92.35%)
2 of said excise tax shall be credited and apportioned
3 to the General Revenue Fund of the State Treasury;
4 provided, in each fiscal year beginning on or after
5 July 1, 2013, the first One Million Three Hundred
6 Fifty Thousand Dollars (\$1,350,000.00) which would
7 otherwise have been apportioned to the General Revenue
8 Fund pursuant to this subparagraph shall be
9 transferred to the Oil and Gas Division Revolving Fund
10 of the Oklahoma Corporation Commission, and
- 11 b. seven and sixty-five hundredths percent (7.65%) of
12 said excise tax shall be credited and apportioned to
13 The Interstate Oil Compact Fund of Oklahoma.

14 3. Beginning on July 1, ~~2016~~ 2021, all monies to accrue to "The
15 Interstate Oil Compact Fund of Oklahoma" under the provisions of
16 this article, together with all monies remaining unexpended in "The
17 Interstate Oil Compact Fund of Oklahoma" created under this
18 subsection are hereby appropriated and shall be used for the payment
19 of the compensation of the assistant representative of the State of
20 Oklahoma on "The Interstate Oil Compact Commission", the
21 compensation of such clerical, technical, and legal assistants as he
22 or she may with the consent of the Governor employ; the actual and
23 necessary traveling expenses of the assistant representative and
24 employees, and of the Governor when traveling in the Governor's

1 capacity as official representative of the State of Oklahoma on "The
2 Interstate Oil Compact Commission"; all items of office expense,
3 including the cost of office supplies and equipment; such
4 contributions as the Governor shall deem necessary and proper to pay
5 to "The Interstate Oil Compact Commission" to defray its expenses;
6 and such other necessary expenses as may be incurred in enabling the
7 State of Oklahoma to fully cooperate in accomplishing the objects of
8 the Interstate Compact to conserve oil and gas. The fund shall be
9 disbursed by the State Treasurer upon sworn, itemized claims
10 approved by the assistant representative and the Governor; provided,
11 that if at the end of any fiscal year any part of the special fund
12 shall remain unexpended, such balance shall be transferred by the
13 State Treasurer to, and become a part of, the General Revenue Fund
14 of the State Treasury for the ensuing fiscal year. Provided,
15 further, that if the State of Oklahoma withdraws from the Interstate
16 Compact to conserve oil and gas, any unencumbered monies in "The
17 Interstate Oil Compact Fund of Oklahoma" shall be transferred to and
18 become a part of the General Revenue Fund of the State Treasury and
19 thereafter the excise tax on petroleum oil, natural gas and/or
20 casinghead gas levied by this article shall be levied, collected and
21 deposited in the General Revenue Fund of the State Treasury.

22 SECTION 5. It being immediately necessary for the preservation
23 of the public peace, health and safety, an emergency is hereby
24

1 declared to exist, by reason whereof this act shall take effect and
2 be in full force from and after its passage and approval.

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4 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated
5 02/18/2016 - DO PASS, As Coauthored.

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