

1 **SENATE FLOOR VERSION**

2 April 6, 2016

3 **AS AMENDED**

4 ENGROSSED HOUSE
5 BILL NO. 2303

6 By: Watson of the House

7 and

8 Marlatt of the Senate

9 **[Corporation Commission Well Plugging Fund -
10 termination date - excise tax on oil and gas -
11 emergency]**

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

13 SECTION 1. AMENDATORY 17 O.S. 2011, Section 180.10, as
14 last amended by Section 1, Chapter 314, O.S.L. 2015 (17 O.S. Supp.
15 2015, Section 180.10), is amended to read as follows:

16 Section 180.10 A. There is hereby created in the State
17 Treasury a fund for the Corporation Commission to be designated the
18 "Corporation Commission Plugging Fund". The plugging fund shall
19 consist of monies received by the Corporation Commission as required
20 by law to be deposited to the credit of said fund. The fund shall
21 be a continuing fund not subject to fiscal year limitations and
22 shall not be subject to legislative appropriations. Expenditures
23 from the plugging fund shall be made pursuant to the laws of this
24 state and the statutes relating to the Corporation Commission. For

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

19 B. Prior to July 1, ~~2016~~ 2021, the plugging fund shall be
20 maintained at Five Million Dollars (\$5,000,000.00). If the plugging
21 fund falls below the five-million-dollar maintenance level, the
22 Corporation Commission shall notify the Tax Commission that the
23 plugging fund has fallen below the required maintenance level and
24 that the excise tax which has been levied by subsection A of Section

1 1101 of Title 68 of the Oklahoma Statutes and subsection A of
2 Section 1102 of Title 68 of the Oklahoma Statutes which is credited
3 and apportioned to the Corporation Commission Plugging Fund pursuant
4 to Section 1103 of Title 68 of the Oklahoma Statutes is to be
5 imposed. Such additional excise tax shall be imposed and collected
6 until such time as is necessary to meet the additional five-million-
7 dollar maintenance level. The Tax Commission shall notify the
8 persons responsible for payment of the excise tax on oil and gas of
9 the imposition of such tax. The provisions of this subsection shall
10 terminate on July 1, ~~2016~~ 2021.

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

13 Section 1101. A. Prior to July 1, ~~2016~~ 2021, and as provided
14 in Section 1103.1 of this title, there is hereby levied, in addition
15 to the gross production tax, an excise tax equal to ninety-five one
16 thousandths of one percent (.095 of 1%) of the gross value on each
17 barrel of petroleum oil produced in the State of Oklahoma which is
18 subject to gross production tax in the State of Oklahoma. Such
19 excise tax of ninety-five one thousandths of one percent (.095 of
20 1%) of the gross value shall be reported to and collected by the Tax
21 Commission at the same time and in the same manner as is provided by
22 law for the collection of gross production tax on petroleum oil. On
23 petroleum oil sold at the time of production, the excise tax thereon
24 shall be paid by the purchaser, who is hereby authorized to deduct

1 in making settlement with the producer and/or royalty owner the
2 amount of tax so paid; provided, that in the event oil on which such
3 tax becomes due is not sold at the time of production, but is
4 retained by the producer, the tax on such oil not so sold shall be
5 paid by the producer, including the tax due on royalty oil not sold;
6 and provided, further, that in settlement with royalty owner, such
7 producer shall have the right to deduct the amount of tax so paid on
8 royalty oil, or to deduct therefrom royalty oil equivalent in value
9 at the time such tax becomes due with the amount of tax paid.

10 The provisions of this subsection shall terminate on June 30,
11 ~~2016~~ 2021.

12 B. Beginning on July 1, ~~2016~~ 2021, there is hereby levied, in
13 addition to the gross production tax, an excise tax equal to eighty-
14 five one thousandths of one percent (.085 of 1%) of the gross value
15 on each barrel of petroleum oil produced in the State of Oklahoma
16 which is subject to gross production tax in the State of Oklahoma.
17 Such excise tax of eighty-five one thousandths of one percent (.085
18 of 1%) of the gross value shall be reported to and collected by the
19 Tax Commission at the same time and in the same manner as is
20 provided by law for the collection of gross production tax on
21 petroleum oil. On petroleum oil sold at the time of production, the
22 excise tax thereon shall be paid by the purchaser, who is hereby
23 authorized to deduct in making settlement with the producer and/or
24 royalty owner the amount of tax so paid; provided, that in the event

1 oil on which such tax becomes due is not sold at the time of
2 production, but is retained by the producer, the tax on such oil not
3 so sold shall be paid by the producer, including the tax due on
4 royalty oil not sold; and provided, further, that in settlement with
5 royalty owner, such producer shall have the right to deduct the
6 amount of tax so paid on royalty oil, or to deduct therefrom royalty
7 oil equivalent in value at the time such tax becomes due with the
8 amount of tax paid.

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

11 Section 1102. A. Prior to July 1, ~~2016~~ 2021, and as provided
12 in Section 1103.1 of this title, there is hereby levied, in addition
13 to the gross production tax, an excise tax equal to ninety-five one
14 thousandths of one percent (.095 of 1%) of the gross value of all
15 natural gas and/or casinghead gas produced in the State of Oklahoma
16 which is subject to gross production tax in the State of Oklahoma.
17 Such excise tax of ninety-five one thousandths of one percent (.095
18 of 1%) of the gross value shall be reported to and collected by the
19 Tax Commission at the same time and in the same manner as is
20 provided by law for the collection of gross production tax on
21 natural gas and/or casinghead gas, and this excise tax shall apply
22 in all cases where the gross production tax provided for by law
23 applies to the production of natural gas and/or casinghead gas. The
24 excise tax shall be paid by the purchaser, who is hereby authorized

1 to deduct in making settlement with the producer and/or royalty
2 owner the amount of tax so paid, provided, however, that if such
3 natural gas and/or casinghead gas is retained by the producer, then
4 the tax shall be paid by the producer, who shall have the right to
5 deduct the amount of tax so paid on royalty gas at the time of
6 settlement with the royalty owner.

7 The provisions of this subsection shall terminate on June 30,
8 ~~2016~~ 2021.

9 B. Beginning on July 1, ~~2016~~ 2021, there is hereby levied, in
10 addition to the gross production tax, an excise tax equal to eighty-
11 five one thousandths of one percent (.085 of 1%) of the gross value
12 of all natural gas and/or casinghead gas produced in the State of
13 Oklahoma which is subject to gross production tax in the State of
14 Oklahoma. Such excise tax of eighty-five one thousandths of one
15 percent (.085 of 1%) of the gross value shall be reported to and
16 collected by the Tax Commission at the same time and in the same
17 manner as is provided by law for the collection of gross production
18 tax on natural gas and/or casinghead gas, and this excise tax shall
19 apply in all cases where the gross production tax provided for by
20 law applies to the production of natural gas and/or casinghead gas.
21 The excise tax shall be paid by the purchaser, who is hereby
22 authorized to deduct in making settlement with the producer and/or
23 royalty owner the amount of tax so paid, provided, however, that if
24 such natural gas and/or casinghead gas is retained by the producer,

1 then the tax shall be paid by the producer, who shall have the right
2 to deduct the amount of tax so paid on royalty gas at the time of
3 settlement with the royalty owner.

4 SECTION 4. AMENDATORY 68 O.S. 2011, Section 1103, as
5 amended by Section 1, Chapter 331, O.S.L. 2012 (68 O.S. Supp. 2015,
6 Section 1103), is amended to read as follows:

7 Section 1103. A. 1. Prior to July 1, ~~2016~~ 2021, and as
8 provided in Section 1103.1 of this title, all monies derived from
9 the levy of the excise tax on petroleum oil provided for by Section
10 1101 of this title shall be deposited with the State Treasurer, who
11 shall credit and apportion the same as follows:

12 a. eighty-two and six hundred thirty-four thousandths
13 percent (82.634%) of said excise tax shall be credited
14 to the General Revenue Fund of the State Treasury;
15 provided, in each fiscal year beginning on or after
16 July 1, 2013, the first One Million Three Hundred
17 Fifty Thousand Dollars (\$1,350,000.00) which would
18 otherwise have been apportioned to the General Revenue
19 Fund pursuant to this subparagraph shall be
20 transferred to the Oil and Gas Division Revolving Fund
21 of the Oklahoma Corporation Commission~~†~~†,

22 b. ten and five hundred twenty-six thousandths percent
23 (10.526%) shall be credited and apportioned to a
24

1 separate and distinct fund to be known as the
2 "Corporation Commission Plugging Fund"†, and
3 c. the remaining six and eighty-four hundredths percent
4 (6.84%) of said excise tax shall be credited and
5 apportioned to a separate and distinct fund to be
6 known as "The Interstate Oil Compact Fund of
7 Oklahoma", which fund is hereby created.

8 2. Prior to July 1, ~~2016~~ 2021, and as provided in Section
9 1103.1 of this title, all monies derived from the levy of the excise
10 tax on natural gas and/or casinghead gas provided for by Section
11 1102 of this title shall be deposited with the State Treasurer, who
12 shall credit and apportion the same as follows:

- 13 a. eighty-two and six thousand forty-five ten thousandths
14 percent (82.6045%) of said excise tax shall be
15 credited to the General Revenue Fund of the State
16 Treasury; provided, in each fiscal year beginning on
17 or after July 1, 2013, the first One Million Three
18 Hundred Fifty Thousand Dollars (\$1,350,000.00) which
19 would otherwise have been apportioned to the General
20 Revenue Fund pursuant to this subparagraph shall be
21 transferred to the Oil and Gas Division Revolving Fund
22 of the Oklahoma Corporation Commission†,
23 b. ten and five thousand five hundred fifty-five ten
24 thousandths percent (10.5555%) shall be credited and

1 apportioned to the Corporation Commission Plugging
2 Fund~~r~~, and

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

6 3. Prior to July 1, ~~2016~~ 2021, and as provided in Section
7 1103.1 of this title, all monies to accrue to "The Interstate Oil
8 Compact Fund of Oklahoma" under the provisions of this article,
9 together with all monies remaining unexpended in "The Interstate Oil
10 Compact Fund of Oklahoma" created under this subsection are hereby
11 appropriated and shall be used for the payment of the compensation
12 of the assistant representative of the State of Oklahoma on "The
13 Interstate Oil Compact Commission", the compensation of such
14 clerical, technical, and legal assistants as he or she may with the
15 consent of the Governor employ; the actual and necessary traveling
16 expenses of the assistant representative and employees, and of the
17 Governor when traveling in the Governor's capacity as official
18 representative of the State of Oklahoma on "The Interstate Oil
19 Compact Commission"; all items of office expense, including the cost
20 of office supplies and equipment; such contributions as the Governor
21 shall deem necessary and proper to pay to "The Interstate Oil
22 Compact Commission" to defray its expenses; and such other necessary
23 expenses as may be incurred in enabling the State of Oklahoma to
24 fully cooperate in accomplishing the objects of the Interstate

1 Compact to conserve oil and gas. The fund shall be disbursed by the
2 State Treasurer upon sworn, itemized claims approved by the
3 assistant representative and the Governor; provided, that if at the
4 end of any fiscal year any part of the special fund shall remain
5 unexpended, such balance shall be transferred by the State Treasurer
6 to, and become a part of, the General Revenue Fund of the state for
7 the ensuing fiscal year. Provided, further, that if the State of
8 Oklahoma withdraws from the Interstate Compact to conserve oil and
9 gas, any unencumbered monies in "The Interstate Oil Compact Fund of
10 Oklahoma" shall be transferred to and become a part of the General
11 Revenue Fund of the State Treasury and thereafter the excise tax on
12 petroleum oil, natural gas and/or casinghead gas levied by this
13 article shall be levied, collected and deposited in the General
14 Revenue Fund of the State Treasury.

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

18 The provisions of this subsection shall terminate on June 30,
19 ~~2016~~ 2021.

20 B. 1. Beginning on July 1, ~~2016~~ 2021, all monies derived from
21 the levy of the excise tax on petroleum oil provided for by Section
22 1101 of this ~~Code~~ title shall be deposited with the State Treasurer,
23 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. the remaining seven and sixty-five hundredths percent
12 (7.65%) of said excise tax shall be credited and
13 apportioned to a separate and distinct fund to be
14 known as "The Interstate Oil Compact Fund of
15 Oklahoma", which fund is hereby created.

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

- 20 a. ninety-two and thirty-five hundredths percent (92.35%)
21 of said excise tax shall be credited and apportioned
22 to the General Revenue Fund of the State Treasury;
23 provided, in each fiscal year beginning on or after
24 July 1, 2013, the first One Million Three Hundred

1 Fifty Thousand Dollars (\$1,350,000.00) which would
2 otherwise have been apportioned to the General Revenue
3 Fund pursuant to this subparagraph shall be
4 transferred to the Oil and Gas Division Revolving Fund
5 of the Oklahoma Corporation Commission, and

6 b. seven and sixty-five hundredths percent (7.65%) of
7 said excise tax shall be credited and apportioned to
8 The Interstate Oil Compact Fund of Oklahoma.

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

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

17 ~~SECTION 5. It being immediately necessary for the preservation~~
18 ~~of the public peace, health and safety, an emergency is hereby~~
19 ~~declared to exist, by reason whereof this act shall take effect and~~
20 ~~be in full force from and after its passage and approval.~~

21 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS
22 April 6, 2016 - DO PASS AS AMENDED
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