

1 STATE OF OKLAHOMA

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

3 SENATE BILL 1024

By: Mazzei

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6 AS INTRODUCED

7 An Act relating to gross production taxes; amending
8 68 O.S. 2011, Section 1001.3a, as amended by Section
9 2, Chapter 346, O.S.L. 2014 (68 O.S. Supp. 2015,
10 Section 1001.3a), which relates to exemptions for
economically at-risk leases; modifies time period
during which production is eligible for exemption;
providing effective date; and declaring an emergency.

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

14 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001.3a, as
15 amended by Section 2, Chapter 346, O.S.L. 2014 (68 O.S. Supp. 2015,
16 Section 1001.3a), is amended to read as follows:

17 Section 1001.3a. A. As used in this section:

18 1. "Economically at-risk oil or gas lease" means any oil or gas
19 lease operated at a net loss or at a net profit which is less than
20 the total gross production tax remitted for such lease during the
21 previous calendar year; and

22 2. "Lease" shall be defined as in Section 1001.2 of this title.

23 B. When certified as such pursuant to the provisions of this
24 section, production from an economically at-risk oil or gas lease

1 shall be eligible for an exemption from the gross production tax
2 levied pursuant to subsection B of Section 1001 of this title for
3 production on such lease during the previous calendar year in the
4 following amounts:

5 1. If the gross production tax rate levied pursuant to
6 subsection B of Section 1001 of this title was seven percent (7%),
7 then the exemption shall equal six-sevenths ($6/7$) of the gross
8 production tax levied;

9 2. If the gross production tax rate levied pursuant to
10 subsection B of Section 1001 of this title was four percent (4%),
11 then the exemption shall equal three-fourths ($3/4$) of the gross
12 production tax levied; and

13 3. If the gross production tax rate levied pursuant to
14 subsection B of Section 1001 of this title was one percent (1%) or
15 two percent (2%), no exemption shall apply.

16 C. For all production exempt from gross production taxes
17 pursuant to this section, a refund of gross production taxes paid
18 for production in the previous calendar year in the amounts
19 specified in this subsection shall be issued to the well operator or
20 a designee. The refund shall not be claimed until after July 1 of
21 the year subsequent to the year of production.

22 D. Any operator making application for an economically at-risk
23 oil or gas lease status under the provisions of this section shall
24 submit documentation to the Tax Commission, as determined by the Tax

1 Commission to be appropriate and necessary including, but not
2 limited to, the operator's federal income tax return for the
3 previous year for such lease.

4 E. For the purposes of this section, determination of the
5 economically at-risk oil or gas lease status shall be made by
6 subtracting from the gross revenue of that lease for the previous
7 calendar year severance taxes, if any, royalty, operating expenses
8 of the lease to include expendable workover and recompletion costs
9 for the previous calendar year, and including overhead costs up to
10 the maximum overhead percentage allowed by the Council of Petroleum
11 Accountants Societies (COPAS) guidelines. For the purposes of this
12 calculation, depreciation, depletion or intangible drilling costs
13 shall not be included as lease operating expenses.

14 F. The Tax Commission shall have sole authority to determine if
15 an oil or gas lease qualifies for certification as an economically
16 at-risk oil or gas lease and shall make the determination within
17 sixty (60) days after an application is filed for economically at-
18 risk oil or gas lease status. The Tax Commission shall promulgate
19 rules governing the certification process.

20 G. Except as provided in subsection H of this section, gross
21 production tax exemptions under the provisions of this section shall
22 be limited to production from calendar years 2005, 2006, 2007, 2008,
23 2009, 2010, 2011, 2012 and 2013; provided, no claims for refunds for
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1 calendar years provided in this subsection shall be paid on or after
2 December 31, 2015.

3 H. ~~Gross~~ Except as otherwise provided in subsection I of this
4 section, gross production tax exemptions claimed under the
5 provisions of this section shall be limited to production from
6 calendar years 2014 through 2020; provided, no claims for refunds
7 for the calendar years 2014 through 2020 shall be claimed or paid
8 more than eighteen (18) months after the first day of the fiscal
9 year during which the refund is first available.

10 I. No claims shall be allowed for production from July 1, 2016,
11 through June 30, 2018.

12 SECTION 2. This act shall become effective July 1, 2016.

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

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