An Act

ENROLLED SENATE
BILL NO. 587

By: Bingman of the Senate

and

Trebilcock of the House

An Act relating to the Corporation Commission Well Plugging Fund; amending 17 O.S. 2001, Section 180.10, as last amended by Section 1, Chapter 252, O.S.L. 2006 (17 O.S. Supp. 2010, Section 180.10), which relates to the Corporation Commission Plugging Fund; modifying certain termination date for plugging fund; clarifying language; and amending 68 O.S. 2001, Sections 1101, 1102 and 1103, as last amended by Sections 2, 3 and 4, Chapter 252, O.S.L. 2006 (68 O.S. Supp. 2010, Section 1101, 1102 and 1103), which relate to the excise tax on oil and gas; and extending termination date for certain taxes.

SUBJECT: Oil and gas production tax requirements

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

SECTION 1. AMENDATORY 17 O.S. 2001, Section 180.10, as last amended by Section 1, Chapter 252, O.S.L. 2006 (17 O.S. Supp. 2010, 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 consist of monies received by the Corporation Commission as required by law to be deposited to the credit of said fund. ~~Said~~ The fund shall be a continuing fund not subject to fiscal year limitations and shall not be subject to legislative appropriations. Expenditures from ~~said~~ the plugging fund shall be made pursuant to the laws of this state and the statutes relating to the Corporation

Commission. In addition, expenditures from ~~said~~ the plugging fund may be made pursuant to the Oklahoma Central Purchasing Act, Section 85.1 et seq. of Title 74 of the Oklahoma Statutes, for purposes of immediately responding to emergency situations, within the Commission's jurisdiction, having potentially critical environmental or public safety impact. Warrants for expenditures from ~~said~~ the fund shall be drawn by the State Treasurer, based on claims signed by an authorized employee ~~or employee~~ of the Corporation Commission and approved for payment by the Director of State Finance. The provisions of this act or rules promulgated pursuant thereto, shall not be construed to relieve or in any way diminish the surety bonding requirements required by Section 318.1 of Title 52 of the Oklahoma Statutes.

B. Prior to July 1, ~~2011~~ 2016, the plugging fund shall be maintained at Five Million Dollars ($5,000,000.00). If the plugging fund falls below the five-million-dollar maintenance level, the Corporation Commission shall notify the Tax Commission that the plugging fund has fallen below the required maintenance level and that the excise tax which has been levied by subsection A of Section 1101 of Title 68 of the Oklahoma Statutes and subsection A of Section 1102 of Title 68 of the Oklahoma Statutes which is credited and apportioned to the Corporation Commission Plugging Fund pursuant to Section 1103 of Title 68 of the Oklahoma Statutes is to be imposed. Such additional excise tax shall be imposed and collected until such time as is necessary to meet the additional five-million-dollar maintenance level. The Tax Commission shall notify the persons responsible for payment of the excise tax on oil and gas of the imposition of such tax. The provisions of this subsection shall terminate on July 1, ~~2011~~ 2016.

SECTION 2. AMENDATORY 68 O.S. 2001, Section 1101, as amended by Section 2, Chapter 252, O.S.L. 2006 (68 O.S. Supp. 2010, Section 1101), is amended to read as follows:

Section 1101. A. Prior to July 1, ~~2011~~ 2016, and as provided in Section 1103.1 of this title, there is hereby levied, in addition to the gross production tax, an excise tax equal to ninety-five one thousandths of one percent (.095 of 1%) of the gross value on each ~~and every~~ barrel of petroleum oil produced in the State of Oklahoma which is subject to gross production tax in the State of Oklahoma. Such excise tax of ninety-five one thousandths of one percent (.095

of 1%) of the gross value shall be reported to and collected by the Tax Commission at the same time and in the same manner as is provided by law for the collection of gross production tax on petroleum oil. On petroleum oil sold at the time of production, the excise tax thereon shall be paid by the purchaser, who is hereby authorized to deduct in making settlement with the producer and/or royalty owner the amount of tax so paid; provided, that in the event oil on which such tax becomes due is not sold at the time of production, but is retained by the producer, the tax on such oil not so sold shall be paid by the producer ~~for himself~~, including the tax due on royalty oil not sold; and provided, further, that in settlement with royalty owner, such producer shall have the right to deduct the amount of tax so paid on royalty oil, or to deduct therefrom royalty oil equivalent in value at the time such tax becomes due with the amount of tax paid.

The provisions of this subsection shall terminate on June 30, ~~2011~~ 2016.

B. Beginning on July 1, ~~2011~~ 2016, there is hereby levied, in addition to the gross production tax, an excise tax equal to eighty-five one thousandths of one percent (.085 of 1%) of the gross value on each ~~and every~~ barrel of petroleum oil produced in the State of Oklahoma which is subject to gross production tax in the State of Oklahoma. Such excise tax of eighty-five one thousandths of one percent (.085 of 1%) of the gross value shall be reported to and collected by the Tax Commission at the same time and in the same manner as is provided by law for the collection of gross production tax on petroleum oil. On petroleum oil sold at the time of production, the excise tax thereon shall be paid by the purchaser, who is hereby authorized to deduct in making settlement with the producer and/or royalty owner the amount of tax so paid; provided, that in the event oil on which such tax becomes due is not sold at the time of production, but is retained by the producer, the tax on such oil not so sold shall be paid by the producer, including the tax due on royalty oil not sold; and provided, further, that in settlement with royalty owner, such producer shall have the right to deduct the amount of tax so paid on royalty oil, or to deduct therefrom royalty oil equivalent in value at the time such tax becomes due with the amount of tax paid.

SECTION 3. AMENDATORY 68 O.S. 2001, Section 1102, as amended by Section 3, Chapter 252, O.S.L. 2006 (68 O.S. Supp. 2010, Section 1102), is amended to read as follows:

Section 1102. A. Prior to July 1, ~~2011~~ 2016, and as provided in Section 1103.1 of this title, there is hereby levied, in addition to the gross production tax, an excise tax equal to ninety-five one thousandths of one percent (.095 of 1%) of the gross value of all natural gas and/or casinghead gas produced in the State of Oklahoma which is subject to gross production tax in the State of Oklahoma. Such excise tax of ninety-five one thousandths of one percent (.095 of 1%) of the gross value shall be reported to and collected by the Tax Commission at the same time and in the same manner as is provided by law for the collection of gross production tax on natural gas and/or casinghead gas, and this excise tax shall apply in all cases where the gross production tax provided for by law applies to the production of natural gas and/or casinghead gas. The excise tax shall be paid by the purchaser, who is hereby authorized to deduct in making settlement with the producer and/or royalty owner the amount of tax so paid, provided, however, that if such natural gas and/or casinghead gas is retained by the producer, then the tax shall be paid by the producer, who shall have the right to deduct the amount of tax so paid on royalty gas at the time of settlement with the royalty owner.

The provisions of this subsection shall terminate on June 30, ~~2011~~ 2016.

B. Beginning on July 1, ~~2011~~ 2016, there is hereby levied, in addition to the gross production tax, an excise tax equal to eighty-five one thousandths of one percent (.085 of 1%) of the gross value of all natural gas and/or casinghead gas produced in the State of Oklahoma which is subject to gross production tax in the State of Oklahoma. Such excise tax of eighty-five one thousandths of one percent (.085 of 1%) of the gross value shall be reported to and collected by the Tax Commission at the same time and in the same manner as is provided by law for the collection of gross production tax on natural gas and/or casinghead gas, and this excise tax shall apply in all cases where the gross production tax provided for by law applies to the production of natural gas and/or casinghead gas. The excise tax shall be paid by the purchaser, who is hereby authorized to deduct in making settlement with the producer and/or

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

SECTION 4. AMENDATORY 68 O.S. 2001, Section 1103, as last amended by Section 4, Chapter 252, O.S.L. 2006 (68 O.S. Supp. 2010, Section 1103), is amended to read as follows:

Section 1103. A. 1. Prior to July 1, ~~2011~~ 2016, and as provided in Section 1103.1 of this title, all monies derived from the levy of the excise tax on petroleum oil provided for by Section 1101 of this title shall be deposited with the State Treasurer, who shall credit and apportion the same as follows:

a. eighty-two and six hundred thirty-four thousandths percent (82.634%) of said excise tax shall be credited to the General Revenue Fund of the State Treasury;

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

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

2. Prior to July 1, ~~2011~~ 2016, and as provided in Section 1103.1 of this title, all monies derived from the levy of the excise tax on natural gas and/or casinghead gas provided for by Section 1102 of this title shall be deposited with the State Treasurer, who shall credit and apportion the same as follows:

a. eighty-two and six thousand forty-five ten thousandths percent (82.6045%) of said excise tax shall be credited to the General Revenue Fund of the State Treasury;

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

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

3. Prior to July 1, ~~2011~~ 2016, and as provided in Section 1103.1 of this title, all monies to accrue to "The Interstate Oil Compact Fund of Oklahoma" under the provisions of this article, together with all monies remaining unexpended in "The Interstate Oil Compact Fund of Oklahoma" created under this subsection are hereby appropriated and shall be used for the payment of the compensation of the assistant representative of the State of Oklahoma on "The Interstate Oil Compact Commission", the compensation of such clerical, technical, and legal assistants as he or she may with the consent of the Governor employ; the actual and necessary traveling expenses of ~~said~~ the assistant representative and employees, and of the Governor when traveling in ~~his or her~~ the Governor's capacity as official representative of the State of Oklahoma on "The Interstate Oil Compact Commission"; all items of office expense, including the cost of office supplies and equipment; such contributions as the Governor shall deem necessary and proper to pay to "The Interstate Oil Compact Commission" to defray its expenses; and such other necessary expenses as may be incurred in enabling the State of Oklahoma to fully cooperate in accomplishing the objects of the Interstate Compact to conserve oil and gas. ~~Said~~ The fund shall be disbursed by the State Treasurer upon sworn, itemized claims approved by the assistant representative and the Governor; provided, that if at the end of any fiscal year any part of ~~said~~ the special fund shall remain unexpended, such balance shall be transferred by the State Treasurer to, and become a part of, the General Revenue Fund of the state for the ensuing fiscal year. Provided, further, that if the State of Oklahoma withdraws from the Interstate Compact to conserve oil and gas, any unencumbered monies in "The Interstate Oil Compact Fund of Oklahoma" shall be transferred to and become a part of the General Revenue Fund of the State Treasury and thereafter the excise tax on petroleum oil, natural gas and/or casinghead gas levied by this article shall be levied, collected and deposited in the General Revenue Fund of the State Treasury.

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

The provisions of this subsection shall terminate on June 30, ~~2011~~ 2016.

B. 1. Beginning on July 1, ~~2011~~ 2016, all monies derived from the levy of the excise tax on petroleum oil provided for by Section 1101 of this Code shall be deposited with the State Treasurer, who shall credit and apportion the same as follows:

a. ninety-two and thirty-five hundredths percent (92.35%) of said excise tax shall be credited and apportioned to the General Revenue Fund of the State Treasury, and

b. the remaining seven and sixty-five hundredths percent (7.65%) of said excise tax shall be credited and apportioned to a separate and distinct fund to be known as "The Interstate Oil Compact Fund of Oklahoma", which fund is hereby created.

2. Beginning on July 1, ~~2011~~ 2016, all monies derived from the levy of the excise tax on natural gas and/or casinghead gas provided for by Section 1102 of this Code shall be deposited with the State Treasurer, who shall credit and apportion the same as follows:

a. ninety-two and thirty-five hundredths percent (92.35%) of said excise tax shall be credited and apportioned to the General Revenue Fund of the State Treasury, and

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

3. Beginning on July 1, ~~2011~~ 2016, all monies to accrue to "The Interstate Oil Compact Fund of Oklahoma" under the provisions of this article, together with all monies remaining unexpended in "The Interstate Oil Compact Fund of Oklahoma" created under this subsection are hereby appropriated and shall be used for the payment of the compensation of the assistant representative of the State of

Oklahoma on "The Interstate Oil Compact Commission", the compensation of such clerical, technical, and legal assistants as he or she may with the consent of the Governor employ; the actual and necessary traveling expenses of ~~said~~ the assistant representative and employees, and of the Governor when traveling in ~~his or her~~ the Governor's capacity as official representative of the State of Oklahoma on "The Interstate Oil Compact Commission"; all items of office expense, including the cost of office supplies and equipment; such contributions as the Governor shall deem necessary and proper to pay to "The Interstate Oil Compact Commission" to defray its expenses; and such other necessary expenses as may be incurred in enabling the State of Oklahoma to fully cooperate in accomplishing the objects of the Interstate Compact to conserve oil and gas. ~~Said~~ The fund shall be disbursed by the State Treasurer upon sworn, itemized claims approved by the assistant representative and the Governor; provided, that if at the end of any fiscal year any part of ~~said~~ the special fund shall remain unexpended, such balance shall be transferred by the State Treasurer to, and become a part of, the General Revenue Fund of the State Treasury for the ensuing fiscal year. Provided, further, that if the State of Oklahoma withdraws from the Interstate Compact to conserve oil and gas, any unencumbered monies in "The Interstate Oil Compact Fund of Oklahoma" shall be transferred to and become a part of the General Revenue Fund of the State Treasury and thereafter the excise tax on petroleum oil, natural gas and/or casinghead gas levied by this article shall be levied, collected and deposited in the General Revenue Fund of the State Treasury.

Passed the Senate the 3rd day of March, 2011.

Presiding Officer of the Senate

Passed the House of Representatives the 19th day of April, 2011.

Presiding Officer of the House
of Representatives

OFFICE OF THE GOVERNOR

Received by the Governor this 26th

day of April, 20 11,

at 3:20 o'clock PM.

By: Jessica R. Payne

Approved by the Governor of the State of Oklahoma the 2nd day of

May, 20 11, at 3:11 o'clock PM.

Mary Fallin

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Secretary of State this

2nd day of May, 20 11,

at 3:53 o'clock P M.

By: Michelle R Day