

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 2303

By: Watson

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5  
6 AS INTRODUCED

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

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

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  
consist of monies received by the Corporation Commission as required  
by law to be deposited to the credit of said fund. The fund shall

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

23 B. Prior to July 1, ~~2016~~ 2021, the plugging fund shall be  
24 maintained at Five Million Dollars (\$5,000,000.00). If the plugging

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

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

17 Section 1101. 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 on each  
21 barrel of petroleum oil produced in the State of Oklahoma which is  
22 subject to gross production tax in the State of Oklahoma. Such  
23 excise tax of ninety-five one thousandths of one percent (.095 of  
24 1%) of the gross value shall be reported to and collected by the Tax

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

14 The provisions of this subsection shall terminate on June 30,  
15 ~~2016~~ 2021.

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

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

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

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

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

11 The provisions of this subsection shall terminate on June 30,  
12 ~~2016~~ 2021.

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

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

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

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

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

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

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

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

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

1 transferred to the Oil and Gas Division Revolving Fund  
2 of the Oklahoma Corporation Commission;

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

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

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

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

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

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

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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:  
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- 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  
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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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