

1 **SENATE FLOOR VERSION**

2 February 24, 2016

3 **AS AMENDED**

4 SENATE BILL NO. 1139

5 By: Marlatt

6 [ Corporation Commission Plugging Fund - termination  
7 date - excise tax on oil and gas and apportionment of  
8 tax -

9 **emergency ]**

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

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

14 Section 180.10. A. There is hereby created in the State  
15 Treasury a fund for the Corporation Commission to be designated the  
16 "Corporation Commission Plugging Fund". The plugging fund shall  
17 consist of monies received by the Corporation Commission as required  
18 by law to be deposited to the credit of said fund. The fund shall  
19 be a continuing fund not subject to fiscal year limitations and  
20 shall not be subject to legislative appropriations. Expenditures  
21 from the plugging fund shall be made pursuant to the laws of this  
22 state and the statutes relating to the Corporation Commission. For  
23 each fiscal year, the Commission may expend not more than eight  
24 percent (8%) of the total amount deposited to the credit of the

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

17 B. Prior to July 1, ~~2016~~ 2021, the plugging fund shall be  
18 maintained at Five Million Dollars (\$5,000,000.00). If the plugging  
19 fund falls below the five-million-dollar maintenance level, the  
20 Corporation Commission shall notify the Tax Commission that the  
21 plugging fund has fallen below the required maintenance level and  
22 that the excise tax which has been levied by subsection A of Section  
23 1101 of Title 68 of the Oklahoma Statutes and subsection A of  
24 Section 1102 of Title 68 of the Oklahoma Statutes which is credited

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

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

11 Section 1101. 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 on each  
15 barrel of petroleum oil produced in the State of Oklahoma which is  
16 subject to gross production tax in the State of Oklahoma. Such  
17 excise tax of ninety-five one thousandths of one percent (.095 of  
18 1%) of the gross value shall be reported to and collected by the Tax  
19 Commission at the same time and in the same manner as is provided by  
20 law for the collection of gross production tax on petroleum oil. On  
21 petroleum oil sold at the time of production, the excise tax thereon  
22 shall be paid by the purchaser, who is hereby authorized to deduct  
23 in making settlement with the producer and/or royalty owner the  
24 amount of tax so paid; provided, that in the event oil on which such

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

8 The provisions of this subsection shall terminate on June 30,  
9 ~~2016~~ 2021.

10 B. Beginning on July 1, ~~2016~~ 2021, there is hereby levied, in  
11 addition to the gross production tax, an excise tax equal to eighty-  
12 five one thousandths of one percent (.085 of 1%) of the gross value  
13 on each barrel of petroleum oil produced in the State of Oklahoma  
14 which is subject to gross production tax in the State of Oklahoma.  
15 Such excise tax of eighty-five one thousandths of one percent (.085  
16 of 1%) of the gross value shall be reported to and collected by the  
17 Tax Commission at the same time and in the same manner as is  
18 provided by law for the collection of gross production tax on  
19 petroleum oil. On petroleum oil sold at the time of production, the  
20 excise tax thereon shall be paid by the purchaser, who is hereby  
21 authorized to deduct in making settlement with the producer and/or  
22 royalty owner the amount of tax so paid; provided, that in the event  
23 oil on which such tax becomes due is not sold at the time of  
24 production, but is retained by the producer, the tax on such oil not

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

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

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

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

5 The provisions of this subsection shall terminate on June 30,  
6 ~~2016~~ 2021.

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

24

1 to deduct the amount of tax so paid on royalty gas at the time of  
2 settlement with the royalty owner.

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

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

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

21 b. ten and five hundred twenty-six thousandths percent  
22 (10.526%) shall be credited and apportioned to a  
23 separate and distinct fund to be known as the  
24 "Corporation Commission Plugging Fund"; and

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

6 2. Prior to July 1, ~~2016~~ 2021, and as provided in Section  
7 1103.1 of this title, all monies derived from the levy of the excise  
8 tax on natural gas and/or casinghead gas provided for by Section  
9 1102 of this title shall be deposited with the State Treasurer, who  
10 shall credit and apportion the same as follows:

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

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



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

4 3. Prior to July 1, ~~2016~~ 2021, and as provided in Section  
5 1103.1 of this title, all monies to accrue to "The Interstate Oil  
6 Compact Fund of Oklahoma" under the provisions of this article,  
7 together with all monies remaining unexpended in "The Interstate Oil  
8 Compact Fund of Oklahoma" created under this subsection are hereby  
9 appropriated and shall be used for the payment of the compensation  
10 of the assistant representative of the State of Oklahoma on "The  
11 Interstate Oil Compact Commission", the compensation of such  
12 clerical, technical, and legal assistants as he or she may with the  
13 consent of the Governor employ; the actual and necessary traveling  
14 expenses of the assistant representative and employees, and of the  
15 Governor when traveling in the Governor's capacity as official  
16 representative of the State of Oklahoma on "The Interstate Oil  
17 Compact Commission"; all items of office expense, including the cost  
18 of office supplies and equipment; such contributions as the Governor  
19 shall deem necessary and proper to pay to "The Interstate Oil  
20 Compact Commission" to defray its expenses; and such other necessary  
21 expenses as may be incurred in enabling the State of Oklahoma to  
22 fully cooperate in accomplishing the objects of the Interstate  
23 Compact to conserve oil and gas. The fund shall be disbursed by the  
24 State Treasurer upon sworn, itemized claims approved by the

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

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

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

18 B. 1. Beginning on July 1, ~~2016~~ 2021, all monies derived from  
19 the levy of the excise tax on petroleum oil provided for by Section  
20 1101 of this Code shall be deposited with the State Treasurer, who  
21 shall credit and apportion the same as follows:

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

1 provided, in each fiscal year beginning on or after  
2 July 1, 2013, the first One Million Three Hundred  
3 Fifty Thousand Dollars (\$1,350,000.00) which would  
4 otherwise have been apportioned to the General Revenue  
5 Fund pursuant to this subparagraph shall be  
6 transferred to the Oil and Gas Division Revolving Fund  
7 of the Oklahoma Corporation Commission, and

- 8 b. the remaining seven and sixty-five hundredths percent  
9 (7.65%) 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. Beginning on July 1, ~~2016~~ 2021, all monies derived from the  
14 levy of the excise tax on natural gas and/or casinghead gas provided  
15 for by Section 1102 of this Code shall be deposited with the State  
16 Treasurer, who shall credit and apportion the same as follows:

- 17 a. ninety-two and thirty-five hundredths percent (92.35%)  
18 of said excise tax shall be credited and apportioned  
19 to the General Revenue Fund of the State Treasury;  
20 provided, in each fiscal year beginning on or after  
21 July 1, 2013, the first One Million Three Hundred  
22 Fifty Thousand Dollars (\$1,350,000.00) which would  
23 otherwise have been apportioned to the General Revenue  
24 Fund pursuant to this subparagraph shall be

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

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

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

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

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

18 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS  
19 February 24, 2016 - DO PASS AS AMENDED  
20  
21  
22  
23  
24