

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                                   STATE OF OKLAHOMA

3                                   2nd Session of the 55th Legislature (2016)

4 COMMITTEE SUBSTITUTE  
5 FOR ENGROSSED  
6 SENATE BILL NO. 1139

By: Marlatt of the Senate

and

Watson of the House

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10                                   COMMITTEE SUBSTITUTE

11                   An Act relating to the Corporation Commission  
12                   Plugging Fund; amending 17 O.S. 2011, Section 180.10,  
13                   as last amended by Section 1, Chapter 314, O.S.L.  
14                   2015 (17 O.S. Supp. 2015, Section 180.10), which  
15                   relates to the Corporation Commission Plugging Fund;  
16                   extending termination date; amending 68 O.S. 2011,  
17                   Sections 1101, 1102 and 1103, as amended by Section  
18                   1, Chapter 331, O.S.L. 2012 (68 O.S. Supp. 2015,  
19                   Section 1103), which relate to the excise tax on oil  
20                   and gas and apportionment of tax; extending certain  
21                   termination dates; and declaring an emergency.

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

23                   SECTION 1.           AMENDATORY           17 O.S. 2011, Section 180.10, as  
24                   last amended by Section 1, Chapter 314, O.S.L. 2015 (17 O.S. Supp.  
25                   2015, Section 180.10), is amended to read as follows:

26                   Section 180.10 A. There is hereby created in the State  
27                   Treasury a fund for the Corporation Commission to be designated the

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

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1 requirements required by Section 318.1 of Title 52 of the Oklahoma  
2 Statutes.

3 B. Prior to July 1, ~~2016~~ 2021, the plugging fund shall be  
4 maintained at Five Million Dollars (\$5,000,000.00). If the plugging  
5 fund falls below the five-million-dollar maintenance level, the  
6 Corporation Commission shall notify the Tax Commission that the  
7 plugging fund has fallen below the required maintenance level and  
8 that the excise tax which has been levied by subsection A of Section  
9 1101 of Title 68 of the Oklahoma Statutes and subsection A of  
10 Section 1102 of Title 68 of the Oklahoma Statutes which is credited  
11 and apportioned to the Corporation Commission Plugging Fund pursuant  
12 to Section 1103 of Title 68 of the Oklahoma Statutes is to be  
13 imposed. Such additional excise tax shall be imposed and collected  
14 until such time as is necessary to meet the additional five-million-  
15 dollar maintenance level. The Tax Commission shall notify the  
16 persons responsible for payment of the excise tax on oil and gas of  
17 the imposition of such tax. The provisions of this subsection shall  
18 terminate on July 1, ~~2016~~ 2021.

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

21 Section 1101. A. Prior to July 1, ~~2016~~ 2021, and as provided  
22 in Section 1103.1 of this title, there is hereby levied, in addition  
23 to the gross production tax, an excise tax equal to ninety-five one  
24 thousandths of one percent (.095 of 1%) of the gross value on each

1 barrel of petroleum oil produced in the State of Oklahoma which is  
2 subject to gross production tax in the State of Oklahoma. Such  
3 excise tax of ninety-five one thousandths of one percent (.095 of  
4 1%) of the gross value shall be reported to and collected by the Tax  
5 Commission at the same time and in the same manner as is provided by  
6 law for the collection of gross production tax on petroleum oil. On  
7 petroleum oil sold at the time of production, the excise tax thereon  
8 shall be paid by the purchaser, who is hereby authorized to deduct  
9 in making settlement with the producer and/or royalty owner the  
10 amount of tax so paid; provided, that in the event oil on which such  
11 tax becomes due is not sold at the time of production, but is  
12 retained by the producer, the tax on such oil not so sold shall be  
13 paid by the producer, including the tax due on royalty oil not sold;  
14 and provided, further, that in settlement with royalty owner, such  
15 producer shall have the right to deduct the amount of tax so paid on  
16 royalty oil, or to deduct therefrom royalty oil equivalent in value  
17 at the time such tax becomes due with the amount of tax paid.

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

20 B. Beginning on July 1, ~~2016~~ 2021, there is hereby levied, in  
21 addition to the gross production tax, an excise tax equal to eighty-  
22 five one thousandths of one percent (.085 of 1%) of the gross value  
23 on each barrel of petroleum oil produced in the State of Oklahoma  
24 which is subject to gross production tax in the State of Oklahoma.

1 Such excise tax of eighty-five one thousandths of one percent (.085  
2 of 1%) of the gross value shall be reported to and collected by the  
3 Tax Commission at the same time and in the same manner as is  
4 provided by law for the collection of gross production tax on  
5 petroleum oil. On petroleum oil sold at the time of production, the  
6 excise tax thereon shall be paid by the purchaser, who is hereby  
7 authorized to deduct in making settlement with the producer and/or  
8 royalty owner the amount of tax so paid; provided, that in the event  
9 oil on which such tax becomes due is not sold at the time of  
10 production, but is retained by the producer, the tax on such oil not  
11 so sold shall be paid by the producer, including the tax due on  
12 royalty oil not sold; and provided, further, that in settlement with  
13 royalty owner, such producer shall have the right to deduct the  
14 amount of tax so paid on royalty oil, or to deduct therefrom royalty  
15 oil equivalent in value at the time such tax becomes due with the  
16 amount of tax paid.

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

19 Section 1102. A. Prior to July 1, ~~2016~~ 2021, and as provided  
20 in Section 1103.1 of this title, there is hereby levied, in addition  
21 to the gross production tax, an excise tax equal to ninety-five one  
22 thousandths of one percent (.095 of 1%) of the gross value of all  
23 natural gas and/or casinghead gas produced in the State of Oklahoma  
24 which is subject to gross production tax in the State of Oklahoma.

1 Such excise tax of ninety-five one thousandths of one percent (.095  
2 of 1%) of the gross value shall be reported to and collected by the  
3 Tax Commission at the same time and in the same manner as is  
4 provided by law for the collection of gross production tax on  
5 natural gas and/or casinghead gas, and this excise tax shall apply  
6 in all cases where the gross production tax provided for by law  
7 applies to the production of natural gas and/or casinghead gas. The  
8 excise tax shall be paid by the purchaser, who is hereby authorized  
9 to deduct in making settlement with the producer and/or royalty  
10 owner the amount of tax so paid, provided, however, that if such  
11 natural gas and/or casinghead gas is retained by the producer, then  
12 the tax shall be paid by the producer, who shall have the right to  
13 deduct the amount of tax so paid on royalty gas at the time of  
14 settlement with the royalty owner.

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

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

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

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

15 Section 1103. A. 1. Prior to July 1, ~~2016~~ 2021, and as  
16 provided in Section 1103.1 of this title, all monies derived from  
17 the levy of the excise tax on petroleum oil provided for by Section  
18 1101 of this title shall be deposited with the State Treasurer, who  
19 shall credit and apportion the same as follows:

20 a. eighty-two and six hundred thirty-four thousandths  
21 percent (82.634%) of said excise tax shall be credited  
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;

6 b. ten and five hundred twenty-six thousandths percent  
7 (10.526%) shall be credited and apportioned to a  
8 separate and distinct fund to be known as the  
9 "Corporation Commission Plugging Fund"; and

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

15 2. Prior to July 1, ~~2016~~ 2021, and as provided in Section  
16 1103.1 of this title, all monies derived from the levy of the excise  
17 tax on natural gas and/or casinghead gas provided for by Section  
18 1102 of this title shall be deposited with the State Treasurer, who  
19 shall credit and apportion the same as follows:

20 a. eighty-two and six thousand forty-five ten thousandths  
21 percent (82.6045%) of said excise tax shall be  
22 credited to the General Revenue Fund of the State  
23 Treasury; provided, in each fiscal year beginning on  
24 or after July 1, 2013, the first One Million Three



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

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

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

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

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

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

1 The provisions of this subsection shall terminate on June 30,  
2 ~~2016~~ 2021.

3 B. 1. Beginning on July 1, ~~2016~~ 2021, all monies derived from  
4 the levy of the excise tax on petroleum oil provided for by Section  
5 1101 of this Code shall be deposited with the State Treasurer, who  
6 shall credit and apportion the same as follows:

7 a. ninety-two and thirty-five hundredths percent (92.35%)  
8 of said excise tax shall be credited and apportioned  
9 to the General Revenue Fund of the State Treasury;  
10 provided, in each fiscal year beginning on or after  
11 July 1, 2013, the first One Million Three Hundred  
12 Fifty Thousand Dollars (\$1,350,000.00) which would  
13 otherwise have been apportioned to the General Revenue  
14 Fund pursuant to this subparagraph shall be  
15 transferred to the Oil and Gas Division Revolving Fund  
16 of the Oklahoma Corporation Commission, and

17 b. the remaining seven and sixty-five hundredths percent  
18 (7.65%) of said excise tax shall be credited and  
19 apportioned to a separate and distinct fund to be  
20 known as "The Interstate Oil Compact Fund of  
21 Oklahoma", which fund is hereby created.

22 2. Beginning on July 1, ~~2016~~ 2021, all monies derived from the  
23 levy of the excise tax on natural gas and/or casinghead gas provided  
24

1 for by Section 1102 of this Code shall be deposited with the State  
2 Treasurer, who shall credit and apportion the same as follows:

3 a. ninety-two and thirty-five hundredths percent (92.35%)  
4 of said excise tax shall be credited and apportioned  
5 to the General Revenue Fund of the State Treasury;  
6 provided, in each fiscal year beginning on or after  
7 July 1, 2013, the first One Million Three Hundred  
8 Fifty Thousand Dollars (\$1,350,000.00) which would  
9 otherwise have been apportioned to the General Revenue  
10 Fund pursuant to this subparagraph shall be  
11 transferred to the Oil and Gas Division Revolving Fund  
12 of the Oklahoma Corporation Commission, and

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

16 3. Beginning on July 1, ~~2016~~ 2021, all monies to accrue to "The  
17 Interstate Oil Compact Fund of Oklahoma" under the provisions of  
18 this article, together with all monies remaining unexpended in "The  
19 Interstate Oil Compact Fund of Oklahoma" created under this  
20 subsection are hereby appropriated and shall be used for the payment  
21 of the compensation of the assistant representative of the State of  
22 Oklahoma on "The Interstate Oil Compact Commission", the  
23 compensation of such clerical, technical, and legal assistants as he  
24 or she may with the consent of the Governor employ; the actual and

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

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

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6 COMMITTEE REPORT BY: COMMITTEE ON ENERGY AND NATURAL RESOURCES,  
7 dated 04/07/2016 - DO PASS, As Amended.

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