

1 STATE OF OKLAHOMA

2 1st Session of the 58th Legislature (2021)

3 COMMITTEE SUBSTITUTE
4 FOR

5 SENATE BILL NO. 1059

6 By: Thompson and Hall of the
7 Senate

8 and

9 Wallace and Hilbert of the
10 House

11 COMMITTEE SUBSTITUTE

12 An Act relating to the Corporation Commission
13 Plugging Fund; amending 17 O.S. 2011, Section 180.10,
14 as last amended by Section 1, Chapter 153, O.S.L.
15 2016 (17 O.S. Supp. 2020, Section 180.10), which
16 relates to the Corporation Commission Plugging Fund;
17 modifying certain termination date for plugging fund;
18 amending 68 O.S. 2011, Sections 1101 and 1102, as
19 amended by Sections 2 and 3, Chapter 153, O.S.L.
20 2016, and 1103, as last amended by Section 4, Chapter
21 153, O.S.L. 2016 (68 O.S. Supp. 2020, Sections 1101,
22 1102 and 1103), which relate to the excise tax on oil
23 and gas; extending termination date for certain
24 taxes; providing an effective date; and declaring an
emergency.

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 153, O.S.L. 2016 (17 O.S. Supp.
2020, 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

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, ~~2021~~ 2026, 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, ~~2021~~ 2026.

19 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1101, as
20 amended by Section 2, Chapter 153, O.S.L. 2016 (68 O.S. Supp. 2020,
21 Section 1101), is amended to read as follows:

22 Section 1101. A. Prior to July 1, ~~2021~~ 2026, and as provided
23 in Section 1103.1 of this title, there is hereby levied, in addition
24 to the gross production tax, an excise tax equal to ninety-five one

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

20 The provisions of this subsection shall terminate on June 30,
21 ~~2021~~ 2026.

22 B. Beginning on July 1, ~~2021~~ 2026, there is hereby levied, in
23 addition to the gross production tax, an excise tax equal to eighty-
24 five one thousandths of one percent (.085 of 1%) of the gross value

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

19 SECTION 3. AMENDATORY 68 O.S. 2011, Section 1102, as
20 amended by Section 3, Chapter 153, O.S.L. 2016 (68 O.S. Supp. 2020,
21 Section 1102), is amended to read as follows:

22 Section 1102. A. Prior to July 1, ~~2021~~ 2026, and as provided
23 in Section 1103.1 of this title, there is hereby levied, in addition
24 to the gross production tax, an excise tax equal to ninety-five one

1 thousandths of one percent (.095 of 1%) of the gross value of all
2 natural gas and/or casinghead gas produced in ~~the State of Oklahoma~~
3 this state which is subject to gross production tax in ~~the State of~~
4 ~~Oklahoma~~ this state. Such excise tax of ninety-five one thousandths
5 of one percent (.095 of 1%) of the gross value shall be reported to
6 and collected by the Tax Commission at the same time and in the same
7 manner as is provided by law for the collection of gross production
8 tax on natural gas and/or casinghead gas, and this excise tax shall
9 apply in all cases where the gross production tax provided for by
10 law applies to the production of natural gas and/or casinghead gas.
11 The excise tax shall be paid by the purchaser, who is hereby
12 authorized to deduct in making settlement with the producer and/or
13 royalty owner the amount of tax so paid⁷; provided, however, that if
14 such natural gas and/or casinghead gas is retained by the producer,
15 then the tax shall be paid by the producer, who shall have the right
16 to deduct the amount of tax so paid on royalty gas at the time of
17 settlement with the royalty owner.

18 The provisions of this subsection shall terminate on June 30,
19 ~~2021~~ 2026.

20 B. Beginning on July 1, ~~2021~~ 2026, 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 of all natural gas and/or casinghead gas produced in ~~the State of~~
24 ~~Oklahoma~~ this state which is subject to gross production tax in ~~the~~

1 ~~State of Oklahoma~~ this state. Such excise tax of eighty-five one
2 thousandths of one percent (.085 of 1%) of the gross value shall be
3 reported to and collected by the Tax Commission at the same time and
4 in the same manner as is provided by law for the collection of gross
5 production tax on natural gas and/or casinghead gas, and this excise
6 tax shall apply in all cases where the gross production tax provided
7 for by law applies to the production of natural gas and/or
8 casinghead gas. The excise tax shall be paid by the purchaser, who
9 is hereby authorized to deduct in making settlement with the
10 producer and/or royalty owner the amount of tax so paid; provided,
11 however, that if such natural gas and/or casinghead gas is retained
12 by the producer, then the tax shall be paid by the producer, who
13 shall have the right to deduct the amount of tax so paid on royalty
14 gas at the time of settlement with the royalty owner.

15 SECTION 4. AMENDATORY 68 O.S. 2011, Section 1103, as
16 last amended by Section 4, Chapter 153, O.S.L. 2016 (68 O.S. Supp.
17 2020, Section 1103), is amended to read as follows:

18 Section 1103. A. 1. Prior to July 1, ~~2021~~ 2026, and as
19 provided in Section 1103.1 of this title, all monies derived from
20 the levy of the excise tax on petroleum oil provided for by Section
21 1101 of this title shall be deposited with the State Treasurer, who
22 shall credit and apportion the same as follows:

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

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

9 b. ten and five hundred twenty-six thousandths percent
10 (10.526%) shall be credited and apportioned to a
11 separate and distinct fund to be known as the
12 "Corporation Commission Plugging Fund", and

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

18 2. Prior to July 1, ~~2021~~ 2026, and as provided in Section
19 1103.1 of this title, all monies derived from the levy of the excise
20 tax on natural gas and/or casinghead gas provided for by Section
21 1102 of this title shall be deposited with the State Treasurer, who
22 shall credit and apportion the same as follows:

23 a. eighty-two and six thousand forty-five ten thousandths
24 percent (82.6045%) of said excise tax shall be

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

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

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

16 3. Prior to July 1, ~~2021~~ 2026, and as provided in Section
17 1103.1 of this title, all monies to accrue to "The Interstate Oil
18 Compact Fund of Oklahoma" under the provisions of this article,
19 together with all monies remaining unexpended in "The Interstate Oil
20 Compact Fund of Oklahoma" created under this subsection are hereby
21 appropriated and shall be used for the payment of the compensation
22 of the assistant representative of the State of Oklahoma on "The
23 Interstate Oil Compact Commission", the compensation of such
24 clerical, technical, and legal assistants as he or she may with the

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

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

4 The provisions of this subsection shall terminate on June 30,
5 ~~2021~~ 2026.

6 B. 1. Beginning on July 1, ~~2021~~ 2026, all monies derived from
7 the levy of the excise tax on petroleum oil provided for by Section
8 1101 of this title shall be deposited with the State Treasurer, who
9 shall credit and apportion the same as follows:

- 10 a. ninety-two and thirty-five hundredths percent (92.35%)
11 of said excise tax shall be credited and apportioned
12 to the General Revenue Fund of the State Treasury;
13 provided, in each fiscal year beginning on or after
14 July 1, 2013, the first One Million Three Hundred
15 Fifty Thousand Dollars (\$1,350,000.00) which would
16 otherwise have been apportioned to the General Revenue
17 Fund pursuant to this subparagraph shall be
18 transferred to the Oil and Gas Division Revolving Fund
19 of the Oklahoma Corporation Commission, and
- 20 b. the remaining seven and sixty-five hundredths percent
21 (7.65%) of said excise tax shall be credited and
22 apportioned to a separate and distinct fund to be
23 known as "The Interstate Oil Compact Fund of
24 Oklahoma", which fund is hereby created.

1 2. Beginning on July 1, ~~2021~~ 2026, all monies derived from the
2 levy of the excise tax on natural gas and/or casinghead gas provided
3 for by Section 1102 of this title shall be deposited with the State
4 Treasurer, 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. seven and sixty-five hundredths percent (7.65%) of
16 said excise tax shall be credited and apportioned to
17 The Interstate Oil Compact Fund of Oklahoma.

18 3. Beginning on July 1, ~~2021~~ 2026, all monies to accrue to "The
19 Interstate Oil Compact Fund of Oklahoma" under the provisions of
20 this article, together with all monies remaining unexpended in "The
21 Interstate Oil Compact Fund of Oklahoma" created under this
22 subsection are hereby appropriated and shall be used for the payment
23 of the compensation of the assistant representative of the State of
24 Oklahoma on "The Interstate Oil Compact Commission", the

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

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1 casinghead gas levied by this article shall be levied, collected and
2 deposited in the General Revenue Fund of the State Treasury.

3 SECTION 5. This act shall become effective July 1, 2021.

4 SECTION 6. It being immediately necessary for the preservation
5 of the public peace, health or safety, an emergency is hereby
6 declared to exist, by reason whereof this act shall take effect and
7 be in full force from and after its passage and approval.

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