

1 STATE OF OKLAHOMA

2 1st Session of the 60th Legislature (2025)

3 COMMITTEE SUBSTITUTE

4 FOR

5 HOUSE BILL NO. 1372

6 By: Boles

7 COMMITTEE SUBSTITUTE

8 An Act relating to revenue and taxation; amending 68  
9 O.S. 2021, Section 1001, as amended by Section 8,  
10 Chapter 346, O.S.L. 2022 (68 O.S. Supp. 2024, Section  
11 1001), which relates to gross production tax;  
12 providing a temporary discounted tax rate for certain  
13 oil and gas recovery projects; requiring certain  
14 surety; providing surety amount; providing an  
15 effective date; and declaring an emergency.

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

17 SECTION 1. AMENDATORY 68 O.S. 2021, Section 1001, as  
18 amended by Section 8, Chapter 346, O.S.L. 2022 (68 O.S. Supp. 2024,  
19 Section 1001), is amended to read as follows:

20 Section 1001. A. There is hereby levied upon the production of  
21 asphalt, ores bearing lead, zinc, jack and copper a tax equal to  
22 three-fourths of one percent (3/4 of 1%) on the gross value thereof.

23 B. On or after the effective date of this act and except as  
24 provided by paragraph 4 of this subsection, there shall be levied a  
tax on the gross value of the production of oil and gas as follows:

1           1. Upon the production of oil a tax equal to seven percent (7%)  
2 of the gross value of the production of oil based on a per barrel  
3 measurement of forty-two (42) U.S. gallons of two hundred thirty-one  
4 (231) cubic inches per gallon, computed at a temperature of sixty  
5 (60) degrees Fahrenheit;

6           2. Upon the production of gas a tax equal to seven percent (7%)  
7 of the gross value of the production of gas;

8           3. Notwithstanding the levies in paragraphs 1 and 2 of this  
9 subsection, the production of oil, gas, or oil and gas from wells  
10 spudded prior to the effective date of this act, and on or after the  
11 effective date of this act, shall be taxed at a rate of five percent  
12 (5%) commencing with the month of first production for a period of  
13 thirty-six (36) months. Thereafter, the production shall be taxed  
14 as provided in paragraphs 1 and 2 of this subsection; and

15           4. If the provisions of Article XIII-C of the Oklahoma  
16 Constitution are approved by the people pursuant to adoption of  
17 State Question No. 795, the rate of gross production tax imposed by  
18 paragraph 3 of this subsection shall be reduced to two percent (2%)  
19 for the first thirty-six (36) months of production and thereafter  
20 the rate of taxation shall be seven percent (7%).

21           C. The taxes hereby levied shall also attach to, and are levied  
22 on, what is known as the royalty interest, and the amount of such  
23 tax shall be a lien on such interest.

1 D. 1. Except as otherwise provided in this section, for  
2 secondary and tertiary recovery projects approved or having an  
3 initial project start date on or after July 1, 2022, all production  
4 which results from such secondary and tertiary recovery projects  
5 shall be exempt from the gross production tax levied pursuant to  
6 this section for a period not to exceed five (5) years from the  
7 initial project start date or for a period ending upon the  
8 termination of the secondary and tertiary recovery process,  
9 whichever occurs first.

10 2. For purposes of this subsection, "project start date" means  
11 the date on which the injection of liquids, gases, or other matter  
12 begins on an enhanced recovery project.

13 3. For new secondary and tertiary recovery projects approved by  
14 the Oklahoma Corporation Commission on or after July 1, 2022, such  
15 approval shall constitute qualification for an exemption.

16 4. For all production exempted pursuant to this subsection, a  
17 refund against gross production taxes shall be issued as provided in  
18 subsection F of this section.

19 5. Except as otherwise provided in this section, any production  
20 which results from a recovery project from a well on the Corporation  
21 Commission's orphaned well list shall receive a fifty-percent  
22 reduction from the gross production tax levied pursuant to paragraph  
23 3 of subsection B of this section from the project beginning date  
24 for a period of thirty-six (36) months, after which the rate shall

1 increase to the full rate of tax prescribed by paragraph 3 of  
2 subsection B of this section. Furthermore, before any production  
3 from a recovery project under this paragraph occurs the producer  
4 overseeing the project shall file a corporate surety bond, letter of  
5 credit from a banking institution, cash, or a certificate of deposit  
6 with the Secretary of State in the sum of Twenty-five Thousand  
7 Dollars (\$25,000.00), per well transferred from the Corporation  
8 Commission's orphaned well list, conditioned upon recovery under  
9 this project for thirty-six (36) months. The Secretary of State  
10 shall hold such corporate surety bond, letter of credit from a  
11 banking institution, cash or certificate of deposit for the benefit  
12 of the Corporation Commission's orphaned well plugging fund if such  
13 well is abandoned by the producer and returns to the Corporation  
14 Commission's orphaned well list.

15 E. Except as otherwise provided by this section, the production  
16 of oil, gas, or oil and gas from wells drilled but not completed as  
17 of July 1, 2021, which are completed with the use of recycled water  
18 on or after July 1, 2022, shall earn an exemption from the gross  
19 production tax levied from the date of first sales for a period of  
20 twenty-four (24) months. The exemption provided in this subsection  
21 shall be proportional to the percentage of the total amount of water  
22 used to complete the well that is recycled water. For all  
23 production exempted pursuant to this subsection, a refund against  
24 gross production taxes shall be issued as provided in subsection F

1 of this section. For purposes of this subsection, "recycled water"  
2 means oil and gas produced water and waste that has been  
3 reconditioned or treated by mechanical or chemical processes into a  
4 reusable form.

5 F. On or after July 1, 2022, for all oil and gas production  
6 exempt from gross production taxes pursuant to subsections D and E  
7 of this section during a given fiscal year, a refund of gross  
8 production taxes shall be issued to the well operator or a designee  
9 in the amount of such exempted gross production taxes paid during  
10 such period, subject to the following provisions:

11 1. A refund shall not be claimed until after the end of the  
12 fiscal year. As used in this subsection, a fiscal year shall be  
13 deemed to begin on July 1 of one calendar year and shall end on June  
14 30 of the subsequent calendar year;

15 2. Unless otherwise specified, no claims for refunds pursuant  
16 to the provisions of this subsection shall be filed more than  
17 eighteen (18) months after the first day of the fiscal year in which  
18 the refund is first available;

19 3. Any person claiming a refund pursuant to the exemption  
20 provided in subsections D and E of this section shall file an  
21 application with the Tax Commission which, upon determination of  
22 qualification by the Corporation Commission, shall approve the  
23 application for such exemption;

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1       4. The Tax Commission may require any person claiming a refund  
2 pursuant to the exemptions provided in subsections D and E of this  
3 section to furnish information or records concerning the exemption  
4 as is deemed necessary by the Tax Commission;

5       5. No claims for refunds pursuant to the provisions of this  
6 subsection shall be filed by or on behalf of persons other than the  
7 operator or a working interest owner of record at the time of  
8 production;

9       6. No entity, including subsidiaries of the entity, shall be  
10 authorized to receive refunds claimed pursuant to the exemption  
11 provided in subsection D of this section that exceed twenty percent  
12 (20%) of the limitation provided in paragraph 7 of this subsection;  
13 and

14       7. The total amount of refunds authorized shall not exceed  
15 Fifteen Million Dollars (\$15,000,000.00) pursuant to the exemption  
16 provided in subsection D of this section and Ten Million Dollars  
17 (\$10,000,000.00) pursuant to the exemption provided in subsection E  
18 of this section for any fiscal year. If the amount of claims for  
19 refunds exceed the limits provided in this paragraph, the Tax  
20 Commission shall determine the percentage of the refund which  
21 establishes the proportionate share of the refund which may be  
22 claimed by any taxpayer so that the maximum amounts authorized by  
23 this paragraph are not exceeded.

1 G. On or after July 1, 2022, all persons shall only be entitled  
2 to either the exemption granted pursuant to subsection D or E of  
3 this section for each oil, gas, or oil and gas well drilled or  
4 recompleted in this state. However, any person who qualifies for  
5 the exemption granted pursuant to subsection E of this section shall  
6 not be prohibited from qualification for the exemption granted  
7 pursuant to subsection D of this section if the exemption granted  
8 pursuant to subsection E of this section has expired.

9 H. The Tax Commission shall have the power to require any such  
10 person engaged in mining or the production or the purchase of such  
11 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any  
12 royalty interest therein to furnish any additional information by it  
13 deemed to be necessary for the purpose of correctly computing the  
14 amount of the tax; and to examine the books, records and files of  
15 such person; and shall have power to conduct hearings and compel the  
16 attendance of witnesses, and the production of books, records and  
17 papers of any person.

18 I. Any person or any member of any firm or association, or any  
19 officer, official, agent or employee of any corporation who shall  
20 fail or refuse to testify; or who shall fail or refuse to produce  
21 any books, records or papers which the Tax Commission shall require;  
22 or who shall fail or refuse to furnish any other evidence or  
23 information which the Tax Commission may require; or who shall fail  
24 or refuse to answer any competent questions which may be put to him

1 or her by the Tax Commission, touching the business, property,  
2 assets or effects of any such person relating to the gross  
3 production tax imposed by this article or exemption authorized  
4 pursuant to this section or other laws, shall be guilty of a  
5 misdemeanor, and, upon conviction thereof, shall be punished by a  
6 fine of not more than Five Hundred Dollars (\$500.00), or  
7 imprisonment in the jail of the county where such offense shall have  
8 been committed, for not more than one (1) year, or by both such fine  
9 and imprisonment; and each day of such refusal on the part of such  
10 person shall constitute a separate and distinct offense.

11 J. The Tax Commission shall have the power and authority to  
12 ascertain and determine whether or not any report herein required to  
13 be filed with it is a true and correct report of the gross products,  
14 and of the value thereof, of such person engaged in the mining or  
15 production or purchase of asphalt and ores bearing minerals  
16 aforesaid and of oil and gas. If any person has made an untrue or  
17 incorrect report of the gross production or value or volume thereof,  
18 or shall have failed or refused to make such report, the Tax  
19 Commission shall, under the rules prescribed by it, ascertain the  
20 correct amount of either, and compute the tax.

21 K. The payment of the taxes herein levied shall be in full, and  
22 in lieu of all taxes by the state, counties, cities, towns, school  
23 districts and other municipalities upon any property rights attached  
24 to or inherent in the right to the minerals, upon producing leases



1 for the mining of asphalt and ores bearing lead, zinc, jack or  
2 copper, or for oil, or for gas, upon the mineral rights and  
3 privileges for the minerals aforesaid belonging or appertaining to  
4 land, upon the machinery, appliances and equipment used in and  
5 around any well producing oil, or gas, or any mine producing asphalt  
6 or any of the mineral ores aforesaid and actually used in the  
7 operation of such well or mine. The payment of gross production tax  
8 shall also be in lieu of all taxes upon the oil, gas, asphalt or  
9 ores bearing minerals hereinbefore mentioned during the tax year in  
10 which the same is produced, and upon any investment in any of the  
11 leases, rights, privileges, minerals or other property described  
12 herein. Any interest in the land, other than that herein  
13 enumerated, and oil in storage, asphalt and ores bearing minerals  
14 hereinbefore named, mined, produced and on hand at the date as of  
15 which property is assessed for general and ad valorem taxation for  
16 any subsequent tax year, shall be assessed and taxed as other  
17 property within the taxing district in which such property is  
18 situated at the time.

19 L. No equipment, material or property shall be exempt from the  
20 payment of ad valorem tax by reason of the payment of the gross  
21 production tax except such equipment, machinery, tools, material or  
22 property as is actually necessary and being used and in use in the  
23 production of asphalt or of ores bearing lead, zinc, jack or copper  
24 or of oil or gas. Provided, the exemption shall include the

1 wellbore and non-recoverable down-hole material, including casing,  
2 actually used in the disposal of waste materials produced with such  
3 oil or gas. It is expressly declared that no ice plants, hospitals,  
4 office buildings, garages, residences, gasoline extraction or  
5 absorption plants, water systems, fuel systems, rooming houses and  
6 other buildings, nor any equipment or material used in connection  
7 therewith, shall be exempt from ad valorem tax.

8 SECTION 2. This act shall become effective July 1, 2025.

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

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