

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

February 9, 2000

Re. Our File No. LR-00-24, (Severance Tax) Update on tax rates.

Dear

This is in response to your inquiry regarding the severance tax rates levied in Oklahoma on oil, gas and minerals.

In accordance with legislation passed through special session and signed by the Governor on February 5, 1999, Oklahoma Gross Production Tax has been amended to establish a variable rate tax on the production of oil effective with January 1999 production. Gross Production Tax shall be levied at the following rates based on the average price of oil as determined by the Oklahoma Tax Commission:

- If the average price of Oklahoma oil equals or exceeds Seventeen Dollars (\$17.00) per barrel, the tax shall be seven percent (7%).
- If the average price of Oklahoma oil is less than Seventeen Dollars (\$17.00) but is equal to or exceeds Fourteen Dollars (\$14.00) per barrel, then the tax shall be four percent (4%).
- If the average price of Oklahoma oil is less than Fourteen Dollars (\$14.00) per barrel, then the tax shall be one percent (1%).

The average price of oil as determined by the Oklahoma Tax Commission shall be based upon the average price paid per barrel of sweet crude oil by the three (3) largest purchasers of oil in Oklahoma as identified through the most recent annual report published by the Oklahoma Corporation Commission.

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The three purchasers identified shall report to the Tax Commission on forms prescribed providing the average price paid for sweet oil in the previous month. Upon receipt of the three (3) pricing reports, the Tax Commission will determine an overall average and post the price and applicable tax rate on the Tax Commission Internet web site at www.oktax.state.ok.us. The Tax Commission has also established a designated phone number, (405) 522-5031, which provides the applicable tax rate for each production month.

Each remitter of gross production tax shall access either the Tax Commission web site or call the designated phone number to determine the applicable tax rate for oil purchased in the previous month which must be received by the Tax Commission no later than the last working day of the month following production.

The other taxes listed remain unchanged with 0.75 % being levied on asphalt and metals, 7% being levied on casinghead gas and natural gas as well as 0.095 % being levied on crude oil, casinghead gas and natural gas.

If you should have any questions or need additional information you may contact me at 405-521-3133.

This response applies only to the circumstances set out in your request of January 12, 2000 and may not be relied upon by an entity other than the addressee. In the event of any change in the facts surrounding the transaction described, this letter ruling would no longer be applicable. You are further advised that subsequent statutory or administrative rule changes or judicial construction of the statutes or rules upon which this advice is based may yield a different result from that which is expressed here.

Sincerely,

Mark J. Hendrix
Tax Policy Analyst