OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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July 12, 2006

Our File No. LR-06-089, (Gross Production Tax) Incentive information.

Dea

This letter is in response to your request for information regarding Oklahoma's oil and gas tax incentives.

I have reviewed the information you provided on Oklahoma incentives from the 2005 edition of "Investments in Energy Security". I have enclosed a copy of this report which I have made changes to in accordance with legislation that was passed this last session affecting the tax rebates. I have also e-mailed these changes to your attention.

Listed below is a summary explanation of the enrolled House Bill:

HB 2411

Amended Section 1001 to extend the qualifying period for the incentive exemptions, which are currently set to expire July 1, 2006. The amendment would extend the exemption to July 1, 2009.

Note: Last session, House Bill 1588 amended the exemption on certain deep wells drilled at a depth of fifteen thousand (15,000) feet or greater, which extended the sunset provision from July 1, 2006 to July 1, 2008. Wells drilled to a depth less than 15,000 feet were set to expire July 1, 2006. Further, House Bill 1588 removed the price cap limitation and placed a total payout limitation on wells drilled to a depth greater than 15,000 feet under paragraph (H) (4) of Section 1001.

House Bill 2411 amended the sunset provision on deep wells drilled to a depth between twelve thousand five hundred (12,500) and fourteen thousand nine hundred ninety-nine (14,999) feet. As amended, these deep wells shall continue to be set up under the original price cap and not subject to the total payout limitation set for other deep wells.

I hope the information I have provided will assist you in updating your publication. If you should have any questions or need additional information you may contact me at 521-5739.

Sincerely,
Oklahoma Tax Commission

Mark Hendrix
Tax Policy Analyst