

**TITLE 710. OKLAHOMA TAX COMMISSION
CHAPTER 45. GROSS PRODUCTION**

RULEMAKING ACTION:

Notice of proposed **PERMANENT** rulemaking.

PROPOSED RULES:

Chapter 45. Gross Production [AMENDED]

SUMMARY:

As part of the Commission's ongoing review of its rules, proposed amendments to the existing Gross Production rules have been made.

Proposed amendments to **Subchapter 5, "Required Returns and Reports"**, have been made to:

- Implement the provisions of Senate Bill 332 [First Regular Session of the 54th Legislature (2013)], which strikes the provision that required reports for a zero gross amount. [68:1010]
- Delete obsolete information that is no longer required to be reported to the OTC.
- Implement the provisions of Senate Bill 841 [Second Regular Session of the 44th Legislature (1994)], which strikes the Conservation Excise Tax.
- Reflect current statutes by changing "penalties shall be calculated" to "penalties may be calculated." [68:1010]

Proposed amendments to **Subchapter 7, "Special Reporting Requirements"**, have been made to:

- Update policies to reflect current OTC procedures, which include no longer requiring non-operating interest owners to register with the OTC.

Proposed amendments to **Subchapter 9, "Exemptions and Exclusions"**, have been made to:

- Implement the provisions of House Bill 2562 [Second Regular Session of the 54th Legislature (2014)], which extends the sunset date for the deep well, new discovery, and 3-D seismic incentives from July 1, 2014 to July 1, 2015; extends the sunset date for the enhanced recovery, inactive well, and production enhancement incentives from July 1, 2014 to July 1, 2020; provides that no claims for rebates for production occurring before 2003 are permitted after July 1, 2014; extends the sunset date for the economically-at-risk incentive from calendar year 2013 to calendar year 2020; provides that no claims regarding the economically-at-risk incentive shall be permitted after December 31, 2015 for production periods occurring between calendar years 2005 through 2013; provides that no claims for the economically-at-risk incentive shall be claimed more than eighteen months after the date that the refund is first available for production periods occurring between 2014 and 2020. [68:1001, 1001.3a]

Proposed amendments to **Subchapter 11, "Transporters"** and **Subchapter 15, "Reclaimers and Reclaiming Operations"**, have been made to:

- Clarify policy to reflect current OTC procedures, which include no longer accepting a cash deposit or bond for a reclaimer's license or transporter's license.

AUTHORITY:

68 O.S. §§ 203; 1001(M); 1001.1; and 1013; Oklahoma Tax Commission

COMMENT PERIOD:

Persons wishing to make written submissions may do so by **4:30 p.m., February 20, 2015**, to the Oklahoma Tax Commission, Tax Policy and Research Division, 2501 North Lincoln Boulevard, Oklahoma City, Oklahoma 73194. Those wishing to make oral comments at the public hearing should request placement on the docket well in advance of the hearing date, by calling Emily Hood at (405) 521-3133.

PUBLIC HEARING:

A public hearing will be held to provide an additional means by which suggestions may be offered on the content of the proposed rules. Time, date and place of the hearing are as follows: **February 23, 2015, 10:00 a.m.** in the 4th floor hearing room at the Oklahoma Tax Commission, 2501 Lincoln Blvd., Oklahoma City, Oklahoma. In order to facilitate entry into the building, those wishing to appear should contact Emmily Hood at (405) 521-3133 at least 24 hours prior to the hearing date to complete their visitor pre-registration. Entry to the M.C. Connors' building must be made through the doors located on the east side of the building. In order to gain access to the 4th floor hearing room, attendees must register at the information desk in the lobby by presenting a driver license or other photo identification. A name badge and floor access card will be issued once registration is completed.

Time limitations may be imposed on oral presentations to ensure that all persons who have filed written requests for placement on the docket will have an opportunity to speak.

REQUEST FOR COMMENTS FROM BUSINESS ENTITIES:

Although nothing in this rulemaking action has been determined to adversely impact small business, the Oklahoma Tax Commission (OTC) requests that, pursuant to 75 O.S. § 303(B)(6), business entities affected by these rules provide the OTC, within the comment period, in dollar amounts, if possible, information on any increase in direct costs, such as fees, and indirect costs, such as those associated with reporting, recordkeeping, equipment, construction, labor, professional services, revenue loss, or other costs expected to be incurred by a particular entity due to compliance with the proposed Rules.

COPIES OF PROPOSED RULES:

Interested persons may inspect proposed rules at the offices of the Oklahoma Tax Commission, Tax Policy Division, 5th floor, M. C. Connors Building, 2501 North Lincoln Boulevard, Oklahoma City, Oklahoma. Copies of proposed rules may be viewed online at www.tax.ok.gov.

RULE IMPACT STATEMENT:

A Rule Impact Statement will be prepared and will be available for review from and after January 30, 2015, from the same source listed above for obtaining copies of proposed rules.

CONTACT PERSON:

Lisa R. Haws, Agency Liaison. Phone: 405-521-3133; FAX: 405-522-0063; Email: lhaws@tax.ok.gov

CHAPTER 45. GROSS PRODUCTION

SUBCHAPTER 5. REQUIRED RETURNS AND REPORTS

710:45-5-1. Minimum requirements of monthly production report

All producers or purchasers of asphalt or ores bearing lead, zinc, jack, gold, silver or copper or petroleum oil, mineral oil, other crude oil, condensate, reclaimed oil, gas, natural gas, casinghead gas, or liquid hydrocarbons from oil or gas produced in this state shall report volume and value of such production monthly on OTC Form 300, or any other form as may be prescribed and required by the Oklahoma Tax Commission. A separate monthly report shall be filed for each county wherein production is reported. Each monthly report shall include the following information:

- (1) Commission assigned purchaser reporting number;
- (2) Commission assigned producer reporting number;
- (3) Commission assigned production unit number, subnumber, and merge number for each lease from which production is reported;
- (4) Assigned product code number for the product reported;
- (5) Gross amount of the product reported from each lease from which production is reported;
- (6) ~~Zero gross amount shall be reported for each product code listed on OTC Form 320 or any amended Form 320, if no sale or purchase of such product occurs during a report period from a lease which has an assigned production unit number, subnumber and merge number;~~
- (7) Total value of the product reported from each lease from which production is reported; and, the Gross Production Tax and the Petroleum Excise Tax for said lease;
- (8) ~~If zero gross amount is reported as set out in subparagraph six (6) above, zero total value shall be reported for each product code from each lease;~~
- (9) Social security number (7) Taxpayer identification number or, if applicable, the federal employer identification number (FEI).
- (10) ~~Oklahoma Tax Commission disposition code of product reported;~~
- (11) ~~All producers or purchasers of gas shall also include the following information in each monthly report:~~
 - (A) ~~BTU content per MCF of product reported;~~
 - (B) ~~Price category as certified under the National Gas Policy Act, if applicable, or Oklahoma Tax Commission Code 1 if price of product reported is determined by a contract;~~
 - (C) ~~Oklahoma Tax Commission gas code for destination of product reported; and~~
- (12) ~~All producers or purchasers of oil shall also include the following information in each monthly report:~~
 - (A) ~~Gravity of product reported;~~
 - (B) ~~Oil classification of product reported. [See: 68 O.S. §1010]~~
- (13) ~~Check number or tracer number associated with the Gross Production Tax monthly report.~~

710:45-5-2. Incomplete monthly production report forms filed shall constitute no report

- (a) Any Monthly Production Report form filed with the Oklahoma Tax Commission shall include the minimum information specified in 68 O.S. §1010 and in 710:45-5-1. Any such required monthly report form that does not include these minimum requirements shall not constitute the mandatory report required by statute.
- (b) Any Gross Production, or Petroleum Excise ~~or Conservation Excise~~ Taxes remitted with an incomplete report form shall be accepted as payment of taxes due, and upon receipt of a proper report, the tax payment shall be apportioned.

(c) Upon receipt of a Monthly Production Report form, which has been approved by the Commission, from a person required to report monthly, which does not include the required information, the Director of the Compliance Division of the Oklahoma Tax Commission, or a designee, shall notify the reporting taxpayer that:

- (1) The monthly report form filed with the Commission does not contain the minimum information required by 68 O.S. §1010 and 710:45-5-1 and such form does not constitute a valid Monthly Production Report;
- (2) Pursuant to this Section, the person has failed to file a Monthly Production Report;
- (3) The amount of penalties accrued; and,
- (4) Any remittance or payment made therewith has been accepted and will be apportioned by the Commission in accordance with the applicable statute. [See: 68 O.S. §1010]

710:45-5-4. Penalty for delinquent reports

If any monthly production report is not submitted to the Oklahoma Tax Commission in accordance with Section 710:45-5-3; or if any amended report or answer to written demand for information is not timely submitted to the Commission, penalties shall may be calculated, declared and collected.

SUBCHAPTER 7. SPECIAL REPORTING REQUIREMENTS

710:45-7-1. Reporting requirements of nonoperating interest owners [REVOKED]

~~Whenever a nonoperating interest owner in a lease has entered into an agreement for the sale of casinghead or natural gas, the nonoperating interest owner must file a properly completed OTC Form 320C, which includes among other required information, the operator's name and reporting number, as well as the name of the nonoperating interest owner. [See: 68 O.S. §1009(e)]~~

SUBCHAPTER 9. EXEMPTIONS AND EXCLUSIONS

PART 5. HORIZONTALLY DRILLED PRODUCTION WELLS

710:45-9-28. Rebates - Refund procedure [REVOKED]

~~(a) **Request to Oklahoma Tax Commission for a tax refund.** Upon being certified as a qualifying horizontal well producing prior to July 1, 2011, the well operator or one of the working interest owners in the well, on behalf of the well operator and the other owners of the well, shall make its request for refund by letter to the Compliance Division, Oklahoma Tax Commission. Such letter request shall state the reason for refund and the amount claimed and must be accompanied by the following:~~

- ~~(1) A copy of the application approved by the Corporation Commission certifying the well as a horizontally drilled well;~~
- ~~(2) A copy of an approved OTC Form 320A that shows the date of initial production;~~
- ~~(3) For production periods prior to July 1, 2009, a properly completed OTC Form 328 Gross Production 841/495 Refund Report;~~
- ~~(4) For the production periods of July 1, 2010 through June 30, 2011, an electronically filed OTC Form 328-DR Gross Production Deferred Rebate Report; and~~
- ~~(5) If the refund request is filed by any person other than the party named in the application, a notarized affidavit, signed by the party named in the application must be filed, authorizing the applicant to apply for the refund.~~

~~(b) No time limitation on rebate for prior periods. Approval of a "Horizontal Drilling Incentive" for production periods prior to July 1, 2003, shall not be time-barred by either the date of certification or the date of filing a claim for refund of the rebate of gross production tax.~~

~~(c) Documentation of required investment. For production periods beginning on or after July 1, 2003, and prior to July 1, 2011, no refund shall be paid unless the person authorized to make the claim for refund on behalf of the aggregate owners and operator provides a written statement demonstrating that an amount has been invested which is equal to, or greater than the amount of the refund. The required investment in the exploration for, or production of, oil or natural gas in this state may be made by any individual or combination of aggregate owners and operators, but may not be based upon amounts invested prior to three years from the date of the claim. Any investment used to qualify for a rebate/refund pursuant to this Section shall not be used to qualify for any other refund/rebate.~~

~~(d) Refund limited to interest owners of record and operators at time of qualifying act. For production periods prior to July 1, 2011, only the operator and interest owners of record at the time of the qualifying act are eligible for the rebate of gross production tax attributable to their interest in the project.~~

~~(1) In the case of a change in the operator of a qualified project, it is permissible for the new operator to file the claim for refund on behalf of all participating interest owners for the prior and the current periods, although the new operator would not be eligible for any share in the refund.~~

~~(2) A former operator or interest owner may also file the claim for the periods in which the owner or operator actively participated in the project and distribute the appropriate refund amounts to the eligible interest owners.~~

~~(e) Notice of changes in operator and interest owners. Effective July 1, 2004, and prior to July 1, 2011, the person filing a claim for refund pursuant to this Section shall provide written notice of any changes in the operator or interest owners that have occurred in the project. Refunds shall be based solely upon the interest owners and operators in place at the time of the qualifying act.~~

~~(f) Claim limitation. For production periods beginning on or after July 1, 2003, and prior to July 1, 2009, no claim for rebate pursuant to 68 O.S. § 1001(L) shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is initially available. Electronic claims for refund applicable to the production periods beginning July 1, 2009, and prior to July 1, 2011, shall be filed with the Oklahoma Tax Commission no later than December 31, 2011.~~

~~(g) Method of appeal. If the refund is denied the applicant may file an appeal under the provisions of Title 68, Sections 227 and 228 of the Oklahoma Statutes.~~

PART 7. INCREMENTAL PRODUCTION FROM ENHANCED RECOVERY PROJECTS OR PROPERTIES

710:45-9-31. Definitions

In addition to terms defined in 710:45-1-2, the following words and terms, when used in this Part, shall have the following meaning, unless the context clearly indicates otherwise:

"**Base Production amount**" means the average monthly amount of production for the twelve (12) month period immediately prior to the project beginning date minus the monthly rate of production decline for the project or property for each month beginning one hundred eighty (180) days prior to the project beginning date.

"**Completion date**" means the date a well is first capable of being used for the injection of liquids, gases or other matter, or is capable of producing crude oil or other liquid hydrocarbons

through permanent wellhead equipment.

"Enhanced recovery project costs" means the incremental project costs that are allowed as payback factors in determining the exemptions from the levy of gross production tax of project incremental production.

"Existing tertiary enhanced recovery project" means, for purposes of the exemption described in 68 O.S. § 1001(D)(1), a tertiary enhanced recovery project whose beginning date is prior to October 16, 1987.

"Incremental production" means the amount of crude oil or other liquid hydrocarbons which are produced during an approved enhanced oil recovery operation and which are in excess of the base production amount of crude oil or other liquid hydrocarbons.

"Incremental working interest revenue" means the gross value of the incremental production, less the royalty interest therein.

"Monthly rate of production decline" means a rate equal to the average extrapolated monthly decline rate for the twelve (12) month period immediately prior to the project beginning date as determined by the Commission, based on the production history of the field, its current status, and sound reservoir engineering principles.

"New enhanced recovery project" means, for purposes of the exemption described in 68 O.S. § 1001(D)(1), a secondary or tertiary enhanced recovery project whose beginning date is on or after October 16, 1987.

"Project beginning date" means the date on which the injection of liquids, gas, or other matter begins on an enhanced recovery operation.

"Project payback or payout" means that point at which the incremental working interest revenue from the enhanced recovery project equals the enhanced project costs.

"Secondary recovery projects" means secondary recovery projects approved or having an initial project beginning date on or after July 1, 2000 and before July 1, 2014 2020, such that any incremental production attributable to the working interest which results from such secondary recovery property shall be exempt from the gross production tax levied pursuant to 68 O.S. Section 1001 for a period not to exceed five (5) years from the initial project beginning date or for a period ending upon the termination of the secondary recovery process, whichever occurs first.

710:45-9-32.1. Recovery of costs allowed as payback factors

(a) **Enhanced recovery projects with beginning date between October 17, 1987, and June 30, 1990.** For enhanced recovery projects whose beginning dates are October 17, 1987, through June 30, 1990, **allowable enhanced recovery project costs** shall include only incremental capital costs and incremental operating expenses associated with the enhanced recovery project.

(b) **Enhanced recovery project with beginning date between July 1, 1990, and June 30, 1993.** For any enhanced recovery project whose beginning date was July 1, 1990, through June 30, 1993, **allowable enhanced recovery project costs** shall be limited to the incremental capital costs of project start up, including the cost of completing any well necessary to the project and of converting any existing well to handle secondary or tertiary injection of liquids, gas or other matter. No expenditure after the completion date of such wells shall be included.

(c) **Secondary enhanced recovery project with beginning date on or after July 1, 1993, and before July 1, 2000.** For any secondary enhanced recovery project with a project beginning date on or after July 1, 1993, and before July 1, 2000, **allowable enhanced recovery project costs** shall include only incremental capital costs and fifty percent (50%) of incremental operating expenses, provided however, that the period for project payback shall not exceed a period of ten (10) years from the project beginning date.

(d) **Tertiary enhanced recovery project with beginning date on or after July 1, 1993, and before July 1, 2014 2020.** For any tertiary enhanced recovery project with a project beginning date on or after July 1, 1993, and before July 1, 2014 2020, allowable enhanced recovery project costs shall include only incremental capital costs and incremental operating expenses, excluding administrative expenses and the capital expense of pipelines constructed to transport carbon dioxide to a tertiary recovery project, provided such payback shall not exceed a period of ten (10) years from the project beginning date.

(e) **Excluded costs.** The cost of tank batteries, meters, pipelines or other external equipment shall not be included in allowable enhanced recovery project costs. Allowable costs shall be determined using generally accepted accounting principles such as outlined in the "Council of Petroleum Accountants Society (COPAS) - Accounting Procedure Form for Joint Operations" and "COPAS Bulletin No. 16", or subsequent revisions thereto.

710:45-9-34. Summary reports; due dates; final project report

(a) For secondary recovery projects approved prior to July 1, 2000, and tertiary recovery projects approved prior to July 1, 2014 2020, operators of exempt projects will submit to the Oklahoma Tax Commission annual summaries of project operations, on each anniversary of the project's beginning date, showing:

- (1) Original capital investment in the enhanced recovery project;
- (2) Additional investments in the enhanced recovery project;
- (3) Enhanced recovery project operating expense for previous years, when applicable;
- (4) Enhanced recovery project operating expense for the current year, when applicable;
- (5) Schedule of project production (volume and value) by year of operation;
- (6) Royalty payments, by year; and
- (7) Computation of revenue applied to project payback.

(b) The annual summary is to be filed with the Oklahoma Tax Commission on or before the sixtieth (60th) day following each anniversary of the project's beginning date.

(c) A final project report must be filed within sixty (60) days of achieving project payback.

710:45-9-35. Expiration of exemption for incremental production

For secondary recovery projects approved prior to July 1, 2000, and tertiary recovery projects approved prior to July 1, 2014 2020, once the gross working interest revenue equals the enhanced recovery project cost, the exemption of incremental production shall end and the Oklahoma Tax Commission shall resume collection of the Gross Production Tax thereon.

PART 9. PRODUCTION ENHANCEMENT PROJECTS

710:45-9-40. Scope of Part 9

Exemption from the levy of gross production tax on the incremental production which results from a production enhancement project with a project beginning date on or after July 1, 1994, and prior to July 1, 2014 2020, set out in 68 O.S. § 1001(G) shall be determined according to the provisions of this Part, which have been jointly adopted by the Oklahoma Corporation Commission and Oklahoma Tax Commission pursuant to 68 O.S. § 1001(M)(1).

710:45-9-41. Definitions

The following words and terms, when used in this Part, shall have the following meaning, unless the context clearly indicates otherwise:

"Base production" means the average monthly amount of production for the twelve-month period immediately prior to the commencement of the project or the average monthly amount of production for the twelve-month period immediately prior to the commencement of the project less the monthly rate of production decline for the project for each month beginning one hundred eighty (180) days prior to the commencement of the project. The monthly rate of production decline shall be equal to the average extrapolated monthly decline rate for the twelve-month period immediately prior to the commencement of the project based on the production history of the well. If the well or wells covered by the application had production for less than the full twelve-month period prior to the filing of the application for the production enhancement project, the base production shall be the average monthly production for the months during that period that the well or wells produced.

"Effective date" means the project beginning date for the production enhancement project.

"Exemption period" means a period of twenty-eight (28) months from the date of first sale after completion of the production enhancement project.

"Incremental production" means the amount of crude oil, natural gas or other hydrocarbons which are produced as a result of the production enhancement project in excess of the base production.

"Production enhancement project" means:

(A) For production enhancement projects having a project beginning date prior to July 1, 1997, any workover or recompletion, as those terms are defined in this Section, or fracturing of a producing well.

(B) For production enhancement projects having a project beginning date on or after July 1, 1997, and prior to July 1, ~~2014~~ 2020, any workover or recompletion, as those terms are defined in this Section, any reentry of plugged and abandoned wellbores, or addition of well or field compression.

"Recompletion" means:

(A) For production enhancement projects having a project beginning date prior to July 1, 1997, any downhole operation in an existing oil well or gas well that is conducted to establish production of oil or gas from any geological interval not currently completed or producing in such existing oil or gas well.

(B) For production enhancement projects having a project beginning date on or after July 1, 1997, and prior to July 1, ~~2014~~ 2020, any downhole operation in an existing oil well or gas well that is conducted to establish production of oil or gas from any geologic interval not currently completed or producing in such existing oil or gas well within the same or a different geologic formation.

"Workover" means any downhole operation in an existing oil or gas well that is designed to sustain, restore or increase the production rate or ultimate recovery in a geologic interval currently completed or producing in said existing oil or gas well. For production enhancement projects having a project beginning date prior to July 1, 1997, **"workover"** includes, but is not limited to, acidizing, reperforating, fracture treating, sand/paraffin removal, casing repair, squeeze cementing, or setting bridge plugs to isolate water productive zones from oil or gas productive zones, or any combination thereof. For production enhancement projects having a project beginning date on or after July 1, 1997, and prior to July 1, ~~2014~~ 2020, **"workover"** includes, but is not limited to, acidizing; reperforating; fracture treating; sand, paraffin, or scale removal or other wellbore cleanouts; casing repair; squeeze cementing; installation of compression on a well or group of wells or artificial lifts on oil, gas, or oil and gas, wells, including plunger lifts, rod pumps, submersible pumps and coiled tubing velocity strings; downsizing existing tubing to reduce well loading; downhole commingling; bacteria treatments; upgrading the size of pumping unit equipment; setting

bridge plugs to isolate water production zones; or any combination thereof. "Workover" shall not mean the routine maintenance, routine repair, or like-for-like replacement of downhole equipment such as rods, pumps, tubing, packers, or other mechanical devices.

710:45-9-43. Rebates - Refund procedure

(a) **Request to Oklahoma Tax Commission for a tax refund.** If the Oklahoma Corporation Commission grants the application, the operator or one of the working interest owners in the well, on behalf of the well operator and the other owners of the well, shall make its request for refund by letter to the Compliance Division, Oklahoma Tax Commission. Such letter request shall state the reason for refund and the amount claimed and must be accompanied by the following:

- (1) A copy of the application approved by the Corporation Commission certifying the well as production enhanced;
- (2) A properly completed OTC Form 328 Gross Production 841/495 Refund Report; and
- (3) If the refund request is filed by any person other than the party named in the application, a notarized affidavit, signed by the party named in the application must be filed, authorizing the applicant to apply for the refund.

(b) ~~No time limitation on rebate for prior periods.~~ Approval of a "Production Incentive" for production periods prior to July 1, 2003, shall not be time barred by either the date of certification or the date of filing a claim for refund of the rebate of gross production tax.

(e) **Documentation of required investment.** For production periods beginning on or after July 1, 2003, no refund shall be paid unless the person authorized to make the claim for refund on behalf of the aggregate owners and operator provides a written statement demonstrating that an amount has been invested which is equal to, or greater than the amount of the refund. The required investment in the exploration for, or production of, oil or natural gas in this state may be made by any individual or combination of aggregate owners and operators, but may not be based upon amounts invested prior to three years from the date of the claim. Any investment used to qualify for a rebate/refund pursuant to this Section shall not be used to qualify for any other refund/rebate.

~~(d)~~(c) **Refund limited to interest owners of record and operators at time of qualifying act.** Only the operator and interest owners of record at the time of the qualifying act are eligible for the rebate of gross production tax attributable to their interest in the project.

(1) In the case of a change in the operator of a qualified project, it is permissible for the new operator to file the claim for refund on behalf of all participating interest owners for the prior and the current periods, although the new operator would not be eligible for any share in the refund.

(2) A former operator or interest owner may also file the claim for the periods in which the owner or operator actively participated in the project and distribute the appropriate refund amounts to the eligible interest owners.

~~(e)~~(d) **Notice of changes in operator and interest owners.** Effective July 1, 2004, the person filing a claim for refund pursuant to this Section shall provide written notice of any changes in the operator or interest owners that have occurred in the project. Refunds shall be based solely upon the interest owners and operators in place at the time of the qualifying act.

~~(f)~~(e) **Claim limitation.** No claims for rebates shall be filed for production periods prior to July 1, 2003. For production periods beginning on or after July 1, 2003, no claim for rebate pursuant to 68 O.S. § 1001(L) shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is initially available.

~~(g)~~(f) **Method of appeal.** If the refund is denied the applicant may file an appeal under the provisions of Title 68, Sections 227 and 228 of the Oklahoma Statutes.

PART 11. REESTABLISHMENT OF PRODUCTION FROM AN INACTIVE WELL

710:45-9-51. Definitions

The following words and terms, when used in this Part, shall have the following meaning, unless the context clearly indicates otherwise:

"**Effective date**" means the date on which the reestablishment of production has occurred.

"**Exemption period**" means a period of twenty-eight (28) months from the date upon which production from an inactive well is reestablished.

"**Inactive well**" means a well which can be defined pursuant to one of the following:

(A) A well which, after July 1, 1997, experiences mechanical failure or loss of mechanical integrity, as defined by the Corporation Commission, including, but not limited to, casing leaks, collapse of casing, or loss of equipment in a wellbore, or any similar event which causes cessation of production and results in a workover of the well, as evidenced by the use of a workover rig or other mechanical device being placed over the well to repair the well or equipment.

(B) A well on which work to reestablish production commenced on or after July 1, 1994, and on or before June 30, 1997, that has not produced oil, gas, or oil and gas for a period of not less than two (2) years, as evidenced by the appropriate forms on file with the Oklahoma Corporation Commission reflecting the well's status.

(C) A well on which work to reestablish production commenced on or after July 1, 1997, and on or before July 1, 2014 ~~2020~~, that has not produced oil, gas, or oil and gas for a period of not less than one (1) year, as evidenced by the appropriate forms on file with the Oklahoma Corporation Commission, reflecting the well's status.

710:45-9-53. Rebates - Refund procedure

(a) **Request to Oklahoma Tax Commission for a tax refund.** If the Oklahoma Corporation Commission grants the application, the operator or one of the working interest owners in the well, on behalf of the well operator and the other owners of the well, shall make its request for refund by letter to the Compliance Division, Oklahoma Tax Commission. Such letter request shall state the reason for refund and the amount claimed and must be accompanied by the following:

(1) A copy of the application approved by the Corporation Commission certifying the well as an inactive well for which production has been reestablished;

(2) A copy of an approved OTC Form 320C that shows the date of the reestablishment of production of oil and/or gas;

(3) A properly completed OTC Form 328 Gross Production 841/495 Refund Report; and

(4) If the refund request is filed by any person other than the party named in the application, a notarized affidavit, signed by the party named in the application must be filed, authorizing the applicant to apply for the refund.

(b) ~~No time limitation on rebate for prior periods.~~ Approval of a "Reestablished Incentive" for production periods prior to July 1, 2003, shall not be time barred by either the date of certification or the date of filing a claim for refund of the rebate of gross production tax.

(c) **Documentation of required investment.** For production periods beginning on or after July 1, 2003, no refund shall be paid unless the person authorized to make the claim for refund on behalf of the aggregate owners and operator provides a written statement demonstrating that an amount has been invested which is equal to, or greater than the amount of the refund. The required investment in the exploration for, or production of, oil or natural gas in this state may be made by any

individual or combination of aggregate owners and operators, but may not be based upon amounts invested prior to three years from the date of the claim. Any investment used to qualify for a rebate/refund pursuant to this Section shall not be used to qualify for any other refund/rebate.

~~(d)~~(c) **Refund limited to interest owners of record and operators at time of qualifying act.** Only the operator and interest owners of record at the time of the qualifying act are eligible for the rebate of gross production tax attributable to their interest in the project.

(1) In the case of a change in the operator of a qualified project, it is permissible for the new operator to file the claim for refund on behalf of all participating interest owners for the prior and the current periods, although the new operator would not be eligible for any share in the refund.

(2) A former operator or interest owner may also file the claim for the periods in which the owner or operator actively participated in the project and distribute the appropriate refund amounts to the eligible interest owners.

~~(e)~~(d) **Notice of changes in operator and interest owners.** Effective July 1, 2004, the person filing a claim for refund pursuant to this Section shall provide written notice of any changes in the operator or interest owners that have occurred in the project. Refunds shall be based solely upon the interest owners and operators in place at the time of the qualifying act.

~~(f)~~(e) **Claim limitation.** No claims for rebates shall be filed for production periods prior to July 1, 2003. For production periods beginning on or after July 1, 2003, no claim for rebate pursuant to 68 O.S. § 1001(L) shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is initially available.

~~(g)~~(f) **Method of appeal.** If the refund is denied the applicant may file an appeal under the provisions of Title 68, Sections 227 and 228 of the Oklahoma Statutes.

PART 13. DEEP WELLS

710:45-9-60. Scope of Part 13

(a) **General provisions.** Exemption from the levy of gross production tax on the production of gas, oil, or gas and oil from wells certified as being "Deep Wells" set out in 68 O.S. § 1001(H) shall be determined according to the provisions of this Part, which have been jointly adopted by the Oklahoma Corporation Commission and the Oklahoma Tax Commission pursuant to 68 O.S. § 1001(M)(1).

(b) **Definitions.** For purposes of qualifying for the exemption, "depth" means the length of the maximum continuous string of drill pipe utilized between the drill bit face and the drilling rig's kelly bushing.

(c) **Exemption for wells spudded between July 1, 1994, and June 30, 1997, to a depth of fifteen thousand (15,000) feet or greater.** Deep wells spudded between July 1, 1994, and June 30, 1997, and drilled to a depth of fifteen thousand (15,000) feet or greater shall be exempt from the gross production tax, beginning from the date of first sale, for a period of twenty-eight (28) months.

(d) **Exemption for wells spudded between July 1, 1997, and June 30, 2002, to a depth of twelve thousand five hundred (12,500) feet.** Deep wells spudded between July 1, 1997, and June 30, 2002, and drilled to a depth of twelve thousand five hundred (12,500) feet or greater shall be exempt from the gross production tax, beginning from the date of first sale, for a period of twenty-eight (28) months.

(e) **Exemption for wells spudded on or after July 1, 2002.** Deep wells spudded on or after July 1, 2002, shall be eligible for an exemption from the gross production tax which shall begin from the date of first sale, and vary as to duration in relation to the depth of the well.

- (1) **12,500 to 14,999 feet and spudded between July 1, 2002 and July 1, 2014 2015.** The duration of the tax incentive for wells drilled to this depth is twenty-eight (28) months.
- (2) **15,000 to 17,499 feet and spudded between July 1, 2002 and June 30 July 1, 2015.** The duration of the tax incentive for wells drilled to this depth is forty-eight (48) months.
- (3) **17,500 feet or greater and spudded between July 1, 2002 and June 30 July 1, 2015.** The duration of the tax incentive for wells drilled to this depth is sixty (60) months.

710:45-9-62.1. Rebates - Refund procedure

(a) **Request to Oklahoma Tax Commission for a tax refund.** If the Oklahoma Corporation Commission grants the application for production periods prior to July 1, 2011, the operator or one of the working interest owners in the well, on behalf of the well operator and the other owners of the well, shall make its request for refund by letter to the Compliance Division, Oklahoma Tax Commission. Such letter request shall state the reason for refund and the amount claimed and must be accompanied by the following:

- (1) A copy of an application approved by the Corporation Commission certifying the well as a well spudded within the applicable time periods and drilled to the prescribed depths provided in *OAC 165:10-21-45*;
- (2) A copy of an approved OTC Form 320A that shows date of first sale of production;
- (3) For production periods prior to July 1, 2009, a properly completed OTC Form 328 Gross Production 841/495 Refund Report; and
- (4) For the production periods of July 1, 2010 through June 30, 2011, an electronically filed OTC Form 328 DR Gross Production Deferred Rebate Report.
- (5) If the refund request is filed by any person other than the party named in the application, a notarized affidavit, signed by the party named in the application must be filed, authorizing the applicant to apply for the refund.

(b) ~~No time limitation on rebate for prior periods.~~ Approval of a "Deep Well Incentive" for production periods prior to July 1, 2003, shall not be time barred by either the date of certification or the date of filing a claim for refund of the rebate of gross production tax.

(e) **Documentation of required investment.** For production periods beginning on or after July 1, 2003 and prior to July 1, 2011, no refund shall be paid unless the person authorized to make the claim for refund on behalf of the aggregate owners and operator provides a written statement demonstrating that an amount has been invested which is equal to, or greater than the amount of the refund. The required investment in the exploration for, or production of, oil or natural gas in this state may be made by any individual or combination of aggregate owners and operators, but may not be based upon amounts invested prior to three years from the date of the claim. Any investment used to qualify for a rebate/refund pursuant to this Section shall not be used to qualify for any other refund/rebate.

~~(d)~~(c) **Refund limited to interest owners of record and operators at time of qualifying act.** For production periods prior to July 1, 2011, only the operator and interest owners of record at the time of the qualifying act are eligible for the rebate of gross production tax attributable to their interest in the project.

- (1) In the case of a change in the operator of a qualified project, it is permissible for the new operator to file the claim for refund on behalf of all participating interest owners for the prior and the current periods, although the new operator would not be eligible for any share in the refund.
- (2) A former operator or interest owner may also file the claim for the periods in which the owner or operator actively participated in the project and distribute the appropriate refund

amounts to the eligible interest owners.

~~(e)~~(d) **Notice of changes in operator and interest owners.** For production periods beginning July 1, 2004 and prior to July 1, 2011, the person filing a claim for refund pursuant to this Section shall provide written notice of any changes in the operator or interest owners that have occurred in the project. Refunds shall be based solely upon the interest owners and operators in place at the time of the qualifying act.

~~(f)~~(e) **Claim limitation.** No claims for rebates shall be filed for production periods prior to July 1, 2003. For production periods beginning on or after July 1, 2003 and prior to July 1, 2006, no claim for rebate pursuant to 68 O.S. § 1001(L) shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is initially available.

~~(g)~~(f) **Method of appeal.** If the refund is denied the applicant may file an appeal under the provisions of Title 68, Sections 227 and 228 of the Oklahoma Statutes.

PART 15. NEW DISCOVERY WELLS

710:45-9-70. Scope of Part 15

Exemption from the levy of gross production tax on the production of gas, oil, or gas and oil from wells spudded or reentered between July 1, 1995 and July 1, ~~2014~~ 2015, which qualify as a new discovery well pursuant to Title 68, Section 1001(I) shall be determined according to the provisions of this Part, which have been jointly adopted by the Oklahoma Corporation Commission and the Oklahoma Tax Commission pursuant to 68 O.S. § 1001(M)(1).

710:45-9-71. Definitions

The following words and terms, when used in this Part, shall have the following meaning, unless the context clearly indicates otherwise:

"New discovery" means production of oil, gas, or oil and gas from:

(A) A well, spudded or reentered on or after July 1, 1997, which discovers crude oil in paying quantities, and is located more than one (1) mile from the nearest oil well producing from the same producing formation.

(B) A well, spudded or reentered on or after July 1, 1997, and prior to July 1, ~~2014~~ 2015, which discovers crude oil in paying quantities, and is located more than one (1) mile from the nearest oil well producing from the same producing interval of the same formation.

(C) A well, spudded or reentered prior to July 1, 1997, which discovers crude oil in paying quantities beneath current production in a deeper producing formation, located more than one (1) mile from the nearest oil well producing from the same deeper producing formation.

(D) A well, spudded or reentered on or after July 1, 1997, and prior to July 1, ~~2014~~ 2015, which discovers crude oil in paying quantities beneath current production in a deeper producing interval, located more than one (1) mile from the nearest oil well producing from the same deeper producing interval.

(E) A well, spudded or reentered prior to July 1, 1997, which discovers natural gas in paying quantities, and is located more than two (2) miles from the nearest gas well producing from the same producing formation.

(F) A well, spudded or reentered on or after July 1, 1997, and prior to July 1, ~~2014~~ 2015, which discovers natural gas in paying quantities, and is located more than two (2) miles from the nearest gas well producing from the same producing interval.

(G) A well, spudded or reentered prior to July 1, 1997, which discovers natural gas in paying quantities beneath current production in a deeper producing formation, that is more

than two (2) miles from the nearest gas well producing from the same deeper producing formation.

(H) A well, spudded or reentered on or after July 1, 1997, and prior to July 1, 2014 2015, which discovers natural gas in paying quantities beneath current production in a deeper producing interval, that is more than two (2) miles from the nearest gas well producing from the same deeper producing interval.

710:45-9-73. Rebates - Refund procedure

(a) **Request to Oklahoma Tax Commission for a tax refund.** If the Oklahoma Corporation Commission grants the application, the operator or one of the working interest owners in the well, on behalf of the well operator and the other owners of the well, shall make its request for refund by letter to the Compliance Division, Oklahoma Tax Commission. Such letter request shall state the reason for refund and the amount claimed and must be accompanied by the following:

- (1) A copy of the application approved by the Corporation Commission certifying the well as a new discovery well spudded or re-entered between July 1, 1995 and July 1, 2014 2015;
- (2) A copy of an approved OTC Form 320A that shows date of first sale of production;
- (3) A properly completed OTC Form 328 Gross Production 841/495 Refund Report; and
- (4) If the refund request is filed by any person other than the party named in the application, a notarized affidavit, signed by the party named in the application must be filed, authorizing the applicant to apply for the refund.

(b) ~~No time limitation on rebate for prior periods.~~ Approval of a "New Discovery Incentive" for production periods prior to July 1, 2003, shall not be time barred by either the date of certification or the date of filing a claim for refund of the rebate of gross production tax.

(e) **Documentation of required investment.** For production periods beginning on or after July 1, 2003, no refund shall be paid unless the person authorized to make the claim for refund on behalf of the aggregate owners and operator provides a written statement demonstrating that an amount has been invested which is equal to, or greater than the amount of the refund. The required investment in the exploration for, or production of, oil or natural gas in this state may be made by any individual or combination of aggregate owners and operators, but may not be based upon amounts invested prior to three years from the date of the claim. Any investment used to qualify for a rebate/refund pursuant to this Section shall not be used to qualify for any other refund/rebate.

~~(d)~~(c) **Refund limited to interest owners of record and operators at time of qualifying act.** Only the operator and interest owners of record at the time of the qualifying act are eligible for the rebate of gross production tax attributable to their interest in the project.

(1) In the case of a change in the operator of a qualified project, it is permissible for the new operator to file the claim for refund on behalf of all participating interest owners for the prior and the current periods, although the new operator would not be eligible for any share in the refund.

(2) A former operator or interest owner may also file the claim for the periods in which the owner or operator actively participated in the project and distribute the appropriate refund amounts to the eligible interest owners.

~~(e)~~(d) **Notice of changes in operator and interest owners.** Effective July 1, 2004, the person filing a claim for refund pursuant to this Section shall provide written notice of any changes in the operator or interest owners that have occurred in the project. Refunds shall be based solely upon the interest owners and operators in place at the time of the qualifying act.

~~(f)~~(e) **Claim limitation.** No claims for rebates shall be filed for production periods prior to July 1, 2003. For production periods beginning on or after July 1, 2003, no claim for rebate pursuant to

68 O.S. § 1001(L) shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is initially available.

~~(g)~~(f) **Method of appeal.** If the refund is denied the applicant may file an appeal under the provisions of Title 68, Sections 227 and 228 of the Oklahoma Statutes.

PART 17. ECONOMICALLY AT-RISK LEASES

710:45-9-82. Exemption period

~~The exemption for economically at risk oil leases is limited to calendar years 1997 and 1998.~~ The exemption for economically at risk oil and gas leases is limited to calendar years 2005 through 2013 2020, with each year being claimed separately. No claims for rebates regarding the economically at risk leases shall be permitted after December 31, 2015 for production periods occurring between calendar years 2005 through 2013. No claims for rebates regarding the economically at risk leases for production periods occurring between calendar years 2014 through 2020 shall be claimed or paid more than eighteen (18) months after the date that the refund is first available.

710:45-9-84. Refund procedure

(a) **Issuance of refund.** Upon certification by the Commission, a refund of the gross production taxes paid in the previous calendar year for the lease shall be issued after July 1 of the subsequent year, to the well operator or a designee.

(b) **Assignment of a designee.** If the refund is to be issued to a party other than the recognized operator, a notarized affidavit, signed by the be operator must be submitted to the Commission authorizing the designee to receive the refund.

~~(c) **No time limitation on rebate for qualifying wells.** Approval of an "Economically at Risk Oil Lease" shall not be time barred by either the date of certification or the date of filing a claim for refund of the rebate of gross production tax.~~

PART 19. PRODUCTION USING THREE DIMENSIONAL SEISMIC SHOOTS

710:45-9-90. Scope of Part 19

Exemption from the levy of gross production tax on the production of oil, gas or oil and gas from a well, drilling of which is commenced after July 1, 2000, and prior to July 1, 2014 2015, located within the boundaries of a three-dimensional seismic shoot and drilled based on three-dimensional seismic technology, as set out in 68 O.S. § 1001(J), shall be determined according to the provisions of this Part. [See: 68 O.S. § 1001(M)(1); Amended at 21 Ok Reg 1128, eff 5-13-04]

710:45-9-92. Qualification procedure

(a) **General provisions.** The provisions of this Section establish criteria for determining if an operator producing oil, gas or oil and gas from a well, drilling of which is commenced after July 1, 2000, and prior to July 1, 2014 2015, located within the boundaries of a three-dimensional seismic shoot and drilled based on three-dimensional seismic technology, has met the required conditions to qualify the production from such a well for the exemption from the Gross Production Tax. [See: 68 O.S. § 1001(J)]

(b) **Administrative approval and determination.** An operator seeking an exemption of the gross production tax on production from a well located within the boundaries of a three-dimensional seismic shoot and drilled based on such technology, shall make application to the Oklahoma

Corporation Commission on a Form 1534 for a determination that the well qualifies for such exemption, as provided in 68 O.S. § 1001(J).

- (1) If the application is administratively approved, a copy shall be forwarded to the operator.
- (2) To obtain the tax exemption, the operator shall forward a copy of the approved application to the Oklahoma Tax Commission, together with any other data required by that agency pursuant to OAC 165:10-21-88.
- (3) Any data, maps and other information submitted with the OCC Form 1534 for determination that a well qualifies for the exemption provided in this paragraph shall be held as confidential information by the Conservation Division and/or Commission, and shall be returned to the applicant or destroyed upon approval of the application.

710:45-9-93. Rebates - Refund procedure

(a) **Request to Oklahoma Tax Commission for a tax refund.** If the Oklahoma Corporation Commission grants the application, the well operator or one of the working interest owners in the well, on behalf of the well operator and the other owners of the well, shall make its request for refund by letter to the Compliance Division, Oklahoma Tax Commission. Such letter request shall state the reason for refund and the amount claimed and must be accompanied by the following:

- (1) Corporation Commission order approving such application and containing a determination that the well meets the criteria of the statute insofar that its drilling was commenced after July 1, 2000, and prior to July 1, ~~2014~~ 2015; that it is located within the boundaries of a three-dimensional seismic shoot and was drilled based on such technology; and indicating whether the seismic shoot was shot either prior to, or after July 1, 2000.
- (2) A schedule of production, by month, of the gross amounts of oil, gas, or oil and gas produced, and the gross values thereof, from the date of first sale until the date application is made to the Tax Commission.
- (3) If the refund request is filed by any person other than the party named in the Oklahoma Corporation Commission order, a notarized affidavit, signed by the party named in the order must be filed, authorizing the applicant to apply for the refund.

(b) ~~No time limitation on rebate for prior periods.~~ Approval of a "Three Dimensional Incentive" for production periods prior to July 1, 2003, shall not be time barred by either the date of certification or the date of filing a claim for refund of the rebate of gross production tax.

(e) **Documentation of required investment.** For production periods beginning on or after July 1, 2003, no refund shall be paid unless the person authorized to make the claim for refund on behalf of the aggregate owners and operator provides a written statement demonstrating that an amount has been invested which is equal to, or greater than the amount of the refund. The required investment in the exploration for, or production of, oil or natural gas in this state may be made by any individual or combination of aggregate owners and operators, but may not be based upon amounts invested prior to three years from the date of the claim. Any investment used to qualify for a rebate/refund pursuant to this Section shall not be used to qualify for any other refund/rebate.

~~(d)~~(c) **Refund limited to interest owners of record and operators at time of qualifying act.** Only the operator and interest owners of record at the time of the qualifying act are eligible for the rebate of gross production tax attributable to their interest in the project.

- (1) In the case of a change in the operator of a qualified project, it is permissible for the new operator to file the claim for refund on behalf of all participating interest owners for the prior and the current periods, although the new operator would not be eligible for any share in the refund.
- (2) A former operator or interest owner may also file the claim for the periods in which the owner or operator actively participated in the project and distribute the appropriate refund

amounts to the eligible interest owners.

~~(e)~~(d) **Notice of changes in operator and interest owners.** Effective July 1, 2004, the person filing a claim for refund pursuant to this Section shall provide written notice of any changes in the operator or interest owners that have occurred in the project. Refunds shall be based solely upon the interest owners and operators in place at the time of the qualifying act.

~~(f)~~(e) **Claim limitation.** No claims for rebates shall be filed for production periods prior to July 1, 2003. For production periods beginning on or after July 1, 2003, no claim for rebate pursuant to 68 O.S. § 1001(L) shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is initially available.

~~(g)~~(f) **Method of appeal.** If the refund is denied, the applicant may file an appeal under the provisions of Title 68, Sections 227 and 228 of the Oklahoma Statutes.

SUBCHAPTER 11. TRANSPORTERS

710:45-11-2. Transporter license and permits

The ~~Director of the Registration~~ Taxpayer Assistance Division of the Oklahoma Tax Commission, ~~or a designee~~, is authorized to issue and renew non-transferrable licenses and vehicle permits, upon license and permit forms approved by the Commission, to transporters, other than railroad or pipeline transporters, of any product subject to the Oklahoma Gross Production Tax, upon receipt of the following:

- (1) A properly completed Application for Transporters License upon a form approved by the Oklahoma Tax Commission;
- (2) Completed and duly executed Gross Production Tax Bond ~~or cash bond~~ in the amount of One Thousand Dollars (\$1,000.00), which has been approved by the Commission; and
- (3) Payment of a fee in the amount of One Hundred Fifty Dollars (\$150.00) for each license issued, renewed or reinstated and the first vehicle permit, and Five Dollars (\$5.00) for each additional vehicle permit. [See: 68 O.S. § 1013]

SUBCHAPTER 15. RECLAIMERS AND RECLAIMING OPERATIONS

710:45-15-2. Reclaimer licenses

The ~~Director of the Registration~~ Taxpayer Assistance Division of the Oklahoma Tax Commission, ~~or a designee~~, is authorized to issue and renew non-transferrable licenses, upon license forms approved by the Commission, to reclaimers of products subject to the Oklahoma Gross Production Tax, upon receipt of the following:

- (1) A properly completed Application for Reclaimers License upon a form approved by the Oklahoma Tax Commission.
- (2) A ~~cash deposit~~, surety bond, or other security approved by the Tax Commission, as guaranty for payment of all taxes, penalties and interest. Security shall be in the amount of Ten Thousand Dollars (\$10,000.00) or three months tax liability, whichever is greater, for each license issued, except when issued for a salt water disposal well. Security for each license issued for a salt water disposal well shall be in the amount of \$2,500 or three months tax liability, whichever is greater. A person or firm having five or more licenses shall be required to post security in the total amount of fifty thousand dollars (\$50,000.00) or three months tax liability, whichever is greater; except that for persons or firms having five or more licenses for salt water disposal facilities, the security requirement shall be a total of ten thousand dollars (\$10,000.00) or three months tax liability, whichever is greater.

(3) A One Hundred Fifty Dollar (\$150.00) three-year license fee for each new, renewed, or reinstated license. [See: 68 O.S. §1015.1]

OKLAHOMA TAX COMMISSION
Rule Impact Statement
CHAPTER 45 Gross Production

RULE IMPACT STATEMENT: This statement is provided in conjunction with the following rulemaking action(s):

Subchapter 5. Required Returns and Reports

710:45-5-1. Minimum requirements of monthly production report [AMENDED]

710:45-5-2. Incomplete monthly production report forms filed shall constitute no report [AMENDED]

710:45-5-4. Penalty for delinquent reports [AMENDED]

- (a.) **Purpose of the Proposed Rule:** Proposed amendments to **Subchapter 5, "Required Returns and Reports"**, have been made to:
- Implement the provisions of Senate Bill 332 [First Regular Session of the 54th Legislature (2013)], which strikes the provision that required reports for a zero gross amount.
 - Delete obsolete information that is no longer required to be reported to the OTC.
 - Implement the provisions of Senate Bill 841 [Second Regular Session of the 44th Legislature (1994)], which strikes the Conservation Excise Tax.
 - Reflect current statutes by changing "penalties shall be calculated" to "penalties may be calculated."
- (b.) **Classes Affected:** All taxpayers required to file monthly production reports.
- (c.) **Persons Benefited:** All taxpayers required to file monthly production reports.
- (d.) **Probable Economic Impact:**
- 1. On Affected Classes:** No economic impact based on this rule change is anticipated
 - 2. On Political Subdivision:** The amendment is not expected to adversely impact other political subdivisions of the State.
 - 3. Fees:** The rulemaking action does not levy, implement, or increase an existing fee.
- (e.) **Probable Costs to the Agency:** Costs to promulgate and enforce the proposed rule will be funded through normal agency budget. No measurable impact on State revenues is anticipated.
- (f.) **Will the Rule Impact Political Subdivisions?** No economic impact on or need for cooperation from political subdivisions is anticipated.
- (g.) **Small Business Impact:** After consideration with reference to Section 303(A)(4) and 303(B)(6) of Title 75, it is believed that the proposed rule will have no adverse impact upon Small Business.
- (h.) **Alternative Methods and Costs of Compliance:** There are no less costly or non-regulatory methods or less intrusive methods for achieving the purpose of this proposed rule. No formalized compliance cost minimization measures have been pursued.
- (i.) **Public Health/Safety/Environmental Concerns:** The proposed rules are not anticipated to have any effect on public health, safety, or the environment—either beneficial or otherwise.

(j.) **Effect of Non-Implementation on Environment:** If the proposed rules are not promulgated, no effect on the public health, safety, or the environment will result.

(k.) **Date:** December 17, 2014

Date Modified: N/A

(l.) **Prepared By:** Lisa Haws

Phone Number: 522-3133

OKLAHOMA TAX COMMISSION
Rule Impact Statement
CHAPTER 45 Gross Production

RULE IMPACT STATEMENT: This statement is provided in conjunction with the following rulemaking action(s):

Subchapter 7. Special Reporting Requirements

710:45-7-1. Reporting requirements of nonoperating interest owners [REVOKED]

- (a.) **Purpose of the Proposed Rule:** Proposed amendments to **Subchapter 7, "Special Reporting Requirements"**, have been made to update policies to reflect current OTC procedures, which include no longer requiring non-operating interest owners to register with the OTC.
- (b.) **Classes Affected:** Nonoperating interest owners.
- (c.) **Persons Benefited:** Nonoperating interest owners
- (d.) **Probable Economic Impact:**
1. **On Affected Classes:** No economic impact based on this rule change is anticipated
 2. **On Political Subdivision:** The amendment is not expected to adversely impact other political subdivisions of the State.
 3. **Fees:** The rulemaking action does not levy, implement, or increase an existing fee.
- (e.) **Probable Costs to the Agency:** Costs to promulgate and enforce the proposed rule will be funded through normal agency budget. No measurable impact on State revenues is anticipated.
- (f.) **Will the Rule Impact Political Subdivisions?** No economic impact on or need for cooperation from political subdivisions is anticipated.
- (g.) **Small Business Impact:** After consideration with reference to Section 303(A)(4) and 303(B)(6) of Title 75, it is believed that the proposed rule will have no adverse impact upon Small Business.
- (h.) **Alternative Methods and Costs of Compliance:** There are no less costly or non-regulatory methods or less intrusive methods for achieving the purpose of this proposed rule. No formalized compliance cost minimization measures have been pursued.
- (i.) **Public Health/Safety/Environmental Concerns:** The proposed rules are not anticipated to have any effect on public health, safety, or the environment --either beneficial or otherwise.
- (j.) **Effect of Non-Implementation on Environment:** If the proposed rules are not promulgated, no effect on the public health, safety, or the environment will result.
- (k.) **Date:** December 17, 2014 **Date Modified:** N/A
- (l.) **Prepared By:** Lisa Haws **Phone Number:** 522-3133

OKLAHOMA TAX COMMISSION
Rule Impact Statement
CHAPTER 45 Gross Production
Subchapter 9. Exemptions and Exclusions

RULE IMPACT STATEMENT: This statement is provided in conjunction with the following rulemaking action(s):

Part 5. Horizontally Drilled Production Wells

710:45-9-28. Rebates - Refund procedure [REVOKED]

Part 7. Incremental Production from Enhanced Recovery Projects or Properties

710:45-9-31. Definitions [AMENDED]

710:45-9-32.1. Recovery of costs allowed as payback factors [AMENDED]

710:45-9-34. Summary reports; due dates; final project report [AMENDED]

710:45-9-35. Expiration of exemption for incremental production [AMENDED]

Part 9. Production Enhancement Projects

710:45-9-40. Scope of Part 9 [AMENDED]

710:45-9-41. Definitions [AMENDED]

710:45-9-43. Rebates - Refund procedure [AMENDED]

Part 11. Reestablishment of Production from an Inactive Well

710:45-9-51. Definitions [AMENDED]

710:45-9-53. Rebates - Refund procedure [AMENDED]

Part 13. Deep Wells

710:45-9-60. Scope of Part 13 [AMENDED]

710:45-9-62.1. Rebates - Refund procedure [AMENDED]

Part 15. New Discovery Wells

710:45-9-70. Scope of Part 15 [AMENDED]

710:45-9-71. Definitions [AMENDED]

710:45-9-73. Rebates - Refund procedure [AMENDED]

Part 17. Economically At-Risk Leases

710:45-9-82. Exemption period [AMENDED]

710:45-9-84. Refund procedure [AMENDED]

Part 19. Production Using Three Dimensional Seismic Shoots

710:45-9-90. Scope of Part 19 [AMENDED]

710:45-9-92. Qualification procedure [AMENDED]

710:45-9-93. Rebates - Refund procedure [AMENDED]

(a.) **Purpose of the Proposed Rule:** Proposed amendments to **Subchapter 9, "Exemptions and Exclusions"**, have been made to implement the provisions of House Bill 2562 [Second Regular Session of the 54th Legislature (2014)], which extends the sunset date for the deep well, new discovery, and 3-D seismic incentives from July 1, 2014 to July 1, 2015; extends the sunset date for the enhanced recovery, inactive well, and production enhancement incentives from July 1, 2014 to July 1, 2020; provides that no claims for rebates for production occurring before 2003 are permitted after July 1, 2014; extends the sunset date for the economically-at-risk incentive from calendar year 2013 to calendar year 2020; provides that no claims regarding the economically-at-risk incentive shall be permitted after December 31, 2015 for production periods occurring between calendar years 2005 through 2013; provides that no claims for the economically-at-risk incentive shall be claimed more than eighteen months after the date that the refund is first available for production periods occurring between 2014 and 2020.

(b.) **Classes Affected:** Taxpayers claiming certain incentives.

- (c.) **Persons Benefited:** Taxpayers claiming certain incentives.
- (d.) **Probable Economic Impact:**
1. **On Affected Classes:** No economic impact based on this rule change is anticipated
 2. **On Political Subdivision:** The amendment is not expected to adversely impact other political subdivisions of the State.
 3. **Fees:** The rulemaking action does not levy, implement, or increase an existing fee.
- (e.) **Probable Costs to the Agency:** Costs to promulgate and enforce the proposed rule will be funded through normal agency budget. No measurable impact on State revenues is anticipated.
- (f.) **Will the Rule Impact Political Subdivisions?** No economic impact on or need for cooperation from political subdivisions is anticipated.
- (g.) **Small Business Impact:** After consideration with reference to Section 303(A)(4) and 303(B)(6) of Title 75, it is believed that the proposed rule will have no adverse impact upon Small Business.
- (h.) **Alternative Methods and Costs of Compliance:** There are no less costly or non-regulatory methods or less intrusive methods for achieving the purpose of this proposed rule. No formalized compliance cost minimization measures have been pursued.
- (i.) **Public Health/Safety/Environmental Concerns:** The proposed rules are not anticipated to have any effect on public health, safety, or the environment—either beneficial or otherwise.
- (j.) **Effect of Non-Implementation on Environment:** If the proposed rules are not promulgated, no effect on the public health, safety, or the environment will result.
- (k.) **Date:** December 17, 2014 **Date Modified:** N/A
- (l.) **Prepared By:** Lisa Haws **Phone Number:** 522-3133

OKLAHOMA TAX COMMISSION
Rule Impact Statement
CHAPTER 45 Gross Production

RULE IMPACT STATEMENT: This statement is provided in conjunction with the following rulemaking action(s):

710:45-11-2. Transporter license and permits [AMENDED]

710:45-15-2. Reclaimer licenses [AMENDED]

- (a.) **Purpose of the Proposed Rule:** The purpose of the rulemaking action is to clarify policy to reflect current OTC procedures, which include no longer accepting a cash deposit or bond for a reclaimer's license or transporter's license.
- (b.) **Classes Affected:** Transporters, reclaimers and OTC personnel.
- (c.) **Persons Benefited:** Transporters, reclaimers and OTC personnel.
- (d.) **Probable Economic Impact:**
1. **On Affected Classes:** No economic impact based on this rule change is anticipated
 2. **On Political Subdivision:** The amendment is not expected to adversely impact other political subdivisions of the State.
 3. **Fees:** The rulemaking action does not levy, implement, or increase an existing fee.
- (e.) **Probable Costs to the Agency:** Costs to promulgate and enforce the proposed rule will be funded through normal agency budget. No measurable impact on State revenues is anticipated.
- (f.) **Will the Rule Impact Political Subdivisions?** No economic impact on or need for cooperation from political subdivisions is anticipated.
- (g.) **Small Business Impact:** After consideration with reference to Section 303(A)(4) and 303(B)(6) of Title 75, it is believed that the proposed rule will have no adverse impact upon Small Business.
- (h.) **Alternative Methods and Costs of Compliance:** There are no less costly or non-regulatory methods or less intrusive methods for achieving the purpose of this proposed rule. No formalized compliance cost minimization measures have been pursued.
- (i.) **Public Health/Safety/Environmental Concerns:** The proposed rules are not anticipated to have any effect on public health, safety, or the environment –either beneficial or otherwise.
- (j.) **Effect of Non-Implementation on Environment:** If the proposed rules are not promulgated, no effect on the public health, safety, or the environment will result.
- (k.) **Date:** December 17, 2014 **Date Modified:** N/A
- (l.) **Prepared By:** Lisa Haws **Phone Number:** 522-3133