

By: Representatives Bowles, Moak

To: Ways and Means

## HOUSE BILL NO. 1681

1 AN ACT TO AMEND SECTION 27-25-503, MISSISSIPPI CODE OF 1972,  
2 TO EXEMPT FROM SEVERANCE TAX THE OIL PRODUCED FROM CERTAIN  
3 MARGINAL WELLS; TO CORRECT A TYPOGRAPHICAL ERROR IN THE CODE; AND  
4 FOR RELATED PURPOSES.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

6 SECTION 1. Section 27-25-503, Mississippi Code of 1972, is  
7 amended as follows:

8 27-25-503. (1) Except as otherwise provided herein, there  
9 is hereby levied, to be collected hereafter, as provided herein,  
10 annual privilege taxes upon every person engaging or continuing  
11 within this state in the business of producing, or severing oil,  
12 as defined herein, from the soil or water for sale, transport,  
13 storage, profit or for commercial use. The amount of such tax  
14 shall be measured by the value of the oil produced, and shall be  
15 levied and assessed at the rate of six percent (6%) of the value  
16 thereof at the point of production. However, such tax shall be  
17 levied and assessed at the rate of three percent (3%) of the value  
18 of the oil at the point of production on oil produced by an  
19 enhanced oil recovery method in which carbon dioxide is used;  
20 provided, that such carbon dioxide is transported by pipeline to  
21 the oil well site and on oil produced by any other enhanced oil  
22 recovery method approved and permitted by the State Oil and Gas  
23 Board on or after April 1, 1994, pursuant to Section 53-3-101 et  
24 seq.

25 (2) The tax is hereby levied upon the entire production in  
26 this state regardless of the place of sale or to whom sold, or by  
27 whom used, or the fact that the delivery may be made to points

28 outside the state, and the tax shall accrue at the time such oil  
29 is severed from the soil, or water, and in its natural, unrefined  
30 or unmanufactured state.

31 (3) Oil produced from a discovery well for which drilling or  
32 re-entry commenced on or after April 1, 1994, shall be exempt from  
33 the taxes levied under this section for a period of five (5) years  
34 beginning on the date of first sale of production from such well,  
35 provided that the average monthly sales price of such oil does not  
36 exceed Twenty-five Dollars (\$25.00) per barrel. The exemption for  
37 oil produced from a discovery well as described in this subsection  
38 shall be repealed from and after July 1, 1999, provided that any  
39 such production for which a permit was granted by the board before  
40 July 1, 1999, shall be exempt for an entire period of five (5)  
41 years, notwithstanding that the repeal of this provision has  
42 become effective. Oil produced from development wells or  
43 replacement wells drilled in connection with discovery wells for  
44 which drilling commenced on or after January 1, 1994, shall be  
45 assessed at the rate of three percent (3%) of the value of the oil  
46 at the point of production for a period of three (3) years. The  
47 reduced rate of assessment of oil produced from development wells  
48 or replacement wells as described in this subsection shall be  
49 repealed from and after January 1, 1999, provided that any such  
50 production for which drilling commenced before January 1, 1999,  
51 shall be assessed at the reduced rate for an entire period of  
52 three (3) years, notwithstanding that the repeal of this provision  
53 has become effective.

54 (4) Oil produced from a development well for which drilling  
55 commenced on or after April 1, 1994, and for which  
56 three-dimensional seismic was utilized in connection with the  
57 drilling of such well shall be assessed at the rate of three  
58 percent (3%) of the value of the oil at the point of production  
59 for a period of five (5) years, provided that the average monthly  
60 sales price of such oil does not exceed Twenty-five Dollars  
61 (\$25.00) per barrel. The reduced rate of assessment of oil  
62 produced from a development well as described in this subsection  
63 and for which three-dimensional seismic was utilized shall be  
64 repealed from and after July 1, 1999, provided that any such

65 production for which a permit was granted by the board before July  
66 1, 1999, shall be assessed at the reduced rate for an entire  
67 period of five (5) years, notwithstanding that the repeal of this  
68 provision has become effective.

69 (5) Oil produced from a two-year inactive well as defined in  
70 Section 27-25-501 shall be exempt from the taxes levied under this  
71 section for a period of three (3) years beginning on the date of  
72 first sale of production from such well, provided that the average  
73 monthly sales price of such oil does not exceed Twenty-five  
74 Dollars (\$25.00) per barrel. The exemption for oil produced from  
75 an inactive well shall be repealed from and after July 1, 1999,  
76 provided that any such production which began before July 1, 1999,  
77 shall be exempt for an entire period of three (3) years,  
78 notwithstanding that the repeal of this provision has become  
79 effective.

80 (6) From and after May 1, 1999, based on the production  
81 records of the well as of February 15, 1999, the following oil  
82 shall be exempt from the taxes levied under this section provided  
83 that the average monthly sale price of such oil does not exceed  
84 Twelve Dollars (\$12.00) per barrel to be determined by figures  
85 provided on a daily basis by the New York Mercantile Exchange:

86 (a) Oil produced from a well producing a monthly  
87 average of twenty (20) barrels a day or less from a depth of seven  
88 thousand five hundred (7,500) feet or less;

89 (b) Oil produced from a well producing a monthly  
90 average of thirty (30) barrels a day or less from a depth that is  
91 more than seven thousand five hundred (7,500) feet but less than  
92 thirteen thousand (13,000) feet; and

93 (c) Oil produced from a well producing a monthly  
94 average of forty (40) barrels a day or less from a depth of  
95 thirteen thousand (13,000) feet or more.

96 (7) The State Oil and Gas Board shall have the exclusive  
97 authority to determine the qualification of wells defined in

98 paragraphs (n) through (r) of Section 27-25-501.  
99 SECTION 2. This act shall take effect and be in force from  
100 and after its passage.