

By: Senator(s) Dearing

To: Finance

COMMITTEE SUBSTITUTE
FOR
SENATE BILL NO. 2278

1 AN ACT TO AMEND SECTION 27-25-503, MISSISSIPPI CODE OF 1972,
2 TO EXTEND THE REPEALER ON THE EXEMPTION FROM SEVERANCE TAX ON
3 CERTAIN "NEW" OIL; TO AMEND SECTION 27-25-703, MISSISSIPPI CODE OF
4 1972, TO EXTEND THE REPEALER ON THE EXEMPTION FROM SEVERANCE TAX
5 ON CERTAIN "NEW" GAS; AND FOR RELATED PURPOSES.

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

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

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

26 (2) The tax is hereby levied upon the entire production in
27 this state regardless of the place of sale or to whom sold, or by

28 whom used, or the fact that the delivery may be made to points
29 outside the state, and the tax shall accrue at the time such oil
30 is severed from the soil, or water, and in its natural, unrefined
31 or unmanufactured state.

32 (3) Oil produced from a discovery well for which drilling or
33 re-entry commenced on or after April 1, 1994, shall be exempt from
34 the taxes levied under this section for a period of five (5) years
35 beginning on the date of first sale of production from such well,
36 provided that the average monthly sales price of such oil does not
37 exceed Twenty-five Dollars (\$25.00) per barrel. The exemption for
38 oil produced from a discovery well as described in this subsection
39 shall be repealed from and after July 1, 2001, provided that any
40 such production for which a permit was granted by the board before
41 July 1, 2001, shall be exempt for an entire period of five (5)
42 years, notwithstanding that the repeal of this provision has
43 become effective. Oil produced from development wells or
44 replacement wells drilled in connection with discovery wells for
45 which drilling commenced on or after January 1, 1994, shall be
46 assessed at the rate of three percent (3%) of the value of the oil
47 at the point of production for a period of three (3) years. The
48 reduced rate of assessment of oil produced from development wells
49 or replacement wells as described in this subsection shall be
50 repealed from and after January 1, 2001, provided that any such
51 production for which drilling commenced before January 1, 2001,
52 shall be assessed at the reduced rate for an entire period of
53 three (3) years, notwithstanding that the repeal of this provision
54 has become effective.

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

65 repealed from and after July 1, 2001, provided that any such
66 production for which a permit was granted by the board before July
67 1, 2001, shall be assessed at the reduced rate for an entire
68 period of five (5) years, notwithstanding that the repeal of this
69 provision has become effective.

70 (5) Oil produced from a two-year inactive well as defined in
71 Section 27-25-501 shall be exempt from the taxes levied under this
72 section for a period of three (3) years beginning on the date of
73 first sale of production from such well, provided that the average
74 monthly sales price of such oil does not exceed Twenty-five
75 Dollars (\$25.00) per barrel. The exemption for oil produced from
76 an inactive well shall be repealed from and after July 1, 2001,
77 provided that any such production which began before July 1, 2001,
78 shall be exempt for an entire period of three (3) years,
79 notwithstanding that the repeal of this provision has become
80 effective.

81 (6) The State Oil and Gas Board shall have the exclusive
82 authority to determine the qualification of wells defined in
83 paragraphs (n) through (r) of Section 27-15-501.

84 SECTION 2. Section 27-25-703, Mississippi Code of 1972, is
85 amended as follows:

86 27-25-703. (1) Except as otherwise provided herein, there
87 is hereby levied, to be collected hereafter, as provided herein,
88 annual privilege taxes upon every person engaging or continuing
89 within this state in the business of producing, or severing gas,
90 as defined herein, from below the soil or water for sale,
91 transport, storage, profit or for commercial use. The amount of
92 such tax shall be measured by the value of the gas produced and
93 shall be levied and assessed at a rate of six percent (6%) of the
94 value thereof at the point of production, except as otherwise
95 provided in subsection (4) of this section.

96 (2) The tax is hereby levied upon the entire production in
97 this state, regardless of the place of sale or to whom sold or by

98 whom used, or the fact that the delivery may be made to points
99 outside the state, but not levied upon that gas, including carbon
100 dioxide, lawfully injected into the earth for cycling,
101 repressuring, lifting or enhancing the recovery of oil, nor upon
102 gas lawfully vented or flared in connection with the production of
103 oil, nor upon gas condensed into liquids on which the oil
104 severance tax of six percent (6%) is paid; save and except,
105 however, if any gas so injected into the earth is sold for such
106 purposes, then the gas so sold shall not be excluded in computing
107 the tax, unless such gas is carbon dioxide which is sold to be
108 used and is used in Mississippi in an enhanced oil recovery
109 method, in which event there shall be no severance tax levied on
110 carbon dioxide so sold and used. The tax shall accrue at the time
111 the gas is produced or severed from the soil or water, and in its
112 natural, unrefined or unmanufactured state.

113 (3) Natural gas and condensate produced from any wells for
114 which drilling is commenced after March 15, 1987, and before July
115 1, 1990, shall be exempt from the tax levied under this section
116 for a period of two (2) years beginning on the date of first sale
117 of production from such wells.

118 (4) Any well which begins commercial production of occluded
119 natural gas from coal seams on or after March 20, 1990, and before
120 July 1, 1993, shall be taxed at the rate of three and one-half
121 percent (3-1/2%) of the gross value of the occluded natural gas
122 from coal seams at the point of production for a period of five
123 (5) years after such well begins production.

124 (5) Natural gas produced from discovery wells for which
125 drilling or re-entry commenced on or after April 1, 1994, shall be
126 exempt from the tax levied under this section for a period of five
127 (5) years beginning on the earlier of one (1) year from completion
128 of the well or the date of first sale from such well, provided
129 that the average monthly sales price of such gas does not exceed
130 Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000)

131 cubic feet. The exemption for natural gas produced from discovery
132 wells as described in this subsection shall be repealed from and
133 after July 1, 2001 provided that any such production for which a
134 permit was granted by the board before July 1, 2001, shall be
135 exempt for an entire period of five (5) years, notwithstanding
136 that the repeal of this provision has become effective. Natural
137 gas produced from development wells or replacement wells drilled
138 in connection with discovery wells for which drilling commenced on
139 or after January 1, 1994, shall be assessed at a rate of three
140 percent (3%) of the value thereof at the point of production for a
141 period of three (3) years. The reduced rate of assessment of
142 natural gas produced from development wells or replacement wells
143 as described in this subsection shall be repealed from and after
144 January 1, 2001, provided that any such production for which
145 drilling commenced before January 1, 2001, shall be assessed at
146 the reduced rate for an entire period of three (3) years,
147 notwithstanding that the repeal of this provision has become
148 effective.

149 (6) Gas produced from a development well for which drilling
150 commenced on or after April 1, 1994, and for which
151 three-dimensional seismic was utilized in connection with the
152 drilling of such well, shall be assessed at a rate of three
153 percent (3%) of the value of the gas at the point of production
154 for a period of five (5) years, provided that the average monthly
155 sales price of such gas does not exceed Three Dollars and Fifty
156 Cents (\$3.50) per one thousand (1,000) cubic feet. The reduced
157 rate of assessment of gas produced from a development well as
158 described in this subsection and for which three-dimensional
159 seismic was utilized shall be repealed from and after July 1,
160 2001, provided that any such production for which a permit was
161 granted by the board before July 1, 2001, shall be assessed at the
162 reduced rate for an entire period of five (5) years,
163 notwithstanding that the repeal of this provision has become

164 effective.

165 (7) Natural gas produced from a two-year inactive well as
166 defined in Section 27-25-701 shall be exempt from the taxes levied
167 under this section for a period of three (3) years beginning on
168 the date of first sale of production from such well, provided that
169 the average monthly sales price of such gas does not exceed Three
170 Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic
171 feet. The exemption for natural gas produced from an inactive
172 well as described in this subsection shall be repealed from and
173 after July 1, 2001, provided that any such production which began
174 before July 1, 2001, shall be exempt for an entire period of three
175 (3) years, notwithstanding that the repeal of this provision has
176 become effective.

177 (8) The State Oil and Gas Board shall have the exclusive
178 authority to determine the qualification of wells defined in
179 paragraphs (n) through (r) of Section 27-15-701.

180 SECTION 3. This act shall take effect and be in force from
181 and after its passage.