

By: Representative Reeves

To: Oil, Gas and Other
Minerals; Ways and MeansHOUSE BILL NO. 789
(As Passed the House)

1 AN ACT TO AMEND SECTION 53-1-73, MISSISSIPPI CODE OF 1972, TO
2 CLARIFY THE PAYMENT OF ADMINISTRATIVE TAX ON OIL PRODUCED AND SOLD
3 IN THE STATE; TO AMEND SECTION 53-1-75, MISSISSIPPI CODE OF 1972,
4 TO CLARIFY THE BASIS BY WHICH SUCH ASSESSMENTS ARE PAID BY PERSONS
5 LIABLE; TO AMEND SECTION 53-3-13, MISSISSIPPI CODE OF 1972, TO
6 INCREASE THE FEE CHARGED FOR PERMITS TO DRILL OIL WELLS; TO AMEND
7 SECTION 53-3-25, MISSISSIPPI CODE OF 1972, TO INCREASE THE
8 APPLICATION FEE FOR ISSUANCE OF SUCH PERMIT; AND FOR RELATED
9 PURPOSES.

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

11 **SECTION 1.** Section 53-1-73, Mississippi Code of 1972, is
12 amended as follows:

13 53-1-73. For the purposes of paying the costs and expenses
14 incurred in connection with the administration and enforcement of
15 the oil and gas conservation laws of the State of Mississippi and
16 of the rules, regulations and orders of the State Oil and Gas
17 Board, all oil and gas captured in the State of Mississippi shall
18 be assessed the requisite administrative tax, there is hereby
19 levied and assessed against each barrel of oil produced and sold
20 in the State of Mississippi a charge not to exceed sixty (60)
21 mills on each barrel of such oil, and against each one thousand
22 (1,000) cubic feet of gas produced * * * and sold a charge not to
23 exceed six (6) mills on each one thousand (1,000) cubic feet of
24 gas. The State Oil and Gas Board shall fix the amount of such
25 charge in the first instances, and may, from time to time, change,
26 reduce or increase the amount thereof, as in its judgment the
27 charges against the fund may require, but the amounts fixed by
28 said board shall not exceed the limits hereinabove prescribed; and
29 it shall be the duty of the board to make collection of such
30 assessments. All monies so collected shall be used exclusively to

31 pay the expenses and other costs in connection with the
32 functioning of the State Oil and Gas Board and the administration
33 of the oil and gas conservation laws of the State of Mississippi
34 now in force or hereafter enacted and the rules, regulations and
35 orders of said board.

36 **SECTION 2.** Section 53-1-75, Mississippi Code of 1972, is
37 amended as follows:

38 53-1-75. The persons owning an interest (working interest,
39 royalty interest, payments out of production or any other
40 interest) in the oil or gas subject to the charge provided for in
41 Section 53-1-73 shall be liable for such charge in proportion to
42 their ownership at the time of production. The charge so assessed
43 and fixed in Section 53-1-73 shall be payable monthly on a
44 well-by-well basis and the persons hereinafter required to remit
45 such charge shall remit the sum so due to the board on or before
46 the twenty-fifth day of the month next following the month in
47 which the production is sold out of which the assessment arises;
48 such remittance to comply with any rules and regulations which may
49 be adopted by the board in regard thereto.

50 Such remittances with respect to all production against which
51 any assessment hereunder is levied shall be made by the following
52 persons:

53 (a) With respect to assessments against oil or gas
54 purchased in this state at the well, under any contract or
55 agreement requiring payment for such production to the respective
56 persons owning any interest therein (including working interests,
57 royalty interests, payments out of production or any other
58 interests in such production), by the person purchasing such
59 production.

60 (b) With respect to any oil, or gas purchased in this
61 state at the well without any contract or agreement requiring
62 payment for such production to respective persons owning an
63 interest therein, and with respect to any oil or gas produced from

64 any well but not sold at said well, by the operator of the well
65 from which the production is obtained.

66 The persons remitting the charge as herein provided are
67 hereby authorized, empowered and required to deduct from any
68 amounts due the persons owning an interest in the oil or gas at
69 the time of production the proportionate amount of such charge
70 before making payment to such owners.

71 **SECTION 3.** Section 53-3-13, Mississippi Code of 1972, is
72 amended as follows:

73 53-3-13. (1) Any person securing a permit to drill a well
74 in search of oil or gas under the provisions of Section 53-3-11
75 shall pay to the Oil and Gas Supervisor a fee of Six Hundred
76 Dollars (\$600.00) upon and for the issuance of such permit. A
77 lesser sum may be paid if the State Oil and Gas Board shall adopt
78 a rule fixing the amount to be paid at a sum less than Six Hundred
79 Dollars (\$600.00). Any such permit, when issued and the fee paid
80 thereon, shall be good for a period of twelve (12) months from the
81 date thereof; and in the event drilling has commenced within the
82 said twelve (12) months, the permit shall be good for the life of
83 the well so commenced, unless during the course of drilling or
84 production the operator is changed. In the event a change of
85 operators from that listed in the drilling permit is desired, the
86 operator so listed and the proposed new operator shall apply to
87 the State Oil and Gas Board for authority to change operators on
88 forms to be prescribed by order of the State Oil and Gas Board.
89 The fee for such change of operators shall be One Hundred Dollars
90 (\$100.00) per change, or some lesser sum as may be fixed by order
91 of the board.

92 (2) The State Oil and Gas Supervisor, as ex officio
93 Secretary of the State Oil and Gas Board, shall remit to the State
94 Treasurer all monies collected by reason of the assessments made,
95 fixed and authorized under the provisions of the first paragraph
96 of this section, and the State Treasurer shall deposit all such

97 monies in a special fund known as the "Oil and Gas Conservation
98 Fund."

99 **SECTION 4.** Section 53-3-25, Mississippi Code of 1972, is
100 amended as follows:

101 53-3-25. Before any person shall commence the drilling of
102 any well in search of oil or gas, such person shall file with the
103 board his application for a permit to drill, accompanied by a
104 certified plat and by a fee of Six Hundred Dollars (\$600.00),
105 payable to the State Oil and Gas Board. When two (2) or more
106 separately owned tracts of land are embraced within the unit for
107 which the permit is sought, the application shall affirmatively
108 state whether or not there are separately owned tracts in the
109 drilling unit for which the permit is sought, and if so, whether
110 or not the person owning the drilling rights therein and the
111 rights to share in the production therefrom have agreed to develop
112 their lands as a drilling unit and to the drilling of the well, as
113 contemplated by Section 53-3-7. If drilling operations have not
114 commenced within twelve (12) months after date of issuance, the
115 permit shall become void. If the application complies in all
116 respects with the rules and regulations of the board relating
117 thereto, a permit shall be issued promptly by the supervisor. The
118 issuance of said permit shall constitute the establishment of the
119 drilling unit as designated in said application and shall likewise
120 constitute the approval of the well location set out in said
121 permit. On good cause shown, the unit may be altered by the board
122 after notice and hearing.

123 If the application for permit does not comply in all respects
124 with the rules and regulations of the board relating thereto, said
125 application shall be disallowed, and the supervisor shall promptly
126 notify the applicant of the reason or reasons for said
127 disallowance.

128 **SECTION 5.** This act shall take effect and be in force from
129 and after July 1, 2007.