

By: Senator(s) Dearing

To: Oil, Gas and Other  
Minerals; FinanceCOMMITTEE SUBSTITUTE  
FOR  
SENATE BILL NO. 2887

1 AN ACT TO AMEND SECTION 53-3-13, MISSISSIPPI CODE OF 1972, TO  
2 REVISE THE PERMIT FEE CHARGED BY THE OIL AND GAS BOARD FOR A  
3 PERMIT TO DRILL A WELL; TO AMEND SECTION 53-3-25, MISSISSIPPI CODE  
4 OF 1972, TO CONFORM AND TO REVISE THE DURATION OF THE PERMIT; TO  
5 AMEND SECTION 53-1-73, MISSISSIPPI CODE OF 1972, TO REVISE THE TAX  
6 IMPOSED FOR ADMINISTRATIVE EXPENSES; TO AMEND SECTION 53-1-75,  
7 MISSISSIPPI CODE OF 1972, TO REVISE THE PAYMENT ON A MONTHLY BASIS  
8 OF THE ADMINISTRATIVE EXPENSES TAX AND WHEN LIABILITY THEREFOR  
9 ACCRUES; AND FOR RELATED PURPOSES.

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

11 **SECTION 1.** Section 53-3-13, Mississippi Code of 1972, is  
12 amended as follows:

13 53-3-13. (1) Any person securing a permit to drill a well  
14 in search of oil or gas under the provisions of Section 53-3-11  
15 shall pay to the Oil and Gas Supervisor a fee of Six Hundred  
16 Dollars (\$600.00) upon and for the issuance of the permit. A  
17 lesser sum may be paid if the State Oil and Gas Board shall adopt  
18 a rule fixing the amount to be paid at a sum less than Six Hundred  
19 Dollars (\$600.00). Any such permit, when issued and the fee paid  
20 thereon, shall be good for a period of one (1) year from the date  
21 thereof; and in the event drilling has commenced within one (1)  
22 year, the permit shall be good for the life of the well commenced,  
23 unless during the course of drilling or production the operator is  
24 changed. In the event a change of operators from that listed in  
25 the drilling permit is desired, the operator listed and the  
26 proposed new operator shall apply to the State Oil and Gas Board  
27 for authority to change operators on forms to be prescribed by  
28 order of the State Oil and Gas Board. The fee for such change of  
29 operators shall be One Hundred Dollars (\$100.00) per change, or  
30 some lesser sum as may be fixed by order of the board.

31           (2) The State Oil and Gas Supervisor, as ex officio  
32 Secretary of the State Oil and Gas Board, shall remit to the State  
33 Treasurer all monies collected by reason of the assessments made,  
34 fixed and authorized under the provisions of subsection (1) of  
35 this section, and the State Treasurer shall deposit all such  
36 monies in a special fund known as the "Oil and Gas Conservation  
37 Fund."

38           **SECTION 2.** Section 53-3-25, Mississippi Code of 1972, is  
39 amended as follows:

40           53-3-25. Before any person shall commence the drilling of  
41 any well in search of oil or gas, the person shall file with the  
42 board his application for a permit to drill, accompanied by a  
43 certified plat and by a fee of Six Hundred Dollars (\$600.00),  
44 payable to the State Oil and Gas Board. When two (2) or more  
45 separately owned tracts of land are embraced within the unit for  
46 which the permit is sought, the application shall affirmatively  
47 state whether \* \* \* there are separately owned tracts in the  
48 drilling unit for which the permit is sought, and if so,  
49 whether \* \* \* the person owning the drilling rights therein and  
50 the rights to share in the production therefrom have agreed to  
51 develop their lands as a drilling unit and to the drilling of the  
52 well, as contemplated by Section 53-3-7. If drilling operations  
53 have not commenced within one (1) year after date of issuance, the  
54 permit shall become void. If the application complies in all  
55 respects with the rules and regulations of the board relating  
56 thereto, a permit shall be issued promptly by the supervisor. The  
57 issuance of the permit shall constitute the establishment of the  
58 drilling unit as designated in the application and shall likewise  
59 constitute the approval of the well location set out in the  
60 permit. On good cause shown, the unit may be altered by the board  
61 after notice and hearing.

62           If the application for permit does not comply in all respects  
63 with the rules and regulations of the board relating thereto, the

64 application shall be disallowed and the supervisor shall promptly  
65 notify the applicant of the reason or reasons for the  
66 disallowance.

67 **SECTION 3.** Section 53-1-73, Mississippi Code of 1972, is  
68 amended as follows:

69 53-1-73. For the purposes of paying the costs and expenses  
70 incurred in connection with the administration and enforcement of  
71 the oil and gas conservation laws of the State of Mississippi and  
72 of the rules, regulations and orders of the State Oil and Gas  
73 Board, there is hereby levied and assessed against each barrel of  
74 oil produced and sold in the State of Mississippi a charge not to  
75 exceed sixty (60) mills on each barrel of such oil, and against  
76 each one thousand (1,000) cubic feet of gas produced \* \* \* and  
77 sold a charge not to exceed six (6) mills on each one thousand  
78 (1,000) cubic feet of gas. The State Oil and Gas Board shall fix  
79 the amount of such charge in the first instances, and may, from  
80 time to time, change, reduce or increase the amount thereof, as in  
81 its judgment the charges against the fund may require, but the  
82 amounts fixed by said board shall not exceed the limits  
83 hereinabove prescribed; and it shall be the duty of the board to  
84 make collection of such assessments. All monies collected shall  
85 be used exclusively to pay the expenses and other costs in  
86 connection with the functioning of the State Oil and Gas Board and  
87 the administration of the oil and gas conservation laws of the  
88 State of Mississippi now in force or hereafter enacted and the  
89 rules, regulations and orders of said board.

90 **SECTION 4.** Section 53-1-75, Mississippi Code of 1972, is  
91 amended as follows:

92 53-1-75. The persons owning an interest (working interest,  
93 royalty interest, payments out of production or any other  
94 interest) in the oil or gas subject to the charge provided \* \* \*  
95 in Section 53-1-73 shall be liable for the charge in proportion to  
96 their ownership at the time of production. The charge \* \* \*

97 assessed and fixed in Section 53-1-73 shall be payable monthly on  
98 a well by well basis, and the persons \* \* \* required to remit the  
99 charge shall remit the sum \* \* \* due to the board on or before the  
100 twenty-fifth day of the month next following the month in which  
101 the production is sold out of which the assessment arises; the  
102 remittance shall comply with any rules and regulations which may  
103 be adopted by the board in regard thereto.

104 \* \* \* Remittances with respect to all production against  
105 which any assessment hereunder is levied shall be made by the  
106 following persons:

107 (a) With respect to assessments against oil or gas  
108 purchased in this state at the well under any contract or  
109 agreement requiring payment for such production to the respective  
110 persons owning any interest therein (including working interests,  
111 royalty interests, payments out of production or any other  
112 interests in such production), by the person purchasing such  
113 production.

114 (b) With respect to any oil, or gas purchased in this  
115 state at the well without any contract or agreement requiring  
116 payment for such production to respective persons owning an  
117 interest therein, and with respect to any oil or gas produced from  
118 any well but not sold at that well, by the operator of the well  
119 from which the production is obtained.

120 The persons remitting the charge required in this section are  
121 hereby authorized, empowered and required to deduct from any  
122 amounts due the persons owning an interest in the oil or gas at  
123 the time of production the proportionate amount of the charge  
124 before making payment to such owners.

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