

By: Representative White

To: Ways and Means

HOUSE BILL NO. 886

1 AN ACT TO AMEND SECTIONS 27-25-503 AND 27-25-703, MISSISSIPPI  
 2 CODE OF 1972, TO EXTEND THE DATE OF THE REPEALERS ON THOSE  
 3 PROVISIONS THAT ESTABLISH A TEMPORARILY REDUCED RATE FOR THE LEVY  
 4 AND ASSESSMENT OF SEVERANCE TAXES ON THE INITIAL OIL AND NATURAL  
 5 GAS PRODUCED FROM CERTAIN HORIZONTALLY DRILLED WELLS AND  
 6 HORIZONTALLY DRILLED RECOMPLETION WELLS; AND FOR RELATED PURPOSES.

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

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

10 27-25-503. (1) (a) Except as otherwise provided in this  
 11 section, there is levied, to be collected as provided in this  
 12 article, annual privilege taxes upon every person engaging or  
 13 continuing within this state in the business of producing, or  
 14 severing oil from the soil or water for sale, transport, storage,  
 15 profit or for commercial use. The amount of the tax shall be  
 16 measured by the value of the oil produced, and shall be levied and  
 17 assessed at the rate of six percent (6%) of the value of the oil  
 18 at the point of production.

19 (b) The tax shall be levied and assessed at the rate of  
 20 three percent (3%) of the value of the oil at the point of



21 production on oil produced by an enhanced oil recovery method in  
22 which carbon dioxide is used; provided, that such carbon dioxide  
23 is transported by pipeline to the oil well site and on oil  
24 produced by any other enhanced oil recovery method approved and  
25 permitted by the State Oil and Gas Board on or after April 1,  
26 1994, pursuant to Section 53-3-101 et seq.

27 (c) (i) The tax shall be levied and assessed at the  
28 rate of one and three-tenths percent (1.3%) of the value of the  
29 oil at the point of production on oil produced from a horizontally  
30 drilled well or from any horizontally drilled recompletion well  
31 from which production commences from and after July 1, 2013, for a  
32 period of thirty (30) months beginning on the date of first sale  
33 of production or until payout of the well cost is achieved,  
34 whichever first occurs. Thereafter, the tax shall be levied and  
35 assessed as provided for in paragraph (a) of this subsection.

36 (ii) Payout of a horizontally drilled well or  
37 horizontally drilled recompletion well shall be deemed to have  
38 occurred the first day of the next month after gross revenues,  
39 less royalties and severance taxes, equal to the cost to drill and  
40 complete the well.

41 (iii) Each operator must apply by letter to the  
42 State Oil and Gas Board for the reduced rate provided in this  
43 paragraph (c), and shall provide the board with the status of  
44 payout on a semiannual basis of any horizontally drilled well or



45 horizontally drilled recompletion well by signed affidavit  
46 executed by a company representative.

47 (iv) This paragraph (c) shall be repealed from and  
48 after July 1, \* \* \* 2021; however, any horizontally drilled well  
49 or horizontally drilled recompletion well from which production  
50 commences before July 1, \* \* \* 2021, shall be taxed as provided  
51 for in this paragraph (c) notwithstanding that the repeal of this  
52 paragraph (c) has become effective.

53 (2) The tax is levied upon the entire production in this  
54 state regardless of the place of sale or to whom sold, or by whom  
55 used, or the fact that the delivery may be made to points outside  
56 the state, and the tax shall accrue at the time the oil is severed  
57 from the soil, or water, and in its natural, unrefined or  
58 unmanufactured state.

59 (3) (a) Oil produced from a discovery well for which  
60 drilling or re-entry commenced on or after April 1, 1994, but  
61 before July 1, 1999, shall be exempt from the taxes levied under  
62 this section for a period of five (5) years beginning on the date  
63 of first sale of production from such well, provided that the  
64 average monthly sales price of such oil does not exceed  
65 Twenty-five Dollars (\$25.00) per barrel. The exemption for oil  
66 produced from a discovery well as described in this paragraph (a)  
67 shall be repealed from and after July 1, 2003, provided that any  
68 such production for which a permit was granted by the board before  
69 July 1, 2003, shall be exempt for an entire period of five (5)



70 years, notwithstanding that the repeal of this provision has  
71 become effective. Oil produced from development wells or  
72 replacement wells drilled in connection with discovery wells for  
73 which drilling commenced on or after January 1, 1994, but before  
74 July 1, 1999, shall be assessed at the rate of three percent (3%)  
75 of the value of the oil at the point of production for a period of  
76 three (3) years. The reduced rate of assessment of oil produced  
77 from development wells or replacement wells as described in this  
78 paragraph (a) shall be repealed from and after January 1, 2003,  
79 provided that any such production for which drilling commenced  
80 before January 1, 2003, shall be assessed at the reduced rate for  
81 an entire period of three (3) years, notwithstanding that the  
82 repeal of this provision has become effective.

83 (b) Oil produced from a discovery well for which  
84 drilling or re-entry commenced on or after July 1, 1999, shall be  
85 assessed at the rate of three percent (3%) of the value of the oil  
86 at the point of production for a period of five (5) years  
87 beginning on the date of first sale of production from such well,  
88 provided that the average monthly sales price of such oil does not  
89 exceed Twenty Dollars (\$20.00) per barrel. The reduced rate of  
90 assessment of oil produced from a discovery well as described in  
91 this paragraph (b) shall be repealed from and after July 1, 2003,  
92 provided that any such production for which a permit was granted  
93 by the board before July 1, 2003, shall be assessed at the reduced  
94 rate for an entire period of five (5) years, notwithstanding that



95 the repeal of this provision has become effective. Oil produced  
96 from development wells or replacement wells drilled in connection  
97 with discovery wells for which drilling commenced on or after July  
98 1, 1999, shall be assessed at the rate of three percent (3%) of  
99 the value of the oil at the point of production for a period of  
100 three (3) years. The reduced rate of assessment of oil produced  
101 from development wells or replacement wells as described in this  
102 paragraph (b) shall be repealed from and after January 1, 2003,  
103 provided that any such production for which drilling commenced  
104 before July 1, 2003, shall be assessed at the reduced rate for an  
105 entire period of three (3) years, notwithstanding that the repeal  
106 of this provision has become effective.

107 (4) (a) Oil produced from a development well for which  
108 drilling commenced on or after April 1, 1994, but before July 1,  
109 1999, and for which three-dimensional seismic was utilized in  
110 connection with the drilling of such well shall be assessed at the  
111 rate of three percent (3%) of the value of the oil at the point of  
112 production for a period of five (5) years, provided that the  
113 average monthly sales price of such oil does not exceed  
114 Twenty-five Dollars (\$25.00) per barrel. The reduced rate of  
115 assessment of oil produced from a development well as described in  
116 this paragraph (a) and for which three-dimensional seismic was  
117 utilized shall be repealed from and after July 1, 2003, provided  
118 that any such production for which a permit was granted by the  
119 board before July 1, 2003, shall be assessed at the reduced rate



120 for an entire period of five (5) years, notwithstanding that the  
121 repeal of this provision has become effective.

122 (b) Oil produced from a development well for which  
123 drilling commenced on or after July 1, 1999, and for which  
124 three-dimensional seismic was utilized in connection with the  
125 drilling of such well shall be assessed at the rate of three  
126 percent (3%) of the value of the oil at the point of production  
127 for a period of five (5) years, provided that the average monthly  
128 sales price of such oil does not exceed Twenty Dollars (\$20.00)  
129 per barrel. The reduced rate of assessment of oil produced from a  
130 development well as described in this paragraph (b) and for which  
131 three-dimensional seismic was utilized shall be repealed from and  
132 after July 1, 2003, provided that any such production for which a  
133 permit was granted by the board before July 1, 2003, shall be  
134 assessed at the reduced rate for an entire period of five (5)  
135 years, notwithstanding that the repeal of this provision has  
136 become effective.

137 (5) (a) Oil produced before July 1, 1999, from a two-year  
138 inactive well as defined in Section 27-25-501 shall be exempt from  
139 the taxes levied under this section for a period of three (3)  
140 years beginning on the date of first sale of production from such  
141 well, provided that the average monthly sales price of such oil  
142 does not exceed Twenty-five Dollars (\$25.00) per barrel. The  
143 exemption for oil produced from an inactive well shall be repealed  
144 from and after July 1, 2003, provided that any such production



145 which began before July 1, 2003, shall be exempt for an entire  
146 period of three (3) years, notwithstanding that the repeal of this  
147 provision has become effective.

148 (b) Oil produced on or after July 1, 1999, from a  
149 two-year inactive well as defined in Section 27-25-501 shall be  
150 exempt from the taxes levied under this section for a period of  
151 three (3) years beginning on the date of first sale of production  
152 from such well, provided that the average monthly sales price of  
153 such oil does not exceed Twenty Dollars (\$20.00) per barrel. The  
154 exemption for oil produced from an inactive well shall be repealed  
155 from and after July 1, 2003, provided that any such production  
156 which began before July 1, 2003, shall be exempt for an entire  
157 period of three (3) years, notwithstanding that the repeal of this  
158 provision has become effective.

159 (6) [Repealed]

160 (7) The State Oil and Gas Board shall have the exclusive  
161 authority to determine the qualification of wells defined in  
162 paragraphs (n) through (t) of Section 27-25-501.

163 **SECTION 2.** Section 27-25-703, Mississippi Code of 1972, is  
164 amended as follows:

165 27-25-703. (1) (a) Except as otherwise provided in this  
166 section, there is hereby levied, to be collected as provided in  
167 this article, annual privilege taxes upon every person engaging or  
168 continuing within this state in the business of producing, or  
169 severing gas from below the soil or water for sale, transport,



170 storage, profit or for commercial use. The amount of the tax  
171 shall be measured by the value of the gas produced and shall be  
172 levied and assessed at a rate of six percent (6%) of the value of  
173 the gas at the point of production, except as otherwise provided  
174 in subsection (4) of this section.

175 (b) (i) The tax shall be levied and assessed at the  
176 rate of one and three-tenths percent (1.3%) of the value of the  
177 gas at the point of production on gas produced from a horizontally  
178 drilled well or from any horizontally drilled recompletion well  
179 from which production commences from and after July 1, 2013, for a  
180 period of thirty (30) months beginning on the date of first sale  
181 of production or until payout of the well cost is achieved,  
182 whichever first occurs. Thereafter, the tax shall be levied and  
183 assessed as provided for in paragraph (a) of this subsection.

184 (ii) Payout of a horizontally drilled well or  
185 horizontally drilled recompletion well shall be deemed to have  
186 occurred the first day of the next month after gross revenues,  
187 less royalties and severance taxes, equal to the cost to drill and  
188 complete the well.

189 (iii) Each operator must apply by letter to the  
190 State Oil and Gas Board for the reduced rate provided in this  
191 paragraph (b), and shall provide the board with the status of  
192 payout on a semiannual basis of any horizontally drilled well or  
193 horizontally drilled recompletion well by signed affidavit  
194 executed by a company representative.





195                   (iv) This paragraph (b) shall be repealed from and  
196 after July 1, \* \* \* 2021; however, any horizontally drilled well  
197 or horizontally drilled recompletion well from which production  
198 commences before July 1, \* \* \* 2021, shall be taxed as provided  
199 for in this paragraph (b) notwithstanding that the repeal of this  
200 paragraph (b) has become effective.

201           (2) The tax is levied upon the entire production in this  
202 state, regardless of the place of sale or to whom sold or by whom  
203 used, or the fact that the delivery may be made to points outside  
204 the state, but not levied upon that gas, lawfully injected into  
205 the earth for cycling, repressuring, lifting or enhancing the  
206 recovery of oil, nor upon gas lawfully vented or flared in  
207 connection with the production of oil, nor upon gas condensed into  
208 liquids on which the oil severance tax of six percent (6%) is  
209 paid; however, if any gas so injected into the earth is sold for  
210 such purposes, then the gas so sold shall not be excluded in  
211 computing the tax. The tax shall accrue at the time the gas is  
212 produced or severed from the soil or water, and in its natural,  
213 unrefined or unmanufactured state.

214           (3) Natural gas and condensate produced from any wells for  
215 which drilling is commenced after March 15, 1987, and before July  
216 1, 1990, shall be exempt from the tax levied under this section  
217 for a period of two (2) years beginning on the date of first sale  
218 of production from such wells.



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

225 (b) Any well which begins commercial production of  
226 occluded natural gas from coal seams on or after July 1, 2004, and  
227 before July 1, 2007, shall be taxed at the rate of three percent  
228 (3%) of the gross value of the occluded natural gas from coal  
229 seams at the point of production for a period of five (5) years  
230 beginning on the date of the first sale of production from such  
231 well.

232 (5) (a) Natural gas produced from discovery wells for which  
233 drilling or re-entry commenced on or after April 1, 1994, but  
234 before July 1, 1999, shall be exempt from the tax levied under  
235 this section for a period of five (5) years beginning on the  
236 earlier of one (1) year from completion of the well or the date of  
237 first sale from such well, provided that the average monthly sales  
238 price of such gas does not exceed Three Dollars and Fifty Cents  
239 (\$3.50) per one thousand (1,000) cubic feet. The exemption for  
240 natural gas produced from discovery wells as described in this  
241 paragraph (a) shall be repealed from and after July 1, 2003,  
242 provided that any such production for which a permit was granted  
243 by the board before July 1, 2003, shall be exempt for an entire



244 period of five (5) years, notwithstanding that the repeal of this  
245 provision has become effective. Natural gas produced from  
246 development wells or replacement wells drilled in connection with  
247 discovery wells for which drilling commenced on or after January  
248 1, 1994, shall be assessed at a rate of three percent (3%) of the  
249 value thereof at the point of production for a period of three (3)  
250 years. The reduced rate of assessment of natural gas produced  
251 from development wells or replacement wells as described in this  
252 paragraph (a) shall be repealed from and after January 1, 2003,  
253 provided that any such production for which drilling commenced  
254 before January 1, 2003, shall be assessed at the reduced rate for  
255 an entire period of three (3) years, notwithstanding that the  
256 repeal of this provision has become effective.

257 (b) Natural gas produced from discovery wells for which  
258 drilling or re-entry commenced on or after July 1, 1999, shall be  
259 assessed at a rate of three percent (3%) of the value thereof at  
260 the point of production for a period of five (5) years beginning  
261 on the earlier of one (1) year from completion of the well or the  
262 date of first sale from such well, provided that the average  
263 monthly sales price of such gas does not exceed Two Dollars and  
264 Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The  
265 reduced rate of assessment of natural gas produced from discovery  
266 wells as described in this paragraph (b) shall be repealed from  
267 and after July 1, 2003, provided that any such production for  
268 which a permit was granted by the board before July 1, 2003, shall



269 be assessed at the reduced rate for an entire period of five (5)  
270 years, notwithstanding that the repeal of this provision has  
271 become effective. Natural gas produced from development wells or  
272 replacement wells drilled in connection with discovery wells for  
273 which drilling commenced on or after July 1, 1999, shall be  
274 assessed at a rate of three percent (3%) of the value thereof at  
275 the point of production for a period of three (3) years. The  
276 reduced rate of assessment of natural gas produced from  
277 development wells or replacement wells as described in this  
278 paragraph (b) shall be repealed from and after January 1, 2003,  
279 provided that any such production for which drilling commenced  
280 before January 1, 2003, shall be assessed at the reduced rate for  
281 an entire period of three (3) years, notwithstanding that the  
282 repeal of this provision has become effective.

283 (6) (a) Gas produced from a development well for which  
284 drilling commenced on or after April 1, 1994, but before July 1,  
285 1999, and for which three-dimensional seismic was utilized in  
286 connection with the drilling of such well, shall be assessed at a  
287 rate of three percent (3%) of the value of the gas at the point of  
288 production for a period of five (5) years, provided that the  
289 average monthly sales price of such gas does not exceed Three  
290 Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic  
291 feet. The reduced rate of assessment of gas produced from a  
292 development well as described in this subsection and for which  
293 three-dimensional seismic was utilized shall be repealed from and



294 after July 1, 2003, provided that any such production for which a  
295 permit was granted by the board before July 1, 2003, shall be  
296 assessed at the reduced rate for an entire period of five (5)  
297 years, notwithstanding that the repeal of this provision has  
298 become effective.

299 (b) Gas produced from a development well for which  
300 drilling commenced on or after July 1, 1999, and for which  
301 three-dimensional seismic was utilized in connection with the  
302 drilling of such well, shall be assessed at a rate of three  
303 percent (3%) of the value of the gas at the point of production  
304 for a period of five (5) years, provided that the average monthly  
305 sales price of such gas does not exceed Two Dollars and Fifty  
306 Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced  
307 rate of assessment of gas produced from a development well as  
308 described in this paragraph (b) and for which three-dimensional  
309 seismic was utilized shall be repealed from and after July 1,  
310 2003, provided that any such production for which a permit was  
311 granted by the board before July 1, 2003, shall be assessed at the  
312 reduced rate for an entire period of five (5) years,  
313 notwithstanding that the repeal of this provision has become  
314 effective.

315 (7) (a) Natural gas produced before July 1, 1999, from a  
316 two-year inactive well as defined in Section 27-25-701 shall be  
317 exempt from the taxes levied under this section for a period of  
318 three (3) years beginning on the date of first sale of production



319 from such well, provided that the average monthly sales price of  
320 such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per  
321 one thousand (1,000) cubic feet. The exemption for natural gas  
322 produced from an inactive well as described in this subsection  
323 shall be repealed from and after July 1, 2003, provided that any  
324 such production which began before July 1, 2003, shall be exempt  
325 for an entire period of three (3) years, notwithstanding that the  
326 repeal of this provision has become effective.

327 (b) Natural gas produced on or after July 1, 1999, from  
328 a two-year inactive well as defined in Section 27-25-701 shall be  
329 exempt from the taxes levied under this section for a period of  
330 three (3) years beginning on the date of first sale of production  
331 from such well, provided that the average monthly sales price of  
332 such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per  
333 one thousand (1,000) cubic feet. The exemption for natural gas  
334 produced from an inactive well as described in this paragraph (b)  
335 shall be repealed from and after July 1, 2003, provided that any  
336 such production which began before July 1, 2003, shall be exempt  
337 for an entire period of three (3) years, notwithstanding that the  
338 repeal of this provision has become effective.

339 (8) The State Oil and Gas Board shall have the exclusive  
340 authority to determine the qualification of wells defined in  
341 paragraphs (n) through (t) of Section 27-25-701.

342 **SECTION 3.** This act shall take effect and be in force from  
343 and after July 1, 2018.

