By: Senator(s) Dearing

To: Finance

SENATE BILL NO. 2278 (As Sent to Governor)

AN ACT TO AMEND SECTION 27-25-503, MISSISSIPPI CODE OF 1972, TO EXTEND THE EXEMPTION FROM OIL SEVERANCE TAX ON CERTAIN 3 PRODUCTION FROM TWO-YEAR INACTIVE WELLS; TO PROVIDE THAT CERTAIN PRODUCTION FROM DISCOVERY WELLS SHALL BE TAXED AT A REDUCED RATE; 5 TO EXTEND THE REDUCED RATE OF OIL SEVERANCE TAX ON CERTAIN 6 PRODUCTION FROM DEVELOPMENT WELLS AND REPLACEMENT WELLS; TO 7 PROVIDE THAT THE OWNER OF CERTAIN MARGINAL WELLS MAY RECEIVE A REFUND OF A CERTAIN AMOUNT OF THE SEVERANCE TAXES PAID ON OIL FROM 8 9 SUCH WELL UNDER CERTAIN CIRCUMSTANCES; TO AMEND SECTION 27-25-703, 10 MISSISSIPPI CODE OF 1972, TO EXTEND THE EXEMPTION FROM GAS SEVERANCE TAX ON CERTAIN PRODUCTION FROM TWO-YEAR INACTIVE WELLS; 11 TO PROVIDE THAT CERTAIN PRODUCTION FROM DISCOVERY WELLS SHALL BE 12 TAXED AT A REDUCED RATE; TO EXTEND THE REDUCED RATE OF GAS 13 14 SEVERANCE TAX ON CERTAIN PRODUCTION FROM DEVELOPMENT WELLS AND 15 REPLACEMENT WELLS; AND FOR RELATED PURPOSES. 16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI: SECTION 1. Section 27-25-503, Mississippi Code of 1972, is 17 18 amended as follows: 19 27-25-503. (1) Except as otherwise provided herein, there is hereby levied, to be collected hereafter, as provided herein, 20 21 annual privilege taxes upon every person engaging or continuing within this state in the business of producing, or severing oil, 2.2 as defined herein, from the soil or water for sale, transport, 23 storage, profit or for commercial use. The amount of such tax 24 shall be measured by the value of the oil produced, and shall be 25 26 levied and assessed at the rate of six percent (6%) of the value thereof at the point of production. However, such tax shall be 27 28 levied and assessed at the rate of three percent (3%) of the value of the oil at the point of production on oil produced by an 29 30 enhanced oil recovery method in which carbon dioxide is used; provided, that such carbon dioxide is transported by pipeline to 31 32 the oil well site and on oil produced by any other enhanced oil 33 recovery method approved and permitted by the State Oil and Gas

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34 Board on or after April 1, 1994, pursuant to Section 53-3-101 et
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35 seq.

- 36 (2) The tax is hereby levied upon the entire production in
- 37 this state regardless of the place of sale or to whom sold, or by
- 38 whom used, or the fact that the delivery may be made to points
- 39 outside the state, and the tax shall accrue at the time such oil
- 40 is severed from the soil, or water, and in its natural, unrefined
- 41 or unmanufactured state.
- 42 (3) (a) Oil produced from a discovery well for which
- 43 drilling or re-entry commenced on or after April 1, 1994, but
- 44 before July 1, 1999, shall be exempt from the taxes levied under
- 45 this section for a period of five (5) years beginning on the date
- 46 of first sale of production from such well, provided that the
- 47 average monthly sales price of such oil does not exceed
- 48 Twenty-five Dollars (\$25.00) per barrel. The exemption for oil
- 49 produced from a discovery well as described in this paragraph (a)
- 50 shall be repealed from and after July 1, 2003, provided that any
- 51 such production for which a permit was granted by the board before
- 52 July 1, 2003, shall be exempt for an entire period of five (5)
- 53 years, notwithstanding that the repeal of this provision has
- 54 become effective. Oil produced from development wells or
- 55 replacement wells drilled in connection with discovery wells for
- 56 which drilling commenced on or after January 1, 1994, but before
- 57 July 1, 1999, shall be assessed at the rate of three percent (3%)
- 58 of the value of the oil at the point of production for a period of
- 59 three (3) years. The reduced rate of assessment of oil produced
- 60 from development wells or replacement wells as described in this
- 61 paragraph (a) shall be repealed from and after January 1, 2003,
- 62 provided that any such production for which drilling commenced
- 63 before January 1, 2003, shall be assessed at the reduced rate for
- 64 an entire period of three (3) years, notwithstanding that the
- 65 repeal of this provision has become effective.
- (b) Oil produced from a discovery well for which
- 67 <u>drilling or re-entry commenced on or after July 1, 1999, shall be</u>
- 68 <u>assessed at the rate of three percent (3%) of the value of the oil</u>
- 69 at the point of production for a period of five (5) years
- 70 beginning on the date of first sale of production from such well,
- 71 provided that the average monthly sales price of such oil does not

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     exceed Twenty Dollars ($20.00) per barrel. The reduced rate of
     assessment of oil produced from a discovery well as described in
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     this paragraph (b) shall be repealed from and after July 1, 2003,
     provided that any such production for which a permit was granted
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     by the board before July 1, 2003, shall be assessed at the reduced
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     rate for an entire period of five (5) years, notwithstanding that
     the repeal of this provision has become effective. Oil produced
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     from development wells or replacement wells drilled in connection
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     with discovery wells for which drilling commenced on or after July
     1, 1999, shall be assessed at the rate of three percent (3%) of
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     the value of the oil at the point of production for a period of
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     three (3) years. The reduced rate of assessment of oil produced
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     from development wells or replacement wells as described in this
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     paragraph (b) shall be repealed from and after January 1, 2003,
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     provided that any such production for which drilling commenced
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     before July 1, 2003, shall be assessed at the reduced rate for an
     entire period of three (3) years, notwithstanding that the repeal
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     of this provision has become effective.
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               (a) Oil produced from a development well for which
     drilling commenced on or after April 1, 1994, but before July 1,
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     1999, and for which three-dimensional seismic was utilized in
     connection with the drilling of such well shall be assessed at the
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     rate of three percent (3%) of the value of the oil at the point of
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     production for a period of five (5) years, provided that the
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     average monthly sales price of such oil does not exceed
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     Twenty-five Dollars ($25.00) per barrel.
                                               The reduced rate of
     assessment of oil produced from a development well as described in
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     this paragraph (a) and for which three-dimensional seismic was
     utilized shall be repealed from and after July 1, 2003, provided
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     that any such production for which a permit was granted by the
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     board before July 1, 2003, shall be assessed at the reduced rate
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     for an entire period of five (5) years, notwithstanding that the
     repeal of this provision has become effective.
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     drilling commenced on or after July 1, 1999, and for which
     three-dimensional seismic was utilized in connection with the
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     drilling of such well shall be assessed at the rate of three
     percent (3%) of the value of the oil at the point of production
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     for a period of five (5) years, provided that the average monthly
     sales price of such oil does not exceed Twenty Dollars ($20.00)
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     per barrel. The reduced rate of assessment of oil produced from a
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     development well as described in this paragraph (b) and for which
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     three-dimensional seismic was utilized shall be repealed from and
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     after July 1, 2003, provided that any such production for which a
     permit was granted by the board before July 1, 2003, shall be
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     assessed at the reduced rate for an entire period of five (5)
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     years, notwithstanding that the repeal of this provision has
     become effective.
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               (a) Oil produced before July 1, 1999, from a two-year
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     inactive well as defined in Section 27-25-501 shall be exempt from
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     the taxes levied under this section for a period of three (3)
     years beginning on the date of first sale of production from such
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     well, provided that the average monthly sales price of such oil
     does not exceed Twenty-five Dollars ($25.00) per barrel.
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     exemption for oil produced from an inactive well shall be repealed
     from and after July 1, 2003, provided that any such production
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     which began before July 1, 2003, shall be exempt for an entire
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     period of three (3) years, notwithstanding that the repeal of this
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     provision has become effective.
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               (b) Oil produced on or after July 1, 1999, from a
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     two-year inactive well as defined in Section 27-25-501 shall be
     exempt from the taxes levied under this section for a period of
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     three (3) years beginning on the date of first sale of production
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     from such well, provided that the average monthly sales price of
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     such oil does not exceed Twenty Dollars ($20.00) per barrel. The
     exemption for oil produced from an inactive well shall be repealed
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     from and after July 1, 2003, provided that any such production
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     which began before July 1, 2003, shall be exempt for an entire
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- 140 period of three (3) years, notwithstanding that the repeal of this
- 141 provision has become effective.
- (6) (a) As used in this subsection the term "marginal well"
- 143 means:
- (i) A well producing a monthly average of twenty
- 145 (20) barrels of oil a day or less from a depth of seven thousand
- 146 <u>five hundred (7,500) feet or less; or</u>
- (ii) A well producing a monthly average of forty
- 148 (40) barrels of oil a day or less from a depth that is more than
- 149 seven thousand five hundred (7,500) feet.
- (b) The owner of a marginal well shall be entitled to a
- 151 refund of two-thirds (2/3) of the taxes he pays monthly pursuant
- 152 to this section on oil produced from such well if the average
- 153 monthly sales price of oil he produces from such well does not
- 154 <u>exceed Twelve Dollars (\$12.00) per barrel. In order to receive</u>
- 155 the refund provided for in this subsection the owner shall present
- 156 the State Tax Commission with a statement from the State Oil and
- 157 Gas Board certifying that the well is a marginal well within the
- 158 meaning of this subsection. The State Tax Commission shall then
- 159 <u>determine the average monthly sales price of the oil sold from</u>
- 160 such well and pay the refund to the owner if it determines that
- 161 the owner is eligible for such refund. Funds for such refund
- 162 shall come from the General Fund.
- 163 (c) This subsection (6) shall stand repealed from and
- 164 <u>after July 1, 2003.</u>
- 165 (7) The State Oil and Gas Board shall have the exclusive
- 166 authority to determine the qualification of wells defined in
- 167 paragraphs (n) through (r) of Section 27-25-501.
- SECTION 2. Section 27-25-703, Mississippi Code of 1972, as
- 169 amended by Senate Bill No. 3060, 1999 Regular Session, is amended
- 170 as follows:
- [Until July 1, 2004, this section shall read as follows:]
- 172 27-25-703. (1) Except as otherwise provided herein, there
- 173 is hereby levied, to be collected hereafter, as provided herein,

annual privilege taxes upon every person engaging or continuing
within this state in the business of producing, or severing gas,
as defined herein, from below the soil or water for sale,
transport, storage, profit or for commercial use. The amount of
such tax shall be measured by the value of the gas produced and
shall be levied and assessed at a rate of six percent (6%) of the
value thereof at the point of production, except as otherwise

provided in subsection (4) of this section.

- 182 The tax is hereby levied upon the entire production in 183 this state, regardless of the place of sale or to whom sold or by 184 whom used, or the fact that the delivery may be made to points 185 outside the state, but not levied upon that gas, * * * lawfully injected into the earth for cycling, repressuring, lifting or 186 187 enhancing the recovery of oil, nor upon gas lawfully vented or 188 flared in connection with the production of oil, nor upon gas 189 condensed into liquids on which the oil severance tax of six 190 percent (6%) is paid; save and except, however, if any gas so injected into the earth is sold for such purposes, then the gas so 191 192 sold shall not be excluded in computing the tax * * *. The tax 193 shall accrue at the time the gas is produced or severed from the 194 soil or water, and in its natural, unrefined or unmanufactured 195 state.
- (3) Natural gas and condensate produced from any wells for which drilling is commenced after March 15, 1987, and before July 1, 1990, shall be exempt from the tax levied under this section for a period of two (2) years beginning on the date of first sale of production from such wells.
- (4) Any well which begins commercial production of occluded natural gas from coal seams on or after March 20, 1990, and before July 1, 1993, shall be taxed at the rate of three and one-half percent (3-1/2%) of the gross value of the occluded natural gas from coal seams at the point of production for a period of five (5) years after such well begins production.
- 207 (5) (a) Natural gas produced from discovery wells for which S. B. No. 2278 99\SS02\R357SG PAGE 6

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before July 1, 1999, shall be exempt from the tax levied under
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     this section for a period of five (5) years beginning on the
     earlier of one (1) year from completion of the well or the date of
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     first sale from such well, provided that the average monthly sales
     price of such gas does not exceed Three Dollars and Fifty Cents
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     ($3.50) per one thousand (1,000) cubic feet. The exemption for
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     natural gas produced from discovery wells as described in this
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     paragraph (a) shall be repealed from and after July 1, 2003,
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     provided that any such production for which a permit was granted
     by the board before July 1, 2003, shall be exempt for an entire
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     period of five (5) years, notwithstanding that the repeal of this
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     provision has become effective. Natural gas produced from
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     development wells or replacement wells drilled in connection with
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     discovery wells for which drilling commenced on or after January
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     1, 1994, shall be assessed at a rate of three percent (3%) of the
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     value thereof at the point of production for a period of three (3)
     years. The reduced rate of assessment of natural gas produced
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     from development wells or replacement wells as described in this
     paragraph (a) shall be repealed from and after January 1, 2003,
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     provided that any such production for which drilling commenced
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     before January 1, 2003, shall be assessed at the reduced rate for
     an entire period of three (3) years, notwithstanding that the
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     repeal of this provision has become effective.
               (b) Natural gas produced from discovery wells for which
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     drilling or re-entry commenced on or after July 1, 1999, shall be
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     assessed at a rate of three percent (3%) of the value thereof at
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     the point of production for a period of five (5) years beginning
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     on the earlier of one (1) year from completion of the well or the
     date of first sale from such well, provided that the average
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     monthly sales price of such gas does not exceed Two Dollars and
     Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The
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     reduced rate of assessment of natural gas produced from discovery
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     wells as described in this paragraph (b) shall be repealed from
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drilling or re-entry commenced on or after April 1, 1994, but

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     and after July 1, 2003, provided that any such production for
     which a permit was granted by the board before July 1, 2003, shall
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     be assessed at the reduced rate for an entire period of five (5)
     years, notwithstanding that the repeal of this provision has
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     become effective. Natural gas produced from development wells or
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     replacement wells drilled in connection with discovery wells for
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     which drilling commenced on or after July 1, 1999, shall be
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     assessed at a rate of three percent (3%) of the value thereof at
     the point of production for a period of three (3) years. The
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     reduced rate of assessment of natural gas produced from
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     development wells or replacement wells as described in this
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     paragraph (b) shall be repealed from and after January 1, 2003,
     provided that any such production for which drilling commenced
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     before January 1, 2003, shall be assessed at the reduced rate for
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     an entire period of three (3) years, notwithstanding that the
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     repeal of this provision has become effective.
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               (a) Gas produced from a development well for which
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     drilling commenced on or after April 1, 1994, but before July 1,
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     1999, and for which three-dimensional seismic was utilized in
     connection with the drilling of such well, shall be assessed at a
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     rate of three percent (3%) of the value of the gas at the point of
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     production for a period of five (5) years, provided that the
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     average monthly sales price of such gas does not exceed Three
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            The reduced rate of assessment of gas produced from a
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     development well as described in this subsection and for which
     three-dimensional seismic was utilized shall be repealed from and
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     after July 1, 2003, provided that any such production for which a
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     permit was granted by the board before July 1, 2003, shall be
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     assessed at the reduced rate for an entire period of five (5)
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     years, notwithstanding that the repeal of this provision has
     become effective.
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               (b) Gas produced from a development well for which
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drilling commenced on or after July 1, 1999, and for which
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276 three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three 277 278 percent (3%) of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly 279 280 sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced 281 rate of assessment of gas produced from a development well as 282 described in this paragraph (b) and for which three-dimensional 283 seismic was utilized shall be repealed from and after July 1, 284 285 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the 286 287 reduced rate for an entire period of five (5) years, 288 notwithstanding that the repeal of this provision has become effective. 289 (a) Natural gas produced before July 1, 1999, from a 2.90 two-year inactive well as defined in Section 27-25-701 shall be 291 292 exempt from the taxes levied under this section for a period of 293 three (3) years beginning on the date of first sale of production 294 from such well, provided that the average monthly sales price of 295 such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per 296 one thousand (1,000) cubic feet. The exemption for natural gas produced from an inactive well as described in this subsection 297 298 shall be repealed from and after July 1, 2003, provided that any 299 such production which began before July 1, 2003, shall be exempt for an entire period of three (3) years, notwithstanding that the 300 301 repeal of this provision has become effective. 302 (b) Natural gas produced on or after July 1, 1999, from a two-year inactive well as defined in Section 27-25-701 shall be 303 exempt from the taxes levied under this section for a period of 304 three (3) years beginning on the date of first sale of production 305 306 from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per 307 308 one thousand (1,000) cubic feet. The exemption for natural gas

produced from an inactive well as described in this paragraph (b)

- 310 shall be repealed from and after July 1, 2003, provided that any
- 311 such production which began before July 1, 2003, shall be exempt
- 312 for an entire period of three (3) years, notwithstanding that the
- 313 repeal of this provision has become effective.
- 314 (8) The State Oil and Gas Board shall have the exclusive
- 315 authority to determine the qualification of wells defined in
- 316 paragraphs (n) through (r) of Section 27-15-701.
- 317 [From and after July 1, 2004, this section shall read as
- 318 **follows:**]
- 319 27-25-703. (1) Except as otherwise provided herein, there
- 320 is hereby levied, to be collected hereafter, as provided herein,
- 321 annual privilege taxes upon every person engaging or continuing
- 322 within this state in the business of producing, or severing gas,
- 323 as defined herein, from below the soil or water for sale,
- 324 transport, storage, profit or for commercial use. The amount of
- 325 such tax shall be measured by the value of the gas produced and
- 326 shall be levied and assessed at a rate of six percent (6%) of the
- 327 value thereof at the point of production, except as otherwise
- 328 provided in subsection (4) of this section.
- 329 (2) The tax is hereby levied upon the entire production in
- 330 this state, regardless of the place of sale or to whom sold or by
- 331 whom used, or the fact that the delivery may be made to points
- 332 outside the state, but not levied upon that gas, including carbon
- 333 dioxide, lawfully injected into the earth for cycling,
- 334 repressuring, lifting or enhancing the recovery of oil, nor upon
- 335 gas lawfully vented or flared in connection with the production of
- 336 oil, nor upon gas condensed into liquids on which the oil
- 337 severance tax of six percent (6%) is paid; save and except,
- 338 however, if any gas so injected into the earth is sold for such
- 339 purposes, then the gas so sold shall not be excluded in computing
- 340 the tax, unless such gas is carbon dioxide which is sold to be
- 341 used and is used in Mississippi in an enhanced oil recovery
- 342 method, in which event there shall be no severance tax levied on
- 343 carbon dioxide so sold and used. The tax shall accrue at the time

- the gas is produced or severed from the soil or water, and in its natural, unrefined or unmanufactured state.
- 346 (3) Natural gas and condensate produced from any wells for
- 347 which drilling is commenced after March 15, 1987, and before July
- 348 1, 1990, shall be exempt from the tax levied under this section
- 349 for a period of two (2) years beginning on the date of first sale
- 350 of production from such wells.
- 351 (4) Any well which begins commercial production of occluded
- 352 natural gas from coal seams on or after March 20, 1990, and before
- 353 July 1, 1993, shall be taxed at the rate of three and one-half
- 354 percent (3-1/2%) of the gross value of the occluded natural gas
- 355 from coal seams at the point of production for a period of five
- 356 (5) years after such well begins production.
- 357 (5) (a) Natural gas produced from discovery wells for which
- 358 drilling or re-entry commenced on or after April 1, 1994, but
- 359 before July 1, 1999, shall be exempt from the tax levied under
- 360 this section for a period of five (5) years beginning on the
- 361 earlier of one (1) year from completion of the well or the date of
- 362 first sale from such well, provided that the average monthly sales
- 363 price of such gas does not exceed Three Dollars and Fifty Cents
- 364 (\$3.50) per one thousand (1,000) cubic feet. The exemption for
- 365 natural gas produced from discovery wells as described in this
- 366 paragraph (a) shall be repealed from and after July 1, 2003,
- 367 provided that any such production for which a permit was granted
- 368 by the board before July 1, 2003, shall be exempt for an entire
- 369 period of five (5) years, notwithstanding that the repeal of this
- 370 provision has become effective. Natural gas produced from
- 371 development wells or replacement wells drilled in connection with
- 372 discovery wells for which drilling commenced on or after January
- 373 1, 1994, shall be assessed at a rate of three percent (3%) of the
- 374 value thereof at the point of production for a period of three (3)
- 375 years. The reduced rate of assessment of natural gas produced
- 376 from development wells or replacement wells as described in this
- 377 paragraph (a) shall be repealed from and after January 1, 2003,

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before January 1, 2003, shall be assessed at the reduced rate for
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     an entire period of three (3) years, notwithstanding that the
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     repeal of this provision has become effective.
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               (b) Natural gas produced from discovery wells for which
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     drilling or re-entry commenced on or after July 1, 1999, shall be
     assessed at a rate of three percent (3%) of the value thereof at
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     the point of production for a period of five (5) years beginning
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     on the earlier of one (1) year from completion of the well or the
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     date of first sale from such well, provided that the average
     monthly sales price of such gas does not exceed Two Dollars and
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     Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The
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     reduced rate of assessment of natural gas produced from discovery
     wells as described in this paragraph (b) shall be repealed from
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     and after July 1, 2003, provided that any such production for
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     which a permit was granted by the board before July 1, 2003, shall
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     be assessed at the reduced rate for an entire period of five (5)
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     become effective. Natural gas produced from development wells or
     replacement wells drilled in connection with discovery wells for
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     which drilling commenced on or after July 1, 1999, shall be
     assessed at a rate of three percent (3%) of the value thereof at
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     the point of production for a period of three (3) years. The
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     reduced rate of assessment of natural gas produced from
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     development wells or replacement wells as described in this
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     paragraph (b) shall be repealed from and after January 1, 2003,
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     provided that any such production for which drilling commenced
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     before January 1, 2003, shall be assessed at the reduced rate for
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     an entire period of three (3) years, notwithstanding that the
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               (a) Gas produced from a development well for which
     drilling commenced on or after April 1, 1994, but before July 1,
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     1999, and for which three-dimensional seismic was utilized in
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     connection with the drilling of such well, shall be assessed at a
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provided that any such production for which drilling commenced

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412 rate of three percent (3%) of the value of the gas at the point of production for a period of five (5) years, provided that the 413 414 average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic 415 416 The reduced rate of assessment of gas produced from a feet. 417 development well as described in this subsection and for which three-dimensional seismic was utilized shall be repealed from and 418 after July 1, 2003, provided that any such production for which a 419 420 permit was granted by the board before July 1, 2003, shall be 421 assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has 422 423 become effective. (b) Gas produced from a development well for which 424 425 drilling commenced on or after July 1, 1999, and for which 426 three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three 427 428 percent (3%) of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly 429 430 sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced 431 432 rate of assessment of gas produced from a development well as described in this paragraph (b) and for which three-dimensional 433 seismic was utilized shall be repealed from and after July 1, 434 435 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the 436 437 reduced rate for an entire period of five (5) years, 438 notwithstanding that the repeal of this provision has become 439 effective. (7) (a) Natural gas produced before July 1, 1999, from a 440 441 two-year inactive well as defined in Section 27-25-701 shall be 442 exempt from the taxes levied under this section for a period of 443 three (3) years beginning on the date of first sale of production

from such well, provided that the average monthly sales price of

such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per

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one thousand (1,000) cubic feet. The exemption for natural gas
produced from an inactive well as described in this subsection
shall be repealed from and after July 1, 2003, provided that any
such production which began before July 1, 2003, shall be exempt
for an entire period of three (3) years, notwithstanding that the

451 repeal of this provision has become effective.

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- (b) Natural gas produced on or after July 1, 1999, from a two-year inactive well as defined in Section 27-25-701 shall be exempt from the taxes levied under this section for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from an inactive well as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt for an entire period of three (3) years, notwithstanding that the
- 464 (8) The State Oil and Gas Board shall have the exclusive 465 authority to determine the qualification of wells defined in 466 paragraphs (n) through (r) of Section 27-15-701.

repeal of this provision has become effective.

SECTION 3. This act shall take effect and be in force from 468 and after its passage.