

By: Senator(s) Scoper, Dearing, Dickerson, Harvey To: Finance

SENATE BILL NO. 3202

1 AN ACT TO AMEND SECTION 27-25-503, MISSISSIPPI CODE OF 1972,
2 TO EXEMPT FROM SEVERANCE TAX THE OIL PRODUCED FROM CERTAIN
3 MARGINAL WELLS; TO CORRECT A TYPOGRAPHICAL ERROR IN THE CODE; AND
4 FOR RELATED PURPOSES.

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

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

8 27-25-503. (1) Except as otherwise provided herein, there
9 is hereby levied, to be collected hereafter, as provided herein,
10 annual privilege taxes upon every person engaging or continuing
11 within this state in the business of producing, or severing oil,
12 as defined herein, from the soil or water for sale, transport,
13 storage, profit or for commercial use. The amount of such tax
14 shall be measured by the value of the oil produced, and shall be
15 levied and assessed at the rate of six percent (6%) of the value
16 thereof at the point of production. However, such tax shall be
17 levied and assessed at the rate of three percent (3%) of the value
18 of the oil at the point of production on oil produced by an
19 enhanced oil recovery method in which carbon dioxide is used;
20 provided, that such carbon dioxide is transported by pipeline to
21 the oil well site and on oil produced by any other enhanced oil
22 recovery method approved and permitted by the State Oil and Gas
23 Board on or after April 1, 1994, pursuant to Section 53-3-101 et
24 seq.

25 (2) The tax is hereby levied upon the entire production in
26 this state regardless of the place of sale or to whom sold, or by
27 whom used, or the fact that the delivery may be made to points

28 outside the state, and the tax shall accrue at the time such oil
29 is severed from the soil, or water, and in its natural, unrefined
30 or unmanufactured state.

31 (3) Oil produced from a discovery well for which drilling or
32 re-entry commenced on or after April 1, 1994, shall be exempt from
33 the taxes levied under this section for a period of five (5) years
34 beginning on the date of first sale of production from such well,
35 provided that the average monthly sales price of such oil does not
36 exceed Twenty-five Dollars (\$25.00) per barrel. The exemption for
37 oil produced from a discovery well as described in this subsection
38 shall be repealed from and after July 1, 1999, provided that any
39 such production for which a permit was granted by the board before
40 July 1, 1999, shall be exempt for an entire period of five (5)
41 years, notwithstanding that the repeal of this provision has
42 become effective. Oil produced from development wells or
43 replacement wells drilled in connection with discovery wells for
44 which drilling commenced on or after January 1, 1994, shall be
45 assessed at the rate of three percent (3%) of the value of the oil
46 at the point of production for a period of three (3) years. The
47 reduced rate of assessment of oil produced from development wells
48 or replacement wells as described in this subsection shall be
49 repealed from and after January 1, 1999, provided that any such
50 production for which drilling commenced before January 1, 1999,
51 shall be assessed at the reduced rate for an entire period of
52 three (3) years, notwithstanding that the repeal of this provision
53 has become effective.

54 (4) Oil produced from a development well for which drilling
55 commenced on or after April 1, 1994, and for which
56 three-dimensional seismic was utilized in connection with the
57 drilling of such well shall be assessed at the rate of three
58 percent (3%) of the value of the oil at the point of production
59 for a period of five (5) years, provided that the average monthly
60 sales price of such oil does not exceed Twenty-five Dollars
61 (\$25.00) per barrel. The reduced rate of assessment of oil
62 produced from a development well as described in this subsection
63 and for which three-dimensional seismic was utilized shall be
64 repealed from and after July 1, 1999, provided that any such

65 production for which a permit was granted by the board before July
66 1, 1999, shall be assessed at the reduced rate for an entire
67 period of five (5) years, notwithstanding that the repeal of this
68 provision has become effective.

69 (5) Oil produced from a two-year inactive well as defined in
70 Section 27-25-501 shall be exempt from the taxes levied under this
71 section for a period of three (3) years beginning on the date of
72 first sale of production from such well, provided that the average
73 monthly sales price of such oil does not exceed Twenty-five
74 Dollars (\$25.00) per barrel. The exemption for oil produced from
75 an inactive well shall be repealed from and after July 1, 1999,
76 provided that any such production which began before July 1, 1999,
77 shall be exempt for an entire period of three (3) years,
78 notwithstanding that the repeal of this provision has become
79 effective.

80 (6) From and after May 1, 1999, the following oil shall be
81 exempt from the taxes levied under this section provided that the
82 average monthly sale price of such oil does not exceed Twelve
83 Dollars (\$12.00) per barrel:

84 (a) Oil produced from a well producing a monthly
85 average of twenty (20) barrels a day or less from a depth of seven
86 thousand five hundred (7,500) feet or less;

87 (b) Oil produced from a well producing a monthly
88 average of thirty (30) barrels a day or less from a depth that is
89 more than seven thousand five hundred (7,500) feet but less than
90 thirteen thousand (13,000) feet; and

91 (c) Oil produced from a well producing a monthly
92 average of forty (40) barrels a day or less from a depth of
93 thirteen thousand (13,000) feet or more.

94 (7) The State Oil and Gas Board shall have the exclusive
95 authority to determine the qualification of wells defined in
96 paragraphs (n) through (r) of Section 27-25-501.

97 SECTION 2. This act shall take effect and be in force from

98 and after its passage.