

By: Representative Reeves

To: Oil, Gas and Other
Minerals; Ways and Means

HOUSE BILL NO. 789

1 AN ACT TO AMEND SECTION 53-1-73, MISSISSIPPI CODE OF 1972, TO
2 CLARIFY THE PAYMENT OF SEVERANCE TAX ON OIL PRODUCED AND SOLD IN
3 THE STATE; TO AMEND SECTION 53-1-75, MISSISSIPPI CODE OF 1972, TO
4 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, there is hereby levied and assessed against each barrel of
18 oil produced and sold in the State of Mississippi a charge not to
19 exceed sixty (60) mills on each barrel of such oil, and against
20 each one thousand (1,000) cubic feet of gas produced, saved and
21 sold a charge not to exceed six (6) mills on each one thousand
22 (1,000) cubic feet of gas. The State Oil and Gas Board shall fix
23 the amount of such charge in the first instances, and may, from
24 time to time, change, reduce or increase the amount thereof, as in
25 its judgment the charges against the fund may require, but the
26 amounts fixed by said board shall not exceed the limits
27 hereinabove prescribed; and it shall be the duty of the board to
28 make collection of such assessments. All monies so collected
29 shall be used exclusively to pay the expenses and other costs in
30 connection with the functioning of the State Oil and Gas Board and

31 the administration of the oil and gas conservation laws of the
32 State of Mississippi now in force or hereafter enacted and the
33 rules, regulations and orders of said board.

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

36 53-1-75. The persons owning an interest (working interest,
37 royalty interest, payments out of production or any other
38 interest) in the oil or gas subject to the charge provided for in
39 Section 53-1-73 shall be liable for such charge in proportion to
40 their ownership at the time of production. The charge so assessed
41 and fixed in Section 53-1-73 shall be payable monthly on a
42 well-by-well basis and the persons hereinafter required to remit
43 such charge shall remit the sum so due to the board on or before
44 the twenty-fifth day of the month next following the month in
45 which the production is sold out of which the assessment arises;
46 such remittance to comply with any rules and regulations which may
47 be adopted by the board in regard thereto.

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

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

58 (b) With respect to any oil, or gas purchased in this
59 state at the well without any contract or agreement requiring
60 payment for such production to respective persons owning an
61 interest therein, and with respect to any oil or gas produced from
62 any well but not sold at said well, by the operator of the well
63 from which the production is obtained.

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

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

71 53-3-13. (1) Any person securing a permit to drill a well
72 in search of oil or gas under the provisions of Section 53-3-11
73 shall pay to the Oil and Gas Supervisor a fee of Six Hundred
74 Dollars (\$600.00) upon and for the issuance of such permit. A
75 lesser sum may be paid if the State Oil and Gas Board shall adopt
76 a rule fixing the amount to be paid at a sum less than Six Hundred
77 Dollars (\$600.00). Any such permit, when issued and the fee paid
78 thereon, shall be good for a period of twelve (12) months from the
79 date thereof; and in the event drilling has commenced within the
80 said twelve (12) months, the permit shall be good for the life of
81 the well so commenced, unless during the course of drilling or
82 production the operator is changed. In the event a change of
83 operators from that listed in the drilling permit is desired, the
84 operator so listed and the proposed new operator shall apply to
85 the State Oil and Gas Board for authority to change operators on
86 forms to be prescribed by order of the State Oil and Gas Board.
87 The fee for such change of operators shall be One Hundred Dollars
88 (\$100.00) per change, or some lesser sum as may be fixed by order
89 of the board.

90 (2) The State Oil and Gas Supervisor, as ex officio
91 Secretary of the State Oil and Gas Board, shall remit to the State
92 Treasurer all monies collected by reason of the assessments made,
93 fixed and authorized under the provisions of the first paragraph
94 of this section, and the State Treasurer shall deposit all such
95 monies in a special fund known as the "Oil and Gas Conservation
96 Fund."

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

99 53-3-25. Before any person shall commence the drilling of
100 any well in search of oil or gas, such person shall file with the
101 board his application for a permit to drill, accompanied by a
102 certified plat and by a fee of Six Hundred Dollars (\$600.00),
103 payable to the State Oil and Gas Board. When two (2) or more
104 separately owned tracts of land are embraced within the unit for
105 which the permit is sought, the application shall affirmatively
106 state whether or not there are separately owned tracts in the
107 drilling unit for which the permit is sought, and if so, whether
108 or not the person owning the drilling rights therein and the
109 rights to share in the production therefrom have agreed to develop
110 their lands as a drilling unit and to the drilling of the well, as
111 contemplated by Section 53-3-7. If drilling operations have not
112 commenced within twelve (12) months after date of issuance, the
113 permit shall become void. If the application complies in all
114 respects with the rules and regulations of the board relating
115 thereto, a permit shall be issued promptly by the supervisor. The
116 issuance of said permit shall constitute the establishment of the
117 drilling unit as designated in said application and shall likewise
118 constitute the approval of the well location set out in said
119 permit. On good cause shown, the unit may be altered by the board
120 after notice and hearing.

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

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