

SENATE BILL NO. 356

INTRODUCED BY BLAYLOCK, FABREGA

BY REQUEST OF THE OFFICE OF THE GOVERNOR

IN THE SENATE

February 3, 1981	Introduced and referred to Committee on Taxation.
	Fiscal note requested.
February 9, 1981	Fiscal note returned.
March 28, 1981	Committee recommend bill do pass as amended. Report adopted.
March 30, 1981	Bill printed and placed on members' desks.
April 1, 1981	Motion pass consideration.
April 2, 1981	Second reading, do pass.
April 3, 1981	Correctly engrossed.
April 4, 1981	On motion taken from third reading and referred to second reading. Motion adopted.
	On motion, consideration be passed for the day.
April 6, 1981	Second reading, do pass as amended.
	On motion rules suspended. Bill placed on calendar for third reading this day.
	Third reading, passed. Ayes, 35; Noes, 15. Transmitted to House.

IN THE HOUSE

April 7, 1981

Introduced and referred to  
Committee on Taxation.

April 21, 1981

On motion to take from  
Taxation Committee and place  
on second reading this day.  
Motion adopted.

Second reading, concurred in  
as amended.

On motion rules suspended  
and bill placed on third  
reading this day.

Third reading, concurred in  
as amended. Ayes, 61; Noes, 32.

IN THE SENATE

April 22, 1981

Returned from House with  
amendments.

Second reading, amendments  
concurred in.

On motion rules suspended.  
Bill placed on calendar for  
third reading this day.

Third reading, amendments  
concurred in. Ayes, 31;  
Noes, 16. Sent to enrolling.

Reported correctly enrolled.

1 *State* BILL NO. *356*  
 2 INTRODUCED BY *Blaylock*  
 3 BY REQUEST OF THE OFFICE OF THE GOVERNOR

4  
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION  
 6 15-36-101, MCA, TO PROVIDE A SINGLE PERCENTAGE RATE OF 5  
 7 PERCENT TO BE USED IN COMPUTING THE SEVERANCE TAX ON  
 8 PETROLEUM; PROVIDING AN APPLICABILITY DATE."

9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 15-36-101, MCA, is amended to read:

12 "15-36-101. Definitions and rate of tax. (1) Every  
 13 person engaging in or carrying on the business of producing  
 14 petroleum, other mineral or crude oil, or natural gas within  
 15 this state or engaging in or carrying on the business of  
 16 owning, controlling, managing, leasing, or operating within  
 17 this state any well or wells from which any merchantable or  
 18 marketable petroleum, other mineral or crude oil, or natural  
 19 gas is extracted or produced sufficient in quantity to  
 20 justify the marketing of the same must, except as provided  
 21 in 15-36-121, each year when engaged in or carrying on any  
 22 such business in this state pay to the department of revenue  
 23 for the exclusive use and benefit of the state of Montana a  
 24 severance tax computed at the following rates:

25 (a) ~~2.1% of the first \$6,000 of the total gross value~~

1 ~~of all the petroleum and other mineral or crude oil produced~~  
 2 ~~by such person from each lease or each lease within a~~  
 3 ~~unitized property in the calendar quarter~~

4 ~~(b) 2.65% 5% of the total gross value of that portion~~  
 5 ~~of all the production of petroleum and other mineral or~~  
 6 ~~crude oil produced by such person from each lease or each~~  
 7 ~~lease within a unitized property in each calendar quarter in~~  
 8 ~~excess of the first \$6,000 of the total gross value unit;~~  
 9 ~~but in determining the amount of such tax there shall be~~  
 10 ~~excluded from consideration all petroleum or other crude or~~  
 11 ~~mineral oil produced and used by such person during such~~  
 12 ~~year in connection with his operations in prospecting for,~~  
 13 ~~developing, and producing such petroleum or crude or mineral~~  
 14 ~~oil;~~

15 ~~(c)(b) 2.65% of the total gross value of natural gas~~  
 16 ~~produced from each lease or unit; but in determining the~~  
 17 ~~amount of such tax there shall be excluded from~~  
 18 ~~consideration all gas produced and used by such person~~  
 19 ~~during such year in connection with his operations in~~  
 20 ~~prospecting for, developing, and producing such gas or~~  
 21 ~~petroleum or crude or mineral oil; and there shall also be~~  
 22 ~~excluded from consideration all gas recycled or reinjected~~  
 23 ~~into the ground.~~

24 (2) Nothing in this part may be construed as requiring  
 25 laborers or employees hired or employed by any person to

1 drill any oil well or to work in or about any oil well or  
 2 prospect or explore for or do any work for the purpose of  
 3 developing any petroleum or other mineral or crude oil to  
 4 pay such severance tax, nor may any work done or the  
 5 drilling of any well or wells for the purpose of prospecting  
 6 or exploring for petroleum or other mineral or crude oils or  
 7 for the purpose of developing same be considered to be the  
 8 engaging in or carrying on of any such business. If, in the  
 9 doing of any such work, in the drilling of any oil well, or  
 10 in such prospecting, exploring, or development work, any  
 11 merchantable or marketable petroleum or other mineral or  
 12 crude oil in excess of the quantity required by such person  
 13 for carrying on such operation is produced sufficient in  
 14 quantity to justify the marketing of the same, such work,  
 15 drilling, prospecting, exploring, or development work is  
 16 considered to be the engaging in and carrying on of such  
 17 business within this state within the meaning of this  
 18 section.

19 ~~(3) For purposes of computing the tax in subsections~~  
 20 ~~(1)(a) and (1)(b) above, lease count includes all leases~~  
 21 ~~contributing to the unitized area within a unit or all~~  
 22 ~~tracts within a unit participating in production.~~

23 (4)(3) Every person required to pay such tax hereunder  
 24 shall pay the same in full for his own account and for the  
 25 account of each of the other owner or owners of the gross

1 proceeds in value or in kind of all the marketable petroleum  
 2 or other mineral or crude oil or natural gas extracted and  
 3 produced, including owner or owners of working interest,  
 4 royalty interest, overriding royalty interest, carried  
 5 working interest, net proceeds interest, production  
 6 payments, and all other interest or interests owned or  
 7 carved out of the total gross proceeds in value or in kind  
 8 of such extracted marketable petroleum or other mineral or  
 9 crude oil or natural gas, except that any of the aforesaid  
 10 interests that are owned by the federal, state, county, or  
 11 municipal governments shall be exempt from taxation under  
 12 this chapter. Unless otherwise provided in a contract or  
 13 lease, the pro rata share of any royalty owner or owners  
 14 will be deducted from any settlements under said lease or  
 15 leases or division of proceeds orders or other contracts."  
 16 Section 2. Applicability. This act applies to crude  
 17 oil produced on or after July 1, 1981.

-End-

STATE OF MONTANA

REQUEST NO. 298-81 ...

FISCAL NOTE

Form BD 12

In compliance with a written request received February 4, 1981, there is hereby submitted a Fiscal Note for SENATE BILL 356 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

An act to provide a single percentage rate of 5 percent to be used in computing the severance tax on petroleum, and providing an applicability date.

ASSUMPTION

The gross value of oil produced in the state will be \$757 million and \$885 million in FY 82 and FY 83, respectively.

FISCAL IMPACT

	FY 82	FY 83
Oil Severance Tax		
Under current law	\$20,066,000	\$23,457,000
Under proposed law	37,850,000	44,250,000
Estimated Increase	<u>\$17,784,000</u>	<u>\$20,793,000</u>

PREPARED BY THE DEPARTMENT OF REVENUE

*David M Lewis*

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-9-81

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 2 INTRODUCED BY BLAYLOCK, FABREGA  
 3 BY REQUEST OF THE OFFICE OF THE GOVERNOR  
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 6 15-36-101, MCA, TO PROVIDE A SINGLE PERCENTAGE RATE OF 5 3  
 7 PERCENT TO BE USED IN COMPUTING THE SEVERANCE TAX ON  
 8 PETROLEUM; PROVIDING AN APPLICABILITY DATE."  
 9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 11 Section 1. Section 15-36-101, MCA, is amended to read:  
 12 "15-36-101. Definitions and rate of tax. (1) Every  
 13 person engaging in or carrying on the business of producing  
 14 petroleum, other mineral or crude oil, or natural gas within  
 15 this state or engaging in or carrying on the business of  
 16 owning, controlling, managing, leasing, or operating within  
 17 this state any well or wells from which any merchantable or  
 18 marketable petroleum, other mineral or crude oil, or natural  
 19 gas is extracted or produced sufficient in quantity to  
 20 justify the marketing of the same must, except as provided  
 21 in 15-36-121, each year when engaged in or carrying on any  
 22 such business in this state pay to the department of revenue  
 23 for the exclusive use and benefit of the state of Montana a  
 24 severance tax computed at the following rates:  
 25 (a) ~~2 1/4% of the first \$6,000 of the total gross value~~

1 ~~of all the petroleum and other mineral or crude oil produced~~  
 2 ~~by such person from each lease or each lease within a~~  
 3 ~~unitized property in the calendar quarter;~~  
 4 ~~(b) 2 1/4% 5 3/4 of the total gross value of that~~  
 5 ~~portion of all the production of petroleum and other mineral~~  
 6 ~~or crude oil produced by such person from each lease or each~~  
 7 ~~lease within a unitized property in each calendar quarter in~~  
 8 ~~excess of the first \$6,000 of the total gross value unit;~~  
 9 but in determining the amount of such tax there shall be  
 10 excluded from consideration all petroleum or other crude or  
 11 mineral oil produced and used by such person during such  
 12 year in connection with his operations in prospecting for,  
 13 developing, and producing such petroleum or crude or mineral  
 14 oil;  
 15 ~~(c) (b) 2 1/4% 3/4 of the total gross value of natural~~  
 16 ~~gas produced from each lease or unit; but in determining the~~  
 17 ~~amount of such tax there shall be excluded from~~  
 18 ~~consideration all gas produced and used by such person~~  
 19 ~~during such year in connection with his operations in~~  
 20 ~~prospecting for, developing, and producing such gas or~~  
 21 ~~petroleum or crude or mineral oil; and there shall also be~~  
 22 ~~excluded from consideration all gas recycled or reinjected~~  
 23 ~~into the ground.~~  
 24 (2) Nothing in this part may be construed as requiring  
 25 laborers or employees hired or employed by any person to

1 drill any oil well or to work in or about any oil well or  
 2 prospect or explore for or do any work for the purpose of  
 3 developing any petroleum or other mineral or crude oil to  
 4 pay such severance tax, nor may any work done or the  
 5 drilling of any well or wells for the purpose of prospecting  
 6 or exploring for petroleum or other mineral or crude oils or  
 7 for the purpose of developing same be considered to be the  
 8 engaging in or carrying on of any such business. If, in the  
 9 doing of any such work, in the drilling of any oil well, or  
 10 in such prospecting, exploring, or development work, any  
 11 merchantable or marketable petroleum or other mineral or  
 12 crude oil in excess of the quantity required by such person  
 13 for carrying on such operation is produced sufficient in  
 14 quantity to justify the marketing of the same, such work,  
 15 drilling, prospecting, exploring, or development work is  
 16 considered to be the engaging in and carrying on of such  
 17 business within this state within the meaning of this  
 18 section.

19 ~~{3}--For--purposes--of--computing--the--tax--in--subsections~~  
 20 ~~{1}(a) and {1}(b) above, lease--count--includes--all--leases~~  
 21 ~~contributing--to--the--unitized--area--within--a--unit--or--all~~  
 22 ~~tracts--within--a--unit--participating--in--production.~~

23 {4}{3} Every person required to pay such tax hereunder  
 24 shall pay the same in full for his own account and for the  
 25 account of each of the other owner or owners of the gross

1 proceeds in value or in kind of all the marketable petroleum  
 2 or other mineral or crude oil or natural gas extracted and  
 3 produced, including owner or owners of working interest,  
 4 royalty interest, overriding royalty interest, carried  
 5 working interest, net proceeds interest, production  
 6 payments, and all other interest or interests owned or  
 7 carved out of the total gross proceeds in value or in kind  
 8 of such extracted marketable petroleum or other mineral or  
 9 crude oil or natural gas, except that any of the aforesaid  
 10 interests that are owned by the federal, state, county, or  
 11 municipal governments shall be exempt from taxation under  
 12 this chapter. Unless otherwise provided in a contract or  
 13 lease, the pro rata share of any royalty owner or owners  
 14 will be deducted from any settlements under said lease or  
 15 leases or division of proceeds orders or other contracts."

16 Section 2. Applicability. This act applies to crude  
 17 oil produced on or after July 1, 1981.

-End-

## SENATE BILL NO. 356

INTRODUCED BY BLAYLOCK, FABREGA

BY REQUEST OF THE OFFICE OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION 15-36-101, MCA, TO PROVIDE A SINGLE PERCENTAGE RATE OF 5 3 PERCENT TO BE USED IN COMPUTING THE SEVERANCE TAX ON PETROLEUM; PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-36-101, MCA, is amended to read:

"15-36-101. Definitions and rate of tax. (1) Every person engaging in or carrying on the business of producing petroleum, other mineral or crude oil, or natural gas within this state or engaging in or carrying on the business of owning, controlling, managing, leasing, or operating within this state any well or wells from which any merchantable or marketable petroleum, other mineral or crude oil, or natural gas is extracted or produced sufficient in quantity to justify the marketing of the same must, except as provided in 15-36-121, each year when engaged in or carrying on any such business in this state pay to the department of revenue for the exclusive use and benefit of the state of Montana a severance tax computed at the following rates:

(a) ~~2 1/2% of the first \$67,000 of the total gross value~~

~~of all the petroleum and other mineral or crude oil produced by such person from each lease or each lease within a unitized property in the calendar quarter~~

~~(b) 2.65% 5% 3% of the total gross value of that portion of all the production of petroleum and other mineral or crude oil produced by such person from each lease or each lease within a unitized property in each calendar quarter in excess of the first \$67,000 of the total gross value unit; but in determining the amount of such tax there shall be excluded from consideration all petroleum or other crude or mineral oil produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such petroleum or crude or mineral oil;~~

~~(c) (b) 2.65% 3% of the total gross value of natural gas produced from each lease or unit; but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such gas or petroleum or crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.~~

(2) Nothing in this part may be construed as requiring laborers or employees hired or employed by any person to



1 drill any oil well or to work in or about any oil well or  
 2 prospect or explore for or do any work for the purpose of  
 3 developing any petroleum or other mineral or crude oil to  
 4 pay such severance tax, nor may any work done or the  
 5 drilling of any well or wells for the purpose of prospecting  
 6 or exploring for petroleum or other mineral or crude oils or  
 7 for the purpose of developing same be considered to be the  
 8 engaging in or carrying on of any such business. If, in the  
 9 doing of any such work, in the drilling of any oil well, or  
 10 in such prospecting, exploring, or development work, any  
 11 merchantable or marketable petroleum or other mineral or  
 12 crude oil in excess of the quantity required by such person  
 13 for carrying on such operation is produced sufficient in  
 14 quantity to justify the marketing of the same, such work,  
 15 drilling, prospecting, exploring, or development work is  
 16 considered to be the engaging in and carrying on of such  
 17 business within this state within the meaning of this  
 18 section.

19 ~~(3) For purposes of computing the tax in subsections~~  
 20 ~~(1)(a) and (1)(b) above, lease count includes all leases~~  
 21 ~~contributing to the unitized area within a unit or all~~  
 22 ~~tracts within a unit participating in production.~~

23 (3) Every person required to pay such tax hereunder  
 24 shall pay the same in full for his own account and for the  
 25 account of each of the other owner or owners of the gross

1 proceeds in value or in kind of all the marketable petroleum  
 2 or other mineral or crude oil or natural gas extracted and  
 3 produced, including owner or owners of working interest,  
 4 royalty interest, overriding royalty interest, carried  
 5 working interest, net proceeds interest, production  
 6 payments, and all other interest or interests owned or  
 7 carved out of the total gross proceeds in value or in kind  
 8 of such extracted marketable petroleum or other mineral or  
 9 crude oil or natural gas, except that any of the aforesaid  
 10 interests that are owned by the federal, state, county, or  
 11 municipal governments shall be exempt from taxation under  
 12 this chapter. Unless otherwise provided in a contract or  
 13 lease, the pro rata share of any royalty owner or owners  
 14 will be deducted from any settlements under said lease or  
 15 leases or division of proceeds orders or other contracts."  
 16 Section 2. Applicability. This act applies to crude  
 17 oil produced on or after July 1, 1981.

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7 PERCENT TO BE USED IN COMPUTING THE SEVERANCE TAX ON  
8 PETROLEUM; PROVIDING AN APPLICABILITY DATE AND AN EFFECTIVE  
9 DATE."

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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Section 15-36-101, MCA, is amended to read:

13 "15-36-101. Definitions and rate of tax. (1) Every  
14 person engaging in or carrying on the business of producing  
15 petroleum, other mineral or crude oil, or natural gas within  
16 this state or engaging in or carrying on the business of  
17 owning, controlling, managing, leasing, or operating within  
18 this state any well or wells from which any merchantable or  
19 marketable petroleum, other mineral or crude oil, or natural  
20 gas is extracted or produced sufficient in quantity to  
21 justify the marketing of the same must, except as provided  
22 in 15-36-121, each year when engaged in or carrying on any  
23 such business in this state pay to the department of revenue  
24 for the exclusive use and benefit of the state of Montana a  
25 severance tax computed at the following rates:

1 ~~(a) 2 1/2% of the first \$6,000 of the total gross value~~  
2 ~~of all the petroleum and other mineral or crude oil produced~~  
3 ~~by such person from each lease or each lease within a~~  
4 ~~unitized property in the calendar quarter;~~

5 ~~(b) 2+65% 5% 3%~~ of the total gross value of that  
6 ~~portion of all the production of petroleum and other mineral~~  
7 ~~or crude oil produced by such person from each lease or each~~  
8 ~~lease within a unitized property in each calendar quarter in~~  
9 ~~excess of the first \$6,000 of the total gross value unit;~~

10 but in determining the amount of such tax there shall be  
11 excluded from consideration all petroleum or other crude or  
12 mineral oil produced and used by such person during such  
13 year in connection with his operations in prospecting for,  
14 developing, and producing such petroleum or crude or mineral  
15 oil;

16 ~~(c) (b) 2+65% 3%~~ of the total gross value of natural  
17 gas produced from each lease or unit; but in determining the  
18 amount of such tax there shall be excluded from  
19 consideration all gas produced and used by such person  
20 during such year in connection with his operations in  
21 prospecting for, developing, and producing such gas or  
22 petroleum or crude or mineral oil; and there shall also be  
23 excluded from consideration all gas recycled or reinjected  
24 into the ground.

25 (2) Nothing in this part may be construed as requiring

1 laborers or employees hired or employed by any person to  
 2 drill any oil well or to work in or about any oil well or  
 3 prospect or explore for or do any work for the purpose of  
 4 developing any petroleum or other mineral or crude oil to  
 5 pay such severance tax, nor may any work done or the  
 6 drilling of any well or wells for the purpose of prospecting  
 7 or exploring for petroleum or other mineral or crude oils or  
 8 for the purpose of developing same be considered to be the  
 9 engaging in or carrying on of any such business. If, in the  
 10 doing of any such work, in the drilling of any oil well, or  
 11 in such prospecting, exploring, or development work, any  
 12 merchantable or marketable petroleum or other mineral or  
 13 crude oil in excess of the quantity required by such person  
 14 for carrying on such operation is produced sufficient in  
 15 quantity to justify the marketing of the same, such work,  
 16 drilling, prospecting, exploring, or development work is  
 17 considered to be the engaging in and carrying on of such  
 18 business within this state within the meaning of this  
 19 section.

20 ~~(3) For purposes of computing the tax in subsections~~  
 21 ~~(1)(a) and (1)(b) above, lease count includes all leases~~  
 22 ~~contributing to the unitized area within a unit or all~~  
 23 ~~tracts within a unit participating in production.~~

24 ~~(4)(3)~~ Every person required to pay such tax hereunder  
 25 shall pay the same in full for his own account and for the

1 account of each of the other owner or owners of the gross  
 2 proceeds in value or in kind of all the marketable petroleum  
 3 or other mineral or crude oil or natural gas extracted and  
 4 produced, including owner or owners of working interest,  
 5 royalty interest, overriding royalty interest, carried  
 6 working interest, net proceeds interest, production  
 7 payments, and all other interest or interests owned or  
 8 carved out of the total gross proceeds in value or in kind  
 9 of such extracted marketable petroleum or other mineral or  
 10 crude oil or natural gas, except that any of the aforesaid  
 11 interests that are owned by the Federal, state, county, or  
 12 municipal governments shall be exempt from taxation under  
 13 this chapter. Unless otherwise provided in a contract or  
 14 lease, the pro rata share of any royalty owner or owners  
 15 will be deducted from any settlements under said lease or  
 16 leases or division of proceeds orders or other contracts."

17 Section 2. Applicability. This act applies to crude  
 18 oil produced on or after July 1, 1981.

19 SECTION 3. EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON  
 20 PASSAGE AND APPROVAL OF SENATE BILL 200.

-End-

1                   SENATE BILL NO. 356  
 2                   INTRODUCED BY BLAYLOCK, FABREGA  
 3                   BY REQUEST OF THE OFFICE OF THE GOVERNOR  
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 5   A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION  
 6   15-36-101, MCA, TO PROVIDE A SINGLE PERCENTAGE RATE OF 5 3 5  
 7   PERCENT TO BE USED IN COMPUTING THE SEVERANCE TAX ON  
 8   PETROLEUM COLLECTED DURING FISCAL YEARS 1982 AND 1983 AND 6  
 9   PERCENT TO BE USED IN COMPUTING THE SEVERANCE TAX ON  
 10 PETROLEUM COLLECTED THEREAFTER; PROVIDING AN APPLICABILITY  
 11 DATE AND AN IMMEDIATE EFFECTIVE DATE."

12  
 13   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 14       Section 1. Section 15-36-101, MCA, is amended to read:  
 15       "15-36-101. Definitions and rate of tax. (1) Every  
 16   person engaging in or carrying on the business of producing  
 17   petroleum, other mineral or crude oil, or natural gas within  
 18   this state or engaging in or carrying on the business of  
 19   owning, controlling, managing, leasing, or operating within  
 20   this state any well or wells from which any merchantable or  
 21   marketable petroleum, other mineral or crude oil, or natural  
 22   gas is extracted or produced sufficient in quantity to  
 23   justify the marketing of the same must, except as provided  
 24   in 15-36-121, each year when engaged in or carrying on any  
 25   such business in this state pay to the department of revenue

1   for the exclusive use and benefit of the state of Montana a  
 2   severance tax computed at the following rates:

3           (a) ~~2.1% of the first \$6,000 of the total gross value~~  
 4   ~~of all the petroleum and other mineral or crude oil produced~~  
 5   ~~by such person from each lease or each lease within a~~  
 6   ~~unitized property in the calendar quarter~~

7           ~~(b) 2.65% 5% 3% 5%~~ of the total gross value of ~~that~~  
 8   ~~portion of all the production of petroleum and other mineral~~  
 9   ~~or crude oil produced by such person from each lease or each~~  
 10 ~~lease within a unitized property in each calendar quarter in~~  
 11 ~~excess of the first \$6,000 of the total gross value unit ON~~  
 12 ~~OR AFTER APRIL 1, 1981, AND ON OR BEFORE MARCH 31, 1983, AND~~

13 ~~6% OF THE TOTAL GROSS VALUE OF ALL THE PETROLEUM AND OTHER~~  
 14 ~~MINERAL OR CRUDE OIL PRODUCED BY SUCH PERSON FROM EACH LEASE~~  
 15 ~~OR UNIT THEREAFTER; but in determining the amount of such~~  
 16 ~~tax there shall be excluded from consideration all petroleum~~  
 17 ~~or other crude or mineral oil produced and used by such~~  
 18 ~~person during such year in connection with his operations in~~  
 19 ~~prospecting for, developing, and producing such petroleum or~~  
 20 ~~crude or mineral oil;~~

21           ~~(c) (b) 2.65% 3% 2.65%~~ of the total gross value of  
 22   ~~natural gas produced from each lease or unit; but in~~  
 23   ~~determining the amount of such tax there shall be excluded~~  
 24   ~~from consideration all gas produced and used by such person~~  
 25   ~~during such year in connection with his operations in~~

1 prospecting for, developing, and producing such gas or  
 2 petroleum or crude or mineral oil; and there shall also be  
 3 excluded from consideration all gas recycled or reinjected  
 4 into the ground.

5 (2) Nothing in this part may be construed as requiring  
 6 laborers or employees hired or employed by any person to  
 7 drill any oil well or to work in or about any oil well or  
 8 prospect or explore for or do any work for the purpose of  
 9 developing any petroleum or other mineral or crude oil to  
 10 pay such severance tax, nor may any work done or the  
 11 drilling of any well or wells for the purpose of prospecting  
 12 or exploring for petroleum or other mineral or crude oils or  
 13 for the purpose of developing same be considered to be the  
 14 engaging in or carrying on of any such business. If, in the  
 15 doing of any such work, in the drilling of any oil well, or  
 16 in such prospecting, exploring, or development work, any  
 17 merchantable or marketable petroleum or other mineral or  
 18 crude oil in excess of the quantity required by such person  
 19 for carrying on such operation is produced sufficient in  
 20 quantity to justify the marketing of the same, such work,  
 21 drilling, prospecting, exploring, or development work is  
 22 considered to be the engaging in and carrying on of such  
 23 business within this state within the meaning of this  
 24 section.

25 ~~(3) --for--purposes--of--computing--the--tax--in--subsections~~

1 ~~{1}{a}-and-{1}{b}-above, lease--count--includes--all--leases~~  
 2 ~~contributing--to--the--unitized--area--within--a--unit--or--all~~  
 3 ~~tracts--within--a--unit--participating--in--production.~~

4 ~~(4){3}~~ Every person required to pay such tax hereunder  
 5 shall pay the same in full for his own account and for the  
 6 account of each of the other owner or owners of the gross  
 7 proceeds in value or in kind of all the marketable petroleum  
 8 or other mineral or crude oil or natural gas extracted and  
 9 produced, including owner or owners of working interest,  
 10 royalty interest, overriding royalty interest, carried  
 11 working interest, net proceeds interest, production  
 12 payments, and all other interest or interests owned or  
 13 carved out of the total gross proceeds in value or in kind  
 14 of such extracted marketable petroleum or other mineral or  
 15 crude oil or natural gas, except that any of the aforesaid  
 16 interests that are owned by the federal, state, county, or  
 17 municipal governments shall be exempt from taxation under  
 18 this chapter. Unless otherwise provided in a contract or  
 19 lease, the pro rata share of any royalty owner or owners  
 20 will be deducted from any settlements under said lease or  
 21 leases or division of proceeds orders or other contracts."

22 Section 2. Applicability. This act applies to crude  
 23 oil produced on or after ~~July 1~~ APRIL 1, 1981.

24 SECTION 3. IMMEDIATE EFFECTIVE DATE. THIS ACT IS  
 25 EFFECTIVE ON PASSAGE AND APPROVAL OF SENATE BILL 200.

1        SECTION 4. SEVERABILITY. (1) IF A PART OF THIS ACT IS  
2 INVALID, ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID  
3 PART REMAIN IN EFFECT. IF A PART OF THIS ACT IS INVALID IN  
4 ONE OR MORE OF IT APPLICATIONS, THE PART REMAINS IN EFFECT  
5 IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE  
6 INVALID APPLICATIONS.

7        (2) IF APPLICATION OF THE SEVERANCE TAX RATE IMPOSED  
8 BY THIS ACT ON OIL PRODUCED PRIOR TO THE EFFECTIVE DATE OF  
9 THIS ACT IS FOUND TO BE INVALID, THE SEVERANCE TAX IMPOSED  
10 BY THIS ACT APPLIES TO OIL PRODUCED ON OR AFTER THE  
11 EFFECTIVE DATE OF THIS ACT.

-End-

House amendments to Senate Bill 356  
April 21, 1981

1. Title, line 6.

Following: "5"

Strike: "3"

Insert: "5"

2. Title, line 8.

Following: "PETROLEUM"

Insert: "COLLECTED DURING FISCAL YEARS 1982 AND 1983 AND 6 PERCENT  
TO BE USED IN COMPUTING THE SEVERANCE TAX ON PETROLEUM COLLECTED  
THEREAFTER"

Following: "AND AN"

Insert: "IMMEDIATE"

3. Page 2, line 5.

Following: "5%"

Strike: "3%"

Insert: "5%"

4. Page 2, line 9.

Following: "unit"

Insert: "on or after April 1, 1981, and on or before March 31, 1983,  
and 6% of the total gross value of all the petroleum and other  
mineral or crude oil produced by such person from each lease or  
unit thereafter"

5. Page 2, line 16.

Following: "2.65%"

Strike: "3%"

Insert: "2.65%"

6. Page 4, line 18.

Following: "after"

Strike: "July 1"

Insert: "April 1"

7. Page 4, line 19.

Following: "3."

Insert: "IMMEDIATE"

8. Page 4.

Following: line 20

Insert: "Section 4. Severability. (1) If a part of this act is  
invalid, all valid parts that are severable from the invalid part  
remain in effect. If a part of this act is invalid in one or more  
of its applications, the part remains in effect in all valid ap-  
plications that are severable from the invalid applications.

(2) If application of the severance tax rate imposed by this  
act on oil produced prior to the effective date of this act is  
found to be invalid, the severance tax imposed by this act applies  
to oil produced on or after the effective date of this act."