

Summary of Oklahoma Gross Production Tax Rates, Old Law vs. HB 2562

Kind of drilling	Statutory Section	Kind of well	Exemption applicable to	Amount of exemption	Subject to price? (1)	Length of exemption	Allowable production date	New Law - HB 2562
Enhanced Recovery Projects	68 OS 1001.D3	Secondary recovery projects	Incremental production attributable to the working interest owners	Full	No	5 years or termination of the secondary recovery project	Project beginning date prior to 7/1/2012	Exemption extended to projects beginning prior to 7/1/2010 (Sec. 1, Subsec B & D (1))
	68 OS 1001.D4	Tertiary recovery projects				10 years or until project payback is achieved		
Horizontally drilled wells	68 OS 1001.E	Well producing after 7/1/94	Production of oil, gas, or oil and gas	6/7ths	No	48 months or until project payback is achieved 48 months from the month of initial production	Producing prior to 7/1/2011 Producing on or after July 1, 2011 and prior to July 1, 2015	Production commenced after 7/1/2015 will be taxed at 2% for first 36 months of production (Sec. 1E)
Inactive well	68 OS 1001.F		Severance or production of oil, gas or oil and gas	6/7ths	Yes	28 months from the date upon which production is reestablished	Production is reestablished prior to 7/1/2014	Exemption extended to projects beginning prior to 7/1/2020 (Sec. 1, Subsec. F)
Production enhancement project	68 OS 1001.G		Incremental production	6/7ths	Yes	28 months from the date of the first sale after project completion	Project beginning date prior to 7/1/2012	Exemption extended to projects beginning prior to 7/1/2020 (Sec. 1, Subsec. F)
Deep Wells	68 OS 1001.H.2.a	Depth between 12,500 and 14,999 feet	Production of oil, gas, or oil and gas	6/7ths	Yes	28 months from the date of first sales	Wells spudded before 7/1/2012	
Ultra-Deep Wells	68 OS 1001.H.2.b	Depth between 15,000 and 17,499 feet	Production of oil, gas, or oil and gas	Until June 30, 2011: 6/7ths. Capped at \$25 million in total exemptions through FY '11; After July 1, 2011: Taxed at 4%, amount uncapped	Partially - exemptions apply only if price of oil <\$30.00 per barrel or price of gas < \$5.00 MCF for wells spudded before 7/1/2005. For newer wells, exemptions apply regardless of price	48 months from the date of first sales	Wells spudded before 7/1/2015	Production commenced after 7/1/2015 will be taxed at 2% for first 36 months of production (Sec. 1H(2)(a) & (f))
	68 OS 1001.H.2.c	Depth of 17,500 feet and greater				60 months from the date of first sales		
New discovery	68 OS 1001.I		Production of oil, gas, or oil and gas	6/7ths	Yes	28 months from the date of first sales	Wells spudded or reentered before 7/1/012	Production commenced after 7/1/2015 will be taxed at 2% for first 36 months of production (Sec. 1, I)
Three-dimensional seismic shoot	68 OS 1001.J		Production of oil, gas, or oil and gas	6/7ths	Yes	28 months from the date of first sales	Drilling commenced before 7/1/012	Production commenced after 7/1/2015 will be taxed at 2% for first 36 months of production (Sec. 1, J)
Economically at-risk oil or gas lease	68 O.S. 1001, Section 1001.3A	Any oil or gas lease operating at a net loss or net profit less than the total gross production tax remitted for the lease	Production of oil, gas, or oil and gas	6/7ths if the gross production tax rate is 7% or 4%	No	Refund of taxes based upon the rate paid in the previous calendar year	Drilling commenced before 12/31/2013	Exemption extended to production through 12/31/2020. Does not apply to wells taxed at 1% or 2%
Wells not eligible for any other exemption	68 O.S. 1001.A. 2		Production of oil, gas, or oil and gas	None - Taxed at 7%				Production commenced after 7/1/2015 will be taxed at 2% for first 36 months of production (Sec. 1, B)

(1) Exemptions subject to price apply only if price of oil <\$30.00 per barrel or price of gas <\$5.00 MCF adjusted annually for inflation