

By Senator Pruitt

28-00439A-09

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1 A bill to be entitled
2 An act relating to oil and gas production taxes;
3 amending s. 211.02, F.S.; providing a tiered tax rate
4 structure for the oil production tax on tertiary oil;
5 revising definitions; amending s. 211.027, F.S.;
6 exempting certain oil and gas production from the tax
7 for a specified period; providing for future repeal of
8 the exemption; providing an effective date.

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10 Be It Enacted by the Legislature of the State of Florida:

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12 Section 1. Section 211.02, Florida Statutes, is amended to
13 read:

14 211.02 Oil production tax; basis and rate of tax; tertiary
15 oil.—An excise tax is hereby levied upon every person who severs
16 oil in the state for sale, transport, storage, profit, or
17 commercial use. Except as otherwise provided in this part, the
18 tax is levied on the basis of the entire production of oil in
19 this state, including any royalty interest. Such tax shall
20 accrue at the time the oil is severed and shall be a lien on
21 production regardless of the place of sale, to whom sold, or by
22 whom used, and regardless of the fact that delivery of the oil
23 may be made outside the state.

24 (1) The amount of tax shall be measured by the value of the
25 oil produced and saved or sold during a month. The value of oil
26 shall be taxed at the following rates:

27 (a) Small well oil ~~and tertiary oil~~, 5 percent of gross
28 value;

29 (b) Tertiary oil:

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30 1. Five percent of gross value for oil having a value of
31 \$100 per barrel or more;

32 2. Three percent of gross value for oil having a value of
33 \$60 but less than \$100 per barrel; and

34 3. One percent of gross value for oil having a value less
35 than \$60 per barrel.

36 (c) ~~(b)~~ All other oil, 8 percent of gross value.

37 (2) (a) For the purposes of this section, "value" means the
38 sale price or market price of oil at the mouth of the well in
39 its natural, unrefined condition. If the oil is exchanged for
40 something other than cash, if there is no sale at the mouth of
41 the well, or if the sale price is not indicative of the true
42 value or market price of the oil produced, value shall be
43 determined by the sale price of oil of like kind and quality,
44 considering any differences in the place of production or sale.

45 (b) Any charges prepaid by the producer or included in the
46 invoice price for delivery of the oil shall be deducted from the
47 gross proceeds of the sale which are used to determine the value
48 of oil produced, provided the oil was sold at a delivered price.

49 (c) The value of oil produced shall not include any
50 wellhead or other production taxes imposed by the United States
51 on the producer, to the extent that such taxes do not provide a
52 credit or deduction for the tax imposed under this part.

53 (3) (a) The term "tertiary oil" means the excess barrels of
54 oil produced, or estimated to be produced, as a result of the
55 actual use of a tertiary recovery method ~~methods~~ in a qualified
56 enhanced oil tertiary recovery project, over the barrels of oil
57 which could have been produced by continued maximum feasible
58 production methods in use prior to the start of tertiary

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59 recovery. A "qualified enhanced oil ~~tertiary~~ recovery project"
60 means a project for enhancing recovery of oil which meets the
61 requirements of 26 U.S.C. s. 43(c)(2) ~~s. 4993(c), Internal~~
62 ~~Revenue Code of 1954, as amended,~~ or substantially similar
63 requirements.

64 (b) The department may establish the method to be used by
65 producers to determine the taxable production of tertiary oil
66 and may require a producer or operator to furnish any
67 information the department deems necessary for this purpose.

68 (4) Oil production shall be measured or gauged. Mechanical
69 metering systems using meters of a type generally approved for
70 use in the industry may be used to measure oil production. If
71 tank tables are used to determine oil production, tables
72 compiled to show 100 percent of the full capacity of tanks,
73 without deduction for overage or losses in handling, shall be
74 used; or the oil production shall be adjusted to a basis of 100
75 percent of the full capacity of tanks if oil production is
76 determined using tank tables compiled to show less than 100
77 percent of the full capacity of tanks. Oil production shall be
78 expressed in barrels.

79 (5) The tax imposed under this section shall be
80 administered, collected, and enforced by the department.

81 Section 2. Section 211.027, Florida Statutes, is amended to
82 read:

83 211.027 Exemptions.—The following on-shore production is
84 not subject to any tax imposed under this part:

85 (1) Oil or gas production used for lease operations on the
86 lease or unit where produced.

87 (2) Gas returned to a horizon or horizons in the field

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88 where produced, either through wells on the lease from which
89 produced or wells on other leases.

90 (3) Gas vented or flared directly into the atmosphere,
91 provided such gas is not otherwise sold.

92 (4) Oil and gas produced from a new field well completed on
93 or after July 1, 2009, for a period of 60 months after the
94 completion date.

95 (5) Oil and gas produced on or after July 1, 2009, for a
96 period of 48 months after the completion date, from:

97 (a) A field that was established by the Department of
98 Environmental Protection before July 1, 2009, from a new
99 producing well.

100 (b) A shut-in well that has been out of service for a
101 period of at least 24 months before July 1, 2009, and through
102 workover and mechanical repair is returned to commercial
103 production.

104 (c) A temporarily abandoned well or wellbore that has been
105 out of service for a period of at least 24 months before July 1,
106 2009, and that is brought into commercial production by
107 redrilling and recompletion.

108 (6) Oil and gas produced on or after July 1, 2009, for a
109 period of 60 months after the completion date, from any
110 horizontal well or any well having a total measured depth in
111 excess of 15,000 feet.

112 Section 3. Effective June 30, 2019, subsections (4), (5),
113 and (6) of section 211.027, Florida Statutes, are repealed.

114 Section 4. This act shall take effect July 1, 2009.