

1 **OIL AND GAS CONSERVATION ACCOUNT**

2 2000 GENERAL SESSION

3 STATE OF UTAH

4 **Sponsor: Jack A. Seitz**

5 AN ACT RELATING TO OIL AND GAS; CREATING THE OIL AND GAS CONSERVATION
6 ACCOUNT; SPECIFYING THE CONTENTS OF THE ACCOUNT AND USES OF ACCOUNT
7 MONIES; AND PROVIDING AN EFFECTIVE DATE.

8 This act affects sections of Utah Code Annotated 1953 as follows:

9 AMENDS:

10 **40-6-14**, as last amended by Chapter 330, Laws of Utah 1997

11 **40-6-14.5**, as enacted by Chapter 135, Laws of Utah 1992

12 *Be it enacted by the Legislature of the state of Utah:*

13 Section 1. Section **40-6-14** is amended to read:

14 **40-6-14. Fee on oil and gas at well -- Collection -- Penalty and interest on**
15 **delinquencies -- Payment when product taken in-kind -- Interests exempt.**

16 (1) There is levied a fee of .002 of the value at the well of oil and gas:

17 (a) produced and saved;

18 (b) sold; or

19 (c) transported from the premises in Utah where the oil or gas is produced.

20 (2) (a) The State Tax Commission shall administer the collection of the fee, including any
21 penalties and interest.

22 (b) The monies collected shall be deposited [~~as fixed collections to be used by the Division~~
23 ~~of Oil, Gas and Mining for the purposes specified]~~ in the Oil and Gas Conservation Account
24 created in Section 40-6-14.5.

25 (c) Time periods for the State Tax Commission to allow a refund or assess the fee shall
26 be determined in accordance with Section 59-5-114.

27 (3) (a) Each person having an ownership interest in oil or gas at the time of production

28 shall be liable for a proportionate share of the fee equivalent to his ownership interest.

29 (b) As used in this section "ownership interest" means any:

30 (i) working interest;

31 (ii) royalty interest;

32 (iii) interest in payments out of production; or

33 (iv) any other interest in the oil or gas, or in the proceeds of the oil or gas, subject to the
34 fee.

35 (4) The operator, on behalf of himself and any person having an ownership interest in the
36 oil or gas, shall pay the assessed fee quarterly to the State Tax Commission on or before the 45th
37 day following the quarter in which the fee accrued.

38 (5) (a) Any fee not paid within the time specified shall:

39 (i) carry a penalty as provided in Section 59-1-401; and

40 (ii) bear interest at the rate and in the manner prescribed in Section 59-1-402.

41 (b) The fee, together with the interest, shall be a lien upon the oil or gas against which it
42 is levied. The operator shall deduct from any amounts due to the persons owning an interest in the
43 oil or gas, or in the proceeds at the time of production, a proportionate amount of the charge before
44 making payment to the persons.

45 (6) (a) When product is taken in-kind by an interest owner who is not the operator and the
46 operator cannot determine the value of the in-kind product, the operator shall:

47 (i) report 100% of the production;

48 (ii) deduct the product taken in-kind; and

49 (iii) pay the levy on the difference.

50 (b) The interest owner who takes the product in-kind shall file a report and pay the levy
51 on his share of production excluded from the operator's report.

52 (7) This section shall apply to any interest in oil or gas produced in the state except:

53 (a) any interest of the United States;

54 (b) any interest of the state or its political subdivisions in any oil or gas or in the proceeds;

55 (c) any interest of any Indian or Indian tribe in any oil or gas or in the proceeds produced
56 from land subject to the supervision of the United States; or

57 (d) oil or gas used in producing or drilling operations or for repressuring or recycling
58 purposes.

59 Section 2. Section **40-6-14.5** is amended to read:

60 **40-6-14.5. Oil and Gas Conservation Account created -- Contents -- Use of account**
61 **monies.**

62 [~~(1) Monies collected pursuant to Subsection 40-6-14(2), up to the amount appropriated,]~~

63 (1) There is created within the General Fund a restricted account known as the Oil and Gas
64 Conservation Account.

65 (2) The contents of the account shall consist of:

66 (a) revenues from the fee levied under Section 40-6-14, including any penalties or interest
67 charged for delinquent payments; and

68 (b) interest and earnings on account monies.

69 (3) Account monies shall be used to pay for the:

70 (a) administration of this chapter; and

71 (b) plugging and reclamation of abandoned oil or gas wells or bore, core, or exploratory
72 holes for which:

73 (i) there is no reclamation surety; or

74 (ii) the forfeited surety is insufficient for plugging and reclamation.

75 [~~(2)] (4) Priority in the use of the monies shall be given to paying for the administration~~
76 ~~of this chapter.~~

77 [~~(3)] (5) Appropriations for plugging and reclamation of abandoned oil or gas wells or~~
78 ~~bore, core, or exploratory holes shall be nonlapsing.~~

79 (6) The balance of the Oil and Gas Conservation Account at the end of a fiscal year may
80 not exceed \$750,000. Any excess monies shall be transferred to the General Fund.

81 ~~h [(7) (a) If the Division of Finance, in conjunction with the completion of the annual audit~~
82 ~~by the state auditor, determines that there is a General Fund surplus for fiscal year 1999-2000, the~~
83 ~~Division of Finance shall transfer to the Oil and Gas Conservation Account any revenue collected~~
84 ~~in fiscal year 1999-2000 from the fee levied under Section 40-6-14 that exceeds fixed collections~~
85 ~~appropriated to the Division of Oil, Gas and Mining in fiscal year 1999-2000.~~

86 ~~—— (b) The transfer provided in Subsection (7)(a) shall be limited to the amount of General~~
87 ~~Fund surplus monies that are available after surplus monies have been transferred to the Budget~~
88 ~~Reserve Account as provided in Section 63-38-2.5.]~~

88a (7)(a) AS USED IN THIS SUBSECTION (7), "EXCESS FEE REVENUE" MEANS REVENUE
88b COLLECTED IN FISCAL YEAR 1999-2000 FROM THE FEE LEVIED UNDER SECTION 40-6-14 THAT
88c EXCEEDS THE FEE REVENUE APPROPRIATED TO THE DIVISION OF OIL, GAS, AND MINING IN
88d FISCAL YEAR 1999-2000.

88e (b) IF THERE IS A GENERAL FUND SURPLUS FOR FISCAL YEAR 1999-2000, THE DIVISION h

88f h OF FINANCE SHALL TRANSFER GENERAL FUND SURPLUS MONIES TO THE OIL AND GAS
88g CONSERVATION ACCOUNT IN AN AMOUNT UP TO THE EXCESS FEE REVENUE.

88h (c) THE TRANSFER PROVIDED IN SUBSECTION (7)(b) SHALL BE MADE AFTER GENERAL
88i FUND SURPLUS MONIES ARE TRANSFERRED TO THE BUDGET RESERVE ACCOUNT PURSUANT
TO

88j SECTION 63-38-2.5. h

89 Section 3. **Effective date.**

This act takes effect on July 1, 2000.

**Legislative Review Note
as of 11-18-99 10:09 AM**

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel

Committee Note

The Natural Resources, Agriculture, and Environment Interim Committee recommended this bill.