

As Engrossed: 2/15/95 3/15/95

1 **State of Arkansas**
2 **80th General Assembly**
3 **Regular Session, 1995**
4 **By: Representative Sheppard, and Dawson**

A Bill

ACT 1093 OF 1995
HOUSE BILL 1314

For An Act To Be Entitled

8 "AN ACT TO PROVIDE AN ECONOMIC INCENTIVE FOR THE CONTINUED
9 PRODUCTION OF OIL WELLS THAT HAVE REACHED THEIR ECONOMIC
10 LIMITS; TO ENCOURAGE EFFORTS TO REESTABLISH PRODUCTION
11 FROM INACTIVE WELLS; TO ENCOURAGE THE INITIATION OF
12 ENHANCED OIL RECOVERY METHODS IN ORDER TO MAXIMIZE THE
13 PRODUCTION OF CRUDE OIL; AND FOR OTHER PURPOSES."

Subtitle

15 "AN ACT TO PROVIDE ECONOMIC INCENTIVES
16 FOR THE CONTINUED PRODUCTION AND
17 REESTABLISHMENT OF PRODUCTION OF OIL
18 WELLS."
19

20
21 WHEREAS, the domestic oil and gas industry is in a state of economic
22 distress as the result of increased costs of drilling, completing and
23 equipping wells for the production of petroleum hydrocarbons and as a
24 consequence of the depressed price structure occurring as the result of the
25 importation of low cost foreign crude oil which has directly resulted in a
26 substantial reduction of exploratory and drilling operations and the decline
27 in employment within an industry critical to this state and the nation; and

28 WHEREAS, the average oil well within the State of Arkansas produces 3.6
29 barrels of crude oil per day in conjunction with the production of substantial
30 volumes of salt water which is required to be disposed of at significant cost
31 in conformity with requirements imposed by both state and federal governmental
32 agencies; and

33 WHEREAS, the depressed price for crude oil which in most instances is
34 low gravity and contains a sulphur content limiting and restricting its
35 marketability so as to result in a negative cash flow and an acceleration in
36 the economic limits of continued production resulting in such wells being

1 shut-in and plugged and abandoned by environmental constraints; and
2 WHEREAS, the industry lacks the economic incentive to maximize the
3 recovery of the residual crude oil, the cumulative volume of which is
4 significant, by enhanced means of recovery through the initiation of improved
5 techniques within the industry to provide consistent with the national trend
6 of other states production of petroleum hydrocarbons, tax relief and other
7 economic incentives to promote exploration and development and the
8 reestablishment of the production of crude oil from non-productive wells
9 otherwise scheduled for and required to be plugged and abandoned.

10

11 NOW THEREFORE,

12 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

13

14 SECTION 1. An oil producer who initiates a program for the enhanced
15 recovery of crude oil pursuant to a plan first approved by the Arkansas Oil
16 and Gas Commission for purposes of recovering the incremental oil from a well
17 or group of wells which results in the production of a volume of crude oil in
18 excess of the volume produced prior to the commencement of such project shall
19 be granted a fifty-percent (50%) reduction in the severance tax which would
20 otherwise be required to be paid as provided for in Ark. Code Ann. § 26-58-
21 *111(6) on the total quantity of the incremental increase in crude oil produced*
22 *as a result of the approved enhanced recovery project.*

23

24 SECTION 2. Any oil well which has been inactive and has failed to
25 produce any volume of crude oil for a period of at least twelve (12)
26 consecutive calendar months which is restored and reestablished as a producer
27 of crude oil shall be exempt from the payment of severance taxes on the volume
28 of production for a period of ten (10) years from and after the date upon
29 which such production is reestablished.

30

31 SECTION 3. Any oil field established by the Arkansas Oil and Gas
32 Commission which has become inactive by the cessation of production for a
33 period of not less than twelve (12) consecutive calendar months shall be
34 exempt from the payment of severance taxes in the event production of crude
35 oil from such field is reestablished with respect to all crude oil

1 subsequently produced from the zones, horizons and formations which had
2 previously been productive but subsequently ceased to produce.

3

4 *SECTION 4. If the utilization of new research technology results in the*
5 *increased production of crude oil by an active field, as established by the*
6 *Arkansas Oil and Gas Commission, then the total quantity of the incremental*
7 *increase in crude oil produced as a result of the new technology shall be*
8 *exempt from severance tax.*

9

10 SECTION 5. This act is supplemental to all other oil and gas laws of
11 this state, and shall not be deemed to repeal any such laws.

12

13 SECTION 6. All provisions of this act of a general and permanent nature
14 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
15 Revision Commission shall incorporate the same in the Code.

16

17 SECTION 7. If any provision of this act or the application thereof to
18 any person or circumstance is held invalid, such invalidity shall not affect
19 other provisions or applications of the act which can be given effect without
20 the invalid provision or application, and to this end the provisions of this
21 act are declared to be severable.

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23 SECTION 8. All laws and parts of laws in conflict with this act are
24 hereby repealed.

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26 */s/Rep. Sheppard, et al*

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28 APPROVED: 4-10-95

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