

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

A Bill

HOUSE BILL 1314

For An Act To Be Entitled

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

Subtitle

"AN ACT TO PROVIDE ECONOMIC INCENTIVES FOR THE CONTINUED PRODUCTION AND REESTABLISHMENT OF PRODUCTION OF OIL WELLS."

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

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

WHEREAS, the depressed price for crude oil which in most instances is low gravity and contains a sulphur content limiting and restricting its marketability so as to result in a negative cash flow and an acceleration in

1 the economic limits of continued production resulting in such wells being
2 shut-in and plugged and abandoned by environmental constraints; and

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

11

12 NOW THEREFORE,

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

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

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

31

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

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

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