

1 State of Arkansas
2 80th General Assembly
3 Regular Session, 1995
4 By: Senator Bradford

A Bill

SENATE BILL 790

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.

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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 such crude oil produced from such well or
23 group of wells including any incremental oil resulting from the approved
24 project.

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

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

1 exempt from the payment of severance taxes in the event production of crude
2 oil from such field is reestablished with respect to all crude oil
3 subsequently produced from the zones, horizons and formations which had
4 previously been productive but subsequently ceased to produce.

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6 SECTION 4. Any active field as established by the Arkansas Oil and Gas
7 Commission which participates in the utilization of new research technology
8 that results in an increase in the volume of crude oil produced shall be
9 exempt from the payment of severance taxes.

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

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

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

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

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