

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

# A Bill

SENATE BILL 802

## For An Act To Be Entitled

"AN ACT TO PROVIDE A SEVERANCE TAX CREDIT FOR DISCOVERING  
COMMERCIAL NATURAL GAS POOLS; AND FOR OTHER PURPOSES."

### Subtitle

"TO PROVIDE A SEVERANCE TAX CREDIT FOR  
DISCOVERING COMMERCIAL NATURAL GAS  
POOLS."

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

SECTION 1. As used in this act, unless the context otherwise requires:

(1) "Commercial natural gas pool" means a pool which, in the opinion of the commission, appears to contain sufficient quantities of recoverable natural gas to justify the economical development thereof;

(2) "Commission" means the Oil and Gas Commission;

(3) "Director" means the director of the Oil and Gas Commission;

(4) "Field" means the general area which is underlaid or appears to be underlaid by at least one (1) pool and includes the underground reservoir or reservoirs containing natural gas. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved. However, "field", unlike "pool", may relate to two (2) or more pools;

(5) "Natural gas" means gas either while in its original state or after the gas has been processed by removal therefrom of component parts not essential to its use for light and fuel;

(6) "Owner" means the person who has the right to drill and produce natural gas and to appropriate the production either for himself or for himself and another or others;

1           SECTION 2. (a) There shall be allowed a credit against the severance  
2 tax imposed by Arkansas Code §26-58-107 and §26-58-111(4) on natural gas for  
3 any taxpayer discovering a previously undiscovered commercial natural gas  
4 pool on land which is owned by the taxpayer.

5           (b) To receive the benefits of this section, a taxpayer must obtain a  
6 certification from the Director certifying to the Revenue Division of the  
7 Department of Finance and Administration that the taxpayer has met all the  
8 requirements set forth in this section.

9           (c) The amount of the credit allowed under this section shall be  
10 determined as follows:

11                 (1) For a commercial natural gas pool located above the base of  
12 the deepest producing natural gas formation as of the date of the application  
13 in the county where the discovery well is located the taxpayer shall be  
14 entitled to a tax credit equal to seventy-five percent (75%) of the severance  
15 tax otherwise due for the taxable year in which the certificate of tax credit  
16 approval is issued by the Commission and for four (4) consecutive years  
17 following the taxable year in which the credit originated.

18                 (2) For a commercial natural gas pool located below the base of  
19 the deepest producing natural gas formation as of the date of the application  
20 in the county where the discovery well is located or if there was no natural  
21 gas production in the county the taxpayer shall be entitled to a tax credit  
22 equal to seventy-five percent (75%) of the severance tax otherwise due for  
23 the taxable year in which the certificate of tax credit approval is issued by  
24 the Commission and for ten (10) consecutive years following the taxable year  
25 in which the credit originated.

26           (d) To obtain a credit under this section a taxpayer must: (1) submit  
27 an application, upon a form approved by the Commission, to the Commission on  
28 or before the issuance of the permit to drill the discovery well; and (2)  
29 within one year after submission of the application provide evidence that a  
30 commercial natural gas pool has been discovered.

31           (e) The Commission shall not issue more that one (1) certificate for  
32 tax credit approval for each field discovered nor more than one (1) for each  
33 pool in any field.

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35           SECTION 3. Any commercial natural gas pool which has been inactive and

1 has failed to produce any volume of natural gas for a period of at least  
2 twelve (12) consecutive calendar months shall be exempt from the payment of  
3 severance taxes on the volume of production therefrom for a period of ten  
4 (10) consecutive years from and after the date upon which such production is  
5 reestablished.

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7       SECTION 4. Any commercial natural gas pool established by the Arkansas  
8 Oil and Gas Commission which has become inactive by the cessation of  
9 production therefrom for a period of not less than twelve (12) consecutive  
10 calendar months shall be exempt from the payment of severance taxes in the  
11 event production of natural gas from such field is reestablished with respect  
12 to all natural gas subsequently produced from the zones, horizons and  
13 formations which had previously been productive but subsequently ceased to  
14 produce.

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16       SECTION 5. Any active field as established by the Arkansas Oil and Gas  
17 Commission which participates in the utilization of new research technology  
18 that results in an increase in the volume of natural gas produced therefrom  
19 as a consequence thereof shall thereafter be exempt from the payment of  
20 severance taxes.

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22       SECTION 6. The Commission is authorized to promulgate regulations  
23 necessary to implement the provisions of this act.

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25       SECTION 7. All provisions of this act of a general and permanent  
26 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas  
27 Code Revision Commission shall incorporate the same in the Code.

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29       SECTION 8. If any provision of this act or the application thereof to  
30 any person or circumstance is held invalid, such invalidity shall not affect  
31 other provisions or applications of the act which can be given effect without  
32 the invalid provision or application, and to this end the provisions of this  
33 act are declared to be severable.

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35       SECTION 9. All laws and parts of laws in conflict with this act are

1 hereby repealed.

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