

CHAPTER 45. GROSS PRODUCTION

Subchapter

1. General Provisions 710:45-1
3. Payment; Remittance; Refunds 710:45-3
5. Required Returns and Reports 710:45-5
7. Special Reporting Requirements 710:45-7
9. Exemptions and Exclusions 710:45-9
11. Transporters 710:45-11
13. Refiners and Processors 710:45-13
15. Reclaimers and Reclaiming Operations 710:45-15

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CHAPTER 45. GROSS PRODUCTION

SUBCHAPTER 1. GENERAL PROVISIONS	4
710:45-1-1. <i>Purpose</i>	4
710:45-1-2. <i>Definitions</i>	4
710:45-1-3. <i>Security required</i>	5
SUBCHAPTER 3. PAYMENT; REMITTANCE; REFUNDS.....	5
710:45-3-1. <i>Due dates for timely payment or remittance of taxes</i>	5
710:45-3-2. <i>Allocated percentages [REVOKED]</i>	6
710:45-3-3. <i>Interest on delinquent gross production tax</i>	6
710:45-3-4. <i>Penalty on delinquent gross production tax</i>	6
710:45-3-5. <i>Issuance and release of order to stop payment</i>	6
710:45-3-6. <i>[RESERVED]</i>	6
710:45-3-7. <i>[RESERVED]</i>	6
710:45-3-8. <i>[RESERVED]</i>	6
710:45-3-9. <i>[RESERVED]</i>	6
710:45-3-10. <i>[RESERVED]</i>	6
710:45-3-11. <i>Minimum requirements for making claims for rebates, refunds, or credits</i>	6
SUBCHAPTER 5. REQUIRED RETURNS AND REPORTS	8
710:45-5-1. <i>Monthly production reports</i>	8
710:45-5-2. <i>Incomplete monthly production report forms filed shall constitute no report</i>	8
710:45-5-3. <i>Timely filing monthly production reports</i>	9
710:45-5-4. <i>Penalty for delinquent reports</i>	9
710:45-5-5. <i>Waiver of penalty</i>	9
SUBCHAPTER 7. SPECIAL REPORTING REQUIREMENTS	10
710:45-7-1. <i>Reporting requirements of nonoperating interest owners [REVOKED]</i>	10
710:45-7-2. <i>Retroactive crude oil price increase adjustments; timely filing and payment</i>	10
710:45-7-3. <i>Retroactive gas price increase adjustments; timely filing and payment</i>	10
SUBCHAPTER 9. EXEMPTIONS AND EXCLUSIONS.....	11
PART 1. GENERAL PROVISIONS	11
710:45-9-1. <i>Exemptions; decimal equivalents</i>	11
710:45-9-2. <i>Election of exemptions [REVOKED]</i>	11
PART 3. FRAC OIL.....	11
710:45-9-10. <i>Frac oil exclusion</i>	11
710:45-9-11. <i>Gas lift exclusion</i>	12
PART 5. HORIZONTALLY DRILLED PRODUCTION WELLS [REVOKED].....	13
710:45-9-20. <i>Scope of Part 5 [REVOKED]</i>	13
710:45-9-21. <i>Definitions [REVOKED]</i>	13
710:45-9-22. <i>Qualification procedures [REVOKED]</i>	13
710:45-9-23. <i>Costs allowed in computing horizontally drilled well payout [REVOKED]</i>	13
710:45-9-24. <i>Time periods for exemption from gross production tax levied on horizontally drilled producing wells [REVOKED]</i>	13
710:45-9-25. <i>Reporting requirements [REVOKED]</i>	13
710:45-9-26. <i>Audit requirements [REVOKED]</i>	13
710:45-9-27. <i>Qualification procedure [REVOKED]</i>	13
710:45-9-28. <i>Rebates - Refund procedure [REVOKED]</i>	13

PART 7. INCREMENTAL PRODUCTION FROM ENHANCED RECOVERY PROJECTS OR PROPERTIES [REVOKED]	14
710:45-9-30. <i>Scope of Part 7 [REVOKED]</i>	14
710:45-9-31. <i>Definitions [REVOKED]</i>	14
710:45-9-32. <i>Qualification procedures [REVOKED]</i>	14
710:45-9-32.1. <i>Recovery of costs allowed as payback factors [REVOKED]</i>	14
710:45-9-33. <i>Responsibility for filing and payment of taxes [REVOKED]</i>	14
710:45-9-34. <i>Summary reports; due dates; final project report [REVOKED]</i>	14
710:45-9-35. <i>Expiration of exemption for incremental production [REVOKED]</i>	14
710:45-9-36. <i>Limitation of exemption [REVOKED]</i>	15
PART 9. PRODUCTION ENHANCEMENT PROJECTS [REVOKED]	15
710:45-9-40. <i>Scope of Part 9 [REVOKED]</i>	15
710:45-9-41. <i>Definitions [REVOKED]</i>	15
710:45-9-42. <i>Qualification procedure [REVOKED]</i>	15
710:45-9-43. <i>Rebates - Refund procedure [REVOKED]</i>	15
PART 11. REESTABLISHMENT OF PRODUCTION FROM AN INACTIVE WELL [REVOKED]	15
710:45-9-50. <i>Scope of Part 11 [REVOKED]</i>	15
710:45-9-51. <i>Definitions [REVOKED]</i>	15
710:45-9-52. <i>Qualification procedure [REVOKED]</i>	16
710:45-9-53. <i>Rebates - Refund procedure [REVOKED]</i>	16
PART 13. DEEP WELLS [REVOKED]	16
710:45-9-60. <i>Scope of Part 13 [REVOKED]</i>	16
710:45-9-61. <i>Definitions [REVOKED]</i>	16
710:45-9-62. <i>Qualification procedure [REVOKED]</i>	16
710:45-9-62.1. <i>Rebates - Refund procedure [REVOKED]</i>	16
710:45-9-63. <i>Audit requirements [REVOKED]</i>	17
710:45-9-64. <i>Limitation on total amount of refunds paid by the Tax Commission [REVOKED]</i>	17
PART 15. NEW DISCOVERY WELLS [REVOKED]	17
710:45-9-70. <i>Scope of Part 15 [REVOKED]</i>	17
710:45-9-71. <i>Definitions [REVOKED]</i>	17
710:45-9-72. <i>Qualification procedure [REVOKED]</i>	17
710:45-9-73. <i>Rebates - Refund procedure [REVOKED]</i>	17
710:45-9-74. <i>Audit requirements [REVOKED]</i>	17
PART 17. ECONOMICALLY AT-RISK LEASES	18
710:45-9-80. <i>Scope of Part 17</i>	18
710:45-9-81. <i>Definitions</i>	18
710:45-9-81.1. <i>Determination of average production volume and monthly average price of oil and gas</i>	18
[Source: Added at 40 Ok Reg 1260, eff 8-11-23].....	19
710:45-9-82. <i>Exemption period</i>	19
710:45-9-83. <i>Certification</i>	19
710:45-9-84. <i>Refund procedure</i>	20
PART 19. PRODUCTION USING THREE DIMENSIONAL SEISMIC SHOTS [REVOKED]	20
710:45-9-90. <i>Scope of Part 19 [REVOKED]</i>	20
710:45-9-91. <i>Definitions [REVOKED]</i>	20
710:45-9-92. <i>Qualification procedure [REVOKED]</i>	21
710:45-9-93. <i>Rebates - Refund procedure [REVOKED]</i>	21
710:45-9-94. <i>Applicable time periods [REVOKED]</i>	21
PART 21. MARKETING COSTS DEDUCTION	21
710:45-9-100. <i>Scope of Part 21</i>	21
710:45-9-101. <i>Definitions</i>	21

710:45-9-102. <i>Qualifying criteria</i>	22
710:45-9-103. <i>Calculation of marketing costs</i>	22
710:45-9-104. <i>Depreciation and return on investment</i>	22
710:45-9-105. <i>Reporting requirements</i>	23
PART 23. SECONDARY AND TERTIARY RECOVERY PROJECTS	23
710:45-9-110. <i>Scope of Part 23</i>	23
710:45-9-111. <i>Definitions</i>	24
710:45-9-112. <i>Exemption</i>	24
710:45-9-113. <i>Qualification procedures</i>	24
710:45-9-114. <i>Refund procedure</i>	25
PART 25. PRODUCTION COMPLETED WITH THE USE OF RECYCLED WATER	25
710:45-9-120. <i>Scope of Part 25</i>	25
710:45-9-121. <i>Definitions</i>	25
710:45-9-122. <i>Exemption and qualification</i>	25
710:45-9-123. <i>Refund procedure</i>	26
SUBCHAPTER 11. TRANSPORTERS	26
710:45-11-1. <i>Definitions</i>	26
710:45-11-2. <i>Transporter license and permits</i>	27
710:45-11-3. <i>Operation without license and permit prohibited</i>	27
710:45-11-4. <i>Expiration and renewal</i>	28
710:45-11-5. <i>Security required</i>	28
710:45-11-6. <i>Display of license and permit; strict compliance; employer liability</i>	28
710:45-11-7. <i>Load ticket or invoice required</i>	28
710:45-11-8. <i>Required transporter reports</i>	29
SUBCHAPTER 13. REFINERS AND PROCESSORS	29
710:45-13-1. <i>Refiner or processor license</i>	29
SUBCHAPTER 15. RECLAIMERS AND RECLAIMING OPERATIONS	29
710:45-15-1. <i>Additional definitions</i>	29
710:45-15-2. <i>Reclaimer licenses</i>	30
710:45-15-3. <i>License required for each location</i>	31
710:45-15-4. <i>License limited; strict source compliance; recordkeeping</i>	31
710:45-15-5. <i>Computation of gross production tax by reclaimers</i>	32
710:45-15-6. <i>Reports and payment; due dates for reclaimers</i>	32
710:45-15-7. <i>Penalties for reclaimers</i>	32
APPENDIX A. MARKETING COSTS	34

CHAPTER 45. GROSS PRODUCTION

SUBCHAPTER 1. GENERAL PROVISIONS

710:45-1-1. Purpose

The provisions of this Chapter have been promulgated for the purpose of compliance with the Oklahoma Administrative Procedures Act, 75 O.S. §§250.1 et seq, and to facilitate the administration, enforcement, and collection of taxes and other levies enacted by the Oklahoma Legislature with respect to Gross Production, Petroleum Excise, and Conservation Excise Taxes.

710:45-1-2. Definitions

The following words and terms, when used in this Chapter, shall have the following meaning, unless the context clearly indicates otherwise:

"Brine" means subterranean saltwater and all its constituent parts and chemical substances therein contained, including, but not limited to bromine, magnesium, potassium, lithium, boron, chlorine, iodine, calcium, strontium, sodium, sulphur, barium, or other chemical substances produced with or separated from such saltwater. Brine produced as an incident to the production of oil or gas, unless such brine is saved or sold for the purposes of removing chemical substances therefrom, shall not be considered brine for the purposes of this Chapter.

"Brine lease" means any Oklahoma Tax Commission assigned production unit number for the purpose of reporting solution gas produced as the result of the production of brine and injection of effluent.

"First purchaser" means any person who purchases or is entitled to purchase any product subject to the Oklahoma gross production tax from the producer or operator of a lease located in this state.

"Gas lease" means any Oklahoma Tax Commission assigned production unit number with a gas to oil production ratio of fifteen thousand (15,000) cubic feet of natural gas or more to one (1) barrel of oil.

"Gas lift" means any method of lifting liquid to the surface by injecting gas into the well bore from which production is obtained.

"Gross value of the production" means the gross proceeds realized from the first sale of such production, including the actual cash value and all premiums otherwise given to or reserved for the producer and all interest owners of such production, without any deduction for costs whatsoever.

"Month" means calendar month, the period from the first day of the month to the last day, according to the established order of the division of time into years, months, weeks and days commonly recognized in the United States.

"Oil lease" means any Oklahoma Tax Commission assigned production unit number with a gas to oil production ratio of less than fifteen thousand (15,000) cubic feet of natural gas to one (1) barrel of oil.

"Operator" means the person who is duly authorized and in charge of the development of a lease or the operation of a producing property.

"Person" means any person, firm, association, corporation or other legal entity.

“**Solution gas**” means all gas produced from brine wells from the brine common source of supply within the unit area. [See: 68 O.S. §1001.2]

[Source: Amended at 41 Ok Reg 1633, eff 11-1-24]

710:45-1-3. Security required

(a) **Bond required generally.** As a condition for assignment of a gross production tax purchaser reporting number and/or as a condition for approval to remit gross production taxes, a tax remitter must post a bond in an amount equal to an estimated three months' tax liability. The Tax Commission, in its discretion, may authorize a reduced bond amount.

(b) **Adjustment of bond in applicable cases.** At the end of one year, the tax remitter may reduce its bond to an amount equal to one month's tax liability, based upon a monthly average of the prior year's tax liability, provided that a reduction in the bond amount will be permitted only if the tax remitter has had no tax deficiencies or delinquencies in the prior year. Upon approval by the Tax Commission, the bond amount may be adjusted annually thereafter, depending upon fluctuations in the yearly tax liability of the tax remitter.

(c) **Adjustment of bond for estimated payment.** A tax remitter who has paid the one-time estimated gross production tax payment required by 68 O.S. § 1010a, will be permitted, upon request, to reduce the amount of surety bond required by the amount of the estimated payment. However, the one-time payment of gross production tax may not be reduced or refunded until the taxpayer is no longer required to remit gross production taxes.

(d) **When bond is not required.** Taxpayers who have an estimated liability of One Thousand Dollars (\$1,000.00) or less per year are not required to post a bond.

(e) **Applicability.** This Section does not apply to bond requirements for reclaimers and transporters which are governed by separate rules in this Chapter.

[Source: Added at 12 Ok Reg 2995, eff 6-12-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 15 Ok Reg 2416, eff 6-11-98, Amended at 22 Ok Reg 1531, eff 6-11-05]; Amended at 39 Ok Reg 2249, eff 9-11-22]

SUBCHAPTER 3. PAYMENT; REMITTANCE; REFUNDS

710:45-3-1. Due dates for timely payment or remittance of taxes

(a) The Gross Production Tax is due on the first day of each calendar month, and, if the tax is not paid on or before the twenty-fifth (25th) day of the second month following production, the tax becomes delinquent.

(b) Any payment or remittance of Gross Production Tax mailed and postmarked by the United States Postal Service on or prior to the twenty-fifth (25th) day of the second month following production shall be considered "paid or remitted" only if also received by the Commission on or prior to that date. [See: 68 O.S. §1009]

(c) If the twenty-fifth (25th) day of the second month following production is a Saturday, Sunday or a holiday recognized by the Executive Department of this State, then the payment shall be considered timely if received the next official working day for the Oklahoma Tax Commission following the Saturday, Sunday or holiday.

[Source: Amended at 22 Ok Reg 1532, eff 6-11-05]

710:45-3-2. Allocated percentages [REVOKED]

[Source: Revoked at 20 Ok Reg 2160, eff 6-26-03]

710:45-3-3. Interest on delinquent gross production tax

If any amount of the Gross Production Tax is not paid or remitted before the same becomes delinquent, as set out in 710:45-3-1, interest, at the rate of one and one-fourth percent (1¼ %) per month until payment or remittance, shall be calculated and collected as part of the delinquent tax. [See: 68 O.S. §217]

710:45-3-4. Penalty on delinquent gross production tax

If any amount of the Gross Production Tax is not paid or remitted within thirty (30) calendar days after the tax becomes delinquent, as set out in 710:45-3-1, a penalty, at the rate of ten percent (10%) of the total amount of the delinquent Gross Production Tax, shall be calculated and collected as part of the delinquent tax. [See: 68 O.S. §217]

710:45-3-5. Issuance and release of order to stop payment

(a) The Director of the Audit Services Division of the Oklahoma Tax Commission, or a designee, is delegated the duty and authority to issue orders to withhold payment for production and orders releasing payment for production to purchasers of oil and gas produced in Oklahoma.

(b) Orders to withhold payment for production shall be issued if and when the required reports and/or forms have not been filed or when the gross production tax, penalty and interest on any production are unreported, unpaid or delinquent. Orders releasing payment for production shall be issued if and when all required reports have been filed and all tax, penalty and interest accrued have been paid.

(c) Orders to withhold payment for production and orders to release payment for production shall be upon forms approved by the Commission and shall be issued under facsimile signatures of the Commissioners, attested with the official seal of the Oklahoma Tax Commission affixed thereto. [See: 68 O.S. §1007]

[Source: Amended at 13 Ok Reg 3095, eff 7-11-96]

710:45-3-6. [RESERVED]**710:45-3-7. [RESERVED]****710:45-3-8. [RESERVED]****710:45-3-9. [RESERVED]****710:45-3-10. [RESERVED]****710:45-3-11. Minimum requirements for making claims for rebates, refunds, or credits**

(a) **General provisions.** Adjustments to gross production taxes previously paid may be made by filing a claim for refund or by claiming credit on a subsequent return. In either case, the claim must include the information and conform to the procedures described in this Section. All claims for refund or credits taken remain subject to audit.

(b) **Exclusions.** Procedures to be followed in computing, documenting, and claiming the gas lift exclusion and the frac oil exclusion used in qualified well completions may be found in Part 3 of Subchapter 9 of this Chapter.

(c) **Claims for refund.** Claims for refunds of gross production tax must include the information and conform to the procedures described in this subsection.

(1) **Claims filed within twelve months of production.** Claims for refund of gross production tax which are filed within the twelve-month period immediately following the month of production to which the claim pertains, must include:

(A) A letter stating the reason for the request, amount requested, by gross production tax and petroleum excise tax, the period of time covered, and the Oklahoma Tax Commission's assigned production unit numbers; and,

(B) Amended reports (Type 3) for each month, county, and product code. The amended report must note the "As Paid" volumes, values, and taxes; followed by entries reflecting "Should Have Paid" volumes, values, and taxes; and page totals must accurately support the amount of the refund request.

(2) **Claims not filed within twelve months of production.** Claims for refund of gross production tax not postmarked within the twelve-month period immediately following the month of production to which the claim pertains, must include:

(A) A letter stating the reason for the request, amount requested, by gross production tax and petroleum excise tax, the period of time covered, and the Oklahoma Tax Commission's assigned production unit numbers;

(B) Original source documents, provided to the operator, which may include, but not be limited to: run, settlement, purchase, sales, or metered volume statements, frac affidavits, frac invoices, check stubs, worksheets, pricing bulletins, and any information necessary to verify an exemption, such as BLM lease numbers. Original and all correcting statements pursuant to the claim for refund must be submitted;

(C) Amended reports (Type 3) for each month, county, and product code, reversing the "As Paid" volumes, values, and taxes, then entering the "Should Have Paid" volumes, values, and taxes. Page totals must reflect the amount of the refund request; and,

(D) All supporting documentation required by statute or Commission rules.

(d) **Claims for credit.** For claims pertaining to production months July 2002 and later, credits may be applied to the current month's tax liability, provided that:

(1) Amended reports (Type 3) for each month, county and product code are filed. The amended reports must note the "As Paid" volumes, values, and taxes; followed by entries reflecting "Should Have Paid" volumes, values and taxes; and page totals must accurately support the amount of the credit requested. The amended reports must be submitted along with the current production month's Gross Production Tax Report.

(2) The prior month's adjustments do not exceed the current production month's liability;

(3) Magnetic media submissions conform to established magnetic media guidelines; and,

(4) Supporting documents are retained and available for submission upon request of the Oklahoma Tax Commission.

(e) **Exceptions and limitations.** Neither the refund procedures described in (c) of this Section, nor the expedited filing procedures for claiming a credit described in (d) of this Section may be used for claiming an abatement or exclusion, nor for any claims for refund submitted by a non-remitting party.

[Source: Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 17 Ok Reg 2668, eff 6-25-00; Amended at 19 Ok Reg 2838, eff 6-21-02, (emergency); Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 34 Ok Reg 2060, eff 9-11-17; Amended at 36 Ok Reg 1204, eff 8-11-19; Amended at 41 Ok Reg 1633, eff 11-1-24]

SUBCHAPTER 5. REQUIRED RETURNS AND REPORTS

710:45-5-1. Monthly production reports

(a) **Minimum requirements of monthly production report.** All producers or purchasers of asphalt or ores bearing lead, zinc, jack, or copper or petroleum oil, mineral oil, other crude oil, condensate, reclaimed oil, gas, natural gas, casinghead gas, or liquid hydrocarbons from oil or gas produced in this state shall report volume and value of such production monthly on OTC Form 341 or any other form as may be prescribed and required by the Oklahoma Tax Commission. Each monthly report shall include the following information:

(1) Tax Commission assigned purchaser reporting number;

(2) Tax Commission assigned producer reporting number;

(3) Tax Commission assigned production unit number, subnumber, and merge number for each lease from which production is reported;

(4) Assigned product code number for the product reported;

(5) Gross volume of the product reported from each lease from which production is reported;

(6) Total value of the product reported from each lease from which production is reported; and, the gross production tax, the petroleum excise tax, Oklahoma energy resource board fee, and sustaining energy resources fee;

(7) Taxpayer identification number, social security number (SSN), or, if applicable, the federal employer identification number (FEI);

(8) The month and year the product reported was sold;

(9) The Tax Commission assigned tax remitter reporting number.

(b) **Reports must be filed electronically.** OTC Forms 341 and 323-A must be filed electronically in the format prescribed by the Tax Commission.

[Source: Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 14 Ok Reg 2696, eff 6-26-97; Amended at 32 Ok Reg 1344, eff 8-27-15; Amended at 33 Ok Reg 1068, eff 8-25-16; Amended at 40 Ok Reg 1260, eff 8-11-23]

710:45-5-2. Incomplete monthly production report forms filed shall constitute no report

(a) Any monthly production report form filed with the Oklahoma Tax Commission shall

include the minimum information specified in 68 O.S. §1010 and in 710:45-5-1. Any such required monthly report form that does not include these minimum requirements shall not constitute the mandatory report required by statute.

(b) Any gross production or petroleum excise taxes remitted with an incomplete report form shall be accepted as payment of taxes due, and upon receipt of a proper report, the tax payment shall be apportioned.

(c) Upon receipt of a Tax Commission-approved monthly production report form from a person required to report monthly, which does not include the required information, the Director of the Audit Services Division of the Oklahoma Tax Commission, or a designee, shall notify the reporting taxpayer that:

- (1) The monthly report form filed with the Commission does not contain the minimum information required by 68 O.S. §1010 and 710:45-5-1 and such form does not constitute a valid monthly production report;
- (2) Pursuant to this Section, the person has failed to file a monthly production report;
- (3) The amount of penalties accrued; and,
- (4) Any remittance or payment made therewith has been accepted and will be apportioned by the Commission in accordance with the applicable statute. [See: 68 O.S. §1010]

[Source: Amended at 13 Ok Reg 3095, eff 7-11-96]

710:45-5-3. Timely filing monthly production reports

(a) The Monthly Production Reports required by law shall become delinquent if not submitted to the Oklahoma Tax Commission on or before the twenty-fifth (25th) day of the second month immediately following the month in which the product, subject to Gross Production Tax, was produced.

(b) If the due date is a Saturday, Sunday or a holiday recognized by the Executive Department of this State, then the date shall be the next official working day for the Oklahoma Tax Commission following the Saturday, Sunday or holiday.

(c) Any report mailed in and postmarked by the United States Postal Service on or prior to the delinquency date shall be considered timely submitted. [See: 68 O.S. §1010; OAC 710:45-5-1]

[Source: Amended at 15 Ok Reg 2416, eff 6-11-98, Amended at 22 Ok Reg 1532, eff 6-11-05]

710:45-5-4. Penalty for delinquent reports

If any monthly production report is not submitted to the Oklahoma Tax Commission in accordance with Section 710:45-5-3; or if any amended report or answer to written demand for information is not timely submitted to the Commission, penalties may be calculated, declared and collected.

710:45-5-5. Waiver of penalty

(a) The Oklahoma Tax Commission, or a designee, may waive penalties assessed by statute for failure to timely file certain required reports, or respond to demands for information. The penalties are assessed at the rate of Five Dollars (\$5.00) per day but may be waived by the Commission if the following criteria are met:

- (1) All taxes due on products subject to the Gross Production Tax were timely paid, if the penalty is being waived for failure to file Monthly Production Reports or amended reports; and,
 - (2) The delinquent filing of the Monthly Production Reports or amended reports did not prevent timely apportionment of the tax revenues paid or remitted without such report; and,
 - (3) The tax reporter made written request for waiver of the penalty; and,
 - (4) The tax reporter showed good cause for the delinquent filing of the report, amended report, or answer to written demand for information.
- (b) Waiver of the penalties in (a) of this Section shall be in writing and shall include a statement of the reasons therefor. [See: 68 O.S. §1010]

[Source: Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 15 Ok Reg 2416, eff 6-11-98]

SUBCHAPTER 7. SPECIAL REPORTING REQUIREMENTS

710:45-7-1. Reporting requirements of nonoperating interest owners [REVOKED]

[Source: Revoked at 32 Ok Reg 1344, eff 8-27-15]

710:45-7-2. Retroactive crude oil price increase adjustments; timely filing and payment

- (a) Amended Monthly Production Reports and additional taxes due thereon for any retroactive increase adjustments in the posted price of crude oil shall be due and must be filed and paid or remitted to the Commission within forty (40) days from the actual date the total price of crude oil, including any retroactive increase adjustments in the posted field price, is established. Any such amended report submitted to the Commission must be accompanied with proof of the date such price was established.
- (b) Amended Monthly Production Reports and additional tax due thereon for any retroactive increase adjustments in the posted price of crude oil, which are not filed within forty (40) days from the actual date the total price of such crude oil, including the retroactive increase adjustment in the posted field price, is established, shall be delinquent.
- (c) Any interest or penalties ordinarily accruing on delinquent reports or payment or remittance of tax under this Section shall not be waived. [See: 68 O.S. §§217, 1010]

710:45-7-3. Retroactive gas price increase adjustments; timely filing and payment

- (a) Amended monthly purchaser's reports and additional taxes due thereon for any retroactive increase adjustments in the price of natural or casinghead gas pursuant to an order issued by the Federal Energy Regulatory Commission, its predecessor or successor, in accordance with the Natural Gas Policy Act, 15 U.S.C.A. 3301, shall be due and must be filed and paid or remitted to the Commission within forty (40) days from the actual date the total price of the gas, including any such retroactive increase adjustments, is established. Any such amended report submitted to the Commission must be accompanied with proof of the date such price was established.
- (b) Amended Monthly Production Reports and additional taxes due thereon for any

retroactive increase adjustments in the price of natural gas or casinghead gas pursuant to a court order, out-of-court settlement agreement, or contract buy-out agreement shall be due and must be filed and paid to the Commission within forty (40) days from the date of the court order or settlement agreement. Such amended reports must be accompanied with proof of the date the price was established.

(c) Amended Monthly Purchaser's Reports and additional tax due thereon for any retroactive increase adjustments in the price of gas which are not filed within forty (40) days from the actual date the total price of such gas, including the retroactive increase adjustment, is established shall be delinquent. [See: 68 O.S. §§217, 1010]

SUBCHAPTER 9. EXEMPTIONS AND EXCLUSIONS

PART 1. GENERAL PROVISIONS

710:45-9-1. Exemptions; decimal equivalents

The Commission will verify decimal equivalents of exempt interests with the appropriate agency. The decimal equivalent supplied by the agency will generally stand as the correct deduction for tax purposes. However, inflation of the decimal equivalent may be allowed for purposes of accurately computing the allowable exemption for Gross Production Tax purposes. The producer or take-in-kind owner shall provide a written explanation to the Tax Commission supporting the necessity for making the adjustment. [See: 68 O.S. § 1008]

[Source: Amended at 20 Ok Reg 2160, eff 6-26-03]

710:45-9-2. Election of exemptions [REVOKED]

[Source: Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Revoked at 36 Ok Reg 1204, eff 8-11-19]

PART 3. FRAC OIL

710:45-9-10. Frac oil exclusion

(a) When load or frac oil is used in well completions (not produced from same lease) by injection into a formation for fracturing purposes, and the gross production and petroleum excise taxes have been paid on the injected load or frac oil, each barrel so injected is not considered oil produced from wells where recovered and an exclusion from gross production tax may be claimed for oil so used, as follows:

- (1) The load or frac exclusion for each lease may only be recovered within one year of the date of injection into the same lease.
- (2) Monthly lease load or frac oil exclusions shall not exceed monthly total lease production.
- (3) Load or frac oil exclusion value, for exclusion purposes, is the lesser of the price paid for the load or frac oil or the posted field gravity price of the oil produced on the lease where recovered.
- (4) Recovery of the load or frac oil exclusion must begin with the first production after injection. For any load or frac oil purchased, after date of injection and prior to receipt

of Affidavit for OCC Credit and/or OTC Tax Exclusion (OTC Form 317), the taxpayer must file an amended report and request a credit memo or tax refund. After receipt of OTC Form 317, taxpayer may show load or frac oil exclusion on his monthly tax report.

(5) The producer must complete the operator's portion of the affidavit and supply the purchaser with OTC Form 317 and supporting invoices.

(6) The purchaser shall complete his portion of OTC Form 317.

(7) A notarized legible copy of OTC Form 317 must accompany each report for refund or credit memo and each monthly report that reflects a claim for load or frac oil exclusion.

(8) All load or frac oil exclusions claimed on future reports which do not comply with the provisions of this Section will be disallowed.

(b) "**Lease**", as used in this Section, means the Oklahoma Tax Commission production unit number assigned to the particular unit.

[Source: Amended at 41 Ok Reg 1633, eff 11-1-24]

710:45-9-11. Gas lift exclusion

(a) When a volume of natural gas is injected as an external source of pressure to supplement formation gas (not produced from the same lease), and the gross production and petroleum excise taxes have been paid on the injected gas, each MCF injected is not considered gas produced from the well when recovered, and an exclusion from gross production tax may be claimed for gas used, subject to the following provisions:

(1) The injected volume or gas lift for each lease may only be recovered within one year of the date of injection into the same lease.

(2) Monthly injection volume or gas lift exclusions shall not exceed monthly total lease production.

(3) Injection or gas lift value, for exclusion purposes, is the lesser price paid for the injection or gas lift volume or the posted price of the gas produced on the lease where recovered.

(4) Recovery of the injection or gas lift exclusion must begin with the first production after injection. For any gas lift purchased, after date of injection and prior to receipt of Affidavit for OCC Credit and/or OTC Tax Exclusion (OTC Form 317), the taxpayer must file an amended report and request a credit memo or tax refund. After receipt of OTC Form 317, the taxpayer may show injection or gas lift exclusion on his monthly tax report.

(5) The producer shall complete the operator's portion of OTC Form 317 and provide the purchaser a copy of the form along with supporting invoices.

(6) The purchaser shall complete his portion of OTC Form 317.

(7) A notarized legible copy of OTC Form 317 must accompany each report for refund or credit memo and each monthly report that reflects a claim for gas lift exclusion.

(8) All injection or gas lift exclusions claimed on future reports which do not comply with the provisions of this Section will be disallowed.

(b) "**Lease**", as used in this Section, means the Oklahoma Tax Commission production unit number assigned to the unit.

[Source: Added at 41 Ok Reg 1633, eff 11-1-24]

PART 5. HORIZONTALLY DRILLED PRODUCTION WELLS [REVOKED]

710:45-9-20. Scope of Part 5 [REVOKED]

[Source: Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-21. Definitions [REVOKED]

[Source: Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-22. Qualification procedures [REVOKED]

[Source: Revoked at 13 Ok Reg 3095, eff 7-11-96]

710:45-9-23. Costs allowed in computing horizontally drilled well payout [REVOKED]

[Source: Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-24. Time periods for exemption from gross production tax levied on horizontally drilled producing wells [REVOKED]

[Source: Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-25. Reporting requirements [REVOKED]

[Source: Revoked at 13 Ok Reg 3095, eff 7-11-96]

710:45-9-26. Audit requirements [REVOKED]

[Source: Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-27. Qualification procedure [REVOKED]

[Source: Added at 13 Ok Reg 3095, eff 7-11-96, Amended at 23 Ok Reg 2817, eff 6-25-06; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-28. Rebates - Refund procedure [REVOKED]

[Source: Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency);

Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 23 Ok Reg 2817, eff 6-25-06; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 32 Ok Reg 1344, eff 8-27-15]

PART 7. INCREMENTAL PRODUCTION FROM ENHANCED RECOVERY PROJECTS OR PROPERTIES [REVOKED]

710:45-9-30. Scope of Part 7 [REVOKED]

[Source: Amended at 11 Ok Reg 3495, eff 6-26-94; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-31. Definitions [REVOKED]

[Source: Amended at 11 Ok Reg 3495, eff 6-26-94; Amended at 12 Ok Reg 2627, eff 6-26-95; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-32. Qualification procedures [REVOKED]

[Source: Amended at 11 Ok Reg 3495, eff 6-26-94; Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 23 Ok Reg 2818, eff 6-25-06; Amended at 24 Ok Reg 2668, eff 7-12-07; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-32.1. Recovery of costs allowed as payback factors [REVOKED]

[Source: Added at 11 Ok Reg 3495, eff 6-26-94; Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-33. Responsibility for filing and payment of taxes [REVOKED]

710:45-9-34. Summary reports; due dates; final project report [REVOKED]

[Source: Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-35. Expiration of exemption for incremental production [REVOKED]

[Source: Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-36. Limitation of exemption [REVOKED]

[Source: Revoked at 13 Ok Reg 3095, eff 7-11-96]

PART 9. PRODUCTION ENHANCEMENT PROJECTS [REVOKED]**710:45-9-40. Scope of Part 9 [REVOKED]**

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-41. Definitions [REVOKED]

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 14 Ok Reg 2696, eff 6-26-97; Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-42. Qualification procedure [REVOKED]

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended 23 Ok Reg 2818, eff 6-25-06; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-43. Rebates - Refund procedure [REVOKED]

[Source: Added at 13 Ok Reg 771, eff 8-16-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended 23 Ok Reg 2818, eff 6-25-06; Amended at 32 Ok Reg 1344, eff 8-27-15; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

**PART 11. REESTABLISHMENT OF PRODUCTION FROM AN INACTIVE WELL
[REVOKED]****710:45-9-50. Scope of Part 11 [REVOKED]**

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-51. Definitions [REVOKED]

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-52. Qualification procedure [REVOKED]

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended 23 Ok Reg 2819, eff 6-25-06; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-53. Rebates - Refund procedure [REVOKED]

[Source: Added at 13 Ok Reg 771, eff 8-16-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended 23 Ok Reg 2819, eff 6-25-06; Amended at 32 Ok Reg 1344, eff 8-27-15; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

PART 13. DEEP WELLS [REVOKED]

710:45-9-60. Scope of Part 13 [REVOKED]

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 23 Ok Reg 2820, eff 6-25-06; Amended at 24 Ok Reg 2668, eff 7-12-2007; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-61. Definitions [REVOKED]

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Revoked at 15 Ok Reg 1145 eff 1-5-98 (emergency); Revoked at 15 Ok Reg 2416, eff 6-11-98; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-62. Qualification procedure [REVOKED]

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Amended at 13 Ok Reg 771, eff 8-16-95 (emergency); Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 23 Ok Reg 2820, eff 6-25-06; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-62.1. Rebates - Refund procedure [REVOKED]

[Source: Added at 13 Ok Reg 771, eff 8-16-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended

at 20 Ok Reg 2160, eff 6-26-03; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended 23 Ok Reg 2821, eff 6-25-06; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 32 Ok Reg 1344, eff 8-27-15; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-63. Audit requirements [REVOKED]

[Source: Added at 12 Ok Reg 593, eff 12-12-94 (emergency); Added at 12 Ok Reg 2629, eff 6-26-95; Revoked at 18 Ok Reg 869, eff 2-23-01 (emergency); Revoked at 18 Ok Reg 1330, eff 5-11-01]

710:45-9-64. Limitation on total amount of refunds paid by the Tax Commission [REVOKED]

[Source: Added at 23 Ok Reg 2821, eff 6-25-06; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

PART 15. NEW DISCOVERY WELLS [REVOKED]

710:45-9-70. Scope of Part 15 [REVOKED]

[Source: Added at 13 Ok Reg 771, eff 8-16-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-07; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-71. Definitions [REVOKED]

[Source: Added at 13 Ok Reg 771, eff 8-16-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-07; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-72. Qualification procedure [REVOKED]

[Source: Added at 13 Ok Reg 771, eff 8-16-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 23 Ok Reg 2822, eff 6-25-06; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-73. Rebates - Refund procedure [REVOKED]

[Source: Added at 13 Ok Reg 771, eff 8-16-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 23 Ok Reg 2822, eff 6-25-06; Amended at 24 Ok Reg 2668, eff 7-12-07; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 32 Ok Reg 1344, eff 8-27-15; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-74. Audit requirements [REVOKED]

[Source: Added at 13 Ok Reg 771, eff 8-16-95 (emergency); Added at 13 Ok Reg 3095, eff 7-11-96; Revoked at 18 Ok Reg 869, eff 2-23-01 (emergency); Revoked at 18 Ok Reg 1330, eff 5-11-01]

PART 17. ECONOMICALLY AT-RISK LEASES

710:45-9-80. Scope of Part 17

Exemption from the levy of gross production tax on economically at-risk leases set out in 68 O.S. Supp. 2022, Section 1001.3a shall be determined according to the provisions of this Part. [See: 68 O.S. Supp. 2022, Section 1001.3a]

[Source: Added at 14 Ok Reg 2696, eff 6-26-97; Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 23 Ok Reg 2822, 6-25-06]

710:45-9-81. Definitions

The following words and terms, when used in this Chapter, shall have the following meaning, unless the context clearly indicates otherwise:

"Active production days" means any day in which oil or natural gas was produced by the lease as reflected in the daily production logs.

"Economically at-risk oil or gas lease" means beginning with calendar year 2022, and each year thereafter:

(A) Any Tax Commission assigned production unit number classified as an oil lease that operated at a net profit which is less than the total gross production tax remitted for such lease during the tax reporting year with an average production volume per well of ten (10) barrels of oil and the monthly average price of oil for the year was less than Fifty Dollars (\$50.00) per barrel; and

(B) Any Tax Commission assigned production unit number classified as a gas lease that operated at a net loss or a net profit which is less than the total gross production tax remitted for such lease during the tax reporting year with an average production volume per lease of sixty (60) MCF of natural gas per day and the "monthly average price of gas" for the year was less than Three Dollars and Fifty Cents (\$3.50) per MMBtu.

[Source: Added at 14 Ok Reg 2656, eff 6-26-97; Amended at 15 Ok Reg 2156, eff 4-22-98 through 7-14-99 (emergency); Amended at 17 Ok Reg 2668, eff 6-25-00; Amended at 23 Ok Reg 2822, eff 6-25-06; Amended at 19 Ok Reg 2039, eff 7-1-08; Amended at 34 Ok Reg 79, eff 09-30-16 (emergency); Amended at 34 Ok Reg 2060, eff 9-11-17; Amended at 40 Ok Reg 1260, eff 8-11-23; Amended at 41 Ok Reg 1633, eff 11-1-24]

710:45-9-81.1. Determination of average production volume and monthly average price of oil and gas

(a) Average production volume shall be determined based upon the lease classification, wherein only the primary product shall be used to determine the average production volume. For example, an oil lease that produced 2,789 barrels over 342 active production days during the calendar year would have an average volume of 8.16 barrels per day.

(b) Monthly average price of oil shall be determined by taking the gross value of oil produced during the calendar year divided by the gross volume of oil produced from the lease, based on a per-barrel measurement of forty-two (42) U.S. gallons of two hundred thirty-one (231) cubic inches per gallon, computed at a temperature of sixty (60) degrees Fahrenheit.

(c) Monthly average price of gas shall be determined by taking the gross value of natural gas produced during the calendar year divided by the gross volume of natural gas produced based on a measurement of one million (1,000,000) British thermal units (MMBtu).

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-82. Exemption period

(a) **Exemption period.** The exemption for economically at-risk oil and gas leases is limited to calendar year 2022 and subsequent tax years, with each year being claimed separately.

(b) **Filing period.** A refund of gross production taxes must be filed within eighteen (18) months after the close of the calendar year for which an exemption is claimed. Refund claims submitted after eighteen (18) months shall not be accepted by the Tax Commission. For example, economically at-risk refund claims for calendar year 2022 shall be filed beginning January 1, 2023 until June 30, 2024.

[Source: Added at 14 Ok Reg 2696, eff 6-26-97; Amended at 15 Ok Reg 2416, eff 6-11-98; Amended at 17 Ok Reg 2668, eff 6-25-00; Amended at 23 Ok Reg 2823, eff 6-25-06; Amended at 19 Ok Reg 2039, eff 7-1-08; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 32 Ok Reg 1344, eff 8-27-15; Amended at 34 Ok Reg 79, eff 09-30-16 (emergency); Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 34 Ok Reg 2060, eff 9-11-17' Amended at 35 Ok Reg 2058, eff 9-14-18; Amended at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-83. Certification

(a) **General provisions.** This Section establishes criteria for determining whether an operator of an economically at-risk oil lease has met the required conditions to apply for an exemption from gross production tax levied on such and establishes a procedure for the issuance of the refund.

(b) **Application to Oklahoma Tax Commission; determination; approval.** Any operator who desires to make application to have a lease certified as being economically at-risk shall submit electronically through the Oklahoma Taxpayer Access Point (OKTAP) the following information:

- (1) Properly completed Form 329;
- (2) Division Order(s) supporting the applicable royalty interest payments made during the claim period;
- (3) An itemization of all expenses claimed as lease operating expenses;
- (4) For leases governed by a Joint Operating Agreement (JOA) a copy of the JOA, including the accounting procedures attached to the JOA showing the base rate used to escalate per the Council of Petroleum Accounts Societies (COPAS) for the overhead expense; and
- (5) Copies of the daily production reports for the calendar year applied.

(c) **Qualifying lease.** A qualifying lease shall include a gas lease and an oil lease but shall not include a brine lease.

(d) **Net profit/loss calculation.** For each calendar year, subtract from the gross revenue of the lease any severance taxes, royalty payments, and lease operating expenses, including expendable workover and recompletion costs for the applicable calendar year, and overhead escalation costs up to the maximum overhead percentage allowed by the

Council of Petroleum Accountants Societies (COPAS). For purposes of this calculation, depreciation, depletion, and intangible drilling costs shall **not** be included.

(e) **Tax Commission may require additional information.** For audit purposes, the Tax Commission may require additional information, such as copies of the operator's federal income tax return, joint interest billings, or other documentation regarding lease production or expenses.

[Source: Added at 14 Ok Reg 2696, eff 6-26-97; Amended at 23 Ok Reg 2823, eff 6-25-06; Amended at 34 Ok Reg 79, eff 09-30-16 (emergency); Amended at 34 Ok Reg 2060, eff 9-11-17; Amended at 40 Ok Reg 1260, eff 8-11-23; Amended at 41 Ok Reg 1633, eff 11-1-24]

710:45-9-84. Refund procedure

(a) **Issuance of refund.** Upon certification by the Tax Commission, a refund of the gross production taxes paid in the previous calendar year for the lease shall be issued to the well operator or a designee after the eighteen (18) month refund claim period has concluded.

(b) **Limitation of refund.** Beginning with calendar year 2022, and each subsequent year thereafter, the Tax Commission is authorized to issue up to Ten Million Dollars (\$10,000,000) in economically at-risk refunds for each eligible calendar year. If the total number of claims for an eligible calendar year exceed the refund cap, all approved refunds will be issued at the refund payout rate.

(c) **Refund payout rate.** The formula to be used for the percentage adjustment shall be Ten Million Dollars (\$10,000,000) divided by the amount of approved refund claims. For example, if the total amount of refund claims for calendar year 2022 was Twenty Million Dollars (\$20,000,000), the amount of each refund would be reduced by 50%.

(d) **Assignment of a designee.** If the refund is to be issued to a party other than the recognized operator, a notarized affidavit, signed by the operator must be submitted to the Tax Commission authorizing the designee to receive the refund.

[Source: Added at 14 Ok Reg 2696, eff 6-26-97; Amended at 18 Ok Reg 869, eff 2-23-01 (emergency); Amended at 18 Ok Reg 1330, eff 5-11-01; Amended at 23 Ok Reg 2823, eff 6-25-06; Amended at 32 Ok Reg 1344, eff 8-27-15; Amended at 34 Ok Reg 79, eff 09-30-16 (emergency); Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 34 Ok Reg 2060, eff 9-11-17; Amended at 35 Ok Reg 2058, eff 9-14-18; Amended at 40 Ok Reg 1260, eff 8-11-23]

PART 19. PRODUCTION USING THREE DIMENSIONAL SEISMIC SHOTS [REVOKED]

710:45-9-90. Scope of Part 19 [REVOKED]

[Source: Added at 18 Ok Reg 869, eff 2-23-01 (emergency); Added at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-07; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-91. Definitions [REVOKED]

[Source: Added at 18 Ok Reg 869, eff 2-23-01 (emergency); Added at 18 Ok Reg 1330, eff 5-11-01; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-92. Qualification procedure [REVOKED]

[Source: Added at 18 Ok Reg 869, eff 2-23-01 (emergency); Added at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 23 Ok Reg 2823, eff 6-25-06; Amended at 24 Ok Reg 2668, eff 7-12-07; Amended at 29 Ok Reg 523, eff 5-11-12; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-93. Rebates - Refund procedure [REVOKED]

[Source: Added at 18 Ok Reg 869, eff 2-23-01 (emergency); Added at 18 Ok Reg 1330, eff 5-11-01; Amended at 21 Ok Reg 1128, eff 5-13-04; Amended at 24 Ok Reg 2668, eff 7-12-07; Amended at 29 Ok Reg 523, eff 5-11-12; Amended at 32 Ok Reg 1344, eff 8-27-15; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

710:45-9-94. Applicable time periods [REVOKED]

[Source: Added at 18 Ok Reg 869, eff 2-23-01 (emergency); Added at 18 Ok Reg 1330, eff 5-11-01; Amended at 20 Ok Reg 2160, eff 6-26-03; Amended at 35 Ok Reg 55, eff 9-14-17 through 9-14-18 (emergency); Amended at 35 Ok Reg 2058, eff 9-14-18; Revoked at 36 Ok Reg 1204, eff 8-11-19]

PART 21. MARKETING COSTS DEDUCTION**710:45-9-100. Scope of Part 21**

Producers of natural gas and casinghead gas who incur certain marketing costs of the gas produced may deduct such costs from the gross value when computing the gross value subject to gross production tax.

[Source: Added at 19 Ok Reg 2039, eff 7-1-08]

710:45-9-101. Definitions

The following words and terms, when used in this Chapter, shall have the following meaning unless the context clearly indicates otherwise:

"Overhead costs" mean the actual direct labor incurred on the exempt facility compared to the total direct labor incurred by the producer as a whole. Allowable overhead costs shall not exceed ten percent (10%) of the total direct marketing costs and depreciation associated with the marketing equipment.

"Marketing costs" are non-production related costs incurred by the producer to enable the transport of gas from the well to the market, including costs for compressing, dehydrating and sweetening the gas sold; and delivering the gas to the purchaser. Appendix A of this Chapter provides a list of costs by category, identifying which costs are allowable as marketing costs. Whether the cost is deductible or not will often depend upon exactly how the item is used. If the cost is deductible, it must then be determined whether the item should be expensed or depreciated.

"Marketing facilities" include but are not limited to flow lines or gathering systems from the separator to the purchaser's transmission line, compressor stations, dehydration units, line heaters (after the separator) and sweetening facilities.

[Source: Added at 19 Ok Reg 2039, eff 7-1-08]

710:45-9-102. Qualifying criteria

Qualified deductions of marketing costs shall comply with the provisions of (1) through (4) of this Subsection. The marketing cost deduction may be disallowed by the Tax Commission for failure to submit sufficient documentation to support the deduction.

(1) Marketing costs shall not include any costs incurred in the production of gas, oil or condensate or in the separation therefrom of any product subject to gross production tax.

(2) Taxes shall be computed on gross proceeds, including tax reimbursement, less the cost of gathering, compressing and treating the gas sold.

(3) Invoices for all costs claimed shall be made available upon request and must clearly indicate the facility incurring the cost and include a detailed description of the cost. If the invoice does not specify the cost was incurred on allowable marketing equipment, a job/work ticket must accompany the invoice describing the work that was done.

(4) Any claimed depreciable equipment must be supported by documentation showing the original depreciable value. If the depreciable equipment was purchased, the original invoice is required. If the depreciable equipment was obtained through an acquisition of wells, documents from the acquisition indicating how the value of the depreciable equipment was determined must be provided.

[Source: Added at 19 Ok Reg 2039, eff 7-1-08; Amended at 38 Ok Reg 1525, eff 9-1-2021]

710:45-9-103. Calculation of marketing costs

Marketing costs are determined by adding:

(1) Charges for depreciation of the marketing facility being used, provided that, if the facility is rented, the actual rental fee is added;

(2) A return on the producer-owned investment equal to six percent (6%) per year on the average depreciable balance;

(3) Costs of direct or allocated labor associated with the marketing facility;

(4) Costs of materials, supplies, maintenance, repairs, and fuel associated with the marketing facility; and

(5) Ad valorem taxes paid on the marketing facility.

[Source: Added at 19 Ok Reg 2039, eff 7-1-08]

710:45-9-104. Depreciation and return on investment

(a) Depreciation shall be determined by subtracting the salvage value from the purchase price and multiplying the difference by the number of years of useful life.

Example of calculation:

(1) Purchase price	\$	100,000
(2) Minus salvage value	\$	10,000
(3) Equals	\$	90,000
(4) Divided by useful life		÷ 10
(5) Equals depreciation per year	\$	9,000

(b) Return on investment shall be determined by adding the undepreciated balance at

the beginning of the year with the undepreciated balance at the end of the year, dividing the sum by 2, subtracting the salvage value from the quotient, multiplying the difference by 6% to get the return on investment per year.

Example of return on investment calculation:

(1) Undepreciated balance at beginning of year	\$	100,000
(2) Add undepreciated balance at year end	\$	91,000
(3)	\$	191,000
(4) Divide by 2		÷ 2
(5)	\$	95,500
(6) Less salvage value	\$	10,000
(7)	\$	85,500
(8) Multiply by 6% rate	\$.06
(9) Return on investment per year	\$	5,130

(c) Ten years useful life and a depreciation rate of 10% per year are normally used. However, a different term can be used if the situation calls for it, based upon documentation in the taxpayer's records. Useful life must be the lesser of the expected life of the equipment, or the life of the field. Straight line depreciation is the preferred and recommended depreciation method. If another method is used, the taxpayer should be ready to support why that particular method is appropriate for the situation. If fully depreciated equipment continues in use by the taxpayer, they can continue to deduct the return on investment amount on the salvage value.

[Source: Added at 19 Ok Reg 2039, eff 7-1-08]

710:45-9-105. Reporting requirements

(a) The remitter of gross production tax shall enter the cost deduction taken for each lease, each month, as a code 9 exemption on the monthly gross production tax report. The deduction must be computed on the basis of the cost per MCF of handling the gas sold. The total amount of annual depreciation, ad valorem taxes and other allowed costs for the year divided by the number of MCF handled through the system during that year equals the cost allowed per MCF sold.

(b) Inasmuch as cost deductions are to be reported on a monthly basis during the year the costs are being incurred, estimates of costs should be made as accurately as possible. If the costs reported are within 25% of the actual costs incurred, the amounts reported for the succeeding year may be adjusted upward or downward to compensate for the error. Should the error be more than 25%, amended reports must be made and accompanied by either payment of additional tax, penalty and interest or a claim for refund. Cost deductions and adjustments reported shall never be allowed to result in a minus taxable value nor in a taxable value greater than the gross proceeds. Records of all expenditures must be maintained for examination by the Tax Commission.

[Source: Added at 19 Ok Reg 2039, eff 7-1-08]

PART 23. SECONDARY AND TERTIARY RECOVERY PROJECTS

710:45-9-110. Scope of Part 23

Exemption from the levy of gross production tax on secondary and tertiary recovery projects set out in 68 O.S. Supp. 2022, § 1001(D) shall be determined according to the provisions of this Part.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-111. Definitions

The following words and terms, when used in this Part, shall have the following meaning, unless the context clearly indicates otherwise:

"Project start date" means the date on which the injection of liquids, gases, or other matter begins on a secondary and tertiary recovery projects.

"Secondary and tertiary recovery projects" means secondary and tertiary recovery projects approved or having an initial project beginning date on or after July 1, 2022.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-112. Exemption

(a) All production which results from secondary and tertiary recovery projects shall be exempt from gross production tax for a period not to exceed five (5) years from the initial project start date or for a period ending upon the termination of the secondary and tertiary recovery process, whichever occurs first.

(b) A refund for secondary and tertiary recovery projects shall not be claimed until after the end of the fiscal year. A fiscal year shall be deemed to begin on July 1 of one calendar year and shall end on June 30 of the subsequent calendar year.

(c) Unless otherwise specified, no claim for refund shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is first available. For example, secondary and tertiary recovery projects refund claims for fiscal year 2022 can be filed beginning July 1, 2023 until December 31, 2024.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-113. Qualification procedures

(a) **Administrative approval and determination.** An operator seeking an exemption for secondary and tertiary recovery projects from the gross production tax shall first make application to the Oklahoma Corporation Commission for a determination that such project qualifies and request a determination of the start date.

(b) **Application to Oklahoma Tax Commission.** Upon approval from the Oklahoma Corporation Commission, the operator shall electronically submit an application for exemption to the Tax Commission through OKTAP. The application shall include a copy of the approval by the Oklahoma Corporation Commission; such approval shall include a determination of the project start date.

(c) **Tax Commission may require additional information.** For audit purposes, the Tax Commission may require additional information, such as copies of the operator's federal income tax return, joint interest billings, or other documentation regarding lease production or expenses.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-114. Refund procedure

(a) **Issuance of refund.** Upon certification by the Tax Commission, a refund of the gross production taxes paid in the previous fiscal year for the secondary and tertiary recovery projects shall be issued to the well operator or a designee after the eighteen (18) month refund claim period has concluded.

(b) **Limitation of refund.** Beginning with fiscal year 2023, and each subsequent year thereafter, the Tax Commission is authorized to issue up to Fifteen Million Dollars (\$15,000,000) in secondary and tertiary recovery project refunds combined for each eligible fiscal year. No entity, including subsidiaries of the entity, shall be authorized to receive refunds claimed pursuant to this exemption that exceed twenty percent (20%) of the cap. If the total number of claims for an eligible fiscal year exceed the refund cap then all approved refunds will be issued at the refund payout rate.

(c) **Refund payout rate.** The formula to be used for the percentage adjustment shall be Fifteen Million Dollars (\$15,000,000) divided by the amount of approved refund claims. For example, if the total amount of refund claims for calendar year 2022 was Thirty Million Dollars (\$30,000,000), the amount of each refund would be reduced by 50%.

(d) **Assignment of a designee.** If the refund is to be issued to a party other than the recognized operator, a notarized affidavit signed by the operator must be submitted to the Tax Commission authorizing the designee to receive the refund.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

PART 25. PRODUCTION COMPLETED WITH THE USE OF RECYCLED WATER

710:45-9-120. Scope of Part 25

Exemption from the levy of gross production tax on production completed with the use of recycled water set out in 68 O.S. Supp. 2022 Section 1001(E) shall be determined according to the provisions of this Part.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-121. Definitions

The following words and terms, when used in this Part, shall have the following meaning, unless the context clearly indicates otherwise:

"Production completed with the use of recycled water" means the production of oil, gas, or oil and gas from wells drilled but not completed as of July 1, 2021, which are completed with the use of recycled water on or after July 1, 2022.

"Recycled water" means oil and gas produced water and waste that has been reconditioned or treated by mechanical or chemical processes into a reusable form.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-122. Exemption and qualification

- (a) **Exemption.** Production completed with the use of recycled water shall qualify for an exemption from the gross production tax from the date of first sales for a period of twenty four (24) months. The exemption provided shall be proportional to the percentage of the total amount of water used to complete the well that is recycled water.
- (b) **Administrative approval and determination; order.** An operator seeking the exemption from gross production tax shall make application to the Oklahoma Corporation Commission for a determination that such project qualifies for the exemption.
- (c) **Application to Oklahoma Tax Commission.** Upon approval from the Oklahoma Corporation Commission, the operator shall electronically submit an application for exemption to the Tax Commission through OKTAP. The application shall include a copy of the Oklahoma Corporation Commission Form 1002A, approved by the Oklahoma Corporation Commission, identifying the volume and percentage of recycled water used in completion.
- (d) **Tax Commission may require additional information.** For audit purposes, the Tax Commission may require additional information, such as copies of the operator's federal income tax return, joint interest billings, or other documentation regarding lease production or expenses.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

710:45-9-123. Refund procedure

- (a) **Issuance of refund.** Upon certification by the Tax Commission, a refund of the gross production taxes paid in the previous fiscal year for production completed using recycled water shall be issued to the well operator or a designee after the eighteen (18) month refund claim period has concluded.
- (b) **Limitation of refund.** Beginning with fiscal year 2023, and each subsequent year, the Tax Commission is authorized to issue up to Ten Million Dollars (\$10,000,000) in refunds for each eligible fiscal year. If the total number of claims for any fiscal year exceed the refund cap, all approved refunds will be issued at the refund payout rate.
- (c) **Refund payout rate.** The formula to be used for the percentage adjustment shall be Ten Million Dollars (\$10,000,000) divided by the amount of approved refund claims. For example, if the total amount of refund claims for calendar year 2022 was Twenty Million Dollars (\$20,000,000), the amount of each refund would be reduced by 50%.
- (d) **Assignment of a designee.** If the refund is to be issued to a party other than the recognized operator, a notarized affidavit signed by the operator must be submitted to the Tax Commission authorizing the designee to receive the refund.

[Source: Added at 40 Ok Reg 1260, eff 8-11-23]

SUBCHAPTER 11. TRANSPORTERS

710:45-11-1. Definitions

In addition to terms defined in 710:45-1-2, the following words and terms, when used in this Subchapter, shall have the following meaning, unless the context clearly indicates otherwise:

"**Load Ticket**" means a document or bill of lading describing the source, contents and

destination of any load of petroleum tank bottoms, BS&W or other liquid hydrocarbon, salt water or any combination of these products. A valid load ticket must contain the following information:

- (A) the name and address of the company owning or leasing the transporting vehicle,
- (B) the Gross Production Vehicle Permit number of the vehicle,
- (C) the date of transport,
- (D) the name of the company or person owning the lease or storage facility from which the product is being removed, or if different, the name of the company or person owning the product before its removal,
- (E) the OTC assigned production unit number of the lease or a precise description of the location of non-lease storage from which the product is removed,
- (F) a description of the product being transported,
- (G) the approximate number of barrels being transported,
- (H) the name and address of the person or firm who will receive or store the load and
- (I) the driver's signature.

"Petroleum transporter" means any person or firm owning, leasing or otherwise controlling any vehicle or conveyance, other than railroad tank cars or pipelines, used in the transportation of measurable amounts of any product subject to Gross Production Tax. One percent (1%) or more by volume shall be a measurable amount.

"Tank bottoms" means the mixture of oil and BS&W (basic sediment and water) that collects or settles in the bottom portion of lease or other oil storage tanks. Tank bottoms may be called BS&W. Salt water from salt water storage tanks shall not be shown on load tickets as tank bottoms or BS&W unless it contains one percent (1%) or more oil content by volume. [See: 68 O.S. § 1013]

710:45-11-2. Transporter license and permits

The Audit Services Division of the Oklahoma Tax Commission is authorized to issue and renew non-transferrable licenses and vehicle permits, upon license and permit forms approved by the Commission, to transporters, other than railroad or pipeline transporters, of any product subject to the Oklahoma gross production tax, upon receipt of the following:

- (1) A properly completed Application for Transporters License, OTC Form 309-A;
- (2) Completed and duly executed gross production tax bond in the amount of One Thousand Dollars (\$1,000.00), which has been approved by the Commission; and
- (3) Payment of a fee in the amount of One Hundred Fifty Dollars (\$150.00) for each license issued, renewed or reinstated for the first vehicle permit, and Five Dollars (\$5.00) for each additional vehicle permit. [See: 68 O.S. § 1013]

[Source: Amended at 12 Ok Reg 2627, eff 6-26-95; Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 32 Ok Reg 1344, eff 8-27-15]

710:45-11-3. Operation without license and permit prohibited

No person or firm shall engage in transportation of any product subject to Gross Production Tax prior to securing from the Tax Commission a License to Transport Petroleum Liquid Hydrocarbons and a Gross Production Vehicle Permit for each truck or other conveyance used in the transportation of such products.

710:45-11-4. Expiration and renewal

Licenses to Transport Petroleum Liquid Hydrocarbons shall be issued for periods of three (3) years and shall become invalid unless renewed on or before the anniversary of their issuance. Gross Production Vehicle Permits shall expire on the same date as the licenses under which they are issued. No license or permit issued hereunder may be leased, sold or otherwise transferred to any other person or firm.

[Source: Amended at 12 Ok Reg 2627, eff 6-26-95]

710:45-11-5. Security required

The security required by law to be posted by petroleum transporters shall run to the State of Oklahoma and shall be for the purpose of guaranteeing payment of all taxes and penalties and interest thereon, any amount due under 68 O.S. §1003, and any penalties imposed by the Commission under 68 O.S. §1010, for failure or refusal to file any report required by statute or regulation, or for late filing thereof or for failure or refusal to provide any information demanded by the Commission. [See: 68 O.S. §1013]

710:45-11-6. Display of license and permit; strict compliance; employer liability

(a) The petroleum transporter license issued pursuant to this Subchapter shall be posted in the office of the licensee's place of business and the vehicle permits shall be displayed in the cabs of the vehicles for which they are issued. The licensee shall maintain in the office of the licensee's place of business a file of the vehicle permit duplicates. Licensees shall promptly notify the Audit Services Division of the sale or discontinuance of the use of any vehicle and surrender the permit therefor. They shall apply for a gross production vehicle permit for any additional vehicle before it is placed into use. Permits may not be exchanged from one vehicle to another. Licensees shall have painted or affixed by decalomania process, in four-inch letters and numbers on the door of each vehicle, their company name and the gross production vehicle permit number, which shall be preceded by the initials "O.T.C."

(b) Every person or firm required to be licensed hereunder shall be responsible for seeing that the driver of any vehicle or conveyance owned or leased by the licensee and used in the transportation of any substance covered herein has read this regulation and complies with its requirements. The licensees of such vehicles shall be strictly accountable for the actions of their employees.

[Source: Amended at 13 Ok Reg 3095, eff 7-11-96]

710:45-11-7. Load ticket or invoice required

(a) No petroleum transporter licensee or employee thereof shall enter upon any oil or gas lease or other place where products covered by the provisions of this Subchapter are stored, remove any product or substance from any oil or gas lease or other place of storage, without the express consent of the lease operator or owner or an agent or employee of that operator or owner.

(b) Petroleum transporters shall not remove from any oil or gas lease or other place of storage within this state any product covered by 68 O.S. §1013 unless prior to removal, such transporter shall prepare, in triplicate, an invoice or load ticket covering the product

removed and leave a copy of that load ticket or invoice at the place from which it is removed. It shall be the duty of every lease operator to provide a receptacle on each lease to receive such load tickets or invoices.

(c) The driver of the truck or other conveyance used to remove any substance covered herein from any lease or other place of storage shall keep a copy of the load ticket in his possession at all times while the load is in transit and upon delivery of the load shall furnish a copy to the person or firm buying or receiving the load. After delivery, he shall give his copy to the person or firm licensed to operate the transporting vehicle.

(d) Every person or firm required to receive a copy of the load ticket or invoice shall keep such copies for not less than three years after the date of transportation.

710:45-11-8. Required transporter reports

Every person or firm who transports any oil, gas or other liquid hydrocarbon or any deleterious substance as defined by 52 O.S. §139 shall maintain a log on OTC Form 323A of all loads transported and shall keep such log for a period of three years from the date of transportation. Each person or firm required to be licensed hereunder shall complete OTC Form 323A listing each load of products regulated by 68 O.S. §1013 transported during the preceding month. Such report shall be submitted to the Tax Commission upon request of the Tax Commission.

[Source: Amended at 34 Ok Reg 2060, eff 9-11-17]

SUBCHAPTER 13. REFINERS AND PROCESSORS

710:45-13-1. Refiner or processor license

(a) The Director of the Audit Services Division of the Oklahoma Tax Commission, or a designee, is authorized to issue non-transferrable licenses, upon the license form approved by the Tax Commission, to refiners, or other processors of any product subject to the Oklahoma gross production tax, upon receipt of the following:

- (1) Completed and duly executed Request for Assignment of Production Unit Number, OTC Form 340, from the applicant; and,
- (2) Completed and duly executed Application for Refiner's License to Process Petroleum Oil or Casinghead Gas, OTC Form 309-C from the applicant; and,
- (3) Completed and duly executed gross production tax bond from the applicant, which has been approved by the Tax Commission.

(b) Any refiner-applicant, who has established that it has tangible assets in this state of sufficient value to protect the state against loss of gross production, petroleum excise or conservation excise taxes, may obtain a refiner's license without bond. [See: 68 O.S. §1015]

[Source: Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 40 Ok Reg 1260, eff 8-11-23]

SUBCHAPTER 15. RECLAIMERS AND RECLAIMING OPERATIONS

710:45-15-1. Additional definitions

In addition to terms defined in 710:45-1-2 and 710:45-11-1, the following words and

terms, when used in this Subchapter, shall have the following meaning, unless the context clearly indicates otherwise:

"Load ticket" means a document or bill of lading describing the source, contents and destination of any load of petroleum, tank bottoms, BS&W or other liquid hydrocarbons or salt water or any combination of these products. A load ticket shall not be considered valid unless it contains every item required by the definition set out in 710:45-11-1.

"Petroleum transporter" means any person or firm owning, leasing or otherwise controlling the operation of any vehicle or conveyance, other than railroad cars or pipelines, used in the transportation of measurable amounts (1% or more by volume) of any product subject to the gross production tax.

"Reclaimed oil" means any petroleum, crude oil, mineral oil or other liquid hydrocarbons recovered from tank bottoms, pits, salt water or other source where such oil is not reported to the Tax Commission by either its producer or purchaser of record, as shown by an Oklahoma Tax Commission Form 340 on file with the Tax Commission, as part of the production of the lease from whence it was produced. Oil or other liquid hydrocarbons blended with reclaimed oil before, during or after the reclaiming process shall be considered reclaimed oil.

"Reclaimer" means any person or firm who buys, salvages, reclaims or processes oil from the waste products associated with the production of oil or gas, including but not limited to salt water and the residue from oil storage tanks; any person operating a reclaiming plant, pit or disposal facility where oil or other liquid hydrocarbons are salvaged or recovered.

"Reclaiming Plant" means any facility used for the recovery or salvage of oil or other liquid hydrocarbons from oilfield wastes or contaminated stocks by heating, flotation, chemical treatment, or mechanical or other means except lease operations. It shall include any pit or water disposal system where oil is recovered except where such oil is reported to the Tax Commission, and gross production taxes paid thereon, as production from the lease or leases from whence it was actually produced. No pit or disposal well open to the public shall be exempt from the licensing requirements contained herein.

"Tank bottoms" means the mixture of oil and BS&W (basic sediment and water) that collects or settles in the bottom portion of lease and other oil storage tanks. Tank bottoms may be called BS&W. Salt water from salt water storage tanks shall not be shown on load tickets as tank bottoms or BS&W unless it contains one percent (1%) or more oil content by volume.

710:45-15-2. Reclaimer licenses

The Audit Services Division of the Oklahoma Tax Commission is authorized to issue and renew non-transferrable licenses, upon license forms approved by the Commission, to reclaimers of products subject to the Oklahoma gross production tax, upon receipt of the following:

- (1) A properly completed Application for Reclaimers License, OTC Form 309-B.
- (2) A surety bond or other security approved by the Tax Commission, as guaranty for payment of all taxes, penalties and interest. Security shall be in the amount of Ten Thousand Dollars (\$10,000.00) or three months tax liability, whichever is greater, for each license issued, except when issued for a salt water disposal well. Security for

each license issued for a salt water disposal well shall be in the amount of Two Thousand Five Hundred Dollars (\$2,500.00) or three months tax liability, whichever is greater. A person or firm having five or more licenses shall be required to post security in the total amount of Fifty Thousand Dollars (\$50,000.00) or three months tax liability, whichever is greater; except that for persons or firms having five or more licenses for salt water disposal facilities, the security requirement shall be a total of Ten Thousand Dollars (\$10,000.00) or three months tax liability, whichever is greater.

(3) A One Hundred Fifty Dollar (\$150.00) three-year license fee for each new, renewed, or reinstated license. [See: 68 O.S. §1015.1]

[Source: Amended at 12 Ok Reg 2627, eff 6-26-95; Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 32 Ok Reg 1344, eff 8-27-15]

710:45-15-3. License required for each location

(a) A separate reclaimers license shall be required for each plant location or salt water disposal facility operated. Licenses shall be valid for use only by the person or firm to whom issued and at the location specified by legal description on the license.

(b) Security posted shall be required to guarantee payment, to the limit of the amount posted, of the taxpayer's liability under all operations for which he is responsible for Gross Production Taxes and the other liabilities.

710:45-15-4. License limited; strict source compliance; recordkeeping

(a) No person or firm, by reason of being licensed as a reclaimer, shall be authorized to engage in the purchase of oil or other liquid hydrocarbons other than tank bottoms from any oil or gas lease in this state. Any reclaimer purchasing or picking up tank bottoms from any lease shall be required to receive and keep for the inspection by the Tax Commission a copy of the pipeline purchaser's turndown ticket for such load or a signed, dated statement by the lease operator that such load consisted of tank bottoms, as determined by a grind-out test, of less than pipeline quality. Such statement shall show the date of the transportation of the load, the volume, BS&W content and the name and address of the person or firm to whom the load was given or sold.

(b) No person or firm, by reason of being licensed as a reclaimer, shall purchase or take into his possession, any petroleum or other crude oil, mineral oil or other liquid hydrocarbon except from the following sources:

- (1) a lease as described in (a) of this Section,
- (2) a petroleum transporter licensed by the Oklahoma Tax Commission,
- (3) another licensed reclaimer,
- (4) a purchaser of oil or gas who has been approved and assigned a purchaser reporting number by the Oklahoma Tax Commission, or
- (5) an out-of-state shipper.

(c) Every load of such products purchased or taken into the possession or storage of any reclaimer must be entered into his inventory on OTC Form 323A and must be supported by a load ticket or invoice, furnished by the selling or transferring party, that complies with the load ticket requirements set out in 710:45-11-7. Any product found to have been in the possession of any reclaimer that cannot be documented by a valid load ticket as coming from a source authorized herein shall be considered to have come from an unknown

source as described in 68 O.S. 1003, and shall be subject to payment to the Commission of the royalty interest as provided by that Section. The operators of salt water disposal facilities shall be required to pay to the Tax Commission the royalty interest of 12 ½ %, as provided by 68 O.S. 1003, on the amount of oil recovered in excess of two percent (2%) of the volume of water handled. Such reclaimers shall receive and maintain load tickets showing the individual loads by volume and lease from which received.

[Source: Amended at 13 Ok Reg 3095, eff 7-11-96; Amended at 19 Ok Reg 2432, eff 6-27-02]

710:45-15-5. Computation of gross production tax by reclaimers

The Gross Production and Petroleum Excise Taxes shall be computed on the value of the first actual cash sale of reclaimed oil. The gross value of tank bottoms purchased by a reclaimer shall be the price paid the seller before deduction of Gross Production and Petroleum Excise Taxes. The net amount received by the seller shall be considered to have had taxes deducted. The gross value of oil received by a reclaimer for services rendered or oil recovered at a disposal pit or well shall be the amount received by the reclaimer from its sale. Before computing Gross Production and Petroleum Excise Taxes on such oil, the reclaimer may deduct his actual treating cost from the sale price. Cost allowed to be deducted shall be limited to the cost of chemicals and boiler fuel used in treating the oil and the labor used in the actual treating. There shall be no cost deduction allowed for oil upon which no tax is paid or upon which the gross value is the purchase price paid by the reclaimer. [See: 68 O.S. §1015.1]

710:45-15-6. Reports and payment; due dates for reclaimers

The operators of reclaiming plants, including disposal facilities, shall be required to remit the gross production and petroleum excise taxes on all oil coming into their possession except where such taxes have previously been paid or when it can be shown that such oil was not subject to tax for reason of being exempt by law or having been produced in another state. Taxes shall be due on oil purchased by a reclaimer on the first day of the month following the month of purchase. Taxes shall be due on oil recovered from water at a disposal facility the first day of the month following the month it was sold by the reclaimer who recovered it. The tax shall become delinquent if not received by the Tax Commission on or before the twenty-fifth (25th) day of the second month in which it became due. Reclaimer's Monthly Gross Production Tax Report (OTC Form 341) and Reclaimer's and Transporters Monthly Tax Report of Oil Transported, Stored and Sold (OTC Form 323-A) are due on the same date as the tax and shall be delinquent if not received by the twenty-fifth (25th) day of the second month following the month in which it becomes due.

[Source: Amended at 22 Ok Reg 1532, eff 6-11-05; Amended at 40 Ok Reg 1260, eff 8-11-23]

710:45-15-7. Penalties for reclaimers

Penalties shall apply to all late filing or non-filing of reports required of reclaimers and any failure or refusal to supply any information relative to their operation demanded by the Commission. Any violation of the Gross Production Tax Code may also subject the reclaimer to prosecution and penalty. The Commission may cancel or refuse to renew or

reinstate any license of any reclaimer found to be in violation of any tax law of the State of Oklahoma or of any rule of the Oklahoma Tax Commission. [**See:** 68 O.S. §§1010(d), 1017]

APPENDIX A. MARKETING COSTS

Item	Allowable	Disallowed	Comments
WELLHEAD AND DOWNHOLE EQUIPMENT/OPERATIONS			These items all relate to either the drilling of the well or well servicing activities. None are deductible as marketing costs.
Acidizing		X	
Casing		X	
Cementing		X	
Drill Pipe		X	
Fishing/fishing tools		X	
Fracturing		X	
Hot oiling/hot oil treatment		X	
Injecting baroid		X	
Logging		X	
Packers/setting packers		X	
Paraffin removal		X	
Perforating		X	
Swabbing		X	
Tubing		X	
Well Service		X	
Wire line service		X	

Item	Allowable	Disallowed	Comments
PRODUCTION EQUIPMENT/OPERATIONS			These items are all involved with the production of oil and gas, not marketing the gas. Therefore, none are allowable as marketing costs.
Christmas tree		X	
Compressors: wellhead/suction/vacuum		X	This type of compressor sits on top of the well bore and is used to suction out the oil and gas.

Corrosion inhibiting chemicals	*	X	Most of these chemicals are used downhole and are not allowable. If the chemical is used in pipelines that are part of the marketing function, that portion may be allowed.*
Downhole separation		X	
Electricity to run pumping unit		X	
Lease use gas to run pumping unit		X	
Pumping unit		X	
Replacement valves/parts for Christmas tree		X	
Rods/ pulling rods		X	
Submersible pumps		X	
Tanks		X	
Tank and Vessel cleaning		X	

Item	Allowable	Disallowed	Comments
LEASE EQUIPMENT AFTER THE WELLHEAD			
Air compressors used to start lease equipment		X	Not allowable unless used to start equipment that otherwise qualifies as marketing equipment.
Break out of heater and removal; set new heater and start hook-up.		X	Not allowable unless this refers to a qualifying line heater.
Cathodic protection	X		Allowable if used on pipeline that qualifies as a marketing deduction.
Chrome/stainless steel piping for handling gas with high H2S content.	X*		*Depends on if the piping qualifies as allowable, based on location of the piping and its function. The "chrome/stainless steel" element is irrelevant.

Clean contacts on coffering	X		See "coffering for compressor"
Coffing for compressor building	X		Coffing is used like a crane to lift and move the compressor.
Compressor installation charges	X		If compressor is owned, may be included in depreciable base.
Compressors/parts and service for compressors - gas lift systems		X	
Compressors/parts and service for compressors - to return gas to leases		X	
Compressors/parts and service for compressors - to get gas up to required sales pressure. Compressors owned rather than rented.	X		If compressors perform a dual purpose, the costs can be allocated between allowable and not allowable marketing costs. Must be depreciated over useful life, and return on investment may be calculated.
Compressors - rented sales compressors	X		Deducted as a monthly expense.
Compressors- at central facility (compressor stations)	X		Same as above for all compressors.
Compressors- transmission line		X	Not allowable unless it occurs before the sale has been made.
Compression charge on settlement statement	X*		*Allowable if not already deducted from the reported price.
Compressor fuel for gas lift compressors		X	
Concrete slab for compressor	X		If compressor is owned, cost of slab may be included in depreciable base.
Concrete pad around compressor to collect oil and drainage, to reduce environmental clean-up in the future.		X	

Cost reimbursement from gas purchaser for compression		X	Should be included in gross taxable value, and actual marketing costs deducted
Dehydrators	X		Takes the water content out of the gas stream.
Demulsification chemicals		X	Used to break down oil emulsions, usually in a heater treater.
Fence around compressor		X	
Filters	X*		*Allowable if used on a piece of equipment that qualifies as a marketing cost deduction.
Fin Fans	X		Used to cool the gas after it has been compressed.
Flow lines from separator to purchaser's transmission line	X		
Glycol for use in dehydrators	X		See "dehydrators"
Heater treater		X	Used to treat oil, not gas.
Hydrogen sulfide monitoring		X	
Insurance on compressor		X	
LACT Units		X	These measure crude oil being sold.
Lease separators		X	
Line heaters	X*		*Allowable if the heater is located after the separator. Not allowable if heater is located before the first separator.
Methanol for gas line	X		Used in preventing freeze-ups.
Oil/condensate storage tanks		X	
Painting dehydrator and sales compressor building	X		
Painting separators		X	
Paint storage tanks to prevent rusting		X	
Pig socks used around oil storage tanks & compressor		X	Used to clean oil spills.
Pigs and pigging equipment	X		Allowable if used on line that qualifies as a marketing deduction.

Pipeline between wellhead and separator		X	
Pipeline between wellhead and central separation facility		X	
Pipeline between wellhead and sales line if there is no lease separation and no separation prior to sale.	*	*	*Allocate costs of this line between gas and condensate. Marketing costs are allowable on portion of line allocated to gas, and not allowable on the portion allocated to condensate.
Pipeline between wellhead and plant if there is no lease separation and gas is going full well stream to the plant for processing	*	*	*Allocate costs of this line between gas and condensate. Marketing costs are allowable on portion of line allocated to gas, and not allowable on the portion allocated to condensate.
Pipeline after first separator	X		Between separator and sales line.
Purchase and installation of compressor to increase capacity due to tight sands drilling program		X	A vacuum type compressor being used to increase production.
Removal of contaminated soil, back-fill new dirt		X	
Repair handrails on vessels at tank battery		X	
Repair water leg on heater treater		X	
Security alarm on compressor		X	Not necessary and essential.
Separators at central facility		X	
Shed/cover over sales compressor	X		
Skid mounting of sales compressor	X		Skid mounting of gas lift compressor not allowable.
Stack packs/ production units		X	Basically separators that contain a heat source. There may also be lease use gas consumed on these.

Sweetening chemicals	X		Used to remove hydrogen sulfide from gas.
Vapor recovery units		X	Recovering additional vapors is a production function, not marketing.

Item	Allowable	Disallowed	Comments
OTHER LEASE RELATED ITEMS			
Ad valorem taxes	X*		*Allowable on value of marketing equipment only. If there is no breakdown between marketing equipment vs other equipment, taxes are not allowable.
Building or trailer rental		X	
Cattle guards around lease equipment or on lease roads		X	
Clean out dumpsters, trash barrels at lease facility		X	
Cleaning agents	X*		*Deductibility depends on purpose for which they are being used. Costs are allowable if used on allowable marketing equipment.
Construction/installation of lease road		X	
Cost to acquire pipeline right of way		X	
Fence around lease facility		X	
Fire ant treatment around lease, including compressor		X	
Fire extinguishers		X	
Heat sensing devices on leases		X	

Hydrostatic testing	X*		*Usually refers to testing pressure and amount of water in pipelines. Deductibility depends on which pipelines are being tested. Testing after separation is allowable.
Miscellaneous parts, valves, fittings, plugs, duct tape, lubricants, tools, etc.	X*		*Deductibility depends on purpose for which they are being used. Costs are allowable if used on allowable marketing equipment.
Motor freight & hauling	X*		*Deductibility depends on purpose of freight and hauling. Costs are allowable if for allowable marketing equipment.
Mowing, weeding around lease equipment		X	
Mowing, weeding pipeline right of way		X	
Repairing fire wall		X	
Repair and maintenance on lease roads		X	
Salt water disposal expenses, including wells or hauling		X	

Item	Allowable	Disallowed	Comments
LABOR EXPENSES			
Cellular phone in pumper's truck, radios, CBs, etc.	X*		*Include in overhead. Allow at 10% rate.

Company labor expenses if there is contract labor on the same lease		X	Company labor should not be allowed when the company has hired contractors to work on the marketing equipment. The contract labor expenses can be claimed on marketing equipment. If the contractors work only on specific equipment, i.e., the compressor, then an appropriate percentage of company labor can be allowed for time spent working on other marketing equipment.
Contract labor	X*		See "Company labor expenses"
Cost to operate district office building, warehouses, shops, garages, etc.		X	
Cost of secretary in district office		X	Does not work on equipment which is physically handling gas.
Field supervisor cost	X*		*Include in overhead and allow at 10% rate.
Gauger salaries	X		Gaugers normally refer to employees who measure volumes in storage tanks. If this is the case, the gauger's salary would not be deductible. However, the use of this term differs from company to company. Some gaugers are actually doing the work of a pumper. The determining factor as it relates to marketing costs is exactly what the job duties entail.
Hand tools used by pumper/gauger		X	

Meals/food expenses for pumper/gauger	X*		*Include in overhead and allow at 10% rate.
Meals/food expenses for other district office personnel		X	
Pumper/gauger benefit costs	X*		*Allow the same percentage as for pumper's salary and benefits.
Pumper salaries/benefits	X*		*The percentage of salary attributable to pumper's time spent working on marketing equipment is allowable. The percentage of salary attributable to other duties, i.e. production, is not allowable.
			A standard percentage is often used, i.e., 50% of the salary charged to gas wells and 25% charged to oil wells. Each situation should be evaluated independently to determine appropriate percentages.
			If the only meter on the lease is an allowable marketing meter, and no other marketing equipment, only 10% of the salary is deductible.
Safety clothing/equipment		X	Required by OSHA or EPA
Thawing gas lines	X*		*Allowable if the lines being thawed are after initial separation.
Transportation expenses for pumpers/gaugers (trucks)	X*		*Include in overhead and allow at the 10% rate.

Item	Allowable	Disallowed	Comments
METERS			
Gas analysis expenses	X		To make sure contract requirements are met.
Meters - sales	X		Meter on which payment is based. If sales meter is owned by producer, the cost of the meter (depreciation plus monthly maintenance expense) is deductible.
Meter- allocation meter	X		Allowable if more than one well or lease is paid from a single purchaser meter. If the sales meter is owned by the purchaser, the producer is allowed to take the cost of lease allocation meters (since we require lease level reporting).
Meters- check		X	Used to verify sales volumes; usually located next to the purchaser's sales meter.
Meter to measure lease use gas		X	
Meter calibration services	X*		*For sales or allocation meters only.
Pens for meters: graphic red pen, graphic green pen, black static pen	X		Allowable if used in an allowable meter only.

Item	Allowable	Disallowed	Comments
ELECTRICITY			

Central separation/compression facility	X*		*Partially allowable. Allocate electricity costs based on how much is used in each function of the facility.
District office building		X	
Electronic gate		X	
Gas lift compressor		X	
Gas sales compressor	X		
Generators	X*		*Depends upon use. If used for allowable equipment, it is allowable.
Lease security light		X	
Maintenance shop		X	
Oil pumps		X	
Pumping unit		X	
Storage building		X	