

110TH CONGRESS
2D SESSION

S. 3395

To provide for marginal well production preservation and enhancement.

IN THE SENATE OF THE UNITED STATES

JULY 31, 2008

Mr. INHOFE introduced the following bill; which was read twice and referred
to the Committee on Finance

A BILL

To provide for marginal well production preservation and
enhancement.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Marginal Well Produc-
5 tion Preservation and Enhancement Act”.

6 **SEC. 2. TAX TREATMENT FOR PROLONGED MARGINAL PRO-**
7 **DUCTION.**

8 (a) INCREASE IN PERCENTAGE DEPLETION FOR OIL
9 AND NATURAL GAS PRODUCED FROM MARGINAL PROP-
10 erties.—

1 (1) IN GENERAL.—Paragraph (6) of section
2 613A(c) of the Internal Revenue Code of 1986 (re-
3 lating to oil and natural gas produced from marginal
4 properties), as amended by this Act, is amended to
5 read as follows:

6 “(6) OIL AND NATURAL GAS PRODUCED FROM
7 MARGINAL PROPERTIES.—

8 “(A) IN GENERAL.—Except as provided in
9 subsection (d)—

10 “(i) the allowance for depletion under
11 section 611 shall be computed in accord-
12 ance with section 613 with respect to the
13 taxpayer’s marginal production of domestic
14 crude oil and domestic natural gas, and

15 “(ii) 27.5 percent shall be deemed to
16 be specified in subsection (b) of section
17 613 for purposes of subsection (a) of that
18 section.

19 “(B) COORDINATION WITH OTHER PRO-
20 DUCTION OF DOMESTIC OIL AND NATURAL
21 GAS.—For purposes of this subsection—

22 “(i) no allowance for depletion shall
23 be allowed by reason of paragraph (1) with
24 respect to the taxpayer’s marginal produc-

1 tion of domestic crude oil and domestic
2 natural gas, and

3 “(ii) such production shall not be
4 taken into account—

5 “(I) in determining under para-
6 graph (1) how much of the taxpayer’s
7 depletable oil quantity or depletable
8 natural gas quantity has been used, or

9 “(II) for purposes of applying
10 subparagraph (A), (B), or (C) of
11 paragraph (7).

12 “(C) MARGINAL PRODUCTION.—The term
13 ‘marginal production’ means domestic crude oil
14 or domestic natural gas which is produced dur-
15 ing any taxable year from a property which—

16 “(i) is a stripper well property for the
17 calendar year in which the taxable year be-
18 gins, or

19 “(ii) is a property substantially all of
20 the production of which during such cal-
21 endar year is heavy oil.

22 “(D) STRIPPER WELL PROPERTY.—For
23 purposes of this paragraph, the term ‘stripper
24 well property’ means, with respect to any cal-

1 endar year, any property with respect to which
2 the amount determined by dividing—

3 “(i) the average daily production of
4 domestic crude oil and domestic natural
5 gas from producing wells on such property
6 for such calendar year, by

7 “(ii) the number of such wells,
8 is 15 barrel equivalents or less.

9 “(E) HEAVY OIL.—For purposes of this
10 paragraph, the term ‘heavy oil’ means domestic
11 crude oil produced from any property if such
12 crude oil had a weighted average gravity of 20
13 degrees API or less (corrected to 60 degrees
14 Fahrenheit).

15 “(F) NONAPPLICATION OF TAXABLE IN-
16 COME LIMIT WITH RESPECT TO MARGINAL PRO-
17 DUCTION.—The second sentence of subsection
18 (a) of section 613 shall not apply to so much
19 of the allowance for depletion as is determined
20 under subparagraph (A).”.

21 (2) CONFORMING AMENDMENTS.—

22 (A) Section 613A(c)(3) of the Internal
23 Revenue Code of 1986 (defining depletable oil
24 quantity) is amended to read as follows:

1 “(A) DEFINITION OF WASTEWATER
2 TREATMENT FACILITY.—In this paragraph, the
3 term ‘wastewater treatment facility’ includes
4 produced water from an oil production facility.

5 “(B) REGULATIONS.—Consistent with the
6 National Contingency Plan required under sub-
7 section (d), as soon as practicable after the ef-
8 fective date of this section, and from time to
9 time thereafter, the President shall promulgate
10 regulations consistent with maritime safety and
11 marine and navigation laws—

12 “(i) establishing methods and proce-
13 dures for removal of discharged oil and
14 hazardous substances;

15 “(ii) establishing criteria for the de-
16 velopment and implementation of local and
17 regional oil and hazardous substance re-
18 moval contingency plans;

19 “(iii) establishing procedures, meth-
20 ods, and requirements and other require-
21 ments for equipment to prevent discharges
22 of oil and hazardous substances from ves-
23 sels and from onshore facilities and off-
24 shore facilities (other than wastewater

1 treatment facilities), and to contain those
2 discharges; and

3 “(iv) governing the inspection of ves-
4 sels carrying cargoes of oil and hazardous
5 substances and the inspection of those car-
6 goes in order to reduce the likelihood of
7 discharges of oil from vessels in violation
8 of this section.

9 “(C) SMALL FACILITIES.—In carrying out
10 clause (iii) of subparagraph (B), not later than
11 1 year after the date of enactment of that
12 clause, the Administrator shall establish proce-
13 dures, methods, and equipment requirements
14 and other requirements for, and consider the
15 cost-effectiveness of those requirements on,
16 small facilities (including agricultural and oil
17 production facilities) to prevent discharges from
18 facilities and offshore facilities, and to contain
19 those discharges, by developing regulations
20 based on storage volume and capacity that, with
21 respect to those small facilities—

22 “(i) apply to any facility the total oil
23 storage capacity of which is at least 1,320
24 gallons but less than 50,000 gallons, and

1 at which no single tank exceeds a nominal
2 capacity of 21,000 gallons; and

3 “(ii) establish minimal requirements
4 and plans by eliminating engineer certifi-
5 cation, flow lines, loading and unloading
6 areas, integrity testing, and other require-
7 ments, as determined by the Adminis-
8 trator, that do not take into consideration
9 and meet cost-effectiveness standards.”.

10 **SEC. 5. RECOVERY PERIOD FOR DEPRECIATION OF PROP-**
11 **ERTY USED TO INJECT QUALIFIED TERTIARY**
12 **INJECTANTS.**

13 (a) IN GENERAL.—Section 168(e)((3)(A) of the In-
14 ternal Revenue Code of 1986 (defining 3-year property)
15 is amended by striking “and” at the end of clause (ii),
16 by striking the period at the end of clause (iii) and insert-
17 ing “, and”, and by adding at the end the following new
18 clause:

19 “(iv) any qualified tertiary injectant
20 property.”.

21 (b) QUALIFIED TERTIARY INJECTANT PROPERTY.—
22 Section 168(e) of the Internal Revenue Code of 1986 (re-
23 lating to classification of property) is amended by adding
24 at the end the following new paragraph:

1 “(8) QUALIFIED TERTIARY INJECTANT PROP-
2 ERTY.—The term ‘qualified tertiary injectant prop-
3 erty’ means—

4 “(A) any property—

5 “(i) the principal use of which is to
6 inject any tertiary injectant as a part of a
7 tertiary recovery method (as defined in sec-
8 tion 193(b)(3)), or

9 “(ii) which is a pipeline used to carry
10 any tertiary injectant in connection with
11 such tertiary recovery method, and

12 “(B) which has a class life of more than 4
13 years.”.

14 (c) ALTERNATIVE SYSTEM.—The table contained in
15 section 168(g)(3)(B) of the Internal Revenue Code of
16 1986 is amended by inserting after the item relating to
17 subparagraph (A)(iii) the following new item:

 “(A)(iv) 7”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to property placed in service after
20 the date of the enactment of this Act, in taxable years
21 ending after such date.

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