

CHAPTER 67

**TAXATION**

**HOUSE BILL 93-1039**

BY REPRESENTATIVES May, Chlouber, Martin, Prinster, Schauer, and Shoemaker;  
also SENATORS Wattenberg and Blickensderfer.

**AN ACT**

**CONCERNING PROPERTY TAX LIABILITY ON FRACTIONAL INTERESTS IN WELLS OR FIELDS OPERATED AS UNITS FOR THE PRODUCTION OF OIL, GAS, OR OTHER HYDROCARBONS.**

*Be it enacted by the General Assembly of the State of Colorado:*

**SECTION 1.** 39-7-101 (1) (d), Colorado Revised Statutes, 1982 Repl. Vol., is amended, and the said 39-7-101 (1) is further amended BY THE ADDITION OF A NEW PARAGRAPH, to read:

**39-7-101. Statement of owner or operator.** (1) Every operator of, or if there is no operator every person owning, any oil or gas leasehold or lands within this state, either as a single lease or as a unit, which leaseholds or lands are producing or are capable of producing oil or gas on the assessment date of any year, shall, no later than the fifteenth day of April of each year, prepare, sign under the penalty of perjury in the second degree, and file with the assessor of the county wherein such oil and gas leaseholds or lands are located a statement for such lease or unit showing:

(d) (I) The selling price at the wellhead of all oil or gas sold or transported from the premises during the calendar year immediately preceding, after separately reporting the selling price at the wellhead of all oil or gas delivered to the United States government or any agency thereof, the state of Colorado or any agency thereof, or any political subdivision of the state as royalty during the calendar year immediately preceding.

(II) ANY NONOPERATING INTEREST OWNER IN AN OIL OR GAS WELL MAY, ON OR BEFORE THE FIFTEENTH DAY OF MARCH EACH YEAR, SUBMIT TO THE OPERATOR BY CERTIFIED MAIL A REPORT OF THE ACTUAL NET TAXABLE REVENUES RECEIVED AT THE WELLHEAD AND THE ACTUAL EXEMPT REVENUES RECEIVED AT THE WELLHEAD BY SUCH OWNER FOR PRODUCTION TAKEN IN KIND FROM THE PROPERTY DURING THE

*Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.*

CALENDAR YEAR IMMEDIATELY PRECEDING. OPERATORS SHALL USE THE INFORMATION REPORTED PURSUANT TO THIS SUBPARAGRAPH (II) TO DETERMINE THE SELLING PRICE AT THE WELLHEAD. AS USED IN THIS ARTICLE, "SELLING PRICE AT THE WELLHEAD" MEANS THE NET TAXABLE REVENUES REALIZED BY THE TAXPAYER FOR SALE OF THE OIL OR GAS, WHETHER SUCH SALE OCCURS AT THE WELLHEAD OR AFTER TRANSPORTATION, MANUFACTURING, AND PROCESSING OF THE PRODUCT. THE NET TAXABLE REVENUES SHALL BE EQUAL TO THE GROSS LEASE REVENUES, MINUS DEDUCTIONS FOR TRANSPORTATION, MANUFACTURING, AND PROCESSING COSTS BORNE BY THE TAXPAYER PURSUANT TO GUIDELINES ESTABLISHED BY THE ADMINISTRATOR.

(e) THE NAME, ADDRESS, AND FRACTIONAL INTEREST OF EACH INTEREST OWNER TAKING PRODUCTION IN KIND AND THE PROPORTIONATE SHARE OF TOTAL UNIT REVENUE ATTRIBUTABLE TO EACH INTEREST OWNER WHO IS TAKING PRODUCTION IN KIND.

**SECTION 2.** 39-7-101, Colorado Revised Statutes, 1982 Repl. Vol., is amended BY THE ADDITION OF A NEW SUBSECTION to read:

**39-7-101. Statement of owner or operator.** (2) IF ANY NONOPERATING INTEREST OWNER FAILS TO PROVIDE TO THE UNIT OPERATOR THE INFORMATION REQUIRED UNDER PARAGRAPH (d) OF SUBSECTION (1) OF THIS SECTION BY MARCH 15 OF EACH YEAR, SUCH OPERATOR SHALL USE THE SELLING PRICE AT THE WELLHEAD RECEIVED BY SUCH OPERATOR FOR SUCH OPERATOR'S SHARE OF PRODUCTION FROM SUCH UNIT IN PLACE OF SUCH NONREPORTED INFORMATION, AND THE AMOUNT OF TAX FOR WHICH SUCH NONREPORTING, NONOPERATING INTEREST OWNER IS LIABLE SHALL BE CALCULATED BASED ON THE SELLING PRICE AT THE WELLHEAD REPORTED BY THE OPERATOR.

**SECTION 3.** 39-10-106 (1) and (3.5) (c), Colorado Revised Statutes, 1982 Repl. Vol., as amended, are amended to read:

**39-10-106. Payment of taxes on fractional interests in lands.** (1) Where oil, gas, or other hydrocarbon wells or fields belonging to multiple owners are operated as a unit, the owner of each fractional interest in such units shall be liable for the same proportion of the tax levied against the total unit that his ~~fractional interest therein~~ NET TAXABLE REVENUES RECEIVED THEREFROM bears to the total ~~of interests in~~ NET TAXABLE REVENUES RECEIVED FROM such unit. IN THE EVENT A FRACTIONAL INTEREST OWNER WHO TAKES PRODUCTION IN KIND DOES NOT PROVIDE THE INFORMATION TO THE OPERATOR WHICH IS REQUIRED UNDER SECTION 39-7-101 (1) (d) (II), SUCH FRACTIONAL INTEREST OWNER'S TAX LIABILITY SHALL BE CALCULATED USING THE NET TAXABLE REVENUES REPORTED BY THE OPERATOR.

(3.5) (c) Upon the completion of all production of oil and gas from the unit and after all wells within the unit are plugged and abandoned, all moneys remaining in the account after full payment of all ad valorem taxes due on the unit shall be distributed to the owners of fractional interests in the unit based upon each owner's proportional ~~interest in such unit~~ CONTRIBUTION TO THE MONEYS REMAINING IN THE ACCOUNT. Any interest accruing to the account shall be credited to the account and shall be distributed with such other moneys in the account as specified in this paragraph (c).

**SECTION 4.** 39-10-106 (4) (b), Colorado Revised Statutes, 1982 Repl. Vol., as amended, is amended BY THE ADDITION OF A NEW SUBPARAGRAPH to read:

**39-10-106. Payment of taxes on fractional interests in lands.**  
(4) (b) (IV) UPON AUDIT, THE UNIT OPERATOR SHALL NOT BE LIABLE FOR ANY TAX OR ANY PENALTY INTEREST LEVIED AGAINST ANY AMOUNT OF PRODUCTION TAKEN IN KIND FROM THE PROPERTY FOR WHICH THE FRACTIONAL INTEREST OWNER TAKING PRODUCTION IN KIND PROVIDED INACCURATE INFORMATION REGARDING NET TAXABLE REVENUES TO BE USED FOR TAX REPORTING.

**SECTION 5. Applicability.** This act shall apply to property tax years beginning on or after January 1, 1994.

**SECTION 6. Safety clause.** The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Approved: March 31, 1993