

CHAPTER 27

**TAXATION**

**HOUSE BILL 96-1075**

BY REPRESENTATIVES Moellenberg, Reeser, George, Martin, and Young;  
also SENATORS Rizzuto and Norton.

**AN ACT**

**CONCERNING THE VALUATION OF OIL AND GAS PRODUCTION FOR PURPOSES OF PROPERTY TAXATION.**

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

**SECTION 1.** 39-7-101, Colorado Revised Statutes, 1994 Repl. Vol., is amended 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 IN PERSON OR BY MAIL with the assessor of the county wherein such oil and gas leaseholds or lands are located a statement for such lease or unit, ON A FORM PRESCRIBED BY THE ADMINISTRATOR, showing:

- (a) The location thereof and the name thereof, if there is a name;
- (b) The name, address, and fractional interest of the operator thereof;
- (c) The number of barrels of oil, or the quantity of gas measured in thousands of cubic feet, sold or transported from the premises during the calendar year immediately preceding, after separately reporting the number of barrels of oil, or the quantity of gas measured in thousands of cubic feet, delivered to the United States government or any agency thereof, the state of Colorado or any agency OR POLITICAL SUBDIVISION thereof, or any ~~political subdivision of the state~~ INDIAN TRIBE as royalty

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

during the calendar year immediately preceding;

(d) ~~(H)~~ 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. 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 GATHERING, TRANSPORTATION, MANUFACTURING, AND PROCESSING OF THE PRODUCT. THE NET TAXABLE REVENUES SHALL BE EQUAL TO THE GROSS LEASE REVENUES, MINUS DEDUCTIONS FOR GATHERING, TRANSPORTATION, MANUFACTURING, AND PROCESSING COSTS BORNE BY THE TAXPAYER PURSUANT TO GUIDELINES ESTABLISHED BY THE ADMINISTRATOR.

~~(H)~~ 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 calendar year immediately preceding. Operators shall use the information reported pursuant to this subparagraph ~~(H)~~ 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.

(f) A DECLARATION MADE UNDER THE PENALTY OF PERJURY IN THE SECOND DEGREE THAT INCLUDES THE FOLLOWING:

(I) A STATEMENT THAT THE OWNER OR OPERATOR HAS PERSONALLY EXAMINED THE STATEMENT DESCRIBED IN THIS SECTION AND THAT SUCH STATEMENT SETS FORTH, TO THE BEST OF THE OWNER'S OR OPERATOR'S KNOWLEDGE AND BELIEF, THE INFORMATION REQUIRED BY THIS SECTION; AND

(II) A STATEMENT BY THE OWNER OR OPERATOR AS FOLLOWS:

"NO REPRESENTATIONS ARE MADE AS TO THE ACCURACY OF THE VALUE OF ANY PORTION OF THE PRODUCTION FROM SUBJECT PROPERTY THAT IS TAKEN IN KIND BY ANY OWNER OTHER THAN THE UNDERSIGNED."

(1.5) 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 CALENDAR YEAR IMMEDIATELY PRECEDING. OPERATORS SHALL USE THE INFORMATION REPORTED PURSUANT TO THIS SUBSECTION (1.5) TO DETERMINE THE SELLING PRICE AT THE WELLHEAD. IF ANY NONOPERATING INTEREST OWNER FAILS TO PROVIDE TO THE UNIT OPERATOR THE INFORMATION REQUIRED UNDER THIS SUBSECTION (1.5) 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.

~~(2) (a) 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.~~ IF A STATEMENT OF AN OWNER OR OPERATOR IS NOT RECEIVED OR POSTMARKED ON OR BEFORE BY THE FIFTEENTH DAY OF APRIL OF EACH YEAR, THE ASSESSOR MAY IMPOSE ON SUCH OWNER OR OPERATOR A LATE FILING PENALTY IN THE AMOUNT OF ONE HUNDRED DOLLARS FOR EACH CALENDAR DAY THE STATEMENT IS DELINQUENT; EXCEPT THAT SUCH LATE FILING PENALTY SHALL NOT EXCEED THREE THOUSAND DOLLARS IN ANY CALENDAR YEAR. THE ASSESSOR MAY GRANT AN EXTENSION OF TIME FOR FILING A STATEMENT TO ANY OPERATOR OR OWNER. ANY EXTENSION, AND ITS LENGTH, SHALL BE GRANTED SOLELY AT THE DISCRETION OF THE ASSESSOR.

(b) THIS SUBSECTION (2) IS EFFECTIVE JANUARY 1, 1997.

(3) (a) THE ASSESSOR MAY REQUIRE THE OWNER OR OPERATOR TO SUBMIT WRITTEN DOCUMENTATION SUPPORTING THE INFORMATION PROVIDED IN THE STATEMENT. SUCH DOCUMENTATION SHALL BE SUPPLIED WITHIN FORTY-FIVE DAYS AFTER THE DATE OF THE POSTMARK ON THE ASSESSOR'S WRITTEN REQUEST FOR SUCH DOCUMENTATION. ANY OWNER OR OPERATOR WHO WILLFULLY FAILS OR REFUSES TO COMPLY WITH THE ASSESSOR'S REQUEST FOR WRITTEN DOCUMENTATION MAY BE ASSESSED A FINE OF ONE HUNDRED DOLLARS FOR EACH DAY OF SUCH WILLFUL FAILURE OR REFUSAL. THE TOTAL AMOUNT OF ALL FINES THAT MAY BE ASSESSED BY AN ASSESSOR AGAINST AN OWNER OR OPERATOR IN ANY CALENDAR YEAR SHALL NOT EXCEED THREE THOUSAND DOLLARS, REGARDLESS OF THE NUMBER OF LEASES OR UNITS OWNED OR OPERATED BY SUCH OWNER OR OPERATOR OR THE NUMBER AND LENGTH OF SUCH WILLFUL FAILURES OR REFUSALS BY SUCH OWNER OR OPERATOR.

(b) THIS SUBSECTION (3) IS EFFECTIVE JANUARY 1, 1997.

(4) ALL STATEMENTS AND DOCUMENTATION FILED WITH THE ASSESSOR SHALL BE CONSIDERED PRIVATE DOCUMENTS AND SHALL BE AVAILABLE ON A CONFIDENTIAL BASIS ONLY TO THE ASSESSOR, THE ADMINISTRATOR, THE ANNUAL STUDY CONTRACTOR HIRED PURSUANT TO SECTION 39-1-104, AND THEIR EMPLOYEES. SUCH STATEMENTS AND DOCUMENTATION SHALL BE AVAILABLE ON A CONFIDENTIAL BASIS TO THE BOARD OF ASSESSMENT APPEALS AND THE COUNTY BOARD OF EQUALIZATION

WHEN INFORMATION IN SUCH STATEMENTS AND DOCUMENTATION IS PERTINENT TO AN APPEAL OR PROTEST.

(5) (a) FINES IMPOSED PURSUANT TO THIS SECTION SHALL BE FEES OF THE OFFICE OF THE COUNTY ASSESSOR. ANY UNPAID FINES IMPOSED PURSUANT TO THIS SECTION SHALL BE CERTIFIED TO THE COUNTY TREASURER BY JANUARY 1 OF EACH YEAR AND SHALL BE INCLUDED IN THE DELINQUENT OWNER'S OR OPERATOR'S PROPERTY TAX STATEMENT ISSUED PURSUANT TO SECTION 39-10-103.

(b) THIS SUBSECTION (5) IS EFFECTIVE JANUARY 1, 1997.

**SECTION 2.** 39-1-116, Colorado Revised Statutes, 1994 Repl. Vol., is amended to read:

**39-1-116. Penalty for divulging confidential information.** Except when pursuant to an order of any court of competent jurisdiction or as otherwise provided by law, any person who divulges or makes known in any way the contents of any private document, as specified in ~~section 39-4-103 or in section 39-5-120~~; SECTION 39-4-103, 39-5-120, OR 39-7-101 (4), to any person not authorized to have access to such documents is guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not less than one hundred dollars nor more than five hundred dollars, or by imprisonment in the county jail for not more than three months, or by both such fine and imprisonment.

**SECTION 3. Effective date.** This act shall take effect upon passage; except that section 2 shall take effect January 1, 1997.

**SECTION 4. 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 25, 1996