111TH CONGRESS
1ST SESSION

S. 286

To provide for marginal well production preservation and enhancement.

IN THE SENATE OF THE UNITED STATES

JANUARY 21, 2009

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Marginal Well Production Preservation and Enhancement Act".

SEC. 2. TAX TREATMENT FOR PROLONGED MARGINAL PRODUCTION.

(a) INCREASE IN PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL PROPERTIES.—

(1) IN GENERAL.—Paragraph (6) of section 613A(c) of the Internal Revenue Code of 1986 (relating to oil and natural gas produced from marginal properties) is amended to read as follows:

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

"(A) IN GENERAL.—Except as provided in subsection (d)—

"(i) the allowance for depletion under section 611 shall be computed in accordance with section 613 with respect to the taxpayer's marginal production of domestic crude oil and domestic natural gas, and

"(ii) 27.5 percent shall be deemed to be specified in subsection (b) of section 613 for purposes of subsection (a) of that section.

"(B) COORDINATION WITH OTHER PRODUCTION OF DOMESTIC OIL AND NATURAL GAS.—For purposes of this subsection—

"(i) no allowance for depletion shall be allowed by reason of paragraph (1) with respect to the taxpayer's marginal production of domestic crude oil and domestic natural gas, and "(ii) such production shall not be taken into account—

"(I) in determining under paragraph (1) how much of the taxpayer's depletable oil quantity or depletable natural gas quantity has been used, or

"(II) for purposes of applying subparagraph (A), (B), or (C) of paragraph (7).

"(C) MARGINAL PRODUCTION.—The term 'marginal production' means domestic crude oil or domestic natural gas which is produced during any taxable year from a property which—

"(i) is a stripper well property for the calendar year in which the taxable year begins, or

"(ii) is a property substantially all of the production of which during such calendar year is heavy oil.

"(D) STRIPPER WELL PROPERTY.—For purposes of this paragraph, the term 'stripper well property' means, with respect to any calendar year, any property with respect to which the amount determined by dividing—

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

"(ii) the number of such wells,

is 15 barrel equivalents or less.

"(E) HEAVY OIL.—For purposes of this paragraph, the term 'heavy oil' means domestic crude oil produced from any property if such crude oil had a weighted average gravity of 20 degrees API or less (corrected to 60 degrees Fahrenheit).

"(F) NONAPPLICATION OF TAXABLE INCOME LIMIT WITH RESPECT TO MARGINAL PRODUCTION.—The second sentence of subsection (a) of section 613 shall not apply to so much of the allowance for depletion as is determined under subparagraph (A).".

(2) CONFORMING AMENDMENTS.—

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

"(3) DEPLETABLE OIL QUANTITY.—For purposes of paragraph (1), the taxpayer's depletable oil quantity shall be 1,000 barrels.".

(B) Subparagraphs (A) and (B) of section 613A(c)(7) of such Code are each amended by striking "or (6), as the case may be".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2008.

(b) 1-YEAR EXTENSION OF SUSPENSION OF TAXABLE INCOME LIMIT.—Section 613A(c)(6)(H)(ii) of the Internal Revenue Code of 1986 (relating to temporary suspension of taxable income limit with respect to marginal production) is amended by striking "2010" and inserting "2011".

SEC. 3. OIL AND GAS WELLS AND PIPELINE FACILITIES TECHNICAL AMENDMENT.

Section 112(n)(4)(A) of the Clean Air Act (42 U.S.C. 7412(n)(4)(A)) is amended by striking "this section" and inserting "this Act".

SEC. 4. NATIONAL RESPONSE SYSTEM.

Section 311(j) of the Federal Water Pollution Control Act (33 U.S.C. 1321(j)) is amended by striking paragraph (1) and inserting the following:

"(1) SYSTEM.—

"(A) DEFINITION OF WASTEWATER TREATMENT FACILITY.—In this paragraph, the term 'wastewater treatment facility' includes produced water from an oil production facility.

"(B) REGULATIONS.—Consistent with the National Contingency Plan required under subsection (d), as soon as practicable after the effective date of this section, and from time to time thereafter, the President shall promulgate regulations consistent with maritime safety and marine and navigation laws—

"(i) establishing methods and procedures for removal of discharged oil and hazardous substances;

"(ii) establishing criteria for the development and implementation of local and regional oil and hazardous substance removal contingency plans;

"(iii) establishing procedures, methods, and requirements and other requirements for equipment to prevent discharges of oil and hazardous substances from vessels and from onshore facilities and offshore facilities (other than wastewater treatment facilities), and to contain those discharges; and "(iv) governing the inspection of vessels carrying cargoes of oil and hazardous substances and the inspection of those cargoes in order to reduce the likelihood of discharges of oil from vessels in violation of this section.

"(C) SMALL FACILITIES.—In carrying out clause (iii) of subparagraph (B), not later than 1 year after the date of enactment of that clause, the Administrator shall establish procedures, methods, and equipment requirements and other requirements for, and consider the cost-effectiveness of those requirements on, small facilities (including agricultural and oil production facilities) to prevent discharges from facilities and offshore facilities, and to contain those discharges, by developing regulations based on storage volume and capacity that, with respect to those small facilities—

"(i) apply to any facility the total oil storage capacity of which is at least 1,320 gallons but less than 50,000 gallons, and at which no single tank exceeds a nominal capacity of 21,000 gallons; and "(ii) establish minimal requirements and plans by eliminating engineer certification, flow lines, loading and unloading areas, integrity testing, and other requirements, as determined by the Administrator, that do not take into consideration and meet cost-effectiveness standards.".

SEC. 5. RECOVERY PERIOD FOR DEPRECIATION OF PROPERTY USED TO INJECT QUALIFIED TERTIARY INJECTANTS.

(a) IN GENERAL.—Section 168(e)((3)(A) of the Internal Revenue Code of 1986 (defining 3-year property) is amended by striking "and" at the end of clause (ii), by striking the period at the end of clause (iii) and inserting ", and", and by adding at the end the following new clause:

"(iv) any qualified tertiary injectant property.".

(b) QUALIFIED TERTIARY INJECTANT PROPERTY.—Section 168(e) of the Internal Revenue Code of 1986 (relating to classification of property) is amended by adding at the end the following new paragraph:

"(9) QUALIFIED TERTIARY INJECTANT PROPERTY.—The term 'qualified tertiary injectant property' means—

"(A) any property—

"(i) the principal use of which is to inject any tertiary injectant as a part of a tertiary recovery method (as defined in section 193(b)(3)), or

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

"(B) which has a class life of more than 4 years.".

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

"(A)(iv)	7".

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

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