

111TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To provide for marginal well production preservation and enhancement.

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IN THE SENATE OF THE UNITED STATES

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

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**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) is amended to read as follows:

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

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

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

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

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

21                   “(i) no allowance for depletion shall  
22                   be allowed by reason of paragraph (1) with  
23                   respect to the taxpayer’s marginal produc-  
24                   tion of domestic crude oil and domestic  
25                   natural gas, and

1                   “(ii) such production shall not be  
2                   taken into account—

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

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

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

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

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

20                  “(D) STRIPPER WELL PROPERTY.—For  
21                  purposes of this paragraph, the term ‘stripper  
22                  well property’ means, with respect to any cal-  
23                  endar year, any property with respect to which  
24                  the amount determined by dividing—

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

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

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

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

19                  (2) CONFORMING AMENDMENTS.—

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

23                  “(3) DEPLETABLE OIL QUANTITY.—For pur-  
24                  poses of paragraph (1), the taxpayer’s depletable oil  
25                  quantity shall be 1,000 barrels.”.

1 (B) Subparagraphs (A) and (B) of section  
2 613A(c)(7) of such Code are each amended by  
3 striking “or (6), as the case may be”.

4 (3) EFFECTIVE DATE.—The amendments made  
5 by this subsection shall apply to taxable years begin-  
6 ning after December 31, 2008.

7 (b) 1-YEAR EXTENSION OF SUSPENSION OF TAX-  
8 ABLE INCOME LIMIT.—Section 613A(c)(6)(H)(ii) of the  
9 Internal Revenue Code of 1986 (relating to temporary sus-  
10 pension of taxable income limit with respect to marginal  
11 production) is amended by striking “2010” and inserting  
12 “2011”.

13 **SEC. 3. OIL AND GAS WELLS AND PIPELINE FACILITIES**  
14 **TECHNICAL AMENDMENT.**

15 Section 112(n)(4)(A) of the Clean Air Act (42 U.S.C.  
16 7412(n)(4)(A)) is amended by striking “this section” and  
17 inserting “this Act”.

18 **SEC. 4. NATIONAL RESPONSE SYSTEM.**

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

22 “(1) SYSTEM.—

23 “(A) DEFINITION OF WASTEWATER  
24 TREATMENT FACILITY.—In this paragraph, the

1 term ‘wastewater treatment facility’ includes  
2 produced water from an oil production facility.

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

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

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

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

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

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

20                 “(i) apply to any facility the total oil  
21                 storage capacity of which is at least 1,320  
22                 gallons but less than 50,000 gallons, and  
23                 at which no single tank exceeds a nominal  
24                 capacity of 21,000 gallons; and

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

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

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

17                   “(iv) any qualified tertiary injectant  
18                   property.”.

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

23                   “(9) QUALIFIED TERTIARY INJECTANT PROP-  
24   ERTY.—The term ‘qualified tertiary injectant prop-  
25   erty’ means—

1 “(A) any property—

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

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

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

11 (c) ALTERNATIVE SYSTEM.—The table contained in  
12 section 168(g)(3)(B) of the Internal Revenue Code of  
13 1986 is amended by inserting after the item relating to  
14 subparagraph (A)(iii) the following new item:

“(A)(iv) ..... 7”.

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