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H.B. No. 591

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from the severance tax for gas produced from certain wells that is consumed on site and would otherwise have been lawfully vented or flared.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 201, Tax Code, is amended by adding Section 201.061 to read as follows:

Sec. 201.061. EXEMPTION FOR GAS PRODUCED THAT WOULD OTHERWISE HAVE BEEN VENTED OR FLARED. (a) In this section:

(1) "Commission" means the Railroad Commission of Texas.

(2) "Qualifying well" means a well that:

(A) is connected to a pipeline on which pipeline takeaway capacity is not expected to meet the demand for gas produced from the well;

(B) is not connected to a pipeline and for which connection to a pipeline is technically or commercially unfeasible but is operated by a well operator who has contractually dedicated the well, the gas produced from the well, or the land or lease on which the well is located to a pipeline operator; or

(C) is not connected to a pipeline and is operated by a well operator who has not contractually dedicated the well, the gas produced from the well, or the land or lease on which the well is located to a pipeline operator.

1 (3) "Well operator" means the person responsible for
2 the actual physical operation of an oil or gas well.

3 (b) Gas produced from a qualifying well that is consumed on
4 the well site and would otherwise have been lawfully vented or
5 flared is not subject to the tax imposed by this chapter.

6 (c) A well operator and a pipeline operator, as applicable,
7 may apply to the commission in the manner provided by Subsection
8 (d), (e), or (f), as applicable, for certification that a well is a
9 qualifying well.

10 (d) An application that relates to a well described by
11 Subsection (a)(2)(A) must:

12 (1) include an attestation that pipeline takeaway
13 capacity is not expected to meet the demand for gas produced from
14 the well;

15 (2) be submitted jointly by the well operator and the
16 pipeline operator; and

17 (3) certify that the commission authorized gas from
18 the well to be flared for at least 30 days during the year preceding
19 the year in which the application is filed.

20 (e) An application that relates to a well described by
21 Subsection (a)(2)(B) must:

22 (1) attest that:

23 (A) the well is not connected to a pipeline; and

24 (B) it is technically or commercially unfeasible
25 to connect the well to a pipeline;

26 (2) be submitted jointly by the well operator and the
27 pipeline operator; and

1 (3) certify that the commission authorized gas from
2 the well to be flared for at least 30 days during the year preceding
3 the year in which the application is filed.

4 (f) An application that relates to a well described by
5 Subsection (a)(2)(C) must:

6 (1) attest that the well:

7 (A) is not connected to a pipeline; and

8 (B) is operated by a well operator who has not
9 contractually dedicated the well, the gas produced from the well,
10 or the land or lease on which the well is located to a pipeline
11 operator;

12 (2) be submitted by the well operator; and

13 (3) certify that the commission authorized gas from
14 the well to be flared for at least 30 days during the year preceding
15 the year in which the application is filed.

16 (g) The commission may require an applicant described by
17 Subsection (c) to provide the commission with any information the
18 commission determines is relevant to determining whether a well is
19 a qualifying well. If the commission approves an application
20 submitted under Subsection (c), the commission shall issue a
21 certificate designating the well as a qualifying well. A
22 certificate issued under this subsection expires one year after the
23 date on which the commission issues the certificate.

24 (h) A well described by Subsection (a)(2)(A) for which the
25 commission issues a certificate under Subsection (g) must use all
26 available pipeline takeaway capacity before consuming gas on the
27 well site and receiving an exemption under this section.

1 (i) To qualify for the exemption provided by this section,
2 the person responsible for paying the tax imposed by this chapter
3 must apply to the comptroller. The application must contain the
4 certificate issued by the commission under Subsection (g). The
5 comptroller may require a person applying for the exemption to
6 provide any additional information the comptroller determines is
7 relevant to determining whether the gas is eligible for the
8 exemption.

9 (j) The commission, well operator, or pipeline operator
10 shall notify the comptroller in writing immediately if a well
11 certified under this section is no longer a qualifying well.

12 (k) The commission and the comptroller may adopt rules
13 necessary to implement and administer this section.

14 SECTION 2. The change in law made by this Act does not
15 affect tax liability accruing before the effective date of this
16 Act. That liability continues in effect as if this Act had not been
17 enacted, and the former law is continued in effect for the
18 collection of taxes due and for civil and criminal enforcement of
19 the liability for those taxes.

20 SECTION 3. This Act takes effect September 1, 2023.