

1 AN ACT

2 relating to an exemption from the severance tax for gas produced  
3 from certain wells that is consumed near the well and would  
4 otherwise have been lawfully vented or flared.

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

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

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

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

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

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

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

21 (C) is not connected to a pipeline and is  
22 operated by a well operator who has not contractually dedicated the  
23 well, the gas produced from the well, or the land or lease on which  
24 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  
4 within 1,000 feet of the qualifying well and would otherwise have  
5 been lawfully vented or flared is not subject to the tax imposed by  
6 this chapter.

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

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

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

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

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

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

23                 (1) attest that:

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

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

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

1 pipeline operator; and

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

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

7 (1) attest that the well:

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

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

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

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

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

25 (h) A well described by Subsection (a)(2)(A) for which the  
26 commission issues a certificate under Subsection (g) must use all  
27 available pipeline takeaway capacity before gas produced from the

1 well may receive an exemption under this section.

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

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

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

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

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

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President of the Senate

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Speaker of the House

I certify that H.B. No. 591 was passed by the House on April 14, 2023, by the following vote: Yeas 141, Nays 1, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 591 on May 15, 2023, by the following vote: Yeas 142, Nays 0, 1 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 591 was passed by the Senate, with amendments, on May 10, 2023, by the following vote: Yeas 26, Nays 4.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor