

By: Capriglione

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 by 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) attest that the pipeline takeaway capacity is not
13 expected to meet the demand for gas produced by the well;

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

16 (3) certify that the well has received an exemption to
17 flare from the commission totaling 30 days in the year preceding
18 their application.

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

21 (1) attest that:

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

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

25 (2) be submitted jointly by the well operator and the
26 pipeline operator.

27 (3) certify that the well has received an exemption to

1 flare from the commission totaling 30 days in the year preceding
2 their application.

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

5 (1) attest that the well:

6 (A) is not connected to a pipeline;

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

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

12 (3) certify that the well has received an exemption to
13 flare from the commission totaling 30 days in the year preceding
14 their application.

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

23 (h) A qualified well certified under subsection (d) must use
24 all available pipeline takeaway capacity before using gas for on
25 site uses which qualify for the exemption provided by this section.

26 (i) To qualify for the exemption provided by this section,
27 the person responsible for paying the tax imposed by this chapter

1 must apply to the comptroller. The application must contain the
2 certificate issued by the commission under Subsection (g). The
3 comptroller may require a person applying for the exemption to
4 provide any additional information the comptroller determines is
5 relevant to determining whether the gas is eligible for the
6 exemption.

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

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

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

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