

By: West

H.B. No. 1202

A BILL TO BE ENTITLED

AN ACT

relating to severance tax credits for continued production from marginal gas and oil wells.

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

SECTION 1. Subchapter B, Chapter 201, Tax Code, is amended by adding Section 201.059 to read as follows:

Sec. 201.059. CREDITS FOR MARGINAL WELLS. (a) In this section:

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

(2) "Marginal well" means a commission-designated gas well whose production averages over a 90-day period less than:

(A) 90 mcf per day; or

(B) 15 percent recoverable gas per barrel of produced water.

(3) "Mcf" means 1,000 cubic feet of gas as measured in accordance with Section 91.052, Natural Resources Code.

(b) Each month, the comptroller shall certify the average taxable price of gas, adjusted to 2005 dollars, during the previous three months. The comptroller shall publish certifications under this subsection in the Texas Register.

(c) An operator of a marginal well is entitled to a 25 percent credit on the tax otherwise due on gas produced and saved from that well during a month if the average taxable price of gas

1 certified by the comptroller under Subsection (b) for the previous
2 three-month period is more than \$3.25 per mcf but not more than \$4
3 per mcf.

4 (d) An operator of a marginal well is entitled to a 50
5 percent credit on the tax otherwise due on gas produced and saved
6 from that well during a month if the average taxable price of gas
7 certified by the comptroller under Subsection (b) for the previous
8 three-month period is more than \$2.75 per mcf but not more than
9 \$3.25 per mcf.

10 (e) An operator of a marginal well is entitled to a 100
11 percent credit on the tax otherwise due on gas produced and saved
12 from that well during a month if the average taxable price of gas
13 certified by the comptroller under Subsection (b) for the previous
14 three-month period is not more than \$2.75 per mcf.

15 (f) If the tax is paid on gas at the full rate provided by
16 Section 201.052, the person paying the tax is entitled to a credit
17 against taxes imposed by this chapter or Chapter 202 on the amount
18 overpaid. To receive the credit, the person must apply to the
19 comptroller for the credit not later than the expiration of the
20 applicable period for filing a tax refund under Section 111.104.

21 (g) The commission and comptroller shall enact rules
22 necessary to administer this section, including rules prescribing
23 procedures for the commission to use in:

24 (1) determining the daily average production of a well
25 under this section; and

26 (2) providing a certified list of those wells to the
27 comptroller.

SECTION 2. Subchapter B, Chapter 202, Tax Code, is amended by adding Section 202.058 to read as follows:

Sec. 202.058. CREDITS FOR MARGINAL WELLS. (a) In this section:

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

(2) "Marginal well" means a commission-designated oil well whose production averages over a 90-day period less than:

(A) 15 barrels of oil per day; or

(B) five percent recoverable oil per barrel of produced water.

(b) Each month, the comptroller shall certify the average taxable price of oil, adjusted to 2005 dollars, during the previous three months. The comptroller shall publish certifications under this subsection in the Texas Register.

(c) An operator of a marginal well is entitled to a 25 percent credit on the tax otherwise due on oil produced from that well during a month if the average taxable price of oil certified by the comptroller under Subsection (b) for the previous three-month period is more than \$30 per barrel but not more than \$35 per barrel.

(d) An operator of a marginal well is entitled to a 50 percent credit on the tax otherwise due on oil produced from that well during a month if the average taxable price of oil certified by the comptroller under Subsection (b) for the previous three-month period is more than \$25 per barrel but not more than \$30 per barrel.

(e) An operator of a marginal well is entitled to a 100 percent credit on the tax otherwise due on oil produced from that

1 well during a month if the average taxable price of oil certified by
2 the comptroller under Subsection (b) for the previous three-month
3 period is not more than \$25 per barrel.

4 (f) If the tax is paid on oil at the full rate provided by
5 Section 202.052, the person paying the tax is entitled to a credit
6 against taxes imposed by this chapter or Chapter 201 on the amount
7 overpaid. To receive the credit, the person must apply to the
8 comptroller for the credit not later than the expiration of the
9 applicable period for filing a tax refund under Section 111.104.

10 (g) The commission and comptroller shall enact rules
11 necessary to administer this section, including rules prescribing
12 procedures for the commission to use in:

13 (1) determining the average daily production of a well
14 under this section; and

15 (2) providing a certified list of those wells to the
16 comptroller.

17 SECTION 3. (a) This Act applies to gas and oil produced on
18 or after the effective date of this Act. Gas and oil produced
19 before the effective date of this Act are governed by the law in
20 effect on the date the gas and oil were produced, and that law is
21 continued in effect for that purpose.

22 (b) As soon as practicable after the effective date of this
23 Act, the comptroller shall perform the initial certification
24 determination required by Sections 201.059 and 202.058, Tax Code,
25 as added by this Act. The initial certification determination must
26 cover the three-month period beginning on June 1, 2005.

27 (c) The change in law made by this Act does not affect tax

1 liability accruing before the effective date of this Act. That
2 liability continues in effect as if this Act had not been enacted,
3 and the former law is continued in effect for the collection of tax
4 due and for civil and criminal enforcement of the liability for
5 those taxes.

6 SECTION 4. This Act takes effect September 1, 2005.