

By: Armbrister

S.B. No. 1385

A BILL TO BE ENTITLED

AN ACT

relating to encouraging production from gas and oil wells.

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

SECTION 1. Section 201.058(a), Tax Code, is amended to read as follows:

(a) The exemptions and credits described by Sections 202.056, 202.057, 202.058, and 202.059 apply to the taxes imposed by this chapter as authorized by and subject to the certifications and approvals required by those sections.

SECTION 2. Section 202.001, Tax Code, is amended by adding Subdivisions (1-a)-(1-c) to read as follows:

(1-a) "Commercial volumes" means oil or natural gas produced by a well and properly reported to the commission as sold in cumulative or monthly volumes in excess of the reserve or monthly rate minimums established by the commission by rule for wells producing from a similar depth.

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

(1-c) "Field" means a geologic reservoir, portion of a reservoir, or series of vertically separated reservoirs that:

(A) contains hydrocarbons; and

(B) the commission designates as a discrete source of supply for purposes of regulating the exploration, development, and production of oil and gas resources.

1 SECTION 3. Subchapter B, Chapter 202, Tax Code, is amended  
2 by adding Section 202.058 to read as follows:

3 Sec. 202.058. TAX CREDIT FOR NEW EXPLORATORY WELLS. (a) In  
4 this section:

5 (1) "Lowest productive point in the well" means the  
6 location of the lowest perforation, slot, or open hole in a new  
7 exploratory well that is within the commission-designated  
8 correlative interval for the field from which the well produces.

9 (2) "New exploratory well" means a well:

10 (A) permitted by the commission as an oil or gas  
11 well after September 1, 2005;

12 (B) spudded before September 1, 2009; and

13 (C) drilled to:

14 (i) a bottomhole location that is at least  
15 one mile from the bottomhole location of the nearest well that  
16 produces, or has produced, from the same geologic interval in  
17 commercial volumes; or

18 (ii) a horizon such that the lowest  
19 productive point in the well is at least 1,000 feet below the  
20 correlative interval of any field within one mile of the location of  
21 the lowest productive point in the well.

22 (b) The producer is entitled to a credit on the taxes  
23 imposed by this chapter and Chapter 201 in an amount provided by  
24 Subsection (c).

25 (c) The amount of the credit is equal to \$10,000 plus a  
26 dollar amount that is equal to the quotient of the square of the  
27 depth of the well divided by 1,000.

1       (d) A well that produces from the same field as a previously  
2 approved new exploratory well may not be approved as a new  
3 exploratory well if the bottomhole locations of the two wells are  
4 less than one mile apart.

5       SECTION 4. Subchapter B, Chapter 202, Tax Code, is amended  
6 by adding Section 202.060 to read as follows:

7       Sec. 202.060. TAX CREDIT FOR ENHANCED EFFICIENCY EQUIPMENT.

8       (a) In this section, "enhanced efficiency equipment" means  
9 equipment used in the production of oil that reduces the energy used  
10 to produce a barrel of fluid by 10 percent or more when compared to  
11 commonly available alternative equipment. Equipment does not  
12 qualify as enhanced efficiency equipment unless an institution of  
13 higher education located in this state evaluated the equipment and  
14 determined that the equipment does produce the required energy  
15 reduction.

16       (b) The taxpayer responsible for the payment of severance  
17 taxes on the production from a well on which enhanced efficiency  
18 equipment is installed and used is entitled to a credit in an amount  
19 equal to 20 percent of the cost of the equipment, but not to exceed a  
20 total credit of \$2,000 per well. The taxpayer may carry any unused  
21 credit forward until the credit is used.

22       SECTION 5. This Act takes effect September 1, 2005.