

By: Farabee

H.B. No. 2240

A BILL TO BE ENTITLED

1 AN ACT

2 relating to severance tax credits for qualifying low-producing
3 wells.

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

5 SECTION 1. Sections 201.059(c), (d), and (e), Tax Code, are
6 amended to read as follows:

7 (c) An operator of a qualifying low-producing well is
8 entitled to a 25 percent credit on the tax otherwise due on gas
9 produced and saved from that well during a month if the average
10 taxable price of gas certified by the comptroller under Subsection
11 (b) for the previous three-month period is more than \$4.50 [~~\$3~~] per
12 mcf but not more than \$5 [~~\$3.50~~] per mcf.

13 (d) An operator of a qualifying low-producing well is
14 entitled to a 50 percent credit on the tax otherwise due on gas
15 produced and saved from that well during a month if the average
16 taxable price of gas certified by the comptroller under Subsection
17 (b) for the previous three-month period is more than \$4 [~~\$2.50~~] per
18 mcf but not more than \$4.50 [~~\$3~~] per mcf.

19 (e) An operator of a qualifying low-producing well is
20 entitled to a 100 percent credit on the tax otherwise due on gas
21 produced and saved from that well during a month if the average
22 taxable price of gas certified by the comptroller under Subsection
23 (b) for the previous three-month period is not more than \$4 [~~\$2.50~~]
24 per mcf.

1 SECTION 2. Section 202.058(a)(2), Tax Code, is amended to
2 read as follows:

3 (2) "Qualifying low-producing oil lease" means a well
4 classified as an oil well that is part of a lease whose production
5 during a 90-day period is less than:

6 (A) 15 barrels of oil per day of production; or

7 (B) 10 [~~five~~] percent recoverable oil per barrel
8 of produced water.

9 SECTION 3. Sections 202.058(c), (d), (e), and (f), Tax
10 Code, are amended to read as follows:

11 (c) Each month, the comptroller shall certify the average
12 taxable price of oil, adjusted to 2005 dollars, during the previous
13 three months based on various price indices available to producers,
14 including the reported Texas Panhandle Spot Price, West Texas
15 Intermediate Crude Spot Price, West Texas sour at 34 gravity [~~New~~
16 ~~York Mercantile Exchange~~], or other spot prices, as applicable.
17 The comptroller shall publish certifications under this subsection
18 in the Texas Register.

19 (d) An operator of a qualifying low-producing lease is
20 entitled to a 25 percent credit on the tax otherwise due on oil
21 produced from that lease during a month if the average taxable price
22 of oil certified by the comptroller under Subsection (c) for the
23 previous three-month period is more than \$44 [~~\$25~~] per barrel but
24 not more than \$48 [~~\$30~~] per barrel.

25 (e) An operator of a qualifying low-producing lease is
26 entitled to a 50 percent credit on the tax otherwise due on oil
27 produced from that lease during a month if the average taxable price

1 of oil certified by the comptroller under Subsection (c) for the
2 previous three-month period is more than \$38 [~~\$22~~] per barrel but
3 not more than \$44 [~~\$25~~] per barrel.

4 (f) An operator of a qualifying low-producing lease is
5 entitled to a 100 percent credit on the tax otherwise due on oil
6 produced from that lease during a month if the average taxable price
7 of oil certified by the comptroller under Subsection (c) for the
8 previous three-month period is not more than \$38 [~~\$22~~] per barrel.

9 SECTION 4. (a) Sections 201.059(g) and 202.058(h), Tax
10 Code, are repealed.

11 (b) This section takes effect August 27, 2007.

12 SECTION 5. 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 6. Except as otherwise provided by this Act, this
19 Act takes effect September 1, 2007.