

By: Crownover

H.B. No. 2394

A BILL TO BE ENTITLED

AN ACT

relating to the tax credit for enhanced efficiency equipment installed on certain wells.

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

SECTION 1. Section 202.061, Tax Code, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a) In this section "enhanced [~~+~~
[~~(1)~~ ~~"Enhanced~~] efficiency equipment" means equipment used in the production of oil that reduces the energy used to produce a barrel of fluid by 10 percent or more when compared to commonly available alternative equipment. The term does not include a motor or downhole pump. Equipment does not qualify as enhanced efficiency equipment unless an institution of higher education approved by the comptroller that is located in this state and that has an accredited petroleum engineering program evaluated the equipment and determined that the equipment does produce the required energy reduction.

(a-1) This section applies only to [~~(2)~~ ~~"Marginal well"~~
~~means~~] an oil well that produces 25 [~~10~~] barrels of oil or less per day on average during a month.

SECTION 2. Section 202.061(b), Tax Code, is amended to read as follows:

(b) The taxpayer responsible for the payment of severance

1 taxes on the production from a [~~marginal~~] well in this state on
2 which enhanced efficiency equipment is installed and used is
3 entitled to a credit in an amount equal to 20 [~~10~~] percent of the
4 cost of the equipment, provided that:

5 (1) the cumulative total of all severance tax credits
6 authorized by this section may not exceed \$5,000 [~~\$1,000~~] for any
7 [~~marginal~~] well;

8 (2) the enhanced efficiency equipment installed in a
9 qualifying [~~marginal~~] well must have been purchased and installed
10 not earlier than September 1, 2005, or later than September 1, 2013
11 [~~2009~~];

12 (3) the taxpayer must file an application with the
13 comptroller for the credit and must demonstrate to the comptroller
14 that the enhanced efficiency equipment has been purchased and
15 installed in the [~~marginal~~] well within the period prescribed by
16 Subdivision (2);

17 (4) the number of applications the comptroller may
18 approve each state fiscal year may not exceed a number equal to one
19 percent of the producing [~~marginal~~] wells in this state to which
20 this section applies on September 1 of that state fiscal year, as
21 determined by the comptroller; and

22 (5) the manufacturer of the enhanced efficiency
23 equipment must obtain an evaluation of the product under Subsection
24 (a).

25 SECTION 3. This Act takes effect September 1, 2007.