

By: Callegari

H.B. No. 4166

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the provision of severance tax credits and exemptions
3 and other incentives and procedures for producing oil from certain
4 wells.

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

6 SECTION 1. Sec. 202.062. TAX CREDIT FOR PROCESSING
7 CONTAMINATED PRODUCED WATERS USED IN THE PRODUCTION OF OIL.

8 (a) In this section:

9 (1) "Hydraulic fracturing" means a method used to
10 create fractures that extend from a borehole into rock formations,
11 informally called fracing or hydrofracing. The technique is used to
12 increase or restore the rate at which fluids, such as oil, can be
13 produced from the formation. By creating or restoring fractures,
14 the reservoir surface area exposed to the borehole is increased and
15 the fracture provides a conductive path connecting this reservoir
16 surface area to the well, which effectively increases the rate that
17 fluids can be produced from the reservoir formations.

18 (2) "Process contaminated produced waters" means a
19 patented thermal evaporation technology used to desalinate and
20 purify water contaminated by its use in hydraulic fracturing.

21 (b) The taxpayer responsible for the payment of severance
22 taxes on the production from an oil well in this state on which
23 hydraulic fracturing is performed and who pays a fee to another
24 person or entity to process contaminated produced waters resulting

1 from hydraulic fracturing operations so that waters can then be
2 reused is entitled to a credit in an amount equal to fifty cents per
3 barrel of reclaimed water paid to said person or entity, provided
4 that:

5 (1) the taxpayer must file an application with the
6 comptroller for the credit and must demonstrate to the comptroller
7 that it is obligated to pay a fee to another person or entity to
8 process contaminated produced waters resulting from hydraulic
9 fracturing operations.

10 (2) The taxpayer may carry any unused credit forward
11 until the credit is used.

12 (3) Any costs associated with this water reclamation
13 program must be paid from stimulus monies first if such monies are
14 available.

15 (4) The Texas Commission on Environmental Quality
16 (TCEQ) shall adopt rules to provide regulatory oversight and
17 approval of any water reclamation program which results in
18 severance tax credits.

19 SECTION 2. EFFECTIVE DATE. This Act takes effect
20 immediately if it receives a vote of two-thirds of all the members
21 elected to each house, as provided by Section 39, Article III, Texas
22 Constitution. If this Act does not receive the vote necessary for
23 immediate effect, this Act takes effect September 1, 2009. This Act
24 will expire at the end of two years after the date this Act takes
25 effect.