

By: Dale

H.B. No. 3554

A BILL TO BE ENTITLED

AN ACT

relating to incentives for enhanced recovery of oil and gas.

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

SECTION 1. Section 91.110, Natural Resources Code, is amended to read as follows:

Sec. 91.110. OIL AND GAS WASTE REDUCTION, ~~[AND]~~ MINIMIZATION, AND ENHANCED PRODUCTION. (a) To encourage enhanced oil and gas production and the reduction and minimization of oil and gas waste, the commission shall implement a program to:

(1) provide operators with training and technical assistance on enhanced oil and gas production and oil and gas waste reduction and minimization;

(2) assist operators in developing enhanced oil and gas production and oil and gas waste reduction and minimization plans; and

(3) by rule establish incentives for enhanced oil and gas production and oil and gas waste reduction and minimization.

SECTION 2. Subtitle I, Tax Code, is amended by adding Chapter 205 to read as follows:

CHAPTER 205. TAX CREDIT FOR ENHANCED RECOVERY.

Sec. 205.001. DEFINITIONS. In this chapter:

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

(2) "Enhanced recovery" means any secondary or

1 tertiary production enhancement technique that enables a producer
2 to increase production by more than five percent for a period of no
3 less than four months.

4 (3) "Gas" means natural gas, casinghead gas, or other
5 gas taken from the earth or water, whether produced from a gas well
6 or a well also producing oil, distillate or condensate or both, or
7 other products

8 (4) "Producer" means a person who takes oil or gas from
9 the earth or water in any manner, a person who owns, controls,
10 manages, or leases an oil or gas well, or a person who owns an
11 interest, including a royalty interest, in oil or gas or its value,
12 whether the oil or gas is produced by the person owning the interest
13 or by another on his behalf by lease, contract, or any other
14 arrangement.

15 (5) "Oil" means crude oil or other oil taken from the
16 earth, regardless of the gravity of the oil.

17 (6) "Well" means an oil or gas well.

18 Sec. 205.002. TAX CREDIT FOR ENHANCED RECOVERY. (a)
19 Persons who utilize enhanced recovery to increase production at a
20 well are eligible for a tax credit applicable against the taxes
21 imposed by Chapters 201 and 202.

22 (b) The amount of the tax credit shall be as follows shall
23 not exceed \$200,000 per well in which the enhanced recovery is
24 implemented.

25 Sec. 205.003. CERTIFICATION OF ENHANCED RECOVERY. (a) The
26 commission shall have the authority to determine whether a producer
27 qualifies for an enhanced recovery tax tax credit under this

1 chapter. The commission may require an applicant for a tax credit
2 under this chapter to provide the commission with any relevant
3 information required to administer this chapter. Upon determining
4 that a producer is eligible for an enhanced recovery tax credit, the
5 commission shall furnish a certificate of enhanced recovery to the
6 applicant.

7 (b) For purposes of obtaining a tax credit under this
8 chapter, applications for a certificate of enhanced recovery must
9 be made to the commission

10 Sec. 205.004. APPLICATION. To qualify for the tax credit, a
11 person who receives a certificate of enhanced recovery from the
12 commission must apply to the comptroller. The comptroller shall
13 approve the application of a person who demonstrates eligibility
14 for a tax credit. The comptroller shall have the power to establish
15 procedures in order to comply with this chapter and may require a
16 person applying for the tax credit to provide any relevant
17 information. The commission shall immediately notify the
18 comptroller in writing if it determines that the enhanced recovery
19 designation obtained by the applicant has been revoked or if it
20 discovers any information that affects the tax credit.

21 Sec. 205.005. APPLICABILITY OF TAX CREDIT. (a) Tax credits
22 earned under this chapter may only be applied against the severance
23 taxes imposed by Chapters 201 and 202 of this code. The tax credit
24 may be applied to either oil or gas severance taxes regardless of
25 the field from which the production originates.

26 (b) Tax credits provided under this chapter shall only be
27 available if at the time the application for a tax credit is made,

1 the well that is the basis for the tax credit is producing oil or gas
2 from the discovery field.

3 Sec. 205.006. RULES AND ORDERS. The commission has broad
4 discretion in administering this chapter and may adopt and enforce
5 any appropriate rules or orders that the commission finds necessary
6 to administer this chapter.

7 SECTION 3. This Act takes effect immediately if it receives
8 a vote of two-thirds of all the members elected to each house, as
9 provided by Section 39, Article III, Texas Constitution. If this
10 Act does not receive the vote necessary for immediate effect, this
11 Act takes effect September 1, 2015.