

BILL ANALYSIS

H.B. 1558
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

It has been suggested that incentivizing operators to bring inactive oil and gas wells back into production by reinstating a previous severance tax exemption may help reduce the orphan well pool and the resulting financial obligation and potential liability of the Railroad Commission of Texas. H.B. 1558 seeks to address this issue by revising eligibility for the severance tax exemption for oil and gas produced from certain inactive wells.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 1558 amends the Tax Code to reduce from 10 years to five years the duration of the severance tax exemption for oil and gas produced from wells previously inactive and to remove statutory provisions relating to the designation of a well as a three-year inactive well for purposes of that exemption. The bill excludes from the wells designated as two-year inactive wells for purposes of that exemption a well that either is part of an enhanced oil recovery project or is drilled but not completed and does not have a record of hydrocarbon production reported to the Railroad Commission of Texas. The bill removes the prohibition against the railroad commission designating a two-year inactive well for purposes of the exemption after February 28, 2010, and requires an application for two-year inactive well certification to be made to the railroad commission to qualify for the exemption.

H.B. 1558 repeals Section 202.056 (a)(3), Tax Code.

EFFECTIVE DATE

September 1, 2019.