

By: Blanco

S.B. No. 1549

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to an exemption from the severance tax for gas produced  
3 from certain wells that is consumed on site and would otherwise have  
4 been lawfully vented or flared.

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

6 SECTION 1. Subchapter B, Chapter 201, Tax Code, is amended  
7 by adding Section 201.061 to read as follows:

8 Sec. 201.061. EXEMPTION FOR GAS PRODUCED THAT WOULD  
9 OTHERWISE HAVE BEEN VENTED OR FLARED. (a) In this section:

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

12 (2) "Qualifying well" means a well that:

13 (A) is connected to a pipeline on which pipeline  
14 takeaway capacity is not expected to meet the demand for gas  
15 produced by the well;

16 (B) is not connected to a pipeline and for which  
17 connection to a pipeline is technically or commercially unfeasible  
18 but is operated by a well operator who has contractually dedicated  
19 the well, the gas produced from the well, or the land or lease on  
20 which the well is located to a pipeline operator; or

21 (C) is not connected to a pipeline and is  
22 operated by a well operator who has not contractually dedicated the  
23 well, the gas produced from the well, or the land or lease on which  
24 the well is located to a pipeline operator.

1           (3) "Well operator" means the person responsible for  
2 the actual physical operation of an oil or gas well.

3           (b) Gas produced from a qualifying well that is consumed on  
4 the well site and would otherwise have been lawfully vented or  
5 flared is not subject to the tax imposed by this chapter.

6           (c) A well operator and a pipeline operator, as applicable,  
7 may apply to the commission in the manner provided by Subsection  
8 (d), (e), or (f), as applicable, for certification that a well is a  
9 qualifying well.

10          (d) An application that relates to a well described by  
11 Subsection (a)(2)(A) must:

12           (1) attest that the pipeline takeaway capacity is not  
13 expected to meet the demand for gas produced by the well;

14           (2) be submitted jointly by the well operator and the  
15 pipeline operator; and

16           (3) certify that the well has received an exemption to  
17 flare from the commission totaling 30 days in the year preceding  
18 their application.

19          (e) An application that relates to a well described by  
20 Subsection (a)(2)(B) must:

21           (1) attest that:

22                   (A) the well is not connected to a pipeline; and

23                   (B) it is technically or commercially unfeasible  
24 to connect the well to a pipeline;

25           (2) be submitted jointly by the well operator and the  
26 pipeline operator.

27           (3) certify that the well has received an exemption to

1 flare from the commission totaling 30 days in the year preceding  
2 their application.

3 (f) An application that relates to a well described by  
4 Subsection (a)(2)(C) must:

5 (1) attest that the well:

6 (A) is not connected to a pipeline;

7 (B) is operated by a well operator who has not  
8 contractually dedicated the well, the gas produced from the well,  
9 or the land or lease on which the well is located to a pipeline  
10 operator;

11 (2) be submitted by the well operator; and

12 (3) certify that the well has received an exemption to  
13 flare from the commission totaling 30 days in the year preceding  
14 their application.

15 (g) The commission may require an applicant described by  
16 Subsection (c) to provide the commission with any information the  
17 commission determines is relevant to determining whether a well is  
18 a qualifying well. If the commission approves an application  
19 submitted under Subsection (c), the commission shall issue a  
20 certificate designating the well as a qualifying well. The  
21 certificate shall expire one year after the commission issues the  
22 certification.

23 (h) A qualified well certified under subsection (d) must use  
24 all available pipeline takeaway capacity before using gas for on  
25 site uses which qualify for the exemption provided by this section.

26 (i) To qualify for the exemption provided by this section,  
27 the person responsible for paying the tax imposed by this chapter

1 must apply to the comptroller. The application must contain the  
2 certificate issued by the commission under Subsection (g). The  
3 comptroller may require a person applying for the exemption to  
4 provide any additional information the comptroller determines is  
5 relevant to determining whether the gas is eligible for the  
6 exemption.

7 (j) The commission, well operator, or pipeline operator  
8 shall notify the comptroller in writing immediately if a well  
9 certified under this section is no longer a qualifying well.

10 (k) The commission and the comptroller may adopt rules  
11 necessary to implement and administer this section.

12 SECTION 2. 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 3. This Act takes effect September 1, 2023.