

AN ACT

relating to a severance tax exemption for oil and gas produced from certain previously inactive restimulation wells; providing a civil penalty.

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

SECTION 1. Subchapter B, Chapter 202, Tax Code, is amended by adding Section 202.062 to read as follows:

Sec. 202.062. TAX EXEMPTION FOR OIL AND GAS PRODUCED FROM CERTAIN RESTIMULATION WELLS. (a) In this section:

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

(2) "Consecutive months" means months in consecutive order, regardless of whether an oil or gas well produces hydrocarbons during any or all of those months.

(3) "Hydrocarbons" means the oil, gas, condensate, and other hydrocarbons produced from an oil or gas well.

(4) "Operator" means the person responsible for the actual physical operation of an oil or gas well.

(5) "Qualifying well" means a restimulation well that has been certified by the commission under this section as a qualifying well.

(6) "Restimulation costs" means expenses that are directly attributable to payment for the restimulation treatment performed on a restimulation well.

1 (7) "Restimulation treatment" means the treatment of
2 an oil or gas well with an application of fluid under pressure for
3 the purpose of initiating or propagating fractures in a target
4 geologic formation to enhance the production of hydrocarbons from
5 the well.

6 (8) "Restimulation well" means a previously completed
7 oil or gas well that, following production of hydrocarbons, became
8 an inactive well and subsequently received a restimulation
9 treatment.

10 (b) This section does not apply to an oil or gas well that:

11 (1) has less than 60 months of production reported to
12 the commission before the date a restimulation treatment is
13 performed;

14 (2) is part of an enhanced oil recovery project, as
15 defined by Section 89.002, Natural Resources Code;

16 (3) is drilled but not completed and that does not have
17 a record of hydrocarbon production reported to the commission; or

18 (4) is not an inactive well, as defined by Section
19 89.002, Natural Resources Code, immediately before the
20 restimulation treatment is performed.

21 (c) Hydrocarbons produced from a qualifying well are exempt
22 from the taxes imposed by Chapter 201 and this chapter until the
23 earlier of:

24 (1) the last day of the 36th consecutive month
25 following the month in which the well first produces hydrocarbons
26 after a restimulation treatment is completed; or

27 (2) the date on which the cumulative amount of taxes

exempted under Chapter 201 and this chapter and any credit under Subsection (l) equals the lesser of:

(A) the restimulation costs described by Subsection (j); or

(B) \$750,000.

(d) Notwithstanding Section 201.057, gas produced from a qualifying well that was previously certified by the commission as a well that produces or will produce high-cost gas is not eligible for the tax reduction provided by that section during the period the gas is exempt from tax under Subsection (c) of this section.

(e) The operator of a restimulation well may apply to the commission for certification that the well is a qualifying well. The application may be made at any time after the first day the well produces hydrocarbons following the date a restimulation treatment is completed. The commission may require an applicant to provide any relevant information required to administer this section.

(f) If the commission approves an application submitted under Subsection (e), the commission shall issue a certificate designating the well as a qualifying well.

(g) The commission may revoke a certificate issued under Subsection (f) if the commission determines that:

(1) a well that was certified as a qualifying well is not a restimulation well; or

(2) the operator is claiming or has claimed an exemption under this section for hydrocarbons produced from a well that is not a qualifying well.

(h) The commission shall notify an operator that a

1 certificate issued under Subsection (f) has been revoked. An
2 exemption provided by this section is automatically revoked on the
3 date the commission revokes a certificate unless the commission
4 issues a new certificate for the well. Hydrocarbons produced from
5 the well after the date a certificate is revoked are not eligible
6 for the exemption provided by this section.

7 (i) To qualify for the exemption provided by this section,
8 the person responsible for paying the tax must apply to the
9 comptroller. The comptroller shall determine the form and content
10 of the application, which must include:

11 (1) the certificate issued by the commission under
12 Subsection (f); and

13 (2) a report of the restimulation costs incurred to
14 perform the restimulation treatment on the qualifying well from
15 which the hydrocarbons that are the subject of the application are
16 produced.

17 (j) For the purposes of Subsection (i)(2), restimulation
18 costs include only the current and contemporaneous restimulation
19 costs associated with performing the restimulation treatment.

20 (k) The comptroller shall approve an application for an
21 exemption provided by this section if the application meets the
22 requirements of this section. The comptroller may require the
23 person applying for the exemption to provide any relevant
24 information necessary to administer this section. The comptroller
25 by rule may establish procedures to comply with this section.

26 (l) If the tax imposed under Chapter 201 or this chapter, as
27 applicable, is paid at the applicable rate on hydrocarbons produced

from a qualifying well on or after the date the commission issues a certificate for the well under Subsection (f) but before the date the comptroller approves an application for an exemption for hydrocarbons produced from the well under Subsection (k), the person responsible for paying the tax is entitled to a credit against the taxes due under Chapter 201 or this chapter in an amount equal to the amount of tax paid during that period on hydrocarbons produced from the qualifying well. To receive the credit, the person responsible for paying the tax must apply to the comptroller before the expiration of the applicable period for filing a tax refund claim under Section 111.104.

(m) A person who makes or submits an application, report, or other document or item of information to the commission or the comptroller under this section that the person knows is false or untrue in a material fact is subject to the penalties imposed by Chapters 85 and 91, Natural Resources Code.

(n) A person who applies or attempts to apply for an exemption under this section for hydrocarbons produced from a well the person knows is not a qualifying well is liable to the state for a civil penalty. The amount of the penalty may not exceed the sum of:

(1) \$10,000; and

(2) the difference between the amount of taxes paid or attempted to be paid and the amount of taxes due.

(o) The attorney general may recover a penalty under Subsection (n) in a suit brought on behalf of the state. Venue for the suit is in Travis County.

1 (p) The commission may adopt rules necessary to administer
2 this section.

3 SECTION 2. Section 202.062, Tax Code, as added by this Act,
4 applies only to hydrocarbons produced on or after January 1, 2026.

5 SECTION 3. The change in law made by this Act does not
6 affect tax liability accruing before the effective date of this
7 Act. That liability continues in effect as if this Act had not been
8 enacted, and the former law is continued in effect for the
9 collection of taxes due and for civil and criminal enforcement of
10 the liability for those taxes.

11 SECTION 4. This Act takes effect January 1, 2026.

H.B. No. 3159

President of the Senate

Speaker of the House

I certify that H.B. No. 3159 was passed by the House on May 15, 2025, by the following vote: Yeas 115, Nays 23, 3 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 3159 was passed by the Senate on May 26, 2025, by the following vote: Yeas 29, Nays 2.

Secretary of the Senate

APPROVED: _____

Date

Governor