

1-1 By: Darby (Senate Sponsor - King) H.B. No. 3159  
 1-2 (In the Senate - Received from the House May 15, 2025;  
 1-3 May 16, 2025, read first time and referred to Committee on Finance;  
 1-4 May 23, 2025, reported favorably by the following vote: Yeas 15,  
 1-5 Nays 0; May 23, 2025, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18	X			
1-19	X			
1-20	X			
1-21	X			
1-22	X			

1-23 A BILL TO BE ENTITLED  
 1-24 AN ACT

1-25 relating to a severance tax exemption for oil and gas produced from  
 1-26 certain previously inactive restimulation wells; providing a civil  
 1-27 penalty.

1-28 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-29 SECTION 1. Subchapter B, Chapter 202, Tax Code, is amended  
 1-30 by adding Section 202.062 to read as follows:

1-31 Sec. 202.062. TAX EXEMPTION FOR OIL AND GAS PRODUCED FROM  
 1-32 CERTAIN RESTIMULATION WELLS. (a) In this section:

1-33 (1) "Commission" means the Railroad Commission of  
 1-34 Texas.

1-35 (2) "Consecutive months" means months in consecutive  
 1-36 order, regardless of whether an oil or gas well produces  
 1-37 hydrocarbons during any or all of those months.

1-38 (3) "Hydrocarbons" means the oil, gas, condensate, and  
 1-39 other hydrocarbons produced from an oil or gas well.

1-40 (4) "Operator" means the person responsible for the  
 1-41 actual physical operation of an oil or gas well.

1-42 (5) "Qualifying well" means a restimulation well that  
 1-43 has been certified by the commission under this section as a  
 1-44 qualifying well.

1-45 (6) "Restimulation costs" means expenses that are  
 1-46 directly attributable to payment for the restimulation treatment  
 1-47 performed on a restimulation well.

1-48 (7) "Restimulation treatment" means the treatment of  
 1-49 an oil or gas well with an application of fluid under pressure for  
 1-50 the purpose of initiating or propagating fractures in a target  
 1-51 geologic formation to enhance the production of hydrocarbons from  
 1-52 the well.

1-53 (8) "Restimulation well" means a previously completed  
 1-54 oil or gas well that, following production of hydrocarbons, became  
 1-55 an inactive well and subsequently received a restimulation  
 1-56 treatment.

1-57 (b) This section does not apply to an oil or gas well that:

1-58 (1) has less than 60 months of production reported to  
 1-59 the commission before the date a restimulation treatment is  
 1-60 performed;

1-61 (2) is part of an enhanced oil recovery project, as

2-1 defined by Section 89.002, Natural Resources Code;  
2-2 (3) is drilled but not completed and that does not have  
2-3 a record of hydrocarbon production reported to the commission; or  
2-4 (4) is not an inactive well, as defined by Section  
2-5 89.002, Natural Resources Code, immediately before the  
2-6 restimulation treatment is performed.  
2-7 (c) Hydrocarbons produced from a qualifying well are exempt  
2-8 from the taxes imposed by Chapter 201 and this chapter until the  
2-9 earlier of:  
2-10 (1) the last day of the 36th consecutive month  
2-11 following the month in which the well first produces hydrocarbons  
2-12 after a restimulation treatment is completed; or  
2-13 (2) the date on which the cumulative amount of taxes  
2-14 exempted under Chapter 201 and this chapter and any credit under  
2-15 Subsection (l) equals the lesser of:  
2-16 (A) the restimulation costs described by  
2-17 Subsection (j); or  
2-18 (B) \$750,000.  
2-19 (d) Notwithstanding Section 201.057, gas produced from a  
2-20 qualifying well that was previously certified by the commission as  
2-21 a well that produces or will produce high-cost gas is not eligible  
2-22 for the tax reduction provided by that section during the period the  
2-23 gas is exempt from tax under Subsection (c) of this section.  
2-24 (e) The operator of a restimulation well may apply to the  
2-25 commission for certification that the well is a qualifying well.  
2-26 The application may be made at any time after the first day the well  
2-27 produces hydrocarbons following the date a restimulation treatment  
2-28 is completed. The commission may require an applicant to provide  
2-29 any relevant information required to administer this section.  
2-30 (f) If the commission approves an application submitted  
2-31 under Subsection (e), the commission shall issue a certificate  
2-32 designating the well as a qualifying well.  
2-33 (g) The commission may revoke a certificate issued under  
2-34 Subsection (f) if the commission determines that:  
2-35 (1) a well that was certified as a qualifying well is  
2-36 not a restimulation well; or  
2-37 (2) the operator is claiming or has claimed an  
2-38 exemption under this section for hydrocarbons produced from a well  
2-39 that is not a qualifying well.  
2-40 (h) The commission shall notify an operator that a  
2-41 certificate issued under Subsection (f) has been revoked. An  
2-42 exemption provided by this section is automatically revoked on the  
2-43 date the commission revokes a certificate unless the commission  
2-44 issues a new certificate for the well. Hydrocarbons produced from  
2-45 the well after the date a certificate is revoked are not eligible  
2-46 for the exemption provided by this section.  
2-47 (i) To qualify for the exemption provided by this section,  
2-48 the person responsible for paying the tax must apply to the  
2-49 comptroller. The comptroller shall determine the form and content  
2-50 of the application, which must include:  
2-51 (1) the certificate issued by the commission under  
2-52 Subsection (f); and  
2-53 (2) a report of the restimulation costs incurred to  
2-54 perform the restimulation treatment on the qualifying well from  
2-55 which the hydrocarbons that are the subject of the application are  
2-56 produced.  
2-57 (j) For the purposes of Subsection (i)(2), restimulation  
2-58 costs include only the current and contemporaneous restimulation  
2-59 costs associated with performing the restimulation treatment.  
2-60 (k) The comptroller shall approve an application for an  
2-61 exemption provided by this section if the application meets the  
2-62 requirements of this section. The comptroller may require the  
2-63 person applying for the exemption to provide any relevant  
2-64 information necessary to administer this section. The comptroller  
2-65 by rule may establish procedures to comply with this section.  
2-66 (l) If the tax imposed under Chapter 201 or this chapter, as  
2-67 applicable, is paid at the applicable rate on hydrocarbons produced  
2-68 from a qualifying well on or after the date the commission issues a  
2-69 certificate for the well under Subsection (f) but before the date

3-1 the comptroller approves an application for an exemption for  
3-2 hydrocarbons produced from the well under Subsection (k), the  
3-3 person responsible for paying the tax is entitled to a credit  
3-4 against the taxes due under Chapter 201 or this chapter in an amount  
3-5 equal to the amount of tax paid during that period on hydrocarbons  
3-6 produced from the qualifying well. To receive the credit, the  
3-7 person responsible for paying the tax must apply to the comptroller  
3-8 before the expiration of the applicable period for filing a tax  
3-9 refund claim under Section 111.104.

3-10 (m) A person who makes or submits an application, report, or  
3-11 other document or item of information to the commission or the  
3-12 comptroller under this section that the person knows is false or  
3-13 untrue in a material fact is subject to the penalties imposed by  
3-14 Chapters 85 and 91, Natural Resources Code.

3-15 (n) A person who applies or attempts to apply for an  
3-16 exemption under this section for hydrocarbons produced from a well  
3-17 the person knows is not a qualifying well is liable to the state for  
3-18 a civil penalty. The amount of the penalty may not exceed the sum  
3-19 of:

3-20 (1) \$10,000; and

3-21 (2) the difference between the amount of taxes paid or  
3-22 attempted to be paid and the amount of taxes due.

3-23 (o) The attorney general may recover a penalty under  
3-24 Subsection (n) in a suit brought on behalf of the state. Venue for  
3-25 the suit is in Travis County.

3-26 (p) The commission may adopt rules necessary to administer  
3-27 this section.

3-28 SECTION 2. Section 202.062, Tax Code, as added by this Act,  
3-29 applies only to hydrocarbons produced on or after January 1, 2026.

3-30 SECTION 3. The change in law made by this Act does not  
3-31 affect tax liability accruing before the effective date of this  
3-32 Act. That liability continues in effect as if this Act had not been  
3-33 enacted, and the former law is continued in effect for the  
3-34 collection of taxes due and for civil and criminal enforcement of  
3-35 the liability for those taxes.

3-36 SECTION 4. This Act takes effect January 1, 2026.

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