By: Capriglione, et al. (Senate Sponsor - Blanco) H.B. No. 591

(In the Senate - Received from the House April 17, 2023; April 18, 2023, read first time and referred to Committee on Finance; May 5, 2023, reported adversely, with favorable Committee Substitute by the following vote: Yeas 13, Nays 2; May 5, 2023, sent to printer.)

COMMITTEE VOTE

	Yea	Nay	Absent	PNV
Huffman	X			
Hinojosa	X			
Bettencourt	X			
Campbell		X		
Creighton	X			
Flores	X			
Hall		X		
Hancock	X			
Hughes			X	
Kolkhorst	X			
Nichols			X	
Paxton	X			
Perry	X			
Schwertner	X			
West	X			
Whitmire	X			
Zaffirini	X			

COMMITTEE SUBSTITUTE FOR H.B. No. 591 By: Hinojosa

A BILL TO BE ENTITLED
AN ACT

relating to an exemption from the severance tax for gas produced from certain wells that is consumed near the well and would otherwise have been lawfully vented or flared.

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

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

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

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

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

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

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

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

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

(b) Gas produced from a qualifying well that is consumed within 1,000 feet of the qualifying well and would otherwise have been lawfully vented or flared is not subject to the tax imposed by this chapter.

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

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

(1) include an attestation that pipeline takeaway capacity is not expected to meet the demand for gas produced from the well;

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

(3) certify that the commission authorized gas from the well to be flared for at least 30 days during the year preceding the year in which the application is filed.

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

(1) attest that:

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

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

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

(3) certify that the commission authorized gas from the well to be flared for at least 30 days during the year preceding the year in which the application is filed.

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

(1) attest that the well:

(A) is not connected to a pipeline; and

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

(2) be submitted by the well operator; and

(3) certify that the commission authorized gas from the well to be flared for at least 30 days during the year preceding the year in which the application is filed.

(g) The commission may require an applicant described by Subsection (c) to provide the commission with any information the commission determines is relevant to determining whether a well is a qualifying well. If the commission approves an application submitted under Subsection (c), the commission shall issue a certificate designating the well as a qualifying well. A certificate issued under this subsection expires one year after the date on which the commission issues the certificate.

(h) A well described by Subsection (a)(2)(A) for which the commission issues a certificate under Subsection (g) must use all available pipeline takeaway capacity before gas produced from the well may receive an exemption under this section.

(i) To qualify for the exemption provided by this section, the person responsible for paying the tax imposed by this chapter must apply annually to the comptroller for the exemption. The application must contain the certificate issued by the commission under Subsection (g). The comptroller may require a person applying for the exemption to provide any additional information the comptroller determines is relevant to determining whether the gas is eligible for the exemption.

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

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

SECTION 2. The change in law made by this Act does not affect tax liability accruing before the effective date of this Act. That liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

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

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