

CHAPTER 335

S.B. No. 466

AN ACT

relating to the qualification of oil from new or expanded enhanced recovery projects for special tax rates.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Subsection (b), Section 202.054, Tax Code, is amended to read as follows:

(b) Oil produced from an enhanced recovery project qualifies for the recovered oil tax rate if, before the project begins active operation, the commission approves the project and designates the area to be affected by the project. The incremental production from an expanded enhanced recovery project qualifies for the recovered oil tax rate if, before the expansion begins, the commission approves the expansion and designates the area to be affected by the expansion. *For a new or expanded enhanced recovery project for which an application for approval under this section is filed with the commission on or after January 1, 1994, severance tax for all oil produced during the period from January 1, 1994, through August 31, 1995, to which the recovered tax rate is applicable, must be paid when due at the rate provided by Section 202.052(a) of this code. On or after January 1, 1996, the payor may apply to the comptroller for and shall be entitled to receive a tax credit equal to the difference between the tax paid and the tax which would have been due at the recovered oil tax rate for all production to which the recovered tax rate is applicable during the period from January 1, 1994, through August 31, 1995. The tax credit may be applied to either oil or gas severance taxes regardless of the field from which the production originates.* The operator of a proposed project or a proposed expansion may apply to the commission for approval of the project or expansion under this section. The commission may require an applicant to provide the commission with any relevant information required to administer this section. If approval by the commission of a unitization agreement under Subchapter B, Chapter 101, Natural Resources Code, is required for purposes of carrying out the project or expansion, the commission may not approve the project or expansion unless it approves the unitization agreement. A person may apply for approval of a proposed enhanced recovery project or a

proposed expansion under this subsection concurrently with an application for approval of a unitization agreement for purposes of carrying out the enhanced recovery project or expansion under Section 101.011, Natural Resources Code, or with an application for certification of the project or expansion as a tertiary recovery project for purposes of Section 4993, Internal Revenue Code of 1986, or may make a separate application for approval.

SECTION 2. Subsection (c), Section 202.054, Tax Code, is amended to read as follows:

(c) This section applies to an enhanced recovery project that begins active operation on or after September 1, 1989, and to an expansion that the commission approves on or after September 1, 1991. An application for approval under this section must be filed on or after September 1, 1989, and before January 1, 1998 [1994], for a new enhanced recovery project. An application for approval under this section must be filed on or after September 1, 1991, and before January 1, 1998 [1994], for an expansion of an existing enhanced recovery project. A project may not qualify as an expansion if the project has qualified as a new enhanced recovery project under this section. An application may be filed on or after September 1, 1989, even if a separate application for approval of the project or expansion has already been filed under Subchapter B, Chapter 101, Natural Resources Code, or for approval as a tertiary recovery project for purposes of Section 4993, Internal Revenue Code of 1986, if the operation of a new project or the expansion of an existing project does not begin before the application for approval under this section is approved by the commission.

SECTION 3. This Act takes effect January 1, 1994.

SECTION 4. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Passed the Senate on May 7, 1993, by a viva-voce vote; passed the House on May 14, 1993, by a non-record vote.

Approved May 29, 1993.

Effective Jan. 1, 1994.