

RAILROAD COMMISSION OF TEXAS  
Oil and Gas Division

NOTICE TO OPERATORS

**CERTIFICATION FOR TWO-YEAR INACTIVE WELLS  
TAX EXEMPTION PROGRAM ENDS AUGUST 31, 2009**

The 81<sup>st</sup> Legislature did not extend the current severance tax exemption program for 2-year inactive wells that are returned to production. Please recall that under this incentive program, if an oil or gas well has been inactive (i.e., has no more than one month of production) during the preceding two years, any new oil, gas well gas, or casinghead gas production may be eligible for up to a ten-year severance tax exemption.

**The deadline for applying for this exemption is August 31, 2009.**

Statewide Rule 83 is the Railroad Commission rule that defines the current procedures by which an operator can obtain Commission certification of a wellbore as a two-year inactive well in order to qualify for the tax exemption. This rule states, in part, "An application for two-year inactive well certification shall be made during the period of September 1, 1997 through August 31, 2009, to qualify for the tax exemption. Certification will be issued upon the filing of a test showing the well's capability and an approval of application for certification. Production is presumed to begin on the well test date as reported on the appropriate report."

The "appropriate report" is the Form G-10 for a gas well and the Form W-10 for an oil well. The "application for certification" will, or already has been, mailed to operators of qualifying wells. The Form ST-1 may be used as an application form if the Commission generated form is not available. Both the application and the well test showing the well back on production must be received by the Commission for a well to be considered for certification.

**The filing deadline for both forms is August 31, 2009.**

The mailing address for applications is P.O. Box 12967, Austin Texas 78711, and Attention: Dorsey Twidwell. The Commission's street address is 1701 N. Congress, Austin Texas. If you have any questions concerning the end of the two-year inactive well tax incentive, please contact the Administrative Compliance section of the Railroad Commission at (512) 463-5884.

Austin, Texas

Summer 2009

**PLEASE FORWARD TO THE APPROPRIATE SECTION OF YOUR COMPANY**