

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division



*****CORRECTED VERSION*****

NOTICE TO OIL AND GAS OPERATORS

Application for Two-Year Inactive Wellbore Certification Available Now

The 86th Texas Legislature adopted Senate Bill 533 relating to the severance tax exemption for oil and gas produced from certain inactive wells. The bill establishes a five-year severance exemption for hydrocarbons produced from a well designated by the Railroad Commission of Texas (RRC) as a two-year inactive well.

As such, beginning September 1, 2019, the RRC, in accordance with Section 202.056 of the Texas Tax Code, will process and certify through application an approval for bringing certain inactive wells back on schedule. The certification authorized by the RRC qualifies the well for the applicable tax exemption provided in Sections 201.053, 202.052, and 202.056 of the Texas Tax Code. Pursuant to the Texas Tax Code, a "two-year inactive well" means a well that has not produced oil or gas in more than one month in the two years preceding the date of application for severance tax exemption under this section. The term does not include a well that is:

- A) part of an enhanced oil recovery project, as defined by Section 89.002, Natural Resources Code; or
- B) drilled but not completed and that does not have a record of hydrocarbon production reported to the RRC.

You may check the status of any well using the *Inactive Well Aging Report Query* available on the RRC website at <https://rrc.texas.gov/about-us/resource-center/research/online-research-queries/>.

In order to successfully apply for the tax exemption, you must complete a two-step verification and authorization process.

- To apply for a Two-Year Inactive Wellbore Certification, you must submit a completed Operator Certification that will be available at the bottom of the initial notification letter and either mail or e-mail the certification request to the RRC's Well Compliance Unit.
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- To apply for the tax exemption, you must submit a Texas Crude Oil Lease Exemption Application AP-216 or Texas Well Exemption Application AP-217 and a copy of the approved RRC certificate to the Texas Comptroller of Public Accounts (CPA). The application is available on the CPA's website at <http://comptroller.texas.gov> under "Tax Forms".

Additional information, including an instructional video, is available on the RRC website at <https://rrc.texas.gov/oil-gas/publications-and-notices/texas-severance-tax-incentives-past-and-present/presenttax/>. If you have questions regarding this certification, contact the Well Compliance Unit of the Oil and Gas Division at prorationunit@rrc.texas.gov or 512-463-6975.

Please Forward to the Appropriate Section of Your Company