ST-1: Application for Texas Severance Tax
Incentive Certification

DRAFT2 10-2006

INSTRUCTIONS

Use the ST-1 when applying for the following incentive programs: High-Cost Gas, 2-Year Inactive Well, Marketing of Previously Flared or Vented Casinghead Gas. Use the H-12 to apply for the Enhanced Oil Recovery (EOR) Reduced Tax Rate. File the ST-1 and any required attachments with the Railroad Commission in Austin. Particular requirements for the individual incentives are given below. For information on the Two-Year Inactive well incentive, call (512)463-6742. For information on the other two incentives, call ~~a more detailed description of a specific incentive, contact the Railroad Commission's Oil and Gas Division,~~ 512-463-6785.

1. **High-Cost Gas**. Gas ~~from wells~~that is defined as high-cost gas ~~wells~~ under 16 Texas Administrative Code 3.101, relating to Certification for Severance Tax Exemption or Reduction for Gas Produced from High-Cost Gas Wells, (Statewide Rule 101), ~~Section 107 of the old Federal Natural Gas Policy Act (NGPA)~~ may be eligible for a state severance tax reduction or exemption. High-cost gas~~Section 107~~ includes gas produced from designated tight formations~~sands~~, completions below 15,000 feet, Devonian shale, coal seams, or geopressured brine. In order to receive the *exemption*, the well~~Wells~~ must be spudded or completed after May 24, 1989 and before September 1, 1996. In order tor eceive the *reduction*, the well must be spudded or completed after August 31, 1996. Attach a copy of the Form G-1 completion report with all applications. Additionally, for a tight formations~~sands~~ application~~s~~, provide the area designation docket number and attach a copy of a map outlining the designated tight formation~~sand~~ area with the respective well's location shown. Section 110 of House Bill 2425 (78th Legislature, 2003, Regular Session) amended Texas Tax Code, §201.057, effective June 20, 2003, relating to the high-cost gas tax incentive, by changing the filing procedures and dates. For any application for certification submitted to the Commission after January 1, 2004, the total allowable credit for taxes paid for reporting periods before the date the application is filed may not exceed the total tax paid on the gas that otherwise qualified for the exemption or tax reduction and that was produced during the 24 consecutive calendar months immediately preceding the month in which the application for certification was filed with the Commission. In addition, there is a penalty for filing with the Comptroller of Public Accounts later than the 180th day after the date of the first production or the 45th day after the date of the well's certification by the Commission.

2. **Two-Year Inactive well.** If an oil or gas well has no more than one month of production during the two years preceding the date of application, crude oil, casinghead gas, and gas well gas produced may be eligible for up to ten year's severance tax exemption. Beginning Fall 1997 and monthly thereafter, operators are being notified by the Commission when such wells are designated as candidates for certification. The operator of a designated well makes application for certification between September 1, 1997, and August 31, 2009, by filing the ST-1. Because the ten-year exemption period begins with the date of certification, maximum payout occurs when the application is made after a designated well is brought back into production. If operator records indicate that a well might be eligible even if it has not been designated by the Commission, such as re-entry of a plugged well, application is encouraged.

3. **Marketing Previously Flared or Vented Casinghead Gas.** If casinghead gas that has been flared or vented pursuant to Commission rules for 12 months or more is marketed, it is eligible for permanent exemption from state severance taxes. Application to the Commission must be made within 120 days of when the gas is first marketed.