

BILL ANALYSIS

Senate Research Center
80R13400 MXM-F

C.S.S.B. 1816
By: Averitt
Natural Resources
4/5/2007
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, there are no incentives provided for reusing water in oil and gas activities. The oil and gas industry uses water in nearly every aspect of exploration and production. The Railroad Commission of Texas (commission) estimates that 6,112 million barrels of fluid were used in 2001 in enhanced recovery operations. Of these barrels, approximately 212 million barrels were fresh or brackish water. Technological advances, such as hydraulic fracturing, have presented new opportunities to access geological formations once unreachable. Hydraulic fracturing, generally used in the Barnett Shale, is a water-intensive extraction process that involves pumping large volumes of freshwater into a geological formation. The commission estimates that, in 2005, approximately 82.19 million barrels of water were used for hydraulic fracturing in the Barnett Shale, equaling about 10,592 acre-feet of water. There are projects underway that explore the reuse of water used in hydraulic fracturing. Incentives are needed for reuse technologies to reduce the amount of wastewater that is required to be disposed of by the oil and gas industry.

C.S.S.B. 1816 exempts tangible personal property specifically used to process, reuse, or recycle wastewater that will be used in fracturing work performed at an oil or gas well from certain taxes imposed by this chapter.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 151.355, Tax Code, as follows:

Sec. 151.355. WATER-RELATED EXEMPTIONS. Exempts tangible personal property specifically used to process, reuse, or recycle wastewater that will be used in fracturing work performed at an oil or gas well from taxes imposed by this chapter (Limited Sales, Excise, and Use Tax). Makes nonsubstantive changes.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: July 1, 2007, or October 1, 2007.