

1 COMMITTEE SUBSTITUTE

2 FOR

3 **Senate Bill No. 638**

4 (By Senators Prezioso and Plymale)

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6 [Originating in the Committee on Finance;

7 reported March 28, 2013.]

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11 A BILL to amend the Code of West Virginia, 1931, as amended, by
12 adding thereto a new section, designated §11-13A-22, relating
13 to exemptions from the tax on the privilege of severing
14 natural gas and oil; terminating a severance tax exemption for
15 natural gas or oil produced from any horizontally drilled well
16 that has not produced marketable quantities for five
17 consecutive years immediately preceding the year in which such
18 well is placed back into production and thereafter produces
19 marketable quantities of natural gas or oil; providing an
20 exception thereto; and specifying a controlling effective
21 date.

22 *Be it enacted by the Legislature of West Virginia:*

23 That the Code of West Virginia, 1931, as amended, be amended
24 by adding thereto a new section, designated §11-13A-22, to read as

1 follows:

2 **ARTICLE 13A. SEVERANCE AND BUSINESS PRIVILEGE TAX ACT.**

3 **§11-13A-22. Termination of exemption.**

4 (a) On and after July 1, 2013, the exemption set forth in
5 subdivision (4), subsection (a), section three-a of this article is
6 void and of no force or effect with respect only to horizontally
7 drilled wells. However, if a well for which the producer
8 established entitlement to that exemption on or before June 30,
9 2013, the exemption from tax continues for natural gas or oil
10 produced from that well for the remainder of the ten-year period
11 for which the exemption was originally applicable.

12 (b) (1) "Horizontally drilled well" or "horizontal well" means
13 any well that is drilled initially on a vertical plane but
14 eventually curved to become horizontal, or nearly horizontal, to
15 parallel or intersect a particular geologic formation or
16 formations, for the purpose of maximizing the length and contact of
17 the wellbore that is exposed to the formation or formations. The
18 terms "horizontally drilled well" or "horizontal well" includes a
19 multilateral well.

20 (2) "Multilateral well" means a single well pad with more than
21 one horizontal, or nearly horizontal, well bores or branches
22 drilled from the single pad.

23 (c) Pursuant to section five-p, article ten of this chapter,
24 termination of the exemption set forth in subdivision (4),

1 subsection (a), section three-a of this article on and after July
2 1, 2013, is subject to the controlling internal effective date of
3 this section and is not subject to the alternative effective date
4 provisions of section five-p, article ten of this chapter.