

106TH CONGRESS
1ST SESSION

H. R. 497

To amend the Internal Revenue Code of 1986 to exclude from gross income gain from oil and gas produced from certain recovered inactive wells.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1999

Mr. THORNBERRY introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income gain from oil and gas produced from certain recovered inactive wells.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Emergency Oil and
5 Gas Recovery Act”.

6 **SEC. 2. EXCLUSION OF CERTAIN AMOUNTS RECEIVED**
7 **FROM RECOVERED INACTIVE WELLS.**

8 (a) IN GENERAL.—Part III of subchapter B of chap-
9 ter 1 of the Internal Revenue Code of 1986 (relating to
10 items specifically excluded from gross income) is amended

1 by redesignating section 139 as section 140 and by insert-
2 ing after section 138 the following new section:

3 **“SEC. 139. OIL OR GAS PRODUCED FROM A RECOVERED IN-**
4 **ACTIVE WELL.**

5 “(a) IN GENERAL.—Gross income does not include
6 income attributable to independent producer oil from a re-
7 covered inactive well during the exclusion period.

8 “(b) DEFINITIONS.—For purposes of this section—

9 “(1) INDEPENDENT PRODUCER OIL.—The term
10 ‘independent producer oil’ means crude oil or natu-
11 ral gas in which the economic interest of the inde-
12 pendent producer is attributable to an operating
13 mineral interest (within the meaning of section
14 614(d)), overriding royalty interest, production pay-
15 ment, net profits interest, or similar interest.

16 “(2) CRUDE OIL AND NATURAL GAS.—The
17 terms ‘crude oil’ and ‘natural gas’ have the mean-
18 ings given such terms by section 613A(e).

19 “(3) RECOVERED INACTIVE WELL.—The term
20 ‘recovered inactive well’ means a well if—

21 “(A) throughout the 60-day period ending
22 on the date of the enactment of this section,
23 such well is inactive or has been plugged and
24 abandoned, as determined by the agency of the

1 State in which such well is located that is re-
2 sponsible for regulating such wells, and

3 “(B) during the 5-year period beginning on
4 the date of the enactment of this section, such
5 well resumes producing crude oil or natural gas.

6 “(4) INDEPENDENT PRODUCER.—The term
7 ‘independent producer’ means a producer of crude
8 oil or natural gas whose allowance for depletion is
9 determined under section 613A(c).

10 “(5) EXCLUSION PERIOD.—

11 “(A) IN GENERAL.—The term ‘exclusion
12 period’ means, with respect to a recovered inac-
13 tive well, the period beginning on the date such
14 well resumes production and ending on the last
15 day of the benchmark period.

16 “(B) BENCHMARK PERIOD.—For purposes
17 of subparagraph (A), the term ‘benchmark pe-
18 riod’ means the first 60-day period beginning
19 after the date of the enactment of Emergency
20 Oil and Gas Recovery Act for which the domes-
21 tic first purchase price on each day of such pe-
22 riod for West Texas intermediate crude (as
23 published by the Energy Information Agency,
24 Department of Energy) is not less than \$15 per
25 barrel.

1 “(c) DEDUCTIONS.—No deductions directly con-
2 nected with amounts excluded from gross income by sub-
3 section (a) shall be allowed.

4 “(d) ELECTION.—

5 “(1) IN GENERAL.—This section shall apply for
6 any fiscal year only at the election of the taxpayer.

7 “(2) MANNER.—Such election shall be made, in
8 accordance with regulations prescribed by the Sec-
9 retary, not later than the time prescribed for filing
10 the return (including extensions thereof) and shall
11 be made annually on a property-by-property basis.”.

12 (b) CLERICAL AMENDMENT.—The table of sections
13 for part III of subchapter B of chapter 1 of such Code
14 is amended by striking the item relating to section 138
15 and inserting the following:

“Sec. 139. Oil or gas produced from a recovered inactive well.

“Sec. 140. Cross references to other Acts.”

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall take effect on the date of the enactment
18 of this Act.

○