

COMMITTEE SUBSTITUTE

FOR

**Senate Bill No. 638**

(By Senators Prezioso and Plymale)

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[Originating in the Committee on Finance;  
reported March 28, 2013.]

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

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

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

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

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

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

10 (b)(1) “Horizontally drilled well” or “horizontal well”  
11 means any well that is drilled initially on a vertical plane but  
12 eventually curved to become horizontal, or nearly horizontal,  
13 to parallel or intersect a particular geologic formation or

14 formations, for the purpose of maximizing the length and  
15 contact of the wellbore that is exposed to the formation or  
16 formations. The terms “horizontally drilled well” or  
17 “horizontal well” includes a multilateral well.

18 (2) “Multilateral well” means a single well pad with more  
19 than one horizontal, or nearly horizontal, well bores or  
20 branches drilled from the single pad.

21 (c) Pursuant to section five-p, article ten of this chapter,  
22 termination of the exemption set forth in subdivision (4),  
23 subsection (a), section three-a of this article on and after July  
24 1, 2013, is subject to the controlling internal effective date of  
25 this section and is not subject to the alternative effective date  
26 provisions of section five-p, article ten of this chapter.