



and engaged in the business of producing natural gas within this State \* \* \*

It is apparent from the reading of the above quoted portion of the Statute that not every person who produces gas from the earth is a "producer" within the meaning of the tax act in question. Specifically under Section 1 (a), supra, before a person is a "producer" he must be producing natural gas and saving the same in paying quantities for sale or for profit. In numerous other places the tax act recognizes that not every producer of gas must pay a tax under the act, and also recognized the limited application of the term "producer" as explained previously.

It is the opinion of this department that a company which is producing casinghead gas from the earth but which is giving the same without charge to the Texas Prison System would not be a producer under the terms of the act as to the gas so disposed of and would not have to pay the tax on such gas as imposed under Article 7047b.

In the enclosed contract it is stated that it might become necessary for the Texas Prison System to account to the royalty owners for the gas taken. If this contingency happens, then the gas would be in the status of having been sold to the Texas Prison System and the company would owe the tax thereon.

Yours very truly

ATTORNEY GENERAL OF TEXAS

By s/Billy Goldberg  
Billy Goldberg  
Assistant

BG:RS:wc

APPROVED JUNE 14, 1940  
s/Gerald C. Mann  
ATTORNEY GENERAL OF TEXAS

Approved Opinion Committee By s/BWB Chairman