

SUBJECT: Allowing disposal of abandoned equipment at TERRA sites

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 6 ayes — Davis, Driver, Merritt, Moffat, Smithee, Torres

0 nays

3 absent — Holzheuser, Hawley, Wilson

WITNESSES: None

BACKGROUND : The 74th Legislature in 1995 enacted Chapter 93 of the Natural Resources Code (HB 2731 by Craddick), establishing the Texas Experimental Research and Recovery Activity (TERRA) program. Under the TERRA program, the Texas Railroad Commission maintains abandoned, nonpolluting wellbores already drilled for oil, gas or geothermal exploration. The abandoned wellbores are held in TERRA either for future licensing to gather data, perform production tests, or develop and test new recovery techniques or to be plugged if not reused.

Chapter 89 of the Natural Resources Code authorizes the Railroad Commission to plug abandoned wells that pose a pollution threat. When the commission contracts to plug an inactive well, it may dispose of any well-site equipment. The equipment must be disposed of at a public auction or public or private sale at a price or value that reflects generally recognized market value, with allowances for physical condition. The commission is required to give notice of the equipment disposal, and anyone with an ownership interest in the equipment as of the date of the contract to plug the well may file a documented claim for the value of the equipment.

DIGEST: CSHB 1999 would allow the Texas Railroad Commission to dispose of well-site equipment from a wellbore transferred to TERRA. The Railroad Commission could sell the equipment in a commercially reasonable manner in the same manner as for abandoned equipment under the well-plugging program but without having to contract to plug the well.

The bill would take effect September 1, 1997.

SUPPORTERS SAY: CSHB 1999 would allow the Texas Railroad Commission to dispose of abandoned equipment at the site of wellbores accepted into TERRA the same way as it does for equipment at sites of abandoned wells due to be plugged for posing a pollution threat.

TERRA is used to prevent abandonment and plugging of nonproducing wellbores that are mechanically sound and non-polluting and have the potential to be brought back into production if price increases or new technological innovations justify trying to return them to production. The Railroad Commission needs the same authority to dispose of abandoned equipment at well sites under the TERRA program as it now has for polluting wells being plugged.

Since CSHB 1999 would refer to the provisions of Natural Resources Code Chapter 89, the well plugging program, the commission would use the same procedures for disposing of equipment at TERRA sites, including paying documented claims by owners and lienholders who can prove an ownership interest in the equipment.

The commission needs to dispose of abandoned equipment, such as rods and tubing, in TERRA wellbores that can deteriorate and make any future efforts to revive production more costly and difficult. Abandoned tanks, pumps and other equipment at the surface create potential health and safety hazards that need to be removed.

OPPONENTS SAY: No apparent opposition.

NOTES: The committee substitute is a Legislative Council draft and made no substantive changes.