

SUBJECT: Creating the East Texas Oil Field Advisory Committee

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 7 ayes — Holzheuser, Hawley, Davis, Driver, Merritt, Moffat, Torres
0 nays
2 absent — Smithee, Wilson

WITNESSES: For — None
Against — None
On — David Garlic, Texas Railroad Commission; Mike Wiley, Texas Energy Coordination Council; Noel Tyler, University of Texas

DIGEST: CSHB 2691 would establish the East Texas Oil Field Advisory Committee to conduct a study of the East Texas oil field and make recommendations regarding measures that should be taken to maximize the ultimate recovery of oil and gas from the field. The committee would be abolished September 1, 2008.

The committee would be composed of a member of the Railroad Commission (RRC), a school board member, and a representative of the oil industry, all appointed by the RRC; a Senate member appointed by the lieutenant governor and a House member appointed by the speaker. The members would serve at the pleasure of the person who appointed them, would not receive compensation but would be reimbursed for expenses. The RRC member would serve as presiding officer.

The costs for the advisory committee's operations would be covered by RRC appropriations. The advisory committee would be required to keep public records of its decisions at the RRC office and would have to advise RRC with respect to the study. The commission would have report to the governor, lieutenant governor and speaker by January 1, 2000, with recommendations regarding measures that should be taken to maximize the oil and gas recovery.

The bill would take effect September 1, 1997.

**SUPPORTERS
SAY:**

CSHB 2691 would provide for a systematic study of means for enhancing oil recovery in the East Texas oil field and sustaining long-term production. The field has enormous importance for the Texas economy overall and local employment. As much as 1.4 billion barrels of unrecovered oil exist in the reservoir, but production in the field is in a steady decline and, unless a new approach to capture more oil is implemented, will diminish to a trickle within 10 years. Production already has fallen by 2 million barrels a year, and Texas is losing millions of dollars in revenue from lost severance taxes used to fund public schools. But by increasing oil recovery by as little as one percent per year, Texas could recover 70 million barrels and see \$1 billion in economic benefits. This is not a local issue that should be resolved by local operators but a statewide issue of far-reaching import.

CSHB 2691 would set in motion a comprehensive study to determine the best methods of enhancing production and facilitate the deployment of advanced recovery technologies, including horizontal drilling, multilateral wells and water flood optimization. Without supervision and direction at the state level, a coordinated recovery effort would be impossible. The East Texas Field contains more than 6,000 different operators, all with varying numbers of wells, production levels and diverse interests.

The bill would complement proposals already approved by the House when it passed HB 3492 by Holzheuser, which would establish the Texas Energy Coordination Council to determine long term needs, assess potential problems, recommend priorities, and develop plans regarding energy policy and the improved use of energy resources.

**OPPONENTS
SAY:**

The operators currently working in the East Texas field should be required to contribute to the costs of the effort proposed by HB 2691, since they would directly benefit from a long-term study estimated to cost the state \$1.79 million in fiscal 1998-99.

Additional clarification may be needed to ensure that the provisions of HB 2691 would not conflict with the creation of a Texas Energy Coordination Council.

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NOTES: The committee substitute changed the deadline for the RRC report to January 1, 2000.