

- SUBJECT:** GLO consent to transfer state leases for oil and gas production
- COMMITTEE:** Energy Resources — committee substitute recommended
- VOTE:** 6 ayes — R. Lewis, Hawley, Crabb, Driver, Merritt, Woolley
0 nays
3 absent — West, Williams, Wilson
- WITNESSES:** For — Scott Anderson, Texas Independent Producers and Royalty Owners Association
Against — None
- BACKGROUND:** The General Land Office (GLO) may lease certain public lands under its jurisdiction to any person for the production of oil and gas, including submerged land inside of the tidewater limits and the portion of the Gulf of Mexico under the state's control.
- Sec. 52.026, Natural Resources Code, allows a lease holder to transfer the lease at any time, so long as the recorded transfer, accompanied by a \$5 fee, is filed at the GLO. Every transferee succeeds to all obligations, liabilities, and penalties owed to the state by any prior transferee, including obligations to plug abandoned wells, remove platforms or pipelines, and remediate drill site contamination.
- DIGEST:** CSHB 3696 would require the consent of the land commissioner before any transfer of state leases could be commenced. This consent could not be withheld unreasonably. The commissioner would be able to require that the transferee demonstrate its financial obligations under the lease, including well-plugging, pipeline and platform removal, and site remediation. The commissioner could require the transferee to post a bond to secure those obligations. The bill would not relieve the transferee from complying with Texas Railroad Commission rules and requirements.
- The bill would take effect on September 1, 1999.

SUPPORTERS
SAY:

CSHB 3696 would help protect the state from the high cost of plugging abandoned wells on state-owned land by requiring all people holding state leases to demonstrate their financial responsibility to plug wells. There now are 156 abandoned wells on state-owned land, some of which are located on land for which an oil and gas production lease was transferred between an original lease applicant and another person. The bill would place an additional, but sensible, regulatory requirement on the virtually unregulated transfer of state leases.

The commissioner would be required to give consent expeditiously unless there was some question about the business acumen or the financial ability of the transferee to plug wells, remove pipelines and platforms, and remediate contaminated sites. The bill would allow the commissioner to require transferees to post a bond if they were unable to demonstrate their financial responsibility to the commissioner's satisfaction.

Many transferees in the state are small operators. This bill would provide a check against the few unscrupulous operators who do not take responsibility to plug their wells and clean up their sites when they are no longer profitable. Most operators who follow the law and fulfill their obligations could easily demonstrate their financial responsibility to the commissioner and thus would not be hampered by this bill.

OPPONENTS
SAY:

The Texas Railroad Commission already requires operators to post bonds to conduct business in the state, and oil and gas operations already are required to pass several regulatory hurdles. Instead of creating a new regulatory approval process, the state should strengthen its enforcement actions against those operators who choose to ignore their responsibilities.

The bill does not adequately define the land commissioner's approval process, the guidelines for establishing financial responsibility, or the amount or type of bond that could be required. The bill also would not give the commissioner any rule-making authority, which could impede the implementation of this bill.

NOTES:

The substitute is a Legislative Council draft.

The author plans to offer a floor amendment clarifying that the land commissioner's approval would be required only if the lease being transferred was for state-owned land and providing more detail for the approval process.