

SUBJECT: Repealing expiration of certain Texas Railroad Commission fees

COMMITTEE: Energy Resources — favorable, without amendment

VOTE: 7 ayes — R. Lewis, Hawley, Crabb, Driver, West, Williams, Woolley
1 nay — Merritt
1 absent — Wilson

WITNESSES: For — David Garlick, Texas Independent Producers and Royalty Owners Association
Against — none
On — Tony Garza, Stephen Halasz, Kathy Pyka, and David Schieck, Texas Railroad Commission

BACKGROUND: The Texas Railroad Commission (TRC) plugs abandoned oil and gas wells in cases when the operator or other responsible person cannot be found or the operator cannot pay for plugging. The commission also is responsible for remediation of sites that could pollute surface and subsurface water resources. In 1991, the 72nd Legislature created the self-replenishing Oilfield Cleanup Fund to pay for the TRC's environmental programs. Most of the fund's revenues come from drilling permit fees, oil and gas violation fees, a 5/16-cent-per-barrel fee on oil produced in Texas, and a 1/30-cent-per-thousand-cubic-feet fee on natural gas produced in Texas. These fees are scheduled to expire on August 31, 1999.

DIGEST: HB 590 would prevent fees that contribute to the Oilfield Cleanup Fund from expiring at the end of the 1998-99 biennium, by repealing sec. 34, chp. 603, Acts of the 72nd Legislature, Regular Session, 1991.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS
SAY:**

The oil industry supports continuing the cleanup fund because it reduces the risk of environmental problems arising from unplugged abandoned wells. Such wells represent an environmental hazard, especially when located near aquifers. The cleanup fund provides a fair funding mechanism to support the TRC's environmental programs. Before creation of the fund in 1991, these programs were funded from general revenue. The Legislative Budget Office projects in the fiscal note that if continued, the fees would raise about \$18 million in fiscal 2000-01.

The cleanup fund enables the TRC to investigate sites, assess environmental consequences, and pursue remedies in an efficient, cost-effective manner. In fiscal 1998, the fund paid for the plugging of 1,604 wells and the cleanup of 281 polluted sites. If these fees were to expire, the TRC would lose about two-thirds of funds available for inland oilfield environmental programs. Funds collected for offshore and coastal programs managed by the General Land Office (GLO) cannot be used for inland programs without legislative changes.

**OPPONENTS
SAY:**

Fees for environmental cleanup should be assessed on imported oil, not on struggling domestic producers. A fee assessed by the GLO on oil delivered to Texas ports, which supports offshore environmental activities, could be expanded to fund inland environmental programs. That fee, currently 2 cents per barrel, has generated about \$12 million per year since its creation in 1991.

**OTHER
OPPONENTS
SAY:**

Slumping oil and gas prices may place greater demands on TRC's cleanup programs. The downturn in energy prices has forced small producers to shut in and abandon wells, while the number of working wells paying these fees is decreasing. Though the Legislature should not allow these fees to expire, it should explore ways of improving coordination of the three state agencies — TRC, GLO, and the Texas Natural Resource Conservation Commission — that administer environmental cleanup and oil-spill response programs.

NOTES:

The companion bill, SB 115 by Brown, passed the Senate by voice vote on March 1. SB 115 was reported favorably, without amendment, by the House Energy Resources Committee on March 16, making it eligible to be considered in lieu of HB 590.