HOUSE
RESEARCH
ORGANIZATION bill analysis | 4/1/2003 | HB 1195 West

SUBJECT:	Raising fee for reissuing certificate of compliance for an oil or gas well
COMMITTEE:	Energy Resources — favorable, without amendment
VOTE:	6 ayes — West, Farabee, E. Jones, Canales, Crabb, B. Keffer 0 nays 1 absent — Delisi
WITNESSES:	For — None Against — None On — Charles Ross, Texas Railroad Commission; Martin Fleming, Texas Independent Producers and Royalty Owners Association
BACKGROUND:	Natural Resources Code, chapter 85 requires the owner or operator of an oil or gas well to obtain from the Texas Railroad Commission (TRC) a certificate of compliance with state oil and gas conservation laws before connecting a well with any oil or gas pipeline. If the TRC cancels a certificate, the operator of any pipeline to which the well is connected must disconnect from the well, and the well owner or operator may not produce oil and gas from the well until the TRC issues a new certificate. The commission may not issue a new certificate until the well owner or operator pays a fee of $100. Such fees are deposited in TRC's oilfield cleanup fund.
DIGEST:	HB 1195 would increase the fee charged for issuing a new certificate of compliance to an oil or gas well owner or operator to $300 for each severance or seal order issued by TRC. The bill would take effect September 1, 2003.
SUPPORTERS SAY:	The current fee for reinstating a certificate of compliance is not high enough to deter violations of TRC regulations. Many oil and gas well operators consider the $100 fee a routine cost of doing business. By increasing this fee, HB 1195 would compel operators to respond to violation notices before their

certificates were revoked. The bill would result in more timely repair of defective wells, minimizing environmental damage due to neglect, and would encourage owners and operators to be more diligent in reporting to TRC.

HB 1195 would require a fee to be charged for each seal or severance order issued by TRC, rightly targeting operators who commit multiple violations. Currently, TRC can issue several cancellation orders for different violations, and each violation must be remedied before the certificate of compliance is reinstated. Even in the case of multiple violations, however, TRC charges only one fee for reinstatement. Forcing the operator to pay a fee for each violation would reflect TRC's costs of processing multiple violations and would encourage operators to be less negligent in managing their wells.

An owner or operator who violates TRC regulations receives many notices and ample opportunity to address infractions before the commission issues a severance order. Owners and operators also can request hearings if they feel that severance orders are unjustified. The increased fees for reinstatement would affect only the small minority of owners and operators who wilfully and flagrantly refuse to work with TRC to address problems.

Because proceeds from the fee go into the oilfield cleanup fund, the proposed fee increase would be directed to address environmental problems that stem from violations of TRC rules.

OPPONENTS SAY:

HB 1195 would place a disproportionate burden on small, independent oil and gas producers. While major producers would have no problem paying the higher fee, a fee of $300 per violation would represent a substantial penalty for a small producer operating with a low profit margin.

Because owners and operators do not always receive hearings before TRC severs them, some are denied their due-process rights. If a severance order is issued improperly, TRC should ensure that the operator has the opportunity to appeal the ruling in every circumstance. TRC should address problems with its certification and revocation process before this fee is increased.

NOTES:

According to the fiscal note, increasing the fee for a new certificate of compliance for oil leases and gas wells and requiring the fee be paid for each severance or seal order would raise a net additional $709,500 in general revenue per fiscal year.