

SUBJECT: Certificates of compliance issued by the Railroad Commission of Texas

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 5 ayes — Hardcastle, Farabee, Crownover, Corte, Gonzalez Toureilles

0 nays

2 absent — Chisum, Crabb

SENATE VOTE: On final passage, April 12 — 31-0, on Local and Uncontested Calendar

WITNESSES: For — (*Registered, but did not testify*: Adam P. Haynes, Texas
Independent Producers and Royalty Owners)

Against — None

On — (*Registered, but did not testify*: Lowell Williams, Railroad
Commission of Texas)

BACKGROUND: Water Code, sec. 26.131 makes the Railroad Commission solely responsible for the control and disposal of waste and the abatement and prevention of pollution of surface and subsurface water resulting from exploration, development, and production of oil, gas, or geothermal resources.

Water Code, ch. 27, subch. C makes the Railroad Commission responsible for the control and permitting of disposal and injection wells for oil, gas, tar sands, brine, and carbon dioxide.

Natural Resources Code, sec. 91.142 requires all organizations planning to or currently operating a project under the authority of the Railroad Commission to submit and renew an operator fee and report detailing information about its organization and officers in order to remain in operation.

DIGEST: CSSB 1670 would require the owner or operator of a well subject to the jurisdiction of the Railroad Commission to secure a certificate showing

compliance with all applicable rules, licensing, and permitting. The Railroad Commission could cancel an existing certificate of compliance if the owner or operator had violated or was violating the applicable rules, licensing, and permitting.

The bill would prohibit an operator of a pipeline or other carrier from connecting with a well subject to the jurisdiction of the Railroad Commission until the owner or operator of the well furnished a certificate showing compliance with applicable rules, licensing, and permitting.

It would be unlawful for the operator of a pipeline or other carrier to reconnect to a well with a cancelled certificate of compliance until a new certificate had been issued by the Railroad Commission. If an operator used a well for production, injection, or disposal after having its certificate of compliance cancelled, the commission could refuse to renew the operator's organization report until the operator paid a fee and the commission issued the certificate of compliance required for that well.

The Railroad Commission could issue a new certificate of compliance to an owner or operator, after the initial certificate was cancelled due to violations, only after collecting a nonrefundable \$300 fee for each severance or seal order issued for a well. These fees would be deposited to the oil-field cleanup fund.

The bill would take effect September 1, 2007.

**SUPPORTERS
SAY:**

CSSB 1670 would encourage better stewardship of wells in Texas. The Railroad Commission currently has authority to permit and control the operations of various waste and injection wells across the state, but has repeatedly had problems collecting outstanding reconnection fees from oil and gas operators. The bill would provide an incentive for well owners and operators to remain in compliance because they would want to avoid having production effectively halted by having the commission deny the renewal of their organization reports due to outstanding fees.

The renewal process under the bill would not be overly permissive, but simply would allow the Railroad Commission to have some discretion in considering organization report renewals. Natural resource production should not come to a halt across the state simply because fees and paperwork are in progress. CSSB 1670 would proactively stem such violations by prohibiting a person from operating a well until a current and

valid certificate of compliance was issued. Ultimately, having more owners and operators remain in compliance would be more important for protecting underground water supplies, surface rights, and public safety.

**OPPONENTS
SAY:**

CSSB 1670 would be too permissive in allowing the Railroad Commission to choose whether or not to renew an operator's organization report. The Senate-passed version of the bill would compel an operator to pay all applicable fees before the Railroad Commission could renew its organization report. The substitute would allow the commission to favor certain operators over others or to apply the fee requirements unevenly. It is important to institute a standardized fee collection procedure to ensure equitable business practices in the state and to encourage all owners and operators to comply with the law.

NOTES:

The House committee substitute differs from the Senate-passed version by giving the Railroad Commission the option of refusing to renew the operator's organization report, rather than making the refusal compulsory until fee payment was received and a new certificate of compliance was issued.