

- SUBJECT:** Notification of gas well permit applications
- COMMITTEE:** Energy Resources — committee substitute recommended
- VOTE:** 8 ayes — Keffer, Crownover, Crabb, Farabee, Gonzalez Toureilles, Hardcastle, Rios Ybarra, Strama
- 1 nay — Craddick
- WITNESSES:** For — (*Registered, but did not testify*: Penelope Bisbee; Karen Hadden, Sustainable Energy and Economic Development Coalition; Gary Hogan; Ken Kramer, Sierra Club, Lone Star Chapter; Brooke Ligon; Molly Rooke)
- Against — Virginia Strama, Texas Oil and Gas Association; Donna Warndorf, Texas Independent Producers and Royalty Owners Association; (*Registered, but did not testify*: Mark Gipson, Devon Energy Corporation; Ben Sebree, Texas Oil and Gas Association; Bill Stevens, Texas Alliance of Energy Producers)
- On — Mary “Polly” McDonald, Texas Railroad Commission
- BACKGROUND:** Natural Resources Code, ch. 86 regulates the natural gas industry. Sec. 86.002 defines a natural gas well as one that produces gas not associated or blended with oil at the time of production, produces more than 100,000 cubic feet of gas to each barrel of oil produced from the same horizon, or produces gas from a formation or producing horizon in which any oil also produced is done so inside a separate casing.
- Subchapter C defines the powers and duties of the Texas Railroad Commission, including the duties to conserve and prevent the waste of gas, require wells to be drilled in a way that prevents injury to adjoining property, and provide for the issuance of permits.
- DIGEST:** HB 1533 would require the Texas Railroad Commission to notify certain officials of its receipt of a first application for a permit to drill a gas well at a drill site. The commission would have to notify the state senator and the state representative who represented the area in which the drilling would occur by first class mail and, on request, electronically. If the well was

proposed to be located within a city's corporate limits, the commission also would be required to notify every member of the city's governing body. If the proposed well would be located outside a city's corporate limits or extraterrestrial jurisdiction, the commission would be required to notify a member of the commissioners court and the county judge. The commission would not be required to notify officials who waived in writing their right to notice under the bill.

The Railroad Commission would only have to notify these officials if the proposed gas well would be located in a county that had a population of more than 50,000 and was located wholly or partly above a hydrocarbon-producing geographical formation for which more than 1,500 drilling permits had been issued during the preceding year. The bill would only apply to gas well permit applications filed with the Texas Railroad Commission after the bill's effective date.

The bill would take effect September 1, 2009.

**SUPPORTERS
SAY:**

HB 1533 would help protect the rights of surface property owners and increase the transparency of the gas drilling process. Drilling in urban counties requires greater public disclosure because more landowners are affected, and this bill would allow more stakeholders to be involved in the drilling permit process. The costs to gas producers should not be significant, as notification would be required only for the first permit application.

**OPPONENTS
SAY:**

The permit application notification required by this bill is unnecessary. HB 1533 would delay the permit process and could cause an increase in gas production costs. Any delay in the process also would mean a delay in royalty payments to the state.

NOTES:

The substitute differs from the bill as filed by lowering the county population required for notification from 1.4 million to 50,000; decreasing the number of drilling permits issued in the preceding year required from 2,000 to 1,500; limiting the notification requirement to the first application received for a particular drill site; adding the county judge to the list of officials to be notified of an application to drill outside of a city's corporate limits; deleting a provision that the Texas Railroad Commission could not issue a gas well drilling permit before the 14th day after the commission mailed the application notice; and allowing officials to waive their right to notice.

