

SUBJECT: Expanding MIPA unit terms to two years, recognizing horizontal wells

COMMITTEE: Energy Resources — favorable, without amendment

VOTE: 9 ayes — Paddie, Herrero, Bailes, Craddick, Darby, Gutierrez, Harris,
Perez, Rosenthal

0 nays

2 absent — Anchia, Geren

WITNESSES: For — John Bennett, Sinclair Oil & Gas Company; (*Registered, but did not testify*: Lindsey Miller, Anadarko Petroleum; Paula Bulcao, BP America Inc.; Mark Harmon, Chesapeake Energy; Greg Mathews, Stephen Perry, Chevron; Stan Casey, Concho Resources; Tom Sellers, ConocoPhillips; Teddy Carter, Devon Energy; Caleb Troxclair, EOG Resources, SM Energy; Jimmy Carlile, Fasken Oil and Ranch; Lauren Spreen, Four Sevens Operating; Bill Stevens, Panhandle Producers and Royalty Owners Association, Texas Alliance of Energy Producers; Michael Lozano, Permian Basin Petroleum Association; Mark Gipson, Pioneer Natural Resources; Ryan Paylor, Texas Independent Producers & Royalty Owners Association; Tulsı Oberbeck, Texas Oil and Gas Association)

Against — None

On — John Fleet, National Association of Royalty Owners Texas Chapter; Wei Wang, Railroad Commission; Jennifer Bremer, Texas Land & Mineral Owners Association; (*Registered, but did not testify*: Jason Clark, Railroad Commission of Texas)

BACKGROUND: Natural Resources Code sec. 102.011, the Mineral Interest Pooling Act, allows the Railroad Commission to accept an application under certain conditions to create a pooled unit in which all interest owners in a reservoir are involuntarily enrolled in a group agreement.

Sec. 102.082 mandates the automatic dissolution of a unit if no production or drilling operations take place on the unit within one year of its effective date.

DIGEST: HB 3226 would change the duration of a Mineral Interest Pooling Act unit so that the unit was automatically dissolved if no production or drilling operation had been had on the unit or its surface location within two years of the unit's effective date.

The bill would take effect September 1, 2019.

SUPPORTERS SAY: HB 3226 would update Mineral Interest Pooling Act (MIPA) units to avoid an unnecessary and wasteful duplication of the MIPA process. The current one-year term means that a MIPA unit can expire while the two-year drilling permit is still active. This could cause needless repetition of the expensive and contentious MIPA process that would waste valuable Railroad Commission and operator resources.

The bill also would update the MIPA statute to include a reference to surface location. This would recognize horizontal wells outside the unit that exploit the unitized reservoir so that the lease did not expire while drilling was, in fact, taking place.

OPPONENTS SAY: No concerns identified.