BILL ANALYSIS

Senate Research Center
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S.B. 1731
By: Brown
Natural Resources
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As Filed

DIGEST

Currently, the School Land Board is authorized to reduce royalty rates for a certain period under certain oil and gas leases for marginally producing state-owned oil and gas properties. Given the current state of the oil industry and the substantial amount of capital that is generally required to enhance or even maintain marginally producing wells, the potential of losing the royalty after two years limits the practical value of the existing law. For oil and gas companies that propose an enhanced recovery project on marginally producing wells, more than two years may be necessary to recoup their investment. This bill would revise the period during which the School Land Board may reduce the royalty rate under certain oil and gas leases.

PURPOSE

As proposed, S.B. 1731 revises the period during which the School Land Board may reduce the royalty rate under certain oil and gas leases.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 32.067(c) and (d), Natural Resources Code, to authorize the royalty rate for oil and gas produced from a qualifying reservoir to be reduced to not less than one-sixteenth (6.25 percent) for a prescribed term by the School Land Board (board), rather than for a term not to exceed two years unless extended at the reduced rate for additional periods not to exceed two years on approval. Authorizes the royalty rate for the state's share under a lease issued under Chapter 52F, or Sections 51.195(c)(2) and (d) to be reduced to not less than one-thirty-second (3.125 percent) for a term prescribed by the board, rather than for a term not to exceed two years unless extended at the reduced rate for additional periods not to exceed two years on approval.

SECTION 2. Effective date: September 1, 1999.

SECTION 3. Emergency clause.