

BILL ANALYSIS

Senate Research Center
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H.B. 1317
By: Farabee (Haywood)
Natural Resources
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Engrossed

DIGEST AND PURPOSE

Current law does not require oil well operators to plug inactive or abandoned oil wells, and the Railroad Commission of Texas (commission) is limited in its ability to plug abandoned wells and clean oil field sites. Because state law may not effectively obtain the assurance of oil well operators that the operators will plug their wells, Texas may be liable for resulting pollution and abandoned wells. H.B. 1317 requires oil well operators and inactive operators to file a bond or other form of financial security at the time of filing or renewing an organization report with the commission.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 (Section 91.104, Natural Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

H.B. 1317 amends the Natural Resources Code to provide that a person required to file a bond or alternate form of financial security (bond) who is an inactive operator or oil well operator must file a bond, a letter of credit, or a cash deposit at the time of filing or renewing an organization report required by the Railroad Commission of Texas (commission). The bond, letter of credit, or cash deposit must be in an amount equal to \$25,000 if the person operates ten wells or less, \$50,000, if the person operates at least eleven but not more than 100 wells, or \$250,000 if the person operates more than 100 wells.

A person required to file a bond or alternate financial security who operates one or more bay or offshore wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report. The bond must be in a reasonable amount established by commission rule that exceeds the amount provided by provisions regarding land wells. The bill provides that an operator seeking to assume operatorship of an active or inactive well must file a bond, letter of credit, or cash deposit in the appropriate amount before the commission may approve the transfer. The bill provides that a transfer of a well from one entity to another entity under common operatorship is considered a transfer. The bill also provides that the bond, letter of credit, or cash deposit amounts may be used only for actual well plugging and surface remediation. The bill deletes provisions relating to types of financial security requirements, annual fees, and application fees.

The bill provides that a person required to file a bond or alternate form of financial security who is involved in activities other than the operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report in an amount equal to \$250,000 or a lesser amount determined by the commission if the person is able to demonstrate that the risk associated with an operation or group of operations warrants a lesser amount.

Effective date: upon passage or September 1, 2001.

Makes application of this Act prospective to September 1, 2004.