BILL ANALYSIS

Senate Research Center

H.B. 942
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Natural Resources
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Enrolled

DIGEST AND PURPOSE

In an effort to reduce the number of orphan oil and gas wells (inactive wells that will likely have to be plugged by the state) the 77th Legislature enacted a series of changes, establishing that any company that conducts operations within the Railroad Commission's jurisdiction would have to post a bond, letter of credit, or cash deposit as part of the annual registration with the commission. If a company fails to provide the requisite financial assurance it cannot conduct operations. The purpose of those changes was to provide the state with a source of funds to clean up pollution or plug abandoned wells if the responsible operator was unable or unwilling to do so. H.B. 942 establishes financial security requirements for certain persons engaged in activities regulated by the Texas Railroad Commission other than the ownership or operation of wells.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 91.104(b), Natural Resources Code, as effective September 1, 2004, to delete text regarding a person required to file a bond who is not involved in any other activities that require the filing of a bond, letter of credit, or cash deposit.

SECTION 2. Amends Section 91.109, Natural Resources Code, as effective until September 1, 2004, as follows:

> Sec. 91.109. New heading: FINANCIAL SECURITY FOR PERSONS INVOLVED IN ACTIVITIES OTHER THAN OPERATION OF WELLS. (a) Created from existing text.
>
> > (b) Requires a person required to file a bond or alternate form of financial security under Section 91.103 who is involved in activities other than the ownership or operation of wells, in addition to the financial security requirements of Subsection (a), to file the bond or alternate form of financial security at the time of filing or renewing an organization report required by Section 91.142 according to a certain

schedule.

(c) Provides that a person who engages in more than one activity or operation, including well operation, for which a bond or alternate form of financial security is required under this subchapter is not required to file a separate bond or alternate form of financial security for each activity or operation in which the person is engaged. Provides that the person is required to file a bond or alternate form of financial security only in the amount required for the activity or operation in which the person engages for which a bond or alternate form of financial security in the greatest amount is required. Provides that the bond or alternate form of financial security filed covers all of the activities and operations for which a bond or alternate form of financial security is required under this subchapter.

SECTION 3. Amends Section 91.109, Natural Resources Code, as effective September 1, 2004, by amending Subsection (b) and adding Subsection (c), as follows:

(b) Provides that in addition to the financial security requirements of Subsection (a), but not Section 91.104(b), a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to certain schedules. Deletes text providing for an amount of $250,000 or a lesser amount be determined by the Texas Railroad Commission if the person is able to demonstrate the risk associated with an operation warrants a lesser amount.

(c) Provides that a person who engages in more than one activity or operation, including well operation, for which a bond, letter of credit, or cash deposit is required under this subchapter is not required to file a separate bond, letter of credit, or cash deposit for each activity or operation in which the person is engaged. Provides that the person is required to file a bond, letter of credit, or cash deposit only in the amount required for the activity or operation in which the person engages for which a bond, letter of credit, or cash deposit in the greatest amount is required. Provides that the bond, letter of credit, or cash deposit filed covers all of the activities and operations for which a bond, letter of credit, or cash deposit is required under this subchapter.

SECTION 4. Amends Section 91.142(g), Natural Resources Code, to require an organization report filed under this section to be accompanied by a certain fee.

SECTION 5. Effective date: September 1, 2003.