

BILL ANALYSIS

Senate Research Center

S.B. 1698
By: Averitt
Natural Resources
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As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

As proposed, S.B. 1698 provides additional authority to the Texas Railroad Commission (commission) for assessing fees in connection with oil and gas operations. It would generate \$6,264,150 in additional revenue for the FY 2006-07 biennium to assist in restoring unfunded budgetary items. This estimate assumes that the total amount of oil and gas fees would cover only those costs associated with the commission's unfunded budgetary items.

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 81.0521(c), Natural Resources Code, to require the proceeds from the fee for an application for an exception to a Railroad Commission of Texas rule, rather than two thirds of the proceeds of the fee, to be deposited to the general revenue fund to be used for the administration of the state's conservation laws, rather than deposited to the oil-field cleanup fund.

SECTION 2. Amends Section 81.0531(e), Natural Resources Code, to require an administrative penalty to be deposited to the credit of the general revenue fund to be used for the administration of the state's conservation laws, rather than deposited to the credit of the oil-field cleanup fund.

SECTION 3. Amends Section 81.112, Natural Resources Code, as follows:

Sec. 81.112. New heading: DISPOSITION OF FEE AND PENALTY PROCEEDS. (a) Requires the fees and penalties collected under certain sections of this code and of the Water Code to be deposited in the general revenue fund to be used for the administration of the state's conservation laws, rather than the tax to be deposited in the general revenue fund.

(b) Requires, when the sum of certain fees collected exceeds \$7.5 million in a fiscal year, the amount in excess of \$7.5 million to be transferred to the state oil-field cleanup fund.

SECTION 4. Amends Section 81.113, Natural Resources Code, as follows:

Sec. 81.113. New heading: USE OF FEE AND PENALTY PROCEEDS. Requires the proceeds from certain fees and penalties collected under certain sections of this code and the Water Code, rather than proceeds from the tax, to be used for the administration of the state's oil and gas conservation laws.

SECTION 5. Amends the heading to Section 81.116, Natural Resources Code, to read as follows:

Sec. 81.116. OIL FIELD CLEANUP FEE ON OIL.

SECTION 6. Amends Sections 81.116(a) and (b), Natural Resources Code, as follows:

(a) Provides that an oil-field cleanup fee, rather than an oil-field cleanup regulatory fee, is imposed on crude petroleum produced in this state in the amount of thirteen-sixteenths, rather than five-eighths, of one cent on each barrel of 42 standard gallons.

(b) Deletes the reference to taxes imposed under Section 81.111 (Tax Levy).

SECTION 7. Amends the heading to Section 81.117, Natural Resources Code, to read as follows:

Sec. 81.117. OIL-FIELD CLEANUP FEE ON GAS.

SECTION 8. Amends Section 81.117(a), Natural Resources Code, to impose an oil-field cleanup fee, rather than an oil-field cleanup regulatory fee, on gas produced and saved in this state.

SECTION 9. Amends Section 85.167(b), Natural Resources Code, requiring fees collected under this section for a reissued certificate of compliance for an oil lease or gas well to be deposited to the general revenue fund to be used for the administration of the state's conservation laws, rather than to the oil-field cleanup fund.

SECTION 10. Amends Sections 85.2021(a), (c), and (d), Natural Resources Code, as follows:

(a) Increases the fees for filing an application or a materially amended application for a permit to drill, deepen, plug back, or reenter a well.

(c) Increases the fee for an applicant who requests that the Railroad Commission of Texas (commission) expedite the application for a permit.

(d) Requires all fees collected under this section to be deposited in the general revenue fund to be used for the administration of the state's conservation laws, rather than to the state oil-field cleanup fund.

SECTION 11. Amends Subchapter F, Chapter 85, Natural Resources Code, by adding Section 85.2022, as follows:

Sec. 85.2022. INACTIVE WELL FEE. (a) Requires operators with a certain percentage of the operator's wells inactive for three years or more, to submit to the commission a nonrefundable inactive well fee of \$100 for each well that has been inactive for three years or more.

(b) Requires the inactive well fee to be paid annually at the time an operator's organization report is due. Prohibits an organization report from being approved until any inactive well fee due under this section has been paid.

(c) Requires all fees collected under this section to be deposited in the state oil-field cleanup fund.

SECTION 12. Amends Section 85.381, Natural Resources Code, by adding Subsection (c), to require penalties collected under this section for violations of laws, rules, and orders to be deposited to the general revenue fund to be used for the administration of the state's conservation laws.

SECTION 13. Amends Section 89.121(b), Natural Resources Code, to require civil penalties collected for violations of this chapter (Abandoned Wells) or of rules relating to plugging that are adopted under this code to be deposited in the general revenue fund to be used for the administration of the state's conservation laws, rather than in the state oil-field cleanup fund.

SECTION 14. Amends Section 91.1013, Natural Resources Code, to increase the fees for applications for a fluid injection well permit and for a permit to discharge to service water. Requires fees collected under this section to be deposited in the general revenue fund to be used

for the administration of the state's conservation laws, rather than in the state oil-field cleanup fund.

SECTION 15. Amends Section 91.111(b) and (c), Natural Resources Code, as follows:

(b) Specifies that the oil-field cleanup fees are not regulatory fees.

(c) Modifies the sources of revenue for the oil-field cleanup fund. Makes nonsubstantive changes.

SECTION 16. Amends Section 91.112, Natural Resources Code, by adding Subsection (c) to provide that not more than 10 percent of the money expended by the oil-field cleanup fund in any fiscal year may be used to pay the expenses of administering the fund during that fiscal year.

SECTION 17. Amends Section 91.142, Natural Resources Code, by adding Subsections (i) and (j), as follows:

(i) Requires the commission to suspend the organization report of the delinquent organization, if the fee required by this section has not been paid in full within five business days after the due date, until both the unpaid organization report fee and a penalty have been paid.

(j) Requires all fees and penalties collected under this section to be deposited in the state oil-field cleanup fund.

SECTION 18. Amends Section 91.264(c), Natural Resources Code, to require an administrative penalty collected under this section to be deposited in the general revenue fund to be used for the administration of the state's conservation laws, rather than deposited to the credit of the oil-field cleanup fund account.

SECTION 19. Amends Section 91.459(c) Natural Resources Code, to require any civil penalties or costs recovered by the attorney general under this subchapter to be deposited in the general revenue fund to be used for the administration of the state's conservation laws, rather than in the oil-field cleanup fund.

SECTION 20. Amends Section 27.0321, Water Code, to increase the application fee for an oil and gas waste disposal well permit. Requires all fees collected to be deposited in the general revenue fund to be used for the administration of the state's conservation laws. Creates a subsection from existing text.

SECTION 21. Repealer: Section 81.111 (Tax Levy), Natural Resources Code.

SECTION 22. Effective date: September 1, 2005.