

## **BILL ANALYSIS**

Senate Research Center  
80R9054 SMH-D

S.B. 1574  
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Natural Resources  
3/29/2007  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Under current law, the Railroad Commission of Texas (commission) lacks statutory authority to address the issue of older oilfield lease contracts being outdated and containing few, if any, provisions relating to safety, environmental harm, or idle equipment. Some leases date back to the 1920s and have transferred to multiple operators since that time.

According to a Department of State Health Services mortality report, the 2006 wildfires in the Texas panhandle burned more than 900,000 acres and caused 12 reported human deaths. The two largest of these fires were caused by power lines downed by sustained winds of 46 miles per hour and gusts up to 52 miles per hour. Allegedly, at least one of the downed lines was an oilfield electric line that had not been properly maintained. While the majority of electrical lines are built to generally accepted standards, some oilfield leases throughout this state contain sagging electrical lines connected to crossbars that are dangling on deteriorated poles. These lines represent an extreme hazard to public health and property.

Furthermore, a number of Texas oilfield leases are littered with equipment on well sites that have been idle for years. Under current commission rules, operators are allowed to effectively leave idle wells and related equipment on a lease indefinitely. Since many of these lease contracts are outdated and did not contemplate these future issues, landowners are left with little opportunity to return their land to its natural state once a well stops producing. This equipment litters the land and can pose a safety threat to humans and livestock.

Finally, although gathering lines are regulated by federal law, the commission has no statutory authority to regulate production and flow lines. Production and flow lines beneath roads are often buried at the surface or only a few inches below the road. Graders may inadvertently rupture these lines, leading to human and environmental harm.

As proposed, S.B. 1574 requires the commission to adopt minimum standards for the construction, operation, and maintenance of any production and flow lines beneath a road on leased premises and any electrical power lines that are located or to be located on leased premises for use in connection with oil and gas-related activities on the lease. This bill requires the operator, if a well has been inactive for more than 12 months, to transfer the equipment for use in another well or remove the well site equipment from the leased premises. Finally, this bill provides measures for enforcement.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 (Sections 91.703 and 91.704, Natural Resources Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 91, Natural Resources Code, by adding Subchapter P, as follows:

#### **SUBCHAPTER P. MISCELLANEOUS PROVISIONS REGARDING USE OF SURFACE OF LAND IN CONNECTION WITH OIL AND GAS-RELATED ACTIVITIES**

Sec. 91.701. DEFINITIONS. Defines "operator," "well," and "well-site equipment."

Sec. 91.702. TRANSFER OR REMOVAL OF WELL-SITE EQUIPMENT FOR

INACTIVE WELL. (a) Provides that this section applies only to a well that has had no reported production, disposal, injection, or other permitted activity for a period of more than 12 months.

(b) Requires the operator of a oil or gas well (operator) to transfer the well-site equipment to another well-site on the leased premises for use in connection with another well or remove the well-site equipment from the leased premises on notice from the lessor, unless the lease provides otherwise.

(c) Provides that the operator is not required to transfer or remove the well-site equipment if the operator establishes to the satisfaction of the Railroad Commission of Texas (commission) that the operator is reasonably likely to reactivate the well within the next 12 months.

(d) Requires the operator, if the operator transfers the well-site equipment to another well-site on the leased premises for use in connection with another well as provided by Subsection (b)(1), to begin using the equipment in connection with the well within the next 12 months.

Sec. 91.703. STANDARDS FOR CONSTRUCTION, OPERATION, AND MAINTENANCE OF CERTAIN GATHERING LINES. Requires the commission to adopt rules establishing minimum standards for the construction, operation, and maintenance of any gathering line on leased premises that lies beneath a road.

Sec. 91.704. STANDARDS FOR CONSTRUCTION, OPERATION, AND MAINTENANCE OF ELECTRICAL POWER LINES. Requires the commission to adopt rules establishing minimum standards for the construction, operation, and maintenance of any electrical power lines that are located or to be located on leased premises and are used or to be used by the operator in connection with oil and gas-related activities on the leased premises.

Sec. 91.705. ENFORCEMENT: ACTION FOR DAMAGES OR INJUNCTION; MEDIATION. (a) Authorizes the lessor, if the operator violates this subchapter, to give notice to the operator by certified mail of the violation and request that the operator remedy the violation.

(b) Authorizes the lessor to bring an action against the operator for damages or injunctive relief if the operator fails to remedy the violation before the 90th day after the date the notice is mailed under Subsection (a).

(c) Requires any damages awarded under Subsection (b) to be determined on the basis of the cost of remedying the violation.

(d) Requires a lessor who prevails in an action under Subsection (b) to be awarded the lessor's reasonable attorney's fees and court costs.

(e) Requires the court, for a suit that arises from a violation of this subchapter, to refer the matter to mediation among all parties and by order set the time and place of the mediation.

(f) Requires the court to appoint a mediator if the parties do not agree on a mediator.

(g) Requires each party to participate in the mediation in good faith and share the mediation fee equally.

(h) Provides that Sections 154.023(a) and (b) (regarding mediation procedures), Civil Practice and Remedies Code, and Subchapters C (Impartial Third Parties) and D (regarding miscellaneous provisions for alternative dispute resolution), Chapter 154, Civil Practice and Remedies Code, apply to the appointment of a mediator and the mediation process provided by this section.

(i) Authorizes the court to proceed with the trial on the matter if the parties are unable to agree after participating in the ordered mediation.

SECTION 2. Requires the commission to adopt rules to implement Subchapter P, Chapter 91, Natural Resources Code, as added by this Act, not later than January 1, 2008.

SECTION 3. Effective date: upon passage or September 1, 2007.