

**SUBJECT:** Authorizing RRC to contract for the treatment, sale of drill cuttings

**COMMITTEE:** Energy Resources — favorable, without amendment

**VOTE:** 9 ayes — Goldman, Anchia, Craddick, Darby, Geren, T. King, Leman, Longoria, Reynolds

0 nays

2 absent — Herrero, Ellzey

**WITNESSES:** For — Jason Modglin, Texas Alliance of Energy Producers; (*Registered, but did not testify*: Cyrus Reed, Lone Star Chapter Sierra Club; Ben Shepperd, Permian Basin Petroleum Association; Ryan Paylor, Texas Independent Producers & Royalty Owners Association)

Against — None

On — (*Registered, but did not testify*: Paul Dubois, Casey Forrest, and Jessica Mendoza, Railroad Commission of Texas)

**BACKGROUND:** Natural Resources Code sec. 91.115 provides that the state has a first lien on an operator's interest in any hydrocarbons stored at a site or facility that has ceased oil and gas operations if the operator fails to clean up the site or facility before the required deadline.

Sec. 123.001 defines "drill cuttings" as bits of rock or soil cut from a subsurface formation by a drill bit while drilling an oil and gas well and lifted to the surface by means of the circulation of drilling mud.

The Railroad Commission's site remediation program works to clean up abandoned or foreclosed disposal facilities and sites where entities have improperly disposed of oilfield wastes. Some have noted that the options for cleaning up and remediating these waste sites should be expanded to allow third parties to perform remediation, include the use of mobile recycling, and provide for the sale of the waste for beneficial reuse.

**DIGEST:** HB 3381 would grant the state first lien on an operator's interest in any drill cuttings stored at a site or facility that ceased oil and gas operations if the operator failed to clean up the site or facility before the date required by law or a rule or order issued by the Railroad Commission (RRC).

The bill would allow RRC to dispose of abandoned stored drill cuttings by contracting with a person to treat them at the site or facility for a subsequent beneficial use and selling the treated drill cuttings at a public auction or a public or private sale.

Under the bill, treating the drill cuttings would mean using a manufacturing, mechanical, thermal, or chemical process other than sizing, shaping, diluting, or sorting.

Laws governing the state's first lien on stored hydrocarbons and on the disposition of hydrocarbons at certain sites and facilities would apply in the same manner to drill cuttings under the bill.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2021.

**NOTES:** According to the Legislative Budget Board, the fiscal impact of the bill could not be determined as the potential revenue and cost savings associated with disposing of abandoned stored drill cuttings was unknown.