

BILL ANALYSIS

Senate Research Center
76R 6334 SMH-F

S.B. 813
By: Brown
Natural Resources
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As Filed

DIGEST

Currently, Texas law requires the Railroad Commission (RRC) to give notice to an operator prior to the awarding of a contract to plug a delinquent inactive oil or gas well. A lien securing the plugging costs by RRC attaches to the well-site equipment on the date the well is required to be plugged; however, the RRC cannot foreclose on a lien until a contract to plug the well is entered into. The notice letter is an invitation for less-than-scrupulous operators to enter into agreements with third parties for stripping a well during the minimum 30-day period before the RRC may enter into a plugging contract. S.B. 813 would allow the lien to arise on the date notice is given, would modify exiting RRC liens on well-site equipment to prevent stripping of equipment by third parties after authorization to plug with state funds, and would better protect RRC's interest in well-site equipment and its ability to recoup state-funded plugging expenses.

PURPOSE

As proposed, S.B. 813 regulates a lien of the Railroad Commission of Texas on well-site equipment to secure the cost of plugging an oil or gas well.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 89.043(c), Natural Resources Code, to require the Railroad Commission (RRC) to send a notice by certified mail to the operator of the well at the address last reported to the RRC as required by Section 91.142 and commission rules. Requires the notice to direct the operator to plug the well and to state that the RRC has a lien on all well-site equipment under Section 89.083. Makes conforming and nonsubstantive changes.

SECTION 2. Amends Section 89.083(e), Natural Resources Code, to provide that the lien is extinguished as to any item of well-site equipment that is lawfully removed by any person other than the operator or a nonoperator pursuant to a lien, lease, judgment, written contract, or security agreement before the RRC sends notice under Section 89.043(c), rather than enters into a plugging contract. Prohibits a person from removing any equipment from an inactive well site. Makes a conforming change.

SECTION 3. Emergency clause.
Effective date: upon passage.