

BILL ANALYSIS

Senate Research Center
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S.B. 1019
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Natural Resources
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DIGEST AND PURPOSE

Currently, the number of known abandoned and improperly plugged oil and gas wells in Texas is rising. The number has increased from 21,000 such wells in 1992 to 26,000 in 1999, and it is estimated that six new wells are illegally abandoned every day, significantly polluting the groundwater in 54 Texas counties. The Texas Railroad Commission also currently projects the number of wells plugged annually will steadily decrease in the future. In the 1990s an average of 1380 wells were plugged annually, but that figure will decrease to 790 in 2002 and to 735 in 2003.

At the same time, the number of barrels of oil produced in Texas has decreased from 3.4 million a day in the 1970s to a current 1 million a day. In the future, the oil industry may not be able to raise the money necessary to protect groundwater resources and return the surface of the land to a condition suitable for other uses, putting the burden on taxpayers. Texas is currently one of only a few states that do not require blanket bonds from well operators. As proposed, S.B. 1019 increases oil-field cleanup regulatory fees on oil and gas produced in Texas and requires blanket bonds from all oil well operators in Texas, providing an additional \$13 million annually to the Oilfield Cleanup Fund and allowing, under a 10-year plan, all 26,000 abandoned oil wells to be plugged.

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 81.116(a), Natural Resources Code, to provide that an oil-field cleanup regulatory fee is imposed on crude petroleum produced in this state in the amount of fifteen-sixteenths (rather than five-sixteenths) of one cent on each barrel of 42 standard gallons.

SECTION 2. Amends Section 81.117(a), Natural Resources Code, to provide that an oil-field cleanup regulatory fee is imposed on gas initially produced and saved in this state in the amount of one-tenth (rather than one-thirtieth) of one cent for each thousand cubic feet.

SECTION 3. Amends Sections 85.2021(a) and (c), Natural Resources Code, as follows:

(a) Requires the applicant, with each application or materially amended application for a permit to drill, deepen, plug back, or reenter a well, to submit to the Railroad Commission of Texas (commission) certain increased nonrefundable fees.

(c) Requires an applicant, with each application for an extension of time to plug a well pursuant to commission rules, to submit to the commission a nonrefundable fee of \$400, rather than \$100. Deletes text regarding bonds filed under Section 91.1041 or 91.1042.

SECTION 4. Amends Section 89.002(a)(2), Natural Resources Code, to redefine "operator."

SECTION 5. Amends Sections 89.011, 91.103, 91.104, and 91.1041, Natural Resources Code, as follows:

Sec. 89.011. Sets forth guidelines concerning the duties of the operator of a well. Authorizes an operator to apply for an extension of time to plug a well. Requires the operator to be in compliance with all laws and commission rules and to demonstrate that the well and associated facilities are not a pollution hazard. Authorizes the commission to approve an application for an extension of time to plug a well for a certain period and prohibits an operator from receiving extensions longer than two years, except under certain conditions.

Sec. 91.103. New heading: PERSONS REQUIRED TO EXECUTE BOND. Requires those persons required to file an organization report under Section 91.142 of this code to execute and file with the commission a bond as required by Section 91.104. Deletes language regarding an alternate form of financial security.

Sec. 91.104. New heading: BONDS. Deletes text regarding alternate forms of security. Authorizes a person required to file a bond under Section 91.103 to choose to file either an individual bond or a blanket bond under certain conditions. Deletes text regarding the filing of fees, liens, and any form of financial security other than a bond.

Sec. 91.1041. Authorizes a person required to file a bond under Section 91.103 who operates one or more wells to file a bond in an amount equal to \$3, rather than \$2 for each foot of well depth for each well.

SECTION 6. Amends Section 91.111(c), Natural Resources Code, to make a conforming change.

SECTION 7. Amends Section 91.143(a), Natural Resources Code, to prohibit a person from making or subscribing any application, report, or other documentation required or permitted to be filed with the commission by the provisions of Title 102, Revised Civil Statutes of Texas, 1925, as amended, including provisions of this code formerly included in that title, knowing or negligently failing to ascertain whether or not the application, report, or other document is false or untrue in a material fact. Makes conforming changes.

SECTION 8. Repealer: Section 91.107 (New Bond or Alternate Form of Financial Security), Natural Resources Code.

SECTION 9. (a) Effective date: September 1, 2001.

(b) Makes application of Section 85.2021 (regarding applications), Natural Resources Code, as amended by this Act, prospective.

(c) Makes application of Sections 91.103, 91.104, and 91.1041 (regarding bonds filed), Natural Resources Code, as amended by this Act, prospective.

(d) Makes application of Section 91.143 (regarding violations committed or elements of violations committed), Natural Resources Code, as amended by this Act, prospective.