

BILL ANALYSIS

Senate Research Center

H.B. 2020
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Natural Resource
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Engrossed

DIGEST AND PURPOSE

H.B. 2020 addresses financial assurance requirements for persons engaged in the operation of wells and other activities regulated by the Railroad Commission of Texas.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Railroad Commission (commission) in SECTION 2 (Section 91.104, Natural Resources Code) and in SECTION 3 (Section 91.104, Natural Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 85.2021, Natural Resources Code, effective September 1, 2004, to require an applicant for a drilling permit to submit a fee of \$200 when certain exception reviews are requested, rather than required.

SECTION 2. Amends Section 91.104, Natural Resources Code, as follows:

(a) Makes a nonsubstantive change.

(b) Authorizes a person who is required to file a bond or an alternate form of financial security under Section 91.103 to choose to file a nonrefundable annual fee of \$1,000, if the person states and Texas Railroad Commission (commission) records confirm that the person has, rather than can demonstrate to the commission, an acceptable record of compliance with all commission rules, orders, licenses, permits, or certificates that relate to safety or the prevention or control of pollution for the previous 48 months and the person and, if a firm, partnership, joint stock association, corporation, or other organization, its officers, directors, general partners, or owners of more than 25 percent ownership interest or any trustee has paid a nonrefundable annual fee equal to five percent, rather than 12-1/2 percent, of the bond that otherwise would be required; or, if the person operates wells, another form of financial security authorized by rules adopted by the commission under Subsection (b-1). Deletes text authorizing a person required to file a bond or alternative form of financial security if the commission determines that individual and blanket bonds as specified by Subdivisions (1) and (2) are not obtainable at the reasonable prices.

(b-1) Authorizes the commission by rule to authorize a person who operates wells to file a form of financial security other than those provided by Subsections (b)(1)-(5), including insurance. Requires the rules to require the security to be in an amount sufficient to ensure the plugging of the person's wells.

(c) Prohibits a person from being required to file a bond, letter of credit, or cash deposit as a condition of receiving an extension under Section 85.2021.

(d) Provides that this subsection does not apply to the operation of bay or offshore wells or the storage, handling, treatment, reclamation, or disposal of oil and gas waste. Establishes that a person who engages in more than one activity or operation for which a bond or alternate form of financial security is required under this subchapter is not

required to file a separate bond or alternate form of financial security for each activity or operation in which the person is engaged. Specifies that the person is required to file a bond or alternate form of financial security only in the amount required for the activity or operation in which the person engages for which a bond or alternate form of financial security in the greatest amount is required. Provides that the bond or alternate form of financial security filed covers all of the activities and operations for which a bond or alternate form of financial security is required under this subchapter.

SECTION 3. Amends Section 91.104, Natural Resources Code, effective September 1, 2004, as follows:

(a) Makes a conforming change.

(b) Authorizes a person required to file a bond or alternate form of financial security under Section 91.103 to choose to file a nonrefundable annual fee equal to six percent, rather than 12-1/2 percent, of the bond that otherwise would be required if the financial security is required to be filed before September 1, 2005; seven percent of the bond that otherwise would be required if the financial security is required to be filed on or after September 1, 2005, and before September 1, 2006; and eight percent of the bond that otherwise would be required if the financial security is required to be filed on or after September 1, 2006; or if the person operates wells, another form of financial security authorized by rules adopted by the commission under Subsection (b-1). Deletes text authorizing a person required to file a bond or alternate form of financial security to file a nonrefundable annual fee of \$1,000 if certain conditions are met.

(b-1) Authorizes the commission by rule to authorize a person who operates wells to file a form of financial security other than those provided by Subsections (b)(1)-(5), including insurance. Requires the rules to require the security to be in an amount sufficient to ensure the plugging of the person's wells.

(c) Makes a conforming change.

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SECTION 4. Amends Section 91.1042, Natural Resources Code, to authorize a person required to file a bond or alternate form of financial security under Section 91.103 who operates wells to file a blanket bond to cover all wells and operations for which a bond or alternate form of financial security is required in certain amounts based on the number of wells the person operates.

(b) Makes a conforming change.

SECTION 5. Amends Section 91.107, Natural Resources Code, to require the commission, notwithstanding Section 91.104, if an active or inactive well is transferred, sold, or assigned by its operator, to require the party acquiring the well to provide financial security by means of a, rather than file a new, bond, letter of credit, or cash deposit in an appropriate amount as provided by Section 91.104(b)(1), (2), or (3), and provides that the financial security of the prior operator shall continue to be required and to remain in effect, and the commission may not approve the transfer of operatorship, until a, rather than the new, bond, letter of credit, or cash deposit is provided or the commission determines that the bond, letter of credit, or cash deposit previously submitted to the commission by the person acquiring the well complies with this subchapter.

SECTION 6. Amends Section 91.109(b), Natural Resources Code, effective September 1, 2004, to require in addition to the financial security requirements of Subsection (a) and Section 91.104(b), a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells to file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to a certain schedule.

SECTION 7. Repealer: Sections 10, 18, 20, 22, 24, and 27, Chapter 1233, Acts of the 77th Legislature, Regular Session, 2001.

SECTION 8. Provides that the changes in law made by this Act apply only to a person required to file a bond or alternate form of financial security under Section 91.103 or 91.107, Natural Resources Code, on or after the effective date of this Act. Establishes that a person required to file a bond or alternate form of financial security under Section 91.103 or 91.107, Natural Resources Code, before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 9. (a) Effective date: September 1, 2003, except as provided by Subsection (b).

(b) Provides that this Section 91.109(b), Natural Resources Code, as amended by this Act, takes effect September 1, 2004.