

## **BILL ANALYSIS**

Senate Research Center  
78R8463 T

S.B. 1386  
By: Armbrister  
Natural Resources  
4/10/2003  
As Filed

### **DIGEST AND PURPOSE**

As proposed, S.B. 1386 eliminates financial security requirements for operators who are not responsible for physical management of oil and gas production, waste or associated materials and allows the Railroad Commission by rule to establish lower bonding requirements for activities considered “low risk.”

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Railroad Commission in SECTION 3 of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 91.103, Natural Resources Code, as follows:

- (a) Provides that Subsection (b) is an exception to the provisions of this section requiring any person, including any firm, partnership, joint stock association, corporation, or other organization required to file an organization report under Section 91.142 of this code to execute and file with the Railroad Commission (commission) a bond or alternate form of financial security.
- (b) Provides that an entity that is required to file an organization report under Section 91.142 of this code is not required to file a bond or alternate form of financial security if the entity meets certain standards.
- (c) Prohibits the commission from granting authority to operators to conduct operations under the jurisdiction of the commission unless appropriate financial assurance is filed pursuant to this section prior to commencement of any regulated activities.

SECTION 2. Amends Section 91.103, Natural Resources Code, as enacted to be effective September 1, 2004, as follows:

- (a) Makes a conforming change.
- (b) Provides that an entity that is required to file an organization report under Section 91.142 of this code is not required to file a bond or alternate form of financial security if the entity meets certain requirements.
- (c) Prohibits a commission from granting authority to operators to conduct operations under the jurisdiction unless appropriate financial assurance is pursuant to this section prior to commencement of any regulated activities.

SECTION 3. Amends Section 91.109(b), Natural Resources Code, as enacted to be effective September 1, 2004, by adding sub-part (3), to provide that a person who is involved in activities other than the operation of wells may file a bond, letter of credit, or cash deposit determined by the commission by rule to be sufficient to cover the risk for any person engaging in a specific class of activities that does not involve the operation of wells.

SECTION 4. Effective date: upon passage or September 1, 2003.