

BILL ANALYSIS

Senate Research Center
79R7195 QS-D

H.B. 2440
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Natural Resources
5/16/2005
Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The Railroad Commission of Texas (commission) regulates activities associated with the production of oil and gas by regulating operations involving individual accumulations of oil and gas (reservoirs). The commission regulates the placement of wells and amount of allowable production from a well on a reservoir-by-reservoir basis. An operator must obtain a drilling permit for each reservoir that its well may penetrate and produce. In addition, an operator must separately account for the production from each reservoir that may contribute to a well's production. The technical difficulty and cost in separately permitting and producing each reservoir that a well penetrates may be prohibitive for smaller reservoirs that have marginal amounts of recoverable oil and gas reserves.

Current law allows the commission to authorize production from multiple separate reservoirs through a single, common wellbore (downhole commingling). Producing oil and gas by downhole commingling typically increases overall production by decreasing operating and regulatory costs by eliminating the need to separately permit and produce several thin, marginal reservoirs encountered by a wellbore. The commission can regulate the production of such commingled reservoirs as if they were a single common reservoir. The commission regulates such combined reservoirs as a single common reservoir for regulatory purposes to prevent waste or protect correlative rights. Some oil and gas operators have challenged the commission's authority to regulate the placement and number of wells in fields where commingling is authorized.

H.B. 2440 clarifies that the Railroad Commission of Texas has the authority to regulate all activities under its jurisdiction that are associated with multiple reservoirs for which the agency has allowed commingled production.

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 86.081(b), Natural Resources Code, to authorize the Railroad Commission of Texas to regulate all activities that are under its jurisdiction and associated with, rather than to prorate, allocate, and regulate the production of, commingled, separate multiple stratigraphic or lenticular accumulations of oil or gas or oil and gas as if the accumulations were a single common reservoir. Makes nonsubstantive changes.

SECTION 2. Makes application of this Act prospective to an activity that occurs on or after the effective date of this Act, regardless of whether the authorization for the activity occurs before, on, or after the effective date of this Act.

SECTION 3. Effective date: upon passage or September 1, 2005.