

BILL ANALYSIS

Senate Research Center
81R27489 TRH-F

C.S.S.B. 2170
By: Seliger
Natural Resources
4/28/2009
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Oilfield Cleanup Fund (fund) is a dedicated fund under the Texas Railroad Commission (commission) established to provide funding for plugging and cleaning up abandoned oil and gas wells in Texas. It is funded completely by industry fees. Over the years there have been periodic revisions to the fund, including increasing several fees and doubling the production fees earlier this decade to enable the commission to accomplish more in a short time period. It also included universal bonding requirements for all wells to prevent them from becoming abandoned without funding and a variety of enforcement mechanisms for the commission and the attorney general to find missing operators and seek reimbursement for plugging and site cleanup costs.

The fund has been highly successful and has reduced the pool of abandoned wells from more than approximately 21,000 at the beginning of the decade to fewer than approximately 8,000 today. Its revenue sources now generate far more than what is needed. Furthermore, the commission's workload in certain departments more than doubled over the same time period. Last year, the commission found itself severely backlogged without the revenue to address staffing needs, even though large amounts of revenue were being generated, as revenues were directly dedicated to the fund.

C.S.S.B. 2170 relates to the amount and use of certain fees imposed in connection with oil and gas activities.

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 decrease, from five-eighths to five-sixteenths of one cent on each barrel of 42 standard gallons, the amount an oil-field cleanup regulatory fee is imposed on crude petroleum produced in this state.

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

SECTION 3. Amends Section 85.2021(d), Natural Resources Code, to require that one-half of the, rather than all, fees collected under this section be deposited in the state oil-field cleanup fund, and requires that one-half of the fees collected under this section be deposited in the oil and gas regulatory and development fund.

SECTION 4. Amends Subchapter F, Chapter 85, Natural Resources Code, by adding Section 85.2022, as follows:

Sec. 85.2022. OIL AND GAS REGULATORY AND DEVELOPMENT FUND. (a) Provides that the oil and gas regulatory and development fund is created as a special account in the general revenue fund. Provides that the fund consists of one-half of the fees imposed under Section 85.2021.

(b) Authorizes the money in the fund to be appropriated only to the Railroad Commission of Texas for activities related to the regulation and development of oil and gas.

SECTION 5. Amends Section 91.111(c), Natural Resources Code, to require that the oil-cleanup fund consists of, in addition to other certain funds, one-half of the fees imposed under Section 85.2021 (Drilling Permit Fee).

SECTION 6. Effective date: September 1, 2009.