

BILL ANALYSIS

Senate Research Center
84R18385 JXC-D

H.B. 1331
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Natural Resources & Economic Development
5/8/2015
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The process of drilling and completing an oil or gas well involves drilling through rock from the surface to a preset depth using a drill bit and pipe. As drilling progresses, mud is circulated through the pipe and out of the drill bit to float rock cuttings, commonly referred to as drill cuttings, out of the drill hole and to the surface. Usually, the drill cuttings are temporarily stored at the well site and then transferred to a third-party site for disposal. Interested parties note that there are currently many different methods of disposal for oil-based drill cuttings, such as land filling, land farming, and injection into a salt dome. The parties further note that recent heightened activity with energy development in Texas has inspired a number of environmentally minded companies to create and pioneer new methods of recycling the waste from drill sites but that, as with every new industry, certain legal questions arise that need clarification. In the past, discussions with well operators looking to recycle drill cuttings have included conversations about liability associated with the cuttings once recycled. H.B. 1331 seeks to add clarification to this issue.

H.B. 1331 amends current law relating to the treatment and recycling for beneficial use of certain waste arising out of or incidental to the drilling for or production of oil or gas.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 3 (Section 123.005, Natural Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Chapter 122, Natural Resources Code, to read as follows:

CHAPTER 122. TREATMENT AND RECYCLING FOR BENEFICIAL USE OF FLUID OIL AND GAS WASTE

SECTION 2. Amends the heading to Section 122.002, Natural Resources Code, to read as follows:

Sec. 122.002. OWNERSHIP OF FLUID OIL AND GAS WASTE TRANSFERRED FOR TREATMENT AND SUBSEQUENT BENEFICIAL USE.

SECTION 3. Amends Subtitle D, Title 3, Natural Resources Code, by adding Chapter 123, as follows:

CHAPTER 123. TREATMENT AND RECYCLING FOR BENEFICIAL USE OF DRILL CUTTINGS

Sec. 123.001. DEFINITIONS. Defines "commission," "drill cuttings," and "permit holder."

Sec. 123.002. OWNERSHIP OF DRILL CUTTINGS TRANSFERRED FOR TREATMENT AND SUBSEQUENT BENEFICIAL USE. Provides that, unless

otherwise expressly provided by a contract, bill of sale, or other legally binding document:

(1) when drill cuttings are transferred to a permit holder who takes possession of the cuttings for the purpose of treating the cuttings for a subsequent beneficial use, the transferred material is considered to be the property of the permit holder until the permit holder transfers the cuttings or treated cuttings to another person for disposal or use; and

(2) when a permit holder who takes possession of drill cuttings for the purpose of treating the cuttings for a subsequent beneficial use transfers possession of the treated product or any treatment byproduct to another person for the purpose of subsequent disposal or beneficial use, the transferred product or byproduct is considered to be the property of the person to whom the material is transferred.

Sec. 123.003. **RESPONSIBILITY IN TORT.** Provides that a person who generates drill cuttings and transfers the drill cuttings to a permit holder with the contractual understanding that the drill cuttings will be used in connection with road building or another beneficial use is not liable in tort for a consequence of the subsequent use of the drill cuttings by the permit holder or by another person.

Sec. 123.004. **PERMIT COPY REQUIRED.** Requires a permit holder who takes possession of drill cuttings from the person who generated the drill cuttings to provide to the generator a copy of the holder's permit.

Sec. 123.005. **COMMISSION RULES FOR TREATMENT AND BENEFICIAL USE.** Requires the Texas Railroad Commission to adopt rules to govern the treatment and beneficial use of drill cuttings.

SECTION 4. Effective date: September 1, 2015.