

SUBJECT: Use of money in the Railroad Commission's oil and gas cleanup fund

COMMITTEE: Energy Resources — favorable, without amendment

VOTE: 10 ayes — Keffer, Crownover, Canales, Craddick, Dale, P. King, Lozano, Paddie, R. Sheffield, Wu

0 nays

1 absent — Burnam

WITNESSES: For — Cyrus Reed, Lone Star Chapter - Sierra Club; (*Registered but did not testify*: Teddy Carter, TIPRO; David Holt, Permian Basin Petroleum Association; Steve Perry, Chevron USA; Bill Stevens, Texas Alliance of Energy Producers; Sally Velasquez, Frio County)

Against — None

On — David Pollard, Railroad Commission

BACKGROUND: Natural Resources Code, sec. 81.067 establishes the oil and gas regulation and cleanup fund in the general revenue fund of the treasury. Sec. 81.068 states the cleanup fund may be used by the RRC to regulate oil and gas development, including monitoring and inspections, remediation, well plugging, and administrative costs.

Sec. 91.011 requires a well owner or operator to encase a well with steel casing or other material that meets standards adopted by the RRC before drilling into the oil or gas bearing rock, particularly where wells could be subjected to corrosive elements or high pressures and temperatures, to prevent surface or fresh water contamination.

Sec. 91.0115 requires the RRC to issue a letter of determination stating the depth of surface casing required for a well. It allows the commission to charge a fee in an amount determined by the commission, plus up to \$75 for processing a request to expedite a letter of determination. The fees charged for expedited letters may be used to study and evaluate electronic access to geologic data and surface casing depths.

HB 2694, enacted in 2011 by the 82nd Legislature, transferred the groundwater advisory unit for the Texas Commission on Environmental Quality (TCEQ) to the Railroad Commission of Texas (RRC). The transfer gave the RRC responsibility for issuing letters of determination related to the depth of surface casing an applicant would need to install to obtain a permit to drill an oil, gas, or disposal well.

DIGEST:

HB 3309 would add fees collected from the RRC's issuance of letters of determination for well casing permits to the sources of funding for the oil and gas regulation and cleanup fund.

It would allow money in the oil and gas cleanup fund to be used to study and evaluate electronic access to geological data and surface casing depths necessary to protect the state's usable groundwater.

HB 3309 would require fees collected from issuing letters of determination, including fees for expedited letters, to be deposited in the oil and gas regulation and cleanup fund.

The bill would take effect September 1, 2013.

**SUPPORTERS
SAY:**

HB 3309 would correct a funding error made when the groundwater advisory unit (GWAU) went to the RRC, help the RRC to be self-funding, and give the RRC the resources it needs to protect the state's groundwater from contamination by oil and gas drilling operations.

The GWAU is responsible for protecting Texas' groundwater supplies from drilling operations. When the unit was transferred from the TCEQ to the RRC, the fees it collected to issue letters of determination to well drillers as part of the well drilling permitting process started going into general revenue. The RRC is performing this task, and the bill would ensure that the fee created to fund the activities of the GWAU went toward the intended use, including paying for the nine full-time-equivalent employees that went to the RRC.

The RRC is updating its regulations on casing and cementing of disposal wells and the GWAU plays a key role in this effort. HB 3309 would ensure the proper funding and oversight to make effective regulations that protect the state's fresh groundwater.

Increased funding for the oil and gas regulation and cleanup fund would

improve the state's ability to protect the environment and remediate any effects related to oil and gas exploration. This would help to protect counties from absorbing potential costs related to oil and gas exploration.

**OPPONENTS
SAY:**

HB 3309 would decrease money from general revenue for an activity that the RRC already performs.

NOTES:

The Legislative Budget Board estimates that HB 3309 would have a negative impact of \$927,234 to general revenue related funds through the biennium ending August 31, 2015.