

## **BILL ANALYSIS**

C.S.H.B. 942  
By: Chisum  
Energy Resources  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

In an effort to reduce the number of orphan oil and gas wells (inactive wells that will likely have to be plugged by the state) the 77th legislature enacted a series of changes, establishing that all companies that conduct operations within the Railroad Commission's jurisdiction would have to post a bond, letter of credit, or cash deposit as part of their annual registration with the commission. If a company fails to provide the requisite financial assurance it cannot conduct operations. The purpose of these changes was to provide the state with a source of funds to clean-up pollution or plug abandoned wells if the responsible operator was unable or unwilling to do so.

This bill establishes that in addition to financial security requirements required of a person who is required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit. This bill provides a bond, letter of credit, or cash deposit exception for certain for operators. In addition, a maximum bond, letter of credit, or cash deposit amount is set not to exceed \$25,000.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

SECTION 1. Section 91.109(b), Natural Resources Code, as effective September 1, 2004, is amended as follows:

(b In addition to financial security requirements of Subsection 91.104(b), this section requires that a person who must file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to the following schedule:

(1) no bond, letter of credit, or cash deposit if the person is a:

- (A) local distribution company;
- (B) gas marketer;
- (C) crude oil nominator;
- (D) first purchaser;
- (E) well servicing company;
- (F) survey company;
- (G) salt water hauler;
- (H) gas nominator;
- (I) gas purchaser; or
- (J) well plugger; or

(2) a bond, letter of credit, or cash deposit in an amount not to exceed \$25,000 if the

person is involved in an activity that is not associated with the ownership or operation  
operation of wells and is not listed in Subdivision (1).

SECTION 2. This Act takes effect September 1, 2004.

**EFFECTIVE DATE**

This Act take effect September 1, 2004.

**COMPARISON OF ORIGINAL TO SUBSTITUTE**

Removes SECTION 1. Section 91.103, Natural Resources Code, PERSONS REQUIRED TO EXECUTE BOND OR ALTERNATE FORM OF FINANCIAL SECURITY and replaces SECTION 1. with Section 91.109(b), Natural Resources Code.

Section 91.109 (b), Natural Resources Code adds the following language:

(b) Adds “ownership or” and adds “according to the following schedule” and deletes “in amount equal to” to this section.

CSHB 942 adds new language in 91.109(b) (1) to read as follows:

(1) no bond, letter of credit, or cash deposit if the person is a:

- (A) local distribution company;
- (B) gas marketer;
- (C) crude oil nominator;
- (D) first purchaser;
- (E) well servicing company;
- (F) survey company;
- (G) salt water hauler;
- (H) gas nominator;
- (I) gas purchaser; or
- (J) well plugger; or

CSHB 942 adds section 91.109 (b) (2) to read as follows:

(b)(2) a bond, letter of credit, or cash deposit in an amount not to exceed \$25,000 if the person is involved in an activity that is not associated with the ownership or operation of wells and is not listed in Subdivision(1).

CSHB 942 deletes “a lesser amount determined by the commission of the person is able to demonstrate that the risk associated with an operation or group of operations warrants a lesser amount” from 91.109 (b)(2).

CSHB 942 removes SECTION 2. Section 91.103, Natural Resources Code, PERSONS REQUIRED TO EXECUTE BOND, LETTER OF CREDIT, OR CASH DEPOSIT from the substitute.

CSHB 942 changes the effective date from September 1, 2003 to September 1, 2004.