

1-1 By: Chisom, Rose (Senate Sponsor - Hinojosa) H.B. No. 942
1-2 (In the Senate - Received from the House May 7, 2003;
1-3 May 9, 2003, read first time and referred to Committee on Natural
1-4 Resources; May 26, 2003, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 9, Nays 0;
1-6 May 26, 2003, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 942 By: Hinojosa

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to certain bond requirements for persons engaged in
1-11 certain activities under the jurisdiction of the Railroad
1-12 Commission of Texas other than the ownership or operation of wells.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Section 91.104(b), Natural Resources Code, as
1-15 effective September 1, 2004, is amended to read as follows:

1-16 (b) A person required to file a bond, letter of credit, or
1-17 cash deposit under Section 91.103 who is an inactive operator or who
1-18 operates one or more wells [~~and is not involved in any other~~
1-19 ~~activities that require the filing of a bond, letter of credit, or~~
1-20 ~~cash deposit~~] must, at the time of filing or renewing an
1-21 organization report required by Section 91.142, file:

1-22 (1) an individual bond as provided under Section
1-23 91.1041;

1-24 (2) a blanket bond as provided under Section 91.1042;
1-25 or

1-26 (3) a letter of credit or cash deposit in the same
1-27 amount as required for an individual bond under Section 91.1041 or a
1-28 blanket bond under Section 91.1042.

1-29 SECTION 2. Section 91.109, Natural Resources Code, as
1-30 effective until September 1, 2004, is amended to read as follows:

1-31 Sec. 91.109. FINANCIAL SECURITY FOR PERSONS INVOLVED IN
1-32 ACTIVITIES OTHER THAN OPERATION OF WELLS [~~Disposal Site Bond~~].

1-33 (a) A person applying for or acting under a commission permit to
1-34 store, handle, treat, reclaim, or dispose of oil and gas waste may
1-35 be required by the commission to maintain a performance bond or
1-36 other form of financial security conditioned that the permittee
1-37 will operate and close the storage, handling, treatment,
1-38 reclamation, or disposal site in accordance with state law,
1-39 commission rules, and the permit to operate the site. However, this
1-40 section does not authorize the commission to require a bond or other
1-41 form of financial security for saltwater disposal pits, emergency
1-42 saltwater storage pits (including blow-down pits), collecting
1-43 pits, or skimming pits provided that such pits are used in
1-44 conjunction with the operation of an individual oil or gas lease.
1-45 Subject to the refund provisions of Section 91.1091 of this code,
1-46 proceeds from any bond or other form of financial security required
1-47 by this section shall be placed in the oil-field cleanup fund. Each
1-48 bond or other form of financial security shall be renewed and
1-49 continued in effect until the conditions have been met or release is
1-50 authorized by the commission.

1-51 (b) In addition to the financial security requirements of
1-52 Subsection (a), a person required to file a bond or alternate form
1-53 of financial security under Section 91.103 who is involved in
1-54 activities other than the ownership or operation of wells must file
1-55 the bond or alternate form of financial security at the time of
1-56 filing or renewing an organization report required by Section
1-57 91.142 according to the following schedule:

1-58 (1) no bond, letter of credit, or cash deposit if the
1-59 person is a:

1-60 (A) local distribution company;

1-61 (B) gas marketer

1-62 (C) crude oil nominator;

1-63 (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 persons involved in an activity that is not associated with the ownership or operation of wells and is not listed in Subdivision (1).

(c) A person who engages in more than one activity or operation, including well operation, for which a bond or alternate form of financial security is required under this subchapter is not required to file a separate bond or alternate form of financial security for each activity or operation in which the person is engaged. The person is required to file a bond or alternate form of financial security only in the amount required for the activity or operation in which the person engages for which a bond or alternate form of financial security in the greatest amount is required. The bond or alternate form of financial security filed covers all of the activities and operations for which a bond or alternate form of financial security is required under this subchapter.

SECTION 3. Section 91.109, Natural Resources Code, as effective September 1, 2004, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) In addition to the financial security requirements of Subsection (a) [~~and Section 91.104(b)~~], a person 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 at the time of filing or renewing an organization report required by Section 91.142 according to the following schedule [~~in an amount equal to~~]:

(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 [~~\$250,000~~]; 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 of wells and is not listed in Subdivision (1) [~~a lesser amount determined by the commission if the person is able to demonstrate that the risk associated with an operation or group of operations warrants a lesser amount~~].

(c) A person who engages in more than one activity or operation, including well operation, for which a bond, letter of credit, or cash deposit is required under this subchapter is not required to file a separate bond, letter of credit, or cash deposit for each activity or operation in which the person is engaged. The person is required to file a bond, letter of credit, or cash deposit only in the amount required for the activity or operation in which the person engages for which a bond, letter of credit, or cash deposit in the greatest amount is required. The bond, letter of credit, or cash deposit filed covers all of the activities and operations for which a bond, letter of credit, or cash deposit is required under this subchapter.

SECTION 4. Section 91.142(g), Natural Resources Code, is amended to read as follows:

(g) An organization report filed under this section must be accompanied by the following fee:

- (1) for an operator of not more than 25 wells, \$300;

3-1 (2) for an operator of more than 25 but not more than
3-2 100 wells, \$500;
3-3 (3) for an operator of more than 100 wells, \$1,000;
3-4 (4) for an operator of one or more natural gas
3-5 pipelines as classified by the commission, \$225 [~~\$100~~];
3-6 (5) for an operator of one or more service activities
3-7 or facilities [~~including liquids pipelines as classified by the~~
3-8 ~~commission,~~] who does not operate any wells, an amount determined
3-9 by the commission but not less than \$300 or more than \$500;
3-10 (6) for an operator of one or more liquids pipelines as
3-11 classified by the commission who does not operate any wells, an
3-12 amount determined by the commission but not less than \$425 or more
3-13 than \$625;
3-14 (7) [~~(6)~~] for an operator of one or more service
3-15 activities or facilities, including liquids pipelines as
3-16 classified by the commission, who also operates one or more wells,
3-17 an amount determined by the commission based on the sum of the
3-18 amounts provided by the applicable subdivisions of this subsection
3-19 but not less than \$425 [~~\$300~~] or more than \$1,125 [~~\$1,000~~]; and
3-20 (8) [~~(7)~~] for an entity not currently performing
3-21 operations under the jurisdiction of the commission, \$300.
3-22 SECTION 5. This Act takes effect September 1, 2003.

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