

By: West

H.B. No. 2272

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the filing of financial security by entities engaging
3 in oil and gas exploration and production related activities.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 91.103, Natural Resources Code, is
6 amended to read as follows:

7 (a) Except as provided in subsection (b) below, any [Any]
8 person, including any firm, partnership, joint stock association,
9 corporation, or other organization, required to file an
10 organization report under Section 91.142 of this code shall execute
11 and file with the commission a bond or alternate form of financial
12 security.

13 (b) An entity that is required to file an organization
14 report under Section 91.142 of this code is not required to file a
15 bond or alternate form of financial security if:

16 (1) the entity is not the designated operator of any
17 wells, facilities, or activities associated with the production,
18 transportation, injection, or disposal of oil and gas, oil and gas
19 wastes, or associated materials; and

20 (2) the commission determines that the activities of
21 the entity that are within commission jurisdiction do not pose a
22 risk of pollution of surface or sub-surface water.

23 (c) The commission shall not grant authority to operators to
24 conduct operations under the jurisdiction of the commission unless

1 appropriate financial assurance is filed pursuant to this section
2 prior to commencement of any regulated activities.

3 SECTION 2. Section 91.103, Natural Resources Code, as
4 enacted to be effective September 1, 2004, is amended to read as
5 follows:

6 (a) Except as provided in subsection (b) below, any [Any]
7 person, including any firm, partnership, joint stock association,
8 corporation, or other organization, required to file an
9 organization report under Section 91.142 of this code shall execute
10 and file with the commission a bond, letter of credit or cash
11 deposit.

12 (b) An entity that is required to file an organization
13 report under Section 91.142 of this code is not required to file a
14 bond or alternate form of financial security if:

15 (1) the entity is not the designated operator of any
16 wells, facilities, or activities associated with the production,
17 transportation, injection, or disposal of oil and gas, oil and gas
18 wastes, or associated materials; and

19 (2) the commission determines that the activities of
20 the entity that are within commission jurisdiction do not pose a
21 risk of pollution of surface or sub-surface water.

22 (c) The commission shall not grant authority to operators to
23 conduct operations under the jurisdiction of the commission unless
24 appropriate financial assurance is filed pursuant to this section
25 prior to commencement of any regulated activities.

26 SECTION 3. Section 91.109(b), Texas Natural Resources Code,
27 as enacted to be effective September 1, 2004, is amended to add

1 sub-part (3) as follows:

2 (b) In addition to the financial security requirements of
3 Subsection (a) and Section 91.104(b), a person required to file a
4 bond, letter of credit, or cash deposit under Section 91.103 who is
5 involved in activities other than the operation of wells must file
6 the bond, letter of credit, or cash deposit at the time of filing or
7 renewing an organization report required by Section 91.142 in an
8 amount equal to:

9 (1) \$250,000 [~~+~~ or]

10 (2) a lesser amount determined by the commission if
11 the person is able to demonstrate that the risk associated with an
12 operation or group of operations warrants a lesser amount; or

13 (3) a lesser amount determined by the commission by
14 rule to be sufficient to cover the risk for any person engaging in a
15 specific class of activities that does not involve the operation of
16 wells.

17 SECTION 4. This Act takes effect immediately if it receives
18 a vote of two-thirds of all the members elected to each house, as
19 provided by Section 39, Article III, Texas Constitution. If this
20 Act does not receive the vote necessary for immediate effect, this
21 Act takes effect September 1, 2003.