

BILL ANALYSIS

H.B. 2440
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Energy Resources
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Railroad Commission regulates activities associated with the production of oil and gas by regulating operations involving individual accumulations of oil and gas ("reservoirs"). The commission regulates the placement of wells and amount of allowable production from a well on a reservoir-by-reservoir basis. An operator must obtain a drilling permit for each reservoir that its well may penetrate and produce. In addition, an operator must separately account for the production from each reservoir that may contribute to a well's production. The technical difficulty and cost in separately permitting and producing each reservoir that a well penetrates may be prohibitive for smaller reservoirs that have marginal amounts of recoverable oil and gas reserves.

Current law allows the Railroad Commission to authorize production from multiple separate reservoirs through a single, common wellbore ("downhole commingling"). Producing oil and gas by downhole commingling typically increases overall production by decreasing operating and regulatory costs by eliminating the need to separately permit and produce several thin, marginal reservoirs encountered by a wellbore. The commission can regulate the production of such commingled reservoirs as if they were a single common reservoir. The commission regulates such combined reservoirs as a single common reservoir for regulatory purposes to prevent waste or protect correlative rights. Some oil and gas operators have challenged the commission's authority to regulate the placement and number of wells in fields where commingling is authorized.

This bill clarifies that the Railroad Commission has the authority to regulate all activities under its jurisdiction that are associated with multiple reservoirs for which the agency has allowed commingled production.

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 86.081(b), Natural Resources Code.

Amends Section 86.081 authorizing the Railroad Commission to regulate all activities that are under its jurisdiction and associated with such commingled, separate multiple stratigraphic or lenticular accumulations of oil and gas as if accumulations were a single common reservoir.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.