

BILL ANALYSIS

C.S.H.B. 2980
By: West, George "Buddy"
Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Oil and Gas operators have stated that there is value in the orphan wells and the Railroad Commission should not be moving so fast to have these wellbores plugged. In an attempt to determine if there is such value, it is proposed that a program be established to provide an incentive for an operator to research these wells and extract any remaining value.

HB 2980 would create an Orphan Well Adoption program that would use Oil Field Cleanup Fund dollars and a severance tax abatement to establish an incentive for operators to adopt orphaned wells.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 8 of this bill.

ANALYSIS

SECTION 1 of the bill: Amends Natural Resources Code §81.116(d) to add new Tax Code section 202.060 to the list of exemptions and reductions that do not affect the regulatory fee required by Natural Resources Code §81.116.

SECTION 2 of the bill: Amends Natural Resources Code §89.044 by adding subsection (b) authorizing an operator to conduct a surface inspection of a well it is considering adopting.

SECTION 3 of the bill: Adds Natural Resources Code §89.047 "Orphaned well reduction program" including definitions, nature and extent of right to inspect an orphaned well, duty to give notice of inspection to surface owner and/or tenant, procedure to be designated as operator of the orphaned well, requirements to receive a \$0.50/ft payment for reactivating the well and deadline to be designated under the program (12/31/07) for a person who is designated as the operator of the orphan well on or after January 1, 2006.

SECTION 4 of the bill: Amends Natural Resources Code §91.112(a) by adding the orphaned well program as an approved subject for payments from the Oil Field Cleanup Fund.

SECTION 5 of the bill: Amends Tax Code §201.053 by adding the orphaned well program to the list of gas not taxed.

SECTION 6 of the bill: Amends Tax Code §201.058(a) by adding the orphaned well program to the list of tax exemptions.

SECTION 7 of the bill: Amends Tax Code §202.052(c) by adding the orphaned well program to the list of tax exemptions.

SECTION 8 of the bill: Amends Tax Code by adding §202.060 setting out definitions, parameters for qualifying for a severance tax exemption for a reactivated well, and penalties for falsely attempting to obtain the exemption.

SECTION 9 of the bill: Effective Date.

EFFECTIVE DATE

January 1, 2006

COMPARISON OF ORIGINAL TO SUBSTITUTE

The committee substitute amends SECTION 3, Sec. 89.048(f), Natural resources Code to a person who is designated as the operator of an orphaned well on or after January 1, 2006 and no later than December 31, 2007 is entitled to receive the expemption. The purpose of this change is to make sure that a well that was taken off the orphan list prior to 1/1/06 does not qualify for the payment or the severance tax abatement.