

By: West

H.B. No. 2482

A BILL TO BE ENTITLED

AN ACT

relating to the financial security requirements for certain operators of oil and gas wells.

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

SECTION 1. Section 91.1041(a), Natural Resources Code, is amended to read as follows:

(a) A person required to file a bond, letter of credit, or cash deposit under Section 91.103 who operates one or more wells may file a bond in an amount equal to \$3 [~~\$2~~] for each foot of well depth for each well.

SECTION 2. Section 91.1042, Natural Resources Code, is amended by adding Subsection (c) to read as follows:

(c) Notwithstanding Subsections (a) and (b), the amount of the bond otherwise required by this section is increased by the amount required by Section 91.107(b), if applicable.

SECTION 3. Section 91.107, Natural Resources Code, is amended to read as follows:

Sec. 91.107. NEW BOND, LETTER OF CREDIT, OR CASH DEPOSIT.

(a) If an active or inactive well is transferred, sold, or assigned by its operator, the commission shall require the party acquiring the well to file a new bond, letter of credit, or cash deposit as provided by Section 91.104(b), and the financial security of the prior operator shall continue to be required and to remain in effect, and the commission may not approve the transfer of

1 operatorship, until the new bond, letter of credit, or cash deposit
2 is provided or the commission determines that the bond, letter of
3 credit, or cash deposit previously submitted to the commission by
4 the person acquiring the well complies with this subchapter. A
5 transfer of a well from one entity to another entity under common
6 ownership is a transfer for purposes of this section. A transfer of
7 a well from one entity to another entity that the commission
8 determines has occurred because of a change in the entity's name and
9 does not involve a change in the scope of the entity's operations is
10 not considered a transfer for purposes of this section.

11 (b) If an active or inactive well is transferred, sold, or
12 assigned to an operator who has filed a blanket bond as provided by
13 Section 91.1042 and whose average daily oil and gas production per
14 well for all of the wells operated by the operator for the most
15 recent three months for which that information is on file with the
16 commission is less than 1.5 barrels of oil equivalent, the
17 commission shall require the operator, in addition to complying
18 with Subsection (a), to increase the amount of the operator's
19 blanket bond by an amount equal to \$3 for each foot of the lesser of
20 the total depth of each well being transferred, sold, or assigned
21 or, if applicable, the depth to which each well has been plugged
22 back, as shown by the records of the commission, with the aggregate
23 amount rounded up to the nearest multiple of \$1,000. If the well
24 being transferred, sold, or assigned has previously been
25 transferred, sold, or assigned, the commission shall also require
26 the operator to increase the amount of the operator's blanket bond
27 by an amount equal to any increase previously required by this

1 subsection with respect to the well. The increase in the required
2 amount of the blanket bond required by this subsection also applies
3 to any blanket bond subsequently filed by the operator. The
4 commission by rule may authorize a reduction in the amount of the
5 increase in the required amount of the blanket bond that would
6 otherwise be required by this subsection if the commission
7 determines such a reduction to be appropriate. If the commission
8 authorizes such a reduction by rule, an operator may request that
9 the commission reduce the amount of the increase that is required.
10 If the commission denies the request, the operator may request a
11 hearing on the request.

12 SECTION 4. This Act takes effect September 1, 2005.