

By: Crownover

H.B. No. 1904

A BILL TO BE ENTITLED

1 AN ACT

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

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

5 SECTION 1. Section 91.104(c), Natural Resources Code, is
6 amended to read as follows:

7 (c) A person required to file a bond, letter of credit, or
8 cash deposit under Section 91.103 who operates one or more wells is
9 considered to have met that requirement for a well if the well bore
10 is included in a well-specific plugging insurance policy that:

11 (1) is approved by the Texas Department of Insurance;

12 (2) names this state as the owner and contingent
13 beneficiary of the policy;

14 (3) names a primary beneficiary who agrees to plug the
15 specified well bore;

16 (4) is fully prepaid and cannot be canceled or
17 surrendered;

18 (5) provides that the policy continues in effect until
19 the specified well bore has been plugged;

20 (6) provides that benefits will be paid when, but not
21 before, the specified well bore has been plugged in accordance with
22 commission rules in effect at the time of plugging; and

23 (7) provides benefits that equal the greatest of:

24 (A) an amount equal to \$4 [~~\$2~~] for each foot of

1 well depth, as determined in the manner specified by the
2 commission, for the specified well;

3 (B) if the specified well is a bay well and
4 regardless of whether the well is producing oil or gas, the amount
5 required under commission rules for a bay well that is not producing
6 oil or gas;

7 (C) if the specified well is an offshore well and
8 regardless of whether the well is producing oil or gas, the amount
9 required under commission rules for an offshore well that is not
10 producing oil or gas; or

11 (D) the payment otherwise due under the policy
12 for plugging the well bore.

13 SECTION 2. Section 91.1041(a), Natural Resources Code, is
14 amended to read as follows:

15 (a) A person required to file a bond, letter of credit, or
16 cash deposit under Section 91.103 who operates one or more wells may
17 file a bond in an amount equal to \$4 [~~\$2~~] for each foot of well depth
18 for each well.

19 SECTION 3. Sections 91.1042(a) and (b), Natural Resources
20 Code, are amended to read as follows:

21 (a) A person required to file a bond, letter of credit, or
22 cash deposit under Section 91.103 may file a blanket bond to cover
23 all wells for which a bond, letter of credit, or cash deposit is
24 required as follows:

25 (1) a person who operates 10 or fewer wells shall file
26 a \$25,000 blanket bond;

27 (2) a person who operates more than 10 but not more

1 [~~fewer~~] than 30 [~~100~~] wells shall file a \$100,000 [~~\$50,000~~] blanket
2 bond; [~~and~~]

3 (3) a person who operates [~~100 or~~] more than 30 but not
4 more than 60 wells shall file a \$250,000 blanket bond;

5 (4) a person who operates more than 60 but not more
6 than 100 wells shall file a \$425,000 blanket bond;

7 (5) a person who operates more than 100 but not more
8 than 150 wells shall file a \$625,000 blanket bond; and

9 (6) a person who operates more than 150 wells shall
10 file a \$1 million blanket bond.

11 (b) Notwithstanding Subsection (a), the commission by rule
12 shall set the amount of the bond for an operator of bay or offshore
13 wells at a reasonable amount that exceeds the amount provided by
14 Subsection (a)(1), (2), [~~or~~] (3), (4), (5), or (6), as applicable.

15 SECTION 4. (a) The changes in law made by this Act apply
16 only to a person required to file a bond, letter of credit, or cash
17 deposit under Section 91.103, Natural Resources Code, on or after
18 the effective date of this Act. A person required to file a bond,
19 letter of credit, or cash deposit under Section 91.103, Natural
20 Resources Code, before the effective date of this Act is governed by
21 the law as it existed immediately before the effective date of this
22 Act, and that law is continued in effect for that purpose.

23 (b) The changes in law made by this Act apply to each well
24 for which a person is required to file a bond, letter of credit, or
25 cash deposit under Section 91.103, Natural Resources Code, on or
26 after the effective date of this Act regardless of whether the
27 person was required to file a bond, letter of credit, or cash

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1 deposit under that section for the well before the effective date of
2 this Act.

3 SECTION 5. This Act takes effect September 1, 2007.