

## **BILL ANALYSIS**

C.S.H.B. 2356  
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Energy Resources  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Currently in Texas, oil and gas producers are required to submit a well log, giving basic information about what producers have found underground, to the Railroad Commission of Texas within 90 days after they have drilled a well. Producers can also request that the well logs remain confidential for a certain number of years. The sharing of well log data leads to more efficient and effective production of Texas' natural resources.

Under current law, when a producer fails to file required logs, the penalty for noncompliance is minimum and the railroad commission often has difficulty collecting well logs after the confidentiality periods have expired.

C.S.H.B. 2356 authorizes the Railroad Commission of Texas to administer a fine of up to \$5,000 for failure to file a well log. The substitute defines "well log" to foster increased compliance.

### **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**

C.S.H.B. 2356 amends the Natural Resources Code and the Government Code to replace the terms "electric log" and "basic electric log" with the term "well log" in general provisions relating to the conservation and regulation of oil and gas in the Natural Resources Code, and in provisions excepting geological or geophysical information from required disclosure in the Government Code, and makes conforming changes. The bill amends the Government Code to change "electric log" to "well log" and redefine the term to mean a wireline-conveyed or drill pipe-conveyed survey recorded in an open borehole using electric or radioactive technologies for the purpose of obtaining geological or geophysical information or other information regarding the properties of a reservoir or of the rocks penetrated by the well, including and limited to a spontaneous potential log, induction log, borehole compensated sonic log, dual lateral log, density log, gamma ray log, or compensated neutron log. The bill includes in the definition of "well" a well that is completed as a dry hole.

C.S.H.B. 2356 requires an operator, after a drilling operation is complete, to file with the Railroad Commission of Texas a copy of each well log, including each borehole section of the log at all depths, run after September 1, 2009, in conjunction with the drilling or deepening of a well and makes conforming changes. The bill requires an operator, not later than the deadline for the filing of each well log, to file with the railroad commission a copy of a cased hole log run after September 1, 2009, in conjunction with the drilling or deepening of a well in lieu of a well log run after that date if a cased hole log was run and a well log was not run. The bill clarifies that nothing under provisions governing well logs requires an operator to run a well log in conjunction with the drilling or deepening of a well.

C.S.H.B. 2356 authorizes the railroad commission, if the well is completed as a producing well and the operator fails to file a well log as required, to refuse to assign an allowable or a change in allowable for production from the well, or to impose an administrative penalty on the operator in the manner provided under provisions for penalties in an amount not to exceed \$5,000 for each well for which the operator failed to file a well log.

C.S.H.B. 2356 requires the House Committee on Energy Resources to study methods to increase compliance with provisions generally applicable to well logs in the Natural Resources Code, and to submit to the 82nd Legislature a report of its findings not later than January 1, 2011.

### **EFFECTIVE DATE**

September 1, 2009.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 2356 differs from the original by revising the definition of "well log." The substitute removes a provision included in the original defining "mud log."

C.S.H.B. 2356 in a provision relating to the deadline for filing a copy with the Railroad Commission of Texas of each well log restores the deadline to current law, which is the 90th day after completion of a drilling operation, whereas the original shortened the deadline to the 60th day after completion of a drilling operation. The substitute adds a provision not in the original clarifying that the copy of the well log filed with the commission must include each borehole section of the log at all depths, rather than only including each borehole section of the log. The substitute differs from the original by providing September 1, 2009, as the date after which each well log run in conjunction with drilling or deepening a well must be filed with the railroad commission, rather than January 1, 2009, as in the original. The substitute adds a provision not in the original providing the option of submitting a cased hole log in lieu of a well log if the former was run rather than the latter, and clarifying that no provision for well logs may be interpreted to require a well log to be run in conjunction with the drilling or deepening of a well.

C.S.H.B. 2356 restores to current law provisions amended in the original relating to the filing of requests for confidentiality and for extensions of those requests, whereas the original shortens the total period of confidentiality and entitles an operator to have the period extended only once. The substitute restores to current law a provision repealed in the original relating to additional extensions of the period of confidentiality under certain circumstances.

C.S.H.B. 2356 removes a provision included in the original relating to the failure to file a required well log, authorizing the railroad commission to refuse to approve the plugging of a dry hole well or to refuse to release the operator's financial security until the operator files the well log with the railroad commission, and to require the operator to reenter the well, run a well log, and file the log with the railroad commission. The substitute differs from the original by reducing from \$15,000 to an amount not to exceed \$5,000 the administrative penalty the railroad commission is authorized to impose for failure to file a well log.

C.S.H.B. 2356 adds a provision not in the original requiring the House Committee on Energy Resources to study methods to increase compliance with provisions generally applicable to well logs in the Natural Resources Code, and submit to the 82nd Legislature a report of its findings not later than January 1, 2011.