

BILL ANALYSIS

H.B. 2853
By: Farabee
Energy Resources
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The oil-field cleanup regulatory fund was established as a dedicated fund under the Railroad Commission of Texas to provide funding completely from industry fees for plugging and cleaning up abandoned oil and gas wells in Texas. The fund has been highly successful and has reduced the pool of abandoned wells from over 21,000 at the beginning of the decade to under 8,000 today. Its revenue sources now generate far more than what is needed to complete the job. However, the commission's workload in certain departments, including permitting and completions, more than doubled over the same time period. Last year the commission found itself severely backlogged without the revenue to address the staffing needs even though large amounts of revenue were being generated because the revenue went straight into the dedicated fund. Reducing the allocation and rates of certain fees that go into the oil-field cleanup fund would make additional funds available for appropriation to the commission for staffing needs. A reduction in production fees would come at a critical time for the industry and would help producers pay for new financial and cleanup requirements proposed this session for inactive wells. This combination of actions will assist with updating the entire system and keeping the commission and the fund financially healthy.

H.B. 2853 revises the allocation and rates of certain fees that go into the oil-field cleanup fund to reflect current conditions and needs. It keeps revenue flowing into the fund from permit and expedite permit fees but splits the revenue by 50 percent. The bill also sets the production fees back to the 1999 levels, a reduction of 50 percent of the current rate.

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

H.B. 2853 amends the Natural Resources Code to lower from five-eighths of one cent to five-sixteenths of one cent on each barrel of 42 standard gallons the oil-field cleanup regulatory fee imposed on crude petroleum produced in Texas. The bill lowers from one-fifteenth of one cent to one-thirtieth of one cent for each thousand cubic feet the oil-field cleanup regulatory fee imposed on gas initially produced and saved in Texas. The bill lowers from all of the fees to one-half of the fees collected for drilling permits to be deposited in the state oil-field cleanup fund.

EFFECTIVE DATE

September 1, 2009.