

By: McReynolds

H.B. No. 2915

A BILL TO BE ENTITLED

AN ACT

relating to oil and gas operations in connection with certain state land.

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

SECTION 1. Subchapter A, Chapter 32, Natural Resources Code, is amended to read as follows:

SECTION 32.002. Application of Chapter.

(a) This chapter does not apply to:

(1) land dedicated by the constitution or a law of this state to The University of Texas System, land donated by a will or instrument in writing or otherwise to The University of Texas System, as trustee, for a scientific, educational, or other charitable or public purpose, or any other land under the control of the Board of Regents of The University of Texas System;

(2) land whose title is vested in the state for the use and benefit of any part of The Texas A&M University System or land under the control of the Board of Regents of The Texas A&M University System;

(3) minerals subject to lease under Subchapter F, Chapter 52, of this code, commonly known as the Relinquishment Act, and Subchapters B and C, Chapter 53, of this code;

(4) ~~oil and gas underlying land owned by the state that was acquired to construct or maintain a highway, road, street, or alley, which is located in a producing area, unless the oil or~~

1 ~~gas is leased for the specific purpose of drilling a horizontal~~  
2 ~~well;~~

3           ~~(5)~~ oil and gas underlying land owned by the state  
4 that was acquired to construct or maintain a highway, road, street,  
5 or alley if the Texas Transportation Commission has determined that  
6 such right-of-way is no longer needed for use by citizens as a road  
7 pursuant to Section 202.021, Transportation Code.

8           (5) ~~(6)~~ land owned by the Texas Parks and Wildlife  
9 Department; or

10           (6) ~~(7)~~ land owned by the Texas Board of Criminal  
11 Justice.

12           SECTION 2. Subchapter F, Chapter 32, Natural Resources  
13 Code, is amended to read as follows:

14           Sec. 32.203. COMPENSATORY ROYALTY. Compensatory royalty  
15 shall be paid to the state on any lease offered and granted under  
16 Section 32.201 of this code if the lease is not being held by  
17 production on the tract, by production from a pooled unit, or by  
18 payment of shut-in royalties in accordance with the terms of the  
19 lease, and if oil or gas is sold and delivered in paying quantities  
20 from a well located on a proration unit adjacent to ~~[within 2,500~~  
21 ~~feet of]~~ the leased premises and completed in a producible  
22 reservoir underlying the state lease or in any case in which  
23 drainage is occurring. Such compensatory royalty shall be paid at  
24 the royalty rate provided in the state lease based on the value of  
25 production from the well as provided in the lease on which such well  
26 is located. The compensatory royalty shall be paid in the same  
27 proportion that the acreage of the state lease has to the acreage of

1 the state lease plus the acreage of the standard proration unit  
2 surrounding the draining well. The compensatory royalty is to be  
3 paid monthly to the commissioner on or before the last day of the  
4 month next succeeding the month in which the oil or gas is sold and  
5 delivered from the well causing the drainage or from the well  
6 located on a proration unit adjacent to [~~within 2,500 feet of~~] the  
7 leased premises and completed in a producible reservoir under the  
8 state lease. Notwithstanding anything herein to the contrary,  
9 compensatory royalty payable under this section shall be no less  
10 than an amount equal to double the annual rental payable under the  
11 state lease. Payment of compensatory royalty shall maintain the  
12 state lease in force and effect for so long as such payments are  
13 made as provided in this section.

14 SECTION 3. Subchapter C, Chapter 52, Natural Resources Code  
15 is amended to read as follows:

16 Section 52.076. DUTY TO ADVERTISE

17 (a) The board may:

18 (1) advertise for bids to lease riverbeds, ~~[and]~~  
19 channels, and highway, road, street, or alley rights-of-way for oil  
20 and gas development;

21 (2) advertise for bids to contract to develop the oil  
22 or gas under riverbeds, ~~[and]~~ channels, and highway, road, street,  
23 or alley rights-of-way on consideration involving compensation  
24 with oil and gas or money so that the state will receive a portion of  
25 the oil and gas as it is produced or advanced royalties paid in  
26 money;

27 (3) advertise for bids to purchase oil and gas in place

1 under riverbeds, ~~[and]~~ channels, and highway, road, street, or  
2 alley rights-of-way without requiring mineral development; and

3 (4) pool or bring an action to force pool unleased  
4 riverbeds, ~~[and]~~ channels, and highway, road, street, or alley  
5 rights-of-way.

6 (b) The board shall advertise that the board will receive  
7 bids and award the right to lease, develop, or purchase under this  
8 section in the same manner as provided in Subchapter D, Chapter 32,  
9 of this code and Subchapter B of this chapter.

10 SECTION 4. Sections 32.002(b) and (c), Natural Resources  
11 Code, are repealed.

12 SECTION 5. This Act takes effect September 1, 2009.