

BILL ANALYSIS

C.S.H.B. 3134
By: Crownover
Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Previously enacted legislation has provided a comprehensive regulatory system to address the problem of inactive oil and gas wells. The implementation of this regulatory system has required significant changes in industry standard practices, and some oil and gas well operators have been caught off guard by the new requirements. C.S.H.B. 3134 seeks to prevent operators from being unfairly punished by the new regulatory requirements by allowing extra time and due process for operators and the Railroad Commission of Texas to meet the requirements of the new regulatory structure.

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. 3134 amends the Natural Resources Code to require an authorized employee of the Railroad Commission of Texas or a person designated by the railroad commission, before it issues an order refusing to renew an oil and gas well operator's organization report, to determine whether the operator has failed to comply with the requirements of provisions of law relating to the required plugging of inactive wells. The bill requires the authorized railroad commission employee or designated person, if either determines that the organization report does not qualify for renewal on that ground, to notify the operator of the determination; provide the operator with a written statement of the reasons the organization report does not qualify for renewal; and notify the operator that the operator has 90 days to comply. The bill authorizes the railroad commission employee or designated person to grant the operator an additional 45 days to comply for good cause shown.

C.S.H.B. 3134 requires the authorized railroad commission employee or designated person, after the expiration of the 90 days and the additional 45 days, if applicable, to determine whether the organization report qualifies for renewal and to notify the operator of the determination. The bill authorizes the operator, if the authorized railroad commission employee or designated person determines that the organization report does not qualify for renewal because the operator has continued to fail to comply, to request a hearing regarding the determination not later than the 30th day after the date of the determination. The bill requires the operator to pay the costs associated with the requested hearing. The bill requires the railroad commission by order to refuse to renew the organization report if the railroad commission determines following the hearing that the operator has failed to comply or the operator fails to file a timely request for a hearing. The bill establishes that the organization report remains in effect until the railroad commission's order becomes final.

C.S.H.B. 3134 removes a statement that the well and associated facilities are in compliance with all commission rules and orders from the information required to be included with an application

for an extension of the deadline for plugging an inactive well. The bill makes nonsubstantive and conforming changes.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 3134 contains a provision not included in the original requiring an oil and gas well operator to pay the costs associated with a requested hearing on the determination whether the operator's organization report qualifies for renewal.

C.S.H.B. 3134 contains a provision not included in the original removing a statement that the well and associated facilities are in compliance with all railroad commission rules and orders from the information required to be included with an application for an extension of the deadline for plugging an inactive well.

C.S.H.B. 3134 differs from the original by making the bill effective on passage or, if the bill does not receive the necessary vote, September 1, 2011, whereas the original makes the bill effective September 1, 2011. The substitute differs from the original by making nonsubstantive and conforming changes not included in the original.