

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 3134
By: Crownover (Duncan)
Natural Resources
5/13/2011
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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.

C.S.H.B. 3134 amends current law relating to the plugging of inactive oil and gas wells.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 89.022, Natural Resources Code, by amending Subsection (b) and adding Subsections (d), (e), and (f), as follows:

(b) Requires a person who assumes responsibility for the physical operation and control of an existing inactive well, notwithstanding Subsection (a) (relating to plugging an inactive well before renewing the operator's organization report), to satisfy the requirements of Sections 89.023(a)(1) and (3), rather than Sections 89.023(a)(1) and (4), not later than six months after the date the Railroad Commission of Texas (railroad commission) approves the initial form described by Section 89.002(a)(2) (defining "operator") and filed with the railroad commission under which the person assumes responsibility for the well.

(d) Requires an authorized railroad commission employee or a person designated by the railroad commission for that purpose, before the railroad commission issues an order refusing to renew an operator's organization report under Subsection (c) (relating to renewing or approving the organization report), to determine whether the operator has failed to comply with the requirements of this subchapter. Requires the authorized railroad commission employee or designated person, if the authorized railroad commission employee or designated person determines that the organization report does not qualify for renewal on that ground, to:

- (1) notify the operator of the determination;
- (2) provide the operator with a written statement of the reasons the organization report does not qualify for renewal; and
- (3) notify the operator that the operator has 90 days to comply with the requirements of this subchapter.

(e) Requires the authorized railroad commission employee or designated person, after the expiration of the period specified by Subsection (d)(3), to determine whether the organization report qualifies for renewal and notify the operator of the determination. 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 with the requirements of this subchapter, not later than the 30th day after the date of the determination, to request a hearing regarding the determination. Requires the operator to pay the costs associated with a hearing requested under this subsection.

(f) Requires the railroad commission, if it determines following the hearing that the operator has failed to comply with the requirements of this subchapter or the operator fails to file a timely request for a hearing, to, by order, refuse to renew the organization report. Provides that the organization report remains in effect until the railroad commission's order becomes final.

SECTION 2. Amends Section 89.023(a), Natural Resources Code, as follows:

(a) Deletes existing text of Subdivision (2) authorizing the railroad commission to grant an extension of the deadline for plugging an inactive well if the operator maintains a current organization report with the railroad commission as required by Section 91.142 (Report to Commission) and if, on or before the date of renewal of the operator's organization report as required by that section, the operator files with the railroad commission an application for an extension that includes a statement that the well and associated facilities are in compliance with all railroad commission rules and orders. Redesignates existing Subdivision (4) as Subdivision (3).

SECTION 3. Amends Section 89.024(a), Natural Resources Code, to make a nonsubstantive and conforming change.

SECTION 4. Amends Section 89.025(a), Natural Resources Code, to make a nonsubstantive and conforming change.

SECTION 5. Amends Section 89.026(a), Natural Resources Code, to make a nonsubstantive and conforming change.

SECTION 6. Amends Section 89.027(a), Natural Resources Code, to make a nonsubstantive and conforming change.

SECTION 7. Amends Section 89.028(a), Natural Resources Code, to make a nonsubstantive and conforming change.

SECTION 8. Provides that the changes in law made by this Act apply only to an organization report the renewal of which is pending as of the effective date of this Act or that is filed on or after the effective date of this Act.

SECTION 9. Effective date: upon passage or September 1, 2011.