

By: Davis

S.B. No. 1873

A BILL TO BE ENTITLED

AN ACT

relating to the creation and funding of the well inspection fund.

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

SECTION 1. Subchapter D, Chapter 91, Natural Resources Code, is amended by adding Section 91.118 to read as follows:

Sec. 91.118. WELL INSPECTION FUND. (a) The well inspection fund is created as a special fund in the state treasury.

(b) The fund consists of fees collected under:

(1) Section 81.0521;

(2) Section 81.117;

(3) Section 85.2021;

(4) Section 91.142;

(5) Section 91.605; and

(6) Section 91.707.

(c) Money in the fund may be appropriated only to the commission to inspect oil and gas wells and related equipment, tanks, and other facilities.

(d) The commission shall create a subaccount in the fund for each oil or gas field in this state and shall deposit to the credit of each subaccount the portion of the fees dedicated to the account that are derived from activities conducted in connection with that field. Money in a subaccount may be used only by the commission to inspect oil and gas wells and related equipment, tanks, and other facilities in the oil or gas field for which the subaccount is

1 established.

2 SECTION 2. Subchapter C, Chapter 81, Natural Resources  
3 Code, is amended by adding Section 81.065 to read as follows:

4 Sec. 81.065. INSPECTION COSTS; FEES. (a) Not later than  
5 August 1 of each year, the commission shall determine the estimated  
6 cost of inspecting each oil and gas well and related equipment,  
7 tanks, and other facilities in each oil or gas field in this state  
8 during the next fiscal year. In determining the estimated cost of  
9 inspecting each oil and gas well and related equipment, tanks, and  
10 other facilities in each oil or gas field, the commission shall  
11 consider:

12 (1) the number of complaints received, actions taken,  
13 and penalties imposed by the commission during that fiscal year  
14 that were associated with activities conducted in connection with  
15 the field;

16 (2) the number of times the commission has charged the  
17 maximum daily penalty to operators in the field for violations  
18 associated with activities conducted in connection with the field;  
19 and

20 (3) the total resources necessary to inspect oil and  
21 gas wells and related equipment, tanks, and other facilities in the  
22 field, including:

23 (A) employees; and

24 (B) vehicles and other equipment.

25 (4) the number of oil and gas wells and related  
26 equipment, tanks, and other facilities that have not been inspected  
27 by the commission in the preceding 24 month period.

1        (b) Not later than August 31 of each year, the commission by  
2 order shall determine the amount of each fee listed in Section  
3 91.118(b). The amount of the fees must be sufficient to cover the  
4 commission's estimated costs of inspecting each oil and gas well  
5 and related equipment, tanks, and other facilities. The commission  
6 may prescribe different fee amounts for a fee associated with  
7 activities conducted in connection with different oil or gas fields  
8 in this state as necessary to reflect differences in the costs of  
9 conducting inspections in each field.

10        SECTION 3. Sections 81.0521(a) and (c), Natural Resources  
11 Code, are amended to read as follows:

12        (a) With each application for an exception to any commission  
13 rule contained in Chapter 3 of Part I of Title 16 of the Texas  
14 Administrative Code, the applicant shall submit to the commission a  
15 fee in the amount determined by the commission under Section 81.065  
16 [of \$150].

17        (c) Proceeds ~~[Two-thirds of the proceeds]~~ from the ~~[this]~~  
18 fee, including any penalties collected in connection with the fee,  
19 shall be deposited to the well inspection ~~[oil-field cleanup]~~ fund  
20 as provided by Section 91.118 ~~[91.111]~~.

21        SECTION 4. Section 81.056(g), Natural Resources Code, is  
22 amended to read as follows:

23        (g) The commission may use money in the oil-field cleanup  
24 fund to implement this section. ~~[The amount of money in the fund~~  
25 ~~the commission may use for that purpose may not exceed the amount of~~  
26 ~~money in the fund that is derived from fees collected under Section~~  
27 ~~91.142 from common carriers or owners or operators of pipelines as~~

~~determined annually by the commission.]~~

SECTION 5. The heading to Section 81.117, Natural Resources Code, is amended to read as follows:

Sec. 81.117. [~~OIL-FIELD CLEANUP REGULATORY FEE ON~~] GAS WELL INSPECTION REGULATORY FEE.

SECTION 6. Sections 81.117(a), (c), (d), and (e), Natural Resources Code, are amended to read as follows:

(a) A gas well inspection [~~An oil-field cleanup~~] regulatory fee is imposed on gas initially produced and saved in this state in the amount of one-fifteenth of one cent for each thousand cubic feet.

(c) The [~~Except as provided by Subsection (d), the~~] administration, collection, and enforcement of the fee is the same as for the tax imposed under Section 201.052, Tax Code.

(d) [~~The comptroller shall suspend collection of the fee in the manner provided by Section 91.111.~~] The exemptions and reductions set out in Sections 201.053, 201.057, 201.058, and 202.060, Tax Code, do not affect the fee imposed by this section.

(e) Proceeds from the fee, including any penalties collected in connection with the fee, shall be deposited to the well inspection [~~oil-field cleanup~~] fund as provided by Section 91.118 [~~91.111 of this code~~].

SECTION 7. Section 85.2021, Natural Resources Code, is amended to read as follows:

Sec. 85.2021. DRILLING PERMIT FEE. (a) With each application or materially amended application for a permit to drill, deepen, plug back, or reenter a well, the applicant shall

submit to the commission a nonrefundable fee in the amount  
determined by the commission under Section 81.065 ~~[of:~~

~~[(1) \$200 if the total depth of the well is 2,000 feet~~  
~~or less,~~

~~[(2) \$225 if the total depth of the well is greater~~  
~~than 2,000 feet but less than or equal to 4,000 feet,~~

~~[(3) \$250 if the total depth of the well is greater~~  
~~than 4,000 feet but less than or equal to 9,000 feet,~~

~~[(4) \$300 if the total depth of the well is greater~~  
~~than 9,000 feet].~~ The commission may base the fee on the total  
depth of the well.

(b) An applicant shall submit an additional nonrefundable  
fee in the amount determined by the commission under Section  
81.065:

(1) ~~[of \$200]~~ when requesting a Rule 37 spacing or a  
Rule 38 density exception review; or

(2) ~~[is requested.~~

~~[(c) An applicant shall submit an additional nonrefundable~~  
~~fee of \$150]~~ when requesting that the commission expedite the  
application for a permit to drill, deepen, plug back, or reenter a  
well.

(c) ~~[(d)]~~ All fees collected under this section shall be  
deposited in the well inspection ~~[state oil-field cleanup]~~ fund as  
provided by Section 91.118.

SECTION 8. Sections 91.111(b) and (c), Natural Resources  
Code, are amended to read as follows:

(b) The commission shall certify to the comptroller the date

on which the balance in the fund equals or exceeds \$20 million. The oil-field cleanup regulatory fee [~~fees~~] on oil [~~and gas~~] shall not be collected or required to be paid on or after the first day of the second month following the certification, except that the comptroller shall resume collecting the fee [~~fees~~] on receipt of a commission certification that the fund has fallen below \$10 million. The comptroller shall continue collecting the fee [~~fees~~] until collections are again suspended in the manner provided by this subsection.

(c) The fund consists of:

(1) penalties imposed under Section 85.381 for violation of a law, order, or rule relating to well plugging requirements;

(2) proceeds from bonds and other financial security required by this chapter and benefits under well-specific plugging insurance policies described by Section 91.104(c) that are paid to the state as contingent beneficiary of the policies, subject to the refund provisions of Section 91.1091, if applicable;

(3) private contributions, including contributions made under Section 89.084;

(4) expenses collected under Section 89.083;

(5) [~~fees imposed under Section 85.2021,~~

~~(6)]~~ civil penalties collected for violations of Chapter 89 or of rules or orders relating to plugging that are adopted under this code;

(6) [~~(7)]~~ proceeds collected under Sections 89.085 and 91.115;

1           (7) [~~(8)~~] interest earned on the funds deposited in  
2 the fund;

3           (8) [~~(9)~~] civil penalties or costs recovered under  
4 Section 91.457 or 91.459;

5           (9) [~~(10)~~] oil and gas waste hauler permit application  
6 fees collected under Section 29.015, Water Code;

7           (10) [~~(11)~~] costs recovered under Section 91.113(f);

8           (11) [~~(12)~~ ~~hazardous oil and gas waste generation~~  
9 ~~fees collected under Section 91.605,~~

10           ~~[(13)]~~ oil-field cleanup regulatory fees on oil  
11 collected under Section 81.116;

12           (12) [~~(14)~~ ~~oil-field cleanup regulatory fees on gas~~  
13 ~~collected under Section 81.117,~~

14           ~~[(15)]~~ ~~fees for a reissued certificate collected under~~  
15 ~~Section 91.707,~~

16           ~~[(16)]~~ fees collected under Section 91.1013;

17           (13) [~~(17)~~] fees collected under Section 89.088;

18           (14) [~~(18)~~] penalties collected under Section  
19 81.0531;

20           (15) [~~(19)~~ ~~fees collected under Section 91.142,~~

21           ~~[(20)]~~ fees collected under Section 91.654;

22           (16) [~~(21)~~] costs recovered under Sections 91.656 and  
23 91.657;

24           (17) [~~(22)~~ ~~two-thirds of the fees collected under~~  
25 ~~Section 81.0521,~~

26           ~~[(23)]~~ fees collected under Sections 89.024 and  
27 89.026; and

1           (18) ~~[(24)]~~ legislative appropriations.

2           SECTION 9. Section 91.142(g), Natural Resources Code, is  
3 amended to read as follows:

4           (g) An organization report filed under this section must be  
5 accompanied by a ~~[the following]~~ fee in the amount determined by the  
6 commission under Section 81.065 ~~[+~~

7                   ~~[(1) for an operator of not more than 25 wells, \$300;~~

8                   ~~[(2) for an operator of more than 25 but not more than~~  
9 ~~100 wells, \$500;~~

10                   ~~[(3) for an operator of more than 100 wells, \$1,000;~~

11                   ~~[(4) for an operator of one or more natural gas~~  
12 ~~pipelines as classified by the commission, \$225;~~

13                   ~~[(5) for an operator of one or more service activities~~  
14 ~~or facilities who does not operate any wells, an amount determined~~  
15 ~~by the commission but not less than \$300 or more than \$500;~~

16                   ~~[(6) for an operator of one or more liquids pipelines~~  
17 ~~as classified by the commission who does not operate any wells, an~~  
18 ~~amount determined by the commission but not less than \$425 or more~~  
19 ~~than \$625;~~

20                   ~~[(7) for an operator of one or more service activities~~  
21 ~~or facilities, including liquids pipelines as classified by the~~  
22 ~~commission, who also operates one or more wells, an amount~~  
23 ~~determined by the commission based on the sum of the amounts~~  
24 ~~provided by the applicable subdivisions of this subsection but not~~  
25 ~~less than \$425 or more than \$1,125; and~~

26                   ~~[(8) for an entity not currently performing operations~~  
27 ~~under the jurisdiction of the commission, \$300]. The commission~~



1 may base the fee for an operator of wells on the number of wells  
2 operated. Proceeds from the fee, including any penalties collected  
3 in connection with the fee, shall be deposited in the well  
4 inspection fund as provided by Section 91.118.

5 SECTION 10. Section 91.605(e), Natural Resources Code, is  
6 amended to read as follows:

7 (e) The fees collected under this section shall be deposited  
8 in the well inspection [~~oil-field cleanup~~] fund as provided by  
9 Section 91.118.

10 SECTION 11. Section 91.707, Natural Resources Code, is  
11 amended to read as follows:

12 Sec. 91.707. FEE FOR REISSUED CERTIFICATE. (a) If a  
13 certificate of compliance for a well has been canceled for one or  
14 more violations of provisions of this title, Section 26.131, Water  
15 Code, or Subchapter C, Chapter 27, Water Code, rules adopted or  
16 orders issued under that title, section, or subchapter, as  
17 applicable, or licenses, permits, or certificates issued to the  
18 owner or operator of the well under that title, section, or  
19 subchapter, as applicable, the commission may not issue a new  
20 certificate of compliance until the owner or operator submits to  
21 the commission a nonrefundable fee in the amount determined by the  
22 commission under Section 81.065 [~~of \$300~~] for each severance or  
23 seal order issued for the well.

24 (b) Fees collected under this section shall be deposited to  
25 the well inspection [~~oil-field cleanup~~] fund as provided by Section  
26 91.118.

27 SECTION 12. The changes in law made by this Act apply only

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1 to a fee imposed by the Railroad Commission of Texas on or after  
2 September 1, 2012. A fee imposed by the commission before September  
3 1, 2012, is subject to the law in effect on the date the fee is  
4 imposed, and that law is continued in effect for that purpose.

5 SECTION 13. This Act takes effect September 1, 2011.