

SENATE AMENDMENTS

2nd Printing

By: Crownover

H.B. No. 3134

A BILL TO BE ENTITLED

AN ACT

relating to the plugging of inactive oil and gas wells.

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

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

(b) Notwithstanding Subsection (a), a person who assumes responsibility for the physical operation and control of an existing inactive well must satisfy the requirements of Sections 89.023(a)(1) and (3) [~~4~~] not later than six months after the date the commission approves the initial form described by Section 89.002(a)(2) and filed with the commission under which the person assumes responsibility for the well.

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

(1) notify the operator of the determination;

(2) provide the operator with a written statement of

1 the reasons the organization report does not qualify for renewal;
2 and

3 (3) notify the operator that the operator has 90 days
4 to comply with the requirements of this subchapter.

5 (e) The authorized commission employee or designated person
6 may grant the operator an additional 45 days to comply with the
7 requirements of this subchapter for good cause shown.

8 (f) After the expiration of the period specified by
9 Subsection (d)(3) as extended under Subsection (e), if applicable,
10 the authorized commission employee or designated person shall
11 determine whether the organization report qualifies for renewal and
12 notify the operator of the determination. If the authorized
13 commission employee or designated person determines that the
14 organization report does not qualify for renewal because the
15 operator has continued to fail to comply with the requirements of
16 this subchapter, the operator, not later than the 30th day after the
17 date of the determination, may request a hearing regarding the
18 determination. The operator shall pay the costs associated with a
19 hearing requested under this subsection.

20 (g) If the commission determines following the hearing that
21 the operator has failed to comply with the requirements of this
22 subchapter or the operator fails to file a timely request for a
23 hearing, the commission by order shall refuse to renew the
24 organization report. The organization report remains in effect
25 until the commission's order becomes final.

26 SECTION 2. Section 89.023(a), Natural Resources Code, is
27 amended to read as follows:

1 (a) The commission may grant an extension of the deadline
2 for plugging an inactive well if the operator maintains a current
3 organization report with the commission as required by Section
4 91.142 and if, on or before the date of renewal of the operator's
5 organization report as required by that section, the operator files
6 with the commission an application for an extension that includes:

7 (1) an affirmation that complies with Section 89.029;

8 (2) [~~a statement that the well and associated~~
9 ~~facilities are in compliance with all commission rules and orders,~~

10 [~~3~~] a statement that the operator has, and on
11 request will provide, evidence of a good faith claim to a continuing
12 right to operate the well; and

13 (3) [~~4~~] at least one of the following:

14 (A) documentation that since the preceding date
15 that the operator's organization report was required to be renewed
16 the operator has plugged, or restored to active operation as
17 defined by commission rule, a number of inactive wells equal to or
18 greater than 10 percent of the number of inactive wells operated by
19 the operator on that date;

20 (B) an abeyance of plugging report on a form
21 approved by the commission that:

22 (i) is in the form of a certification signed
23 by a person licensed by the Texas Board of Professional Engineers or
24 the Texas Board of Professional Geoscientists;

25 (ii) includes:

26 (a) an affirmation by the licensed
27 person that the well has:

1 (1) a reasonable expectation of
2 economic value in excess of the cost of plugging the well for the
3 duration of the period covered by the report, based on the cost
4 calculation for plugging an inactive well; and

5 (2) a reasonable expectation of
6 being restored to a beneficial use that will prevent waste of oil or
7 gas resources that otherwise would not be produced if the well were
8 plugged; and

9 (b) appropriate documentation
10 demonstrating the basis for the affirmation of the well's future
11 utility; and

12 (iii) specifies the field and the covered
13 wells within that field in a format prescribed by the commission;

14 (C) a statement that the well is part of an
15 enhanced oil recovery project;

16 (D) if the operator of the well is not currently
17 otherwise required by commission rule or order to conduct a fluid
18 level or hydraulic pressure test of the well, documentation of the
19 results of a successful fluid level or hydraulic pressure test of
20 the well conducted in accordance with the commission's rules in
21 effect at the time the test is conducted;

22 (E) a supplemental bond, letter of credit, or
23 cash deposit sufficient for each well specified in the application
24 that:

25 (i) complies with the requirements of
26 Chapter 91; and

27 (ii) is of an amount at least equal to the

1 cost calculation for plugging an inactive well for each well
2 specified in the application;

3 (F) documentation of the deposit with the
4 commission each time the operator files an application of an amount
5 of escrow funds as prescribed by commission rule that equal at least
6 10 percent of the total cost calculation for plugging an inactive
7 well for each well specified in the application; or

8 (G) if the operator is a publicly traded entity:

9 (i) the following documents:

10 (a) a copy of the operator's federal
11 documents filed to comply with Financial Accounting Standards Board
12 Statement No. 143, Accounting for Asset Retirement Obligations; and

13 (b) an original, executed Uniform
14 Commercial Code Form 1 Financing Statement, filed with the
15 secretary of state, that:

16 (1) names the operator as the
17 "debtor" and the Railroad Commission of Texas as the "secured
18 creditor"; and

19 (2) specifies the funds covered
20 by the documents described by Sub-subparagraph (a) in the amount of
21 the cost calculation for plugging an inactive well for each well
22 specified in the application; or

23 (ii) a blanket bond in the amount of the
24 lesser of:

25 (a) the cost calculation for plugging
26 any inactive wells; or

27 (b) \$2 million.

1 SECTION 3. Section 89.024(a), Natural Resources Code, is
2 amended to read as follows:

3 (a) An abeyance of plugging report filed under Section
4 89.023(a)(3)(B) [~~89.023(a)(4)(B)~~] is valid for a period of not more
5 than five years.

6 SECTION 4. Section 89.025(a), Natural Resources Code, is
7 amended to read as follows:

8 (a) For purposes of Section 89.023(a)(3)(C)
9 [~~89.023(a)(4)(C)~~], an inactive well is considered to be part of an
10 enhanced oil recovery project if the well is located on a unit or
11 lease or in a field associated with such a project.

12 SECTION 5. Section 89.026(a), Natural Resources Code, is
13 amended to read as follows:

14 (a) Documentation filed under Section 89.023(a)(3)(D)
15 [~~89.023(a)(4)(D)~~] of the results of a successful fluid level test
16 is valid for a period of one year from the date of the
17 test. Documentation filed under that section of the results of a
18 successful hydraulic pressure test is valid for a period of not more
19 than five years from the date of the test.

20 SECTION 6. Section 89.027(a), Natural Resources Code, is
21 amended to read as follows:

22 (a) A supplemental bond, letter of credit, or cash deposit
23 filed under Section 89.023(a)(3)(E) [~~89.023(a)(4)(E)~~] is in
24 addition to any other financial assurance otherwise required of the
25 operator or for the well.

26 SECTION 7. Section 89.028(a), Natural Resources Code, is
27 amended to read as follows:

1 (a) Escrow funds described by Section 89.023(a)(3)(F)
2 [~~89.023(a)(4)(F)~~] must be deposited with the commission each time
3 an operator files an application for an extension of the deadline
4 for plugging an inactive well.

5 SECTION 8. The changes in law made by this Act apply only to
6 the renewal of an organization report on or after the effective date
7 of this Act. The renewal of an organization report before the
8 effective date of this Act is governed by the law as it existed
9 immediately before the effective date of this Act, and that law is
10 continued in effect for that purpose.

11 SECTION 9. This Act takes effect immediately if it receives
12 a vote of two-thirds of all the members elected to each house, as
13 provided by Section 39, Article III, Texas Constitution. If this
14 Act does not receive the vote necessary for immediate effect, this
15 Act takes effect September 1, 2011.

ADOPTED

MAY 19 2011

Atay Law
Secretary of the Senate

By: Robert Duncan

H.B. No. 3134

Substitute the following for ___B. No. _____:

By: Atay Law

C.S. ___B. No. _____

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AN ACT

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(b) Notwithstanding Subsection (a), a person who assumes responsibility for the physical operation and control of an existing inactive well must satisfy the requirements of Sections 89.023(a)(1) and (3) [~~(4)~~] not later than six months after the date the commission approves the initial form described by Section 89.002(a)(2) and filed with the commission under which the person assumes responsibility for the well.

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

- (1) notify the operator of the determination;
- (2) provide the operator with a written statement of

1 the reasons the organization report does not qualify for renewal;
2 and

3 (3) notify the operator that the operator has 90 days
4 to comply with the requirements of this subchapter.

5 (e) After the expiration of the period specified by
6 Subsection (d)(3), the authorized commission employee or
7 designated person shall determine whether the organization report
8 qualifies for renewal and notify the operator of the determination.
9 If the authorized commission employee or designated person
10 determines that the organization report does not qualify for
11 renewal because the operator has continued to fail to comply with
12 the requirements of this subchapter, the operator, not later than
13 the 30th day after the date of the determination, may request a
14 hearing regarding the determination. The operator shall pay the
15 costs associated with a hearing requested under this subsection.

16 (f) If the commission determines following the hearing that
17 the operator has failed to comply with the requirements of this
18 subchapter or the operator fails to file a timely request for a
19 hearing, the commission by order shall refuse to renew the
20 organization report. The organization report remains in effect
21 until the commission's order becomes final.

22 SECTION 2. Section 89.023(a), Natural Resources Code, is
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25 for plugging an inactive well if the operator maintains a current
26 organization report with the commission as required by Section
27 91.142 and if, on or before the date of renewal of the operator's

1 organization report as required by that section, the operator files
2 with the commission an application for an extension that includes:

3 (1) an affirmation that complies with Section 89.029;

4 (2) [~~a statement that the well and associated~~
5 ~~facilities are in compliance with all commission rules and orders,~~

6 ~~(3)] a statement that the operator has, and on~~
7 request will provide, evidence of a good faith claim to a continuing
8 right to operate the well; and

9 (3) [~~(4)] at least one of the following:~~

10 (A) documentation that since the preceding date
11 that the operator's organization report was required to be renewed
12 the operator has plugged, or restored to active operation as
13 defined by commission rule, a number of inactive wells equal to or
14 greater than 10 percent of the number of inactive wells operated by
15 the operator on that date;

16 (B) an abeyance of plugging report on a form
17 approved by the commission that:

18 (i) is in the form of a certification signed
19 by a person licensed by the Texas Board of Professional Engineers or
20 the Texas Board of Professional Geoscientists;

21 (ii) includes:

22 (a) an affirmation by the licensed
23 person that the well has:

24 (1) a reasonable expectation of
25 economic value in excess of the cost of plugging the well for the
26 duration of the period covered by the report, based on the cost
27 calculation for plugging an inactive well; and

1 (2) a reasonable expectation of
2 being restored to a beneficial use that will prevent waste of oil or
3 gas resources that otherwise would not be produced if the well were
4 plugged; and

5 (b) appropriate documentation
6 demonstrating the basis for the affirmation of the well's future
7 utility; and

8 (iii) specifies the field and the covered
9 wells within that field in a format prescribed by the commission;

10 (C) a statement that the well is part of an
11 enhanced oil recovery project;

12 (D) if the operator of the well is not currently
13 otherwise required by commission rule or order to conduct a fluid
14 level or hydraulic pressure test of the well, documentation of the
15 results of a successful fluid level or hydraulic pressure test of
16 the well conducted in accordance with the commission's rules in
17 effect at the time the test is conducted;

18 (E) a supplemental bond, letter of credit, or
19 cash deposit sufficient for each well specified in the application
20 that:

21 (i) complies with the requirements of
22 Chapter 91; and

23 (ii) is of an amount at least equal to the
24 cost calculation for plugging an inactive well for each well
25 specified in the application;

26 (F) documentation of the deposit with the
27 commission each time the operator files an application of an amount

1 of escrow funds as prescribed by commission rule that equal at least
2 10 percent of the total cost calculation for plugging an inactive
3 well for each well specified in the application; or

4 (G) if the operator is a publicly traded entity:

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7 documents filed to comply with Financial Accounting Standards Board
8 Statement No. 143, Accounting for Asset Retirement Obligations; and

9 (b) an original, executed Uniform
10 Commercial Code Form 1 Financing Statement, filed with the
11 secretary of state, that:

12 (1) names the operator as the
13 "debtor" and the Railroad Commission of Texas as the "secured
14 creditor"; and

15 (2) specifies the funds covered
16 by the documents described by Sub-subparagraph (a) in the amount of
17 the cost calculation for plugging an inactive well for each well
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26 an operator files an application for an extension of the deadline
27 for plugging an inactive well.

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

5 SECTION 9. This Act takes effect immediately if it receives
6 a vote of two-thirds of all the members elected to each house, as
7 provided by Section 39, Article III, Texas Constitution. If this
8 Act does not receive the vote necessary for immediate effect, this
9 Act takes effect September 1, 2011.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 20, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3134 by Crossover (Relating to the plugging of inactive oil and gas wells.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3134, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Oil-field Cleanup Acct</i> 145	Probable Revenue Gain/ (Loss) from <i>Oil-field Cleanup Acct</i> 145	Change in Number of State Employees from FY 2011
2012	(\$444,252)	\$444,252	6.0
2013	(\$444,252)	\$444,252	6.0
2014	(\$444,252)	\$444,252	6.0
2015	(\$444,252)	\$444,252	6.0
2016	(\$444,252)	\$444,252	6.0

Fiscal Analysis

The bill would provide that before the Railroad Commission issues an order refusing to renew an operator's organization report regarding the plugging of an inactive well, an authorized Railroad Commission employee or a person designated by the Commission for that purpose would be required to determine whether the operator has failed to comply with requirements related to inactive wells. If the authorized person determines that the organization report would fail to qualify for renewal on that basis, then the person would be required 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 they have 90 days to comply with the requirements.

An authorized Railroad Commission employee or designated person would be required to determine

whether the organization report qualifies for renewal and notify the operator of the determination. If the authorized person determines that the organization report does not qualify for renewal because the operator has continued to fail to comply, the operator, not later than the 30th day after the date of the determination, would be authorized to request a hearing regarding the determination. Subsequent to the hearing, if the Railroad Commission determines that the operator has failed to comply with requirements for the plugging of inactive wells, or if the operator has failed to file a timely request for a hearing, the Railroad Commission would be directed to refuse to renew the organization report. The Railroad Commission would collect a fee from an operator to cover the costs of such hearings.

Methodology

The Railroad Commission reports that in practice staff does not formally deny the renewal of organization reports. The agency reports that in cases where staff cannot process an organization report, notification of the problem is sent to the operator, but the filing is held pending the resolution of the problem. If the operator has not resolved the problem within one year, the application is then deemed to have expired. Passage of the bill would require staff to deny various permits within specified time frames. The agency expects that this will result in additional contested case hearings.

To implement the provision of the bill, it is estimated that the Railroad Commission would need a total of 6.0 additional FTEs and related costs to handle an estimated additional 100 hearing requests each fiscal year, plus associated tracking and paperwork. This would include 4.0 additional administrative assistants and 2.0 legal examiners. This estimate assumes that costs associated with the additional staff would be covered by fees assessed on operators requesting hearings, as authorized by the bill. Such funds would be deposited to the General Revenue-Dedicated Oil Field Cleanup Account No.145 as shown in the table above.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, SD, SZ, ZS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 14, 2011

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3134 by Crossover (Relating to the plugging of inactive oil and gas wells.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3134, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$0
2014	\$0
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All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Oil-field Cleanup Acct</i> 145	Probable Revenue Gain/ (Loss) from <i>Oil-field Cleanup Acct</i> 145	Change in Number of State Employees from FY 2011
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Fiscal Analysis

The bill would provide that before the Railroad Commission issues an order refusing to renew an operator's organization report regarding the plugging of an inactive well, an authorized Railroad Commission employee or a person designated by the Commission for that purpose would be required to determine whether the operator has failed to comply with requirements related to inactive wells. If the authorized person determines that the organization report would fail to qualify for renewal on that basis, then the person would be required 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 they have 90 days to comply with the requirements.

An authorized Railroad Commission employee or designated person would be required to determine

whether the organization report qualifies for renewal and notify the operator of the determination. If the authorized person determines that the organization report does not qualify for renewal because the operator has continued to fail to comply, the operator, not later than the 30th day after the date of the determination, would be authorized to request a hearing regarding the determination. Subsequent to the hearing, if the Railroad Commission determines that the operator has failed to comply with requirements for the plugging of inactive wells, or if the operator has failed to file a timely request for a hearing, the Railroad Commission would be directed to refuse to renew the organization report. The Railroad Commission would collect a fee from an operator to cover the costs of such hearings.

Methodology

The Railroad Commission reports that in practice staff does not formally deny the renewal of organization reports. The agency reports that in cases where staff cannot process an organization report, notification of the problem is sent to the operator, but the filing is held pending the resolution of the problem. If the operator has not resolved the problem within one year, the application is then deemed to have expired. Passage of the bill would require staff to deny various permits within specified time frames. The agency expects that this will result in additional contested case hearings.

To implement the provision of the bill, it is estimated that the Railroad Commission would need a total of 6.0 additional FTEs and related costs to handle an estimated additional 100 hearing requests each fiscal year, plus associated tracking and paperwork. This would include 4.0 additional administrative assistants and 2.0 legal examiners. This estimate assumes that costs associated with the additional staff would be covered by fees assessed on operators requesting hearings, as authorized by the bill. Such funds would be deposited to the General Revenue-Dedicated Oil Field Cleanup Account No.145 as shown in the table above.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, SZ, ZS, TL

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 9, 2011

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3134 by Crossover (Relating to the plugging of inactive oil and gas wells.), As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB3134, As Engrossed: an impact of \$0 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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The bill would provide that before the Railroad Commission issues an order refusing to renew an operator's organization report regarding the plugging of an inactive well, an authorized Railroad Commission employee or a person designated by the Commission for that purpose would be required to determine whether the operator has failed to comply with requirements related to inactive wells. If the authorized person determines that the organization report would fail to qualify for renewal on that basis, then the person would be required 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 they have 90 days to comply with the requirements.

The bill would allow the authorized person to grant an operator an additional 45 days to comply with

the requirements relating to the plugging of an inactive well if the operator can show good cause. In addition, the authorized person at the Railroad Commission would be required to determine whether the organization report qualifies for renewal and notify the operator of the determination. If the authorized person determines that the organization report does not qualify for renewal because the operator has continued to fail to comply, the operator, not later than the 30th day after the date of the determination, would be authorized to request a hearing regarding the determination. Subsequent to the hearing, if the Railroad Commission determines that the operator has failed to comply with requirements for the plugging of inactive wells, or if the operator has failed to file a timely request for a hearing, the Railroad Commission would be directed to refuse to renew the organization report. The Railroad Commission would collect a fee from an operator to cover the costs of such hearings.

Methodology

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To implement the provision of the bill, it is estimated that the Railroad Commission would need a total of 6.0 additional FTEs and related costs to handle an estimated additional 100 hearing requests each fiscal year, plus associated tracking and paperwork. This would include 4.0 additional administrative assistants and 2.0 legal examiners. This estimate assumes that costs associated with the additional staff would be covered by fees assessed on operators requesting hearings, as authorized by the bill. Such funds would be deposited to the General Revenue-Dedicated Oil Field Cleanup Account No.145 as shown in the table above.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, SZ, ZS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 18, 2011

TO: Honorable Jim Keffer, Chair, House Committee on Energy Resources

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3134 by Crossover (Relating to the plugging of inactive oil and gas wells.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3134, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Oil-field Cleanup Acct</i> 145	Probable Revenue Gain/ (Loss) from <i>Oil-field Cleanup Acct</i> 145	Change in Number of State Employees from FY 2011
2012	(\$444,252)	\$444,252	6.0
2013	(\$444,252)	\$444,252	6.0
2014	(\$444,252)	\$444,252	6.0
2015	(\$444,252)	\$444,252	6.0
2016	(\$444,252)	\$444,252	6.0

Fiscal Analysis

The bill would provide that before the Railroad Commission issues an order refusing to renew an operator's organization report regarding the plugging of an inactive well, an authorized Railroad Commission employee or a person designated by the Commission for that purpose would be required to determine whether the operator has failed to comply with requirements related to inactive wells. If the authorized person determines that the organization report would fail to qualify for renewal on that basis, then the person would be required 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 they have 90 days to comply with the requirements.

The bill would allow the authorized person to grant an operator an additional 45 days to comply with

the requirements relating to the plugging of an inactive well if the operator can show good cause. In addition, the authorized person at the Railroad Commission would be required to determine whether the organization report qualifies for renewal and notify the operator of the determination. If the authorized person determines that the organization report does not qualify for renewal because the operator has continued to fail to comply, the operator, not later than the 30th day after the date of the determination, would be authorized to request a hearing regarding the determination. Subsequent to the hearing, if the Railroad Commission determines that the operator has failed to comply with requirements for the plugging of inactive wells, or if the operator has failed to file a timely request for a hearing, the Railroad Commission would be directed to refuse to renew the organization report. The Railroad Commission would collect a fee from an operator to cover the costs of such hearings.

Methodology

The Railroad Commission reports that in practice staff does not formally deny the renewal of organization reports. The agency reports that in cases where staff cannot process an organization report, notification of the problem is sent to the operator, but the filing is held pending the resolution of the problem. If the operator has not resolved the problem within one year, the application is then deemed to have expired. Passage of the bill would require staff to deny various permits within specified time frames. The agency expects that this will result in additional contested case hearings.

To implement the provision of the bill, it is estimated that the Railroad Commission would need a total of 6.0 additional FTEs and related costs to handle an estimated additional 100 hearing requests each fiscal year, plus associated tracking and paperwork. This would include 4.0 additional administrative assistants and 2.0 legal examiners. This estimate assumes that costs associated with the additional staff would be covered by fees assessed on operators requesting hearings, as authorized by the bill. Such funds would be deposited to the General Revenue-Dedicated Oil Field Cleanup Account No.145 as shown in the table above.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, SZ, ZS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 29, 2011

TO: Honorable Jim Keffer, Chair, House Committee on Energy Resources

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3134 by Crossover (Relating to the process for refusing to renew an organization report for an operator that fails to plug an inactive oil or gas well.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3134, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Oil-field Cleanup Acct</i> 145	Change in Number of State Employees from FY 2011
2012	(\$444,252)	6.0
2013	(\$444,252)	6.0
2014	(\$444,252)	6.0
2015	(\$444,252)	6.0
2016	(\$444,252)	6.0

Fiscal Analysis

The bill would provide that before the Railroad Commission issues an order refusing to renew an operator's organization report regarding the plugging of an inactive well, an authorized Railroad Commission employee or a person designated by the Commission for that purpose would be required to determine whether the operator has failed to comply with requirements related to inactive wells. If the authorized person determines that the organization report would fail to qualify for renewal on that basis, then the person would be required 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 with the requirements.

The bill would allow the authorized person to grant an operator an additional 45 days to comply with the requirements relating to the plugging of an inactive well if the operator can show good cause. In

addition, the authorized person at the Railroad Commission would be required to determine whether the organization report qualifies for renewal and notify the operator of the determination. If the authorized person would determine that the organization report does not qualify for renewal because the operator has continued to fail to comply, the operator, not later than the 30th day after the date of the determination, would be authorized to request a hearing regarding the determination. Subsequent to the hearing, if the Railroad Commission would determine that the operator has failed to comply with requirements for the plugging of inactive wells, or if the operator has failed to file a timely request for a hearing, the Railroad Commission would be directed to refuse to renew the organization report.

Methodology

The Railroad Commission reports that in practice staff does not formally deny the renewal of organization reports. The agency reports that in cases where staff cannot process an organization report, notification of the problem is sent to the operator, but the filing is held pending the resolution of the problem. If the operator has not resolved the problem within one year, the application is then deemed to have expired. Passage of the bill would require staff to deny various permits within specified time frames. The agency expects that this will result in additional contested case hearings.

To implement the provision of the bill, it is estimated that the Railroad Commission would need a total of 6.0 additional FTEs and related costs to handle an estimated additional 100 hearing requests each fiscal year, plus associated tracking and paperwork. This would include 4.0 additional administrative assistants and 2.0 legal examiners. This estimate assumes that such costs would be paid out of the General Revenue-Dedicated Oil Field Cleanup Account No.145.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, SZ, ZS, TL