

## **BILL ANALYSIS**

Senate Research Center  
83R21485 JAM-F

H.B. 2571  
By: Keffer (Fraser)  
Natural Resources  
5/3/2013  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Interested parties contend that there is a need to assess penalties for the failure of certain oil and gas lessees to produce requested documents in regard to an audit billing. H.B. 2571 seeks to address this issue.

H.B. 2571 amends current law relating to the inspection of certain information regarding the production, transportation, sale, and marketing of oil and gas from state land; imposing an administrative penalty.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of the General Land Office in SECTION 1 (Section 52.135, Natural Resources Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 52.135, Natural Resources Code, by adding Subsections (a-1), (a-2), (a-3), (e), and (f) and amending Subsection (c), as follows:

(a-1) Requires a lessee, not later than the 60th day after the date of receipt of a request from the commissioner of the General Land Office (commissioner), the attorney general, or the governor for information described by Subsection (a) (relating to records of discharges of lines, tanks, and meters are subject at any time to inspection and examination), to produce the requested information.

(a-2) Requires a lessee who is unable to produce requested information in the time required by Subsection (a-1) to, not later than the 30th day after the date of receipt of a request for the information, reply in writing to the requestor and state the reason for the inability to provide the information in the time required and when the information will be available. Authorizes a requestor who receives a reply under this subsection to extend the deadline for the production of the requested information by written response to the lessee. Requires the lessee, if the requestor does not extend the deadline, to produce the information not later than the later of the fifth day after the date of receipt of a written response from the requestor rejecting the extension or the 60th day after the date of receipt of the original request.

(a-3) Requires a lessee who withholds requested information on a good faith legal basis to, not later than the 60th day after the date of receipt of a request for the information, provide the requestor with a detailed explanation of the basis for withholding the information.

(c) Requires a lessee to have 30 days from the date of the receipt of an audit billing notice under Subsection (b) (relating to requiring the commissioner to send to the lessee by certified mail an audit billing notice notifying the lessee of additional royalties that may be required) or a notice of a penalty assessment under Subsection (e) in which to pay the audit deficiency assessment or penalty to request a hearing before the commissioner or the commissioner's representative for redetermination of the assessment or to challenge the assessment of the penalty. Requires that a statement of grounds setting out in detail

the lessee's reasons for disagreement with the assessment or penalty and the factual and legal grounds on which the claim is based be submitted by a lessee with its request for a hearing. Makes nonsubstantive changes.

(e) Authorizes the commissioner, except as provided by Subsection (f), to assess an administrative penalty against a lessee who fails to produce requested information in the time required under Subsection (a-1) or (a-2) by intentionally withholding information to which the land office is legally entitled. Prohibits the penalty from exceeding \$100 a day for each day after the deadline for producing the information that the lessee fails to produce the information until the 60th day after the deadline and \$1,000 a day for each day after the 60th day after the deadline for producing the information that the lessee fails to produce the information.

(f) Prohibits the commissioner from assessing a penalty against a lessee who withholds information under Subsection (a-3) until the commissioner determines that the requestor is entitled to the information.

SECTION 2. Provides that Section 52.135 (Inspections and Examinations), Natural Resources Code, as amended by this Act, applies only to a request for information made under that section on or after the effective date of this Act. Provides that a request for information made under that section before the effective date of this Act is governed by the law in effect on the date of the request, and the former law is continued in effect for that purpose.

SECTION 3. Effective date: September 1, 2013.