BILL ANALYSIS

C.S.H.B. 3516
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Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The handling and disposition of produced water associated with the production of hydrocarbons has historically been conducted via disposal into injection wells drilled into nonproductive zones. Over the last decade as unconventional shale development has proliferated, the use of treated produced water as a substitute for ground or surface water in subsequent oil and gas development has increased significantly, and this increase has been made technically feasible due to ongoing improvements in hydraulic fracturing techniques. To preserve potable water a new subindustry within the oil and gas sector was born, which is solely focused on the handling and treatment of water that remains after oil and gas has been separated at the wellhead. In order to use this produced water in the fracking process it must be captured, treated, and redelivered. This process is pivotal in reducing groundwater use on an extensive level. However, the added regulatory burden placed on commercial produced water recyclers has hindered these activities and the necessary infrastructure development. C.S.H.B. 3516 seeks to provide for a more predictable permitting process to enhance the ability of this new midstream commercial produced water recycling industry to meet the water needs of hydraulic fracturing while preserving groundwater.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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. 3516 amends the Natural Resources Code to require the Railroad Commission of Texas (RRC) rules adopted for governing the treatment and beneficial use of oil and gas waste to establish the following:

- minimum siting standards for commercial fluid recycling pits;
- uniform technical and construction standards consistent with noncommercial recycling standards for fluid oil and gas waste;
- minimum and maximum bonding and financial security amounts for commercial fluid recyclers; and
- standards for sampling and analysis of fluid oil and gas waste.

The bill establishes that the adopted rules must not differ in treatment of commercial and noncommercial recycling of fluid oil and gas waste, except as provided by these provisions of the bill.

C.S.H.B. 3516 requires the RRC to approve or deny an application for a permit issued under the rules not later than the 120th day after the date the complete application was received by the RRC. If the RRC does not approve or deny the application before that date, the application is considered approved and the applicant may operate under the terms specified in the application for a period of one year. The bill requires an application requesting a variance from the standards adopted under the bill's provisions to be evaluated and determined to be substantially similar to previous variances approved by the RRC.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3516 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute changes the date by which the RRC is required to approve or deny a permit application issued under the rules from not later than the 90th day after the date the RRC receives the application to not later than the 120th day after that date.

The substitute changes the requirement for an application requesting a variance from the standards to be approved consistent with previous variances approved by the RRC to a requirement for such an application to be determined to be substantially similar to previous variances approved by the RRC.