

BILL ANALYSIS

S.B. 1258
By: Birdwell
Energy Resources
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Concerns have been raised that older statutes requiring an operator producing oil from certain state land to drill an offset well in response to nearby or draining wells within a certain distance from the state land do not make sense in the context of the more modern production methods of horizontal drilling and fracking, as natural porosity and permeability are not an issue with these methods, and at that distance, in tight shale formations with low permeability. S.B. 1258 seeks to address these concerns by shortening the distance at which a nearby or draining well triggers the requirement to drill an offset well. The change only applies with respect to a horizontal drainhole well located in an unconventional fracture treated field.

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

S.B. 1258 amends the Natural Resources Code to establish that, with respect to certain land leased by the state for oil and gas production and certain land in which the state retains a right to a portion of the oil and gas, if an applicable nearby well or well draining the land is producing oil or gas in commercial quantities and is a horizontal drainhole well located in an unconventional fracture treated field, a lessee of an applicable state area or the agent in control of applicable land for purposes of the state's interest, as appropriate, is not required to drill an offset well unless any take point in the horizontal drainhole well is located closer to the leased state area or other applicable land than the greater of the following:

- the minimum distance established by the applicable Railroad Commission of Texas (RRC) lease-line spacing requirement; or
- a perpendicular distance of 330 feet.

S.B. 1258 defines the following terms:

- "horizontal drainhole well" as a well with a horizontal drainhole that may produce oil or gas along at least 100 feet of the drainhole;
- "take point" as any point in a horizontal drainhole well where oil and gas can be produced from the reservoir or field interval recognized by the RRC; and
- "unconventional fracture treated field" as an oil or gas field in which horizontal well development and hydraulic fracture treatment must be used to recover resources from all or part of the field.

S.B. 1258 applies only to a lease or other agreement, or an amendment to a lease or other agreement, entered into on or after the bill's effective date but authorizes the parties to a lease or other agreement entered into before that date and pertaining to applicable land to do the following:

- contractually agree to amend the lease or other agreement to bring the lease or other agreement into conformity with the bill's provisions; or
- after reviewing pertinent data, contractually agree that a horizontal drainhole well in an unconventional fracture treated field is incapable of draining the land subject to the lease or other agreement.

EFFECTIVE DATE

September 1, 2021.