

BILL ANALYSIS

Senate Research Center
87R7608 JES-F

S.B. 1599
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Natural Resources & Economic Development
4/26/2021
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Most oil and gas operators do not directly employ uniquely skilled workers and instead opt to contract with professional placement companies who then contract with operators to fill that operator's skilled worker need. The placement companies generally provide logistical support for the workers, including purchasing liability insurance to protect the worker. In some cases, the worker is unaware that they actually possess liability insurance coverage. In these instances, they have likely signed a contract with the placement companies that do not provide the oilfield standard of liability insurance and, instead, require that the worker indemnify both the operator and the contractor.

S.B. 1599 attempts to ensure that workers are aware of whether they have liability insurance coverage or not by requiring that the contractor provide a document written in plain English which enables the worker to understand the agreement they are signing. In addition, the document is required to state whether the worker is covered by liability insurance provided by the contractor or is not covered by liability insurance, thereby requiring that the worker indemnify both the placement company and the operator, and making clear that the worker assumes all risks personally.

As proposed, S.B. 1599 amends current law relating to indemnity agreements between contractors and subcontractors for services pertaining to certain wells or mines.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 127, Civil Practice and Remedies Code, by adding Section 127.0045, as follows:

Sec. 127.0045. SUBCONTRACTOR AGREEMENT. (a) Provides that Chapter 127 (Indemnity Provisions in Certain Mineral Agreements), except as provided by Subsection (b), applies to an agreement pertaining to a well for oil, gas, or water or to a mine for a mineral that provides:

(1) that a subcontractor will provide any part of a contractor's services required under a separate contract with a third party; and

(2) for a mutual or unilateral indemnity obligation between the contractor, subcontractor, and third party.

(b) Provides that Subsection (a) does not apply to an agreement for which the contractor, on or before entering into the agreement, provides written notice to:

(1) the subcontractor that:

(A) describes the subcontractor's indemnification obligations to the contractor and to the third party with respect to the services the subcontractor will provide under the agreement;

(B) is provided as a separate document from the agreement; and

(C) is written in plain English and in a manner that is clear, concise, and designed to enable the subcontractor to understand the subcontractor's indemnity obligations under the agreement; and

(2) the third party that states:

(A) whether the subcontractor possesses liability insurance coverage or qualified self-insurance in accordance with Section 127.005 (Insurance Coverage) for the subcontractor's indemnity obligations; and

(B) the dollar limits of the subcontractor's insurance policy or qualified self-insurance, if any.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2021.