

BILL ANALYSIS

C.S.H.B. 3131
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Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

While there is a program that allows oil and gas operators to adopt orphaned oil and gas wells, there is no similar mechanism that allows a geothermal operator to adopt such a well. Orphaned oil and gas wells have the potential to be valuable assets for the geothermal industry. A geothermal operator might want to adopt such a well in order to convert the well into a geothermal electricity production well or an energy conservation well, or to use the well to test the downhole rock for its heat and potential usage. This is a promising and exciting new field of technology that is being developed. When the demand for electricity is low, a geothermal operator can pump water or fluid into a re-purposed orphaned oil and gas well where the water or fluid would become geopressured and potentially heated. Then, when electricity demand is high, the operator can release the geopressured water to run turbines to produce electricity, creating a source of dispatchable energy. Allowing for the adoption of orphaned wells by the geothermal industry will also help to reduce the number of orphaned wells and help save money that would otherwise be spent plugging these wells.

C.S.H.B. 3131 seeks to address this issue by providing for the adoption of an orphaned oil or gas well with respect to the geothermal energy and associated resources estate, or the geologic space, accessed by the well in order to allow the geothermal energy industry to adopt orphaned wells and repurpose them into reliable sources of dispatchable electricity production.

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. 3131 amends the Natural Resources Code to expand eligibility for designation by the Railroad Commission of Texas as the operator of an orphaned oil or gas well by providing a person seeking that designation the option, as an alternative to filing a factually supported claim based on a recognized legal theory to a continuing possessory right in the mineral estate accessed by the well, to file instead such a claim to a continuing possessory right in the following:

- the geothermal energy and associated resources estate accessed by the well, as established by a current geothermal lease, a recorded deed conveying a fee interest in the geothermal estate, or any other documentation of an interest in the geothermal estate; or

- the geologic space accessed by the well for the purpose of an energy conservation well, as established by a recorded deed conveying a fee interest in the space accessed by the well or any other documentation of an interest in that space.

With respect to the filing of a claim to a continuing possessory right in the mineral estate accessed by the well, the bill provides for the claim to be established by any documentation of an interest in the mineral estate.

C.S.H.B. 3131 defines "energy conservation well" as a well used for the retention of energy that may be used to provide dispatchable generation of electricity for the power grid and defines "geothermal energy and associated resources" by reference to state law relating to geothermal resources.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3131 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Whereas the introduced only provided for the filing by a person of a claim to a continuing possessory right in the geothermal resources accessed by a well, the substitute instead provides for the filing by a person of a claim to a continuing possessory right in the following:

- the geothermal energy and associated resources estate accessed by a well, as established by a current geothermal lease, a recorded deed conveying a fee interest in the geothermal estate, or any other documentation of an interest in the geothermal estate; or
- the geologic space accessed by a well for the purpose of an energy conservation well, as established by a recorded deed conveying a fee interest in the space accessed by the well or any other documentation of an interest in that space.

The substitute includes provisions absent from the introduced that do the following:

- define "energy conservation well";
- define "geothermal energy and associated resources" by reference; and
- provide for a claim to a continuing possessory right in the mineral estate accessed by a well to be established by any documentation of an interest in the mineral estate.