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| BILL ANALYSIS |

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| C.S.H.B. 3707 |
| By: Craddick |
| Energy Resources |
| Committee Report (Substituted) |

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| **BACKGROUND AND PURPOSE** The bill author has informed the committee that Texas has long been a leader in oil and gas production, which has also made it a frequent target for organized theft involving petroleum products and associated equipment, as criminal activity in oil and gas regions is often difficult to prosecute due to enforcement limitations, lack of evidence, and the difficulty in tracing stolen hydrocarbons. The bill author has also informed the committee that, with the high value of crude oil, condensate, and oilfield equipment, theft operations have become increasingly sophisticated, requiring a more comprehensive legal framework to effectively deter and penalize these crimes. C.S.H.B. 3707 seeks to address the challenges posed by organized oilfield theft by setting out provisions relating to the inspection, purchase, sale, possession, storage, transportation, and disposal of petroleum products, oil and gas equipment, and oil and gas waste in order to provide law enforcement with clear authority to inspect and investigate suspected oil and gas theft, strengthen existing penalties, and modernize and reinforce the state's legal response to oilfield theft and improper disposal practices.  |
| **CRIMINAL JUSTICE IMPACT**It is the committee's opinion that this bill expressly does one or more of the following: creates a criminal offense, increases the punishment for an existing criminal offense or category of offenses, or changes the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY** It is the committee's opinion that rulemaking authority is expressly granted to the Public Safety Commission in SECTION 3 of this bill. |
| **ANALYSIS** C.S.H.B. 3707 amends the Code of Criminal Procedure to require an officer who takes custody of a petroleum product, defined by the bill as crude oil or condensate, alleged to have been stolen to immediately arrange for the total amount of the petroleum product to be sold at a price that is equal to the following:* in the case of crude oil, the price of the same quantity of West Texas Intermediate crude oil, as calculated based on that crude oil's closing price recorded on the New York Mercantile Exchange (NYMEX) on the date preceding the date of sale; or
* in the case of condensate, the price of the same quantity of natural gas liquids as calculated based on the U.S. natural gas liquid composite price recorded on NYMEX on the date preceding the date of sale.

The bill authorizes the proceeds of the sale to be deposited in the manner prescribed for seized gambling money and disposed of in accordance with statutory provisions relating to search warrants and the disposition of stolen property. The bill authorizes a law enforcement agency to contract with a private entity to sell a petroleum product in accordance with these provisions of the bill. The bill extends to the real owner of the property sold under these bill provisions the authority granted to the real owner of illegally acquired property that is disposed of by sale to recover property sale proceeds as prescribed by applicable state law. The bill's Code of Criminal Procedure provisions apply only to property seized on or after the bill's effective date. Property seized before that date is governed by the law in effect on the date the property was seized, and the former law is continued in effect for that purpose. For these purposes, property was seized before the bill's effective date if any portion of the property was seized before that date.C.S.H.B. 3707 amends the Government Code to authorize a commissioned officer of the Department of Public Safety (DPS) who receives training as described by the bill to conduct a comprehensive inspection of any cargo tank used or suspected of being used to transport a petroleum product on a public road or railroad in Texas. The bill authorizes an officer who conducts such an inspection to obtain a sample of the petroleum product or suspected petroleum product being transported in the cargo tank and submit the sample to a crime laboratory for forensic analysis. The bill requires the Public Safety Commission by rule to develop a training program for commissioned officers to perform these inspections and requires the training program to include instruction regarding the proper method for an officer to safely obtain a sample of a petroleum product from a cargo tank. The bill authorizes DPS to accept gifts and grants from any source to fund forensic analyses of petroleum products under these provisions of the bill. The bill defines the following terms for purposes of such provisions:* "cargo tank" by reference to Tax Code provisions relating to motor fuel taxes;
* "crime laboratory" and "forensic analysis" by reference to Code of Criminal Procedure provisions relating to the forensic analysis of evidence; and
* "petroleum product" as crude oil or condensate.

The bill requires the commission, not later than January 1, 2026, to adopt rules to implement these provisions of the bill.C.S.H.B. 3707 amends the Penal Code to expand the conduct that constitutes theft of a petroleum product to include the following:* transporting to a waste disposal location a petroleum product for which the person cannot identify the petroleum product's initial owner;
* purchasing a petroleum product from a person that is not authorized by the Railroad Commission of Texas (RRC) to sell the petroleum product; or
* storing, purchasing, or trading a petroleum product for financial benefit by means of a method that is not authorized by the RRC.

The bill removes the first degree felony penalty for theft of a petroleum product whose total value is $300,000 or more but increases the penalty for theft of a petroleum product whose total value is $100,000 or more but less than $300,000 from a second degree felony to a first degree felony and removes the cap on the product's value for purposes of the penalty. The bill increases the other value-based penalties for theft of a petroleum product as follows:* for a product whose total value is less than $10,000, from a state jail felony to a third degree felony; and
* for a product whose total value is $10,000 or more but less than $100,000, from a third degree felony to a second degree felony.

C.S.H.B. 3707 creates the offense of theft of oil and gas equipment for a person who unlawfully appropriates oil and gas equipment with intent to deprive the owner of the oil and gas equipment by possessing, removing, delivering, receiving, purchasing, selling, moving, concealing, or transporting the oil and gas equipment. The bill establishes the following penalties for the offense:* a third degree felony if the total value of the oil and gas equipment appropriated is less than $10,000;
* a second degree felony if the total value of the oil and gas equipment appropriated is $10,000 or more but less than $100,000; and
* a first degree felony if the total value of the oil and gas equipment appropriated is $100,000 or more.

The bill establishes that appropriation of oil and gas equipment is unlawful if it is without the owner's effective consent. The bill defines "oil and gas equipment" as machinery, drilling equipment, welding equipment, pipeline equipment, fittings, pumps, vehicles, or other equipment and materials that are part of or incident to the exploration, development, maintenance, and operation of oil and gas properties, including oil and gas wells, oil and gas leases, gasoline plants, and refineries.C.S.H.B. 3707 establishes that, if conduct constituting a theft of a petroleum product or oil and gas equipment offense also constitutes an offense under any other law, the actor may be prosecuted under provisions governing these offenses or the other law, but not both.C.S.H.B. 3707 amends the Water Code to replace the prohibition against a person continuing to use a disposal well or beginning to drill a disposal well or convert an existing well into a disposal well to dispose of oil and gas waste without first obtaining a permit from the RRC with a provision creating an offense for a person who begins drilling or using a disposal well or converting an existing well into a disposal well to dispose of such waste without first obtaining such a permit. The bill establishes the following penalties for the offense:* a third degree felony if no oil and gas waste has been disposed of or the total value of the oil and gas waste disposed of is less than $10,000;
* a second degree felony if the total value of the oil and gas waste disposed of is $10,000 or more but less than $100,000; and
* a first degree felony if the total value of the oil and gas waste disposed of is $100,000 or more.

If conduct constituting the offense also constitutes an offense under any other law, the actor may be prosecuted under these provisions or the other law, but not both.C.S.H.B. 3707, except as otherwise provided by the bill for the Code of Criminal Procedure provisions, applies only to an offense committed on or after the bill's effective date. An offense committed before that date is governed by the law in effect on the date the offense was committed, and the former law is continued in effect for that purpose. For these purposes, an offense was committed before the bill's effective date if any element of the offense was committed before that date. |
| **EFFECTIVE DATE** September 1, 2025. |
| **COMPARISON OF INTRODUCED AND SUBSTITUTE**While C.S.H.B. 3707 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. Both the introduced and substitute replace the prohibition against a person continuing to use a disposal well or beginning to drill a disposal well or convert an existing well into a disposal well to dispose of oil and gas waste without first obtaining a permit from the RRC. Whereas the introduced replaced that prohibition with a provision creating an offense for a person who continues using a disposal well or begins drilling a disposal well or converting an existing well into a disposal well to dispose of such waste without first obtaining such a permit, the substitute replaces that prohibition with a provision creating an offense for a person who begins drilling or using a disposal well or converting an existing well into a disposal well to dispose of such waste without first obtaining such a permit. |
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