

BILL ANALYSIS

C.S.H.B. 3334
By: King
Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that the state has experienced a growing number of wildfires in recent years, especially in the Panhandle, where dry conditions and old infrastructure have led to many fire risks and that investigations into large-scale wildfires, including the investigation by the House Investigative Committee on the Panhandle Wildfires, have shown that poorly maintained electrical infrastructure at oil and gas well sites has been a contributing factor in igniting fires. C.S.H.B. 3334 seeks to address this issue by setting out provisions relating to wildfire prevention, mitigation, and response at certain wells under the jurisdiction of the Railroad Commission of Texas in order to strengthen preventive measures and accountability mechanisms at oil and gas well sites with the goal of reducing wildfire ignition risks.

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 rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 2 of this bill.

ANALYSIS

C.S.H.B. 3334 amends the Natural Resources Code to require, with respect to a well that has been the subject of a formal complaint filed with the Railroad Commission of Texas (RRC), a bonded and state-certified third-party inspector, at least 60 but not more than 150 days before the date ownership of the well or oil or gas lease on which the well is located may be transferred from one operator to another, to inspect the well, well site, and related facilities to determine compliance with state laws and regulations pertaining to susceptibility to wildfires. The bill requires a third-party inspector, not later than the 30th day after the date of conducting such an inspection, to provide to the RRC and the operator of any well or related facility inspected a written report of the results of the inspection. The bill requires the inspector's report to document any safety issue, violation, or fire risk identified during the inspection. The bill requires an operator, not later than the 30th day after the date the operator receives the report, to confer with the RRC and take any remedial action necessary to address a violation, safety issue, or fire risk identified in the report. The bill requires the third-party inspector, on completion of all remedial actions required by the RRC, to conduct a follow-up inspection to confirm that there are no remaining violations and provide to the RRC and the operator a report of the follow-up inspection. The bill authorizes an operator, on receipt of such a report documenting that a well, well site, and associated facilities are compliant with state laws and regulations pertaining to susceptibility to wildfires, to submit to the RRC a certification affirming that the well is in compliance with all such state laws and regulations. The bill prohibits the RRC from approving

a proposed transfer subject to these provisions of the bill until the RRC receives such a certification. The bill requires the RRC to do the following if an operator fails to have the initial inspection conducted or fails to take any required remedial action:

- suspend or revoke the permit to operate the well or related facility for which a report was not submitted or remedial action was not taken; and
- send to the owner of the surface of the tract of land on which the well or related facility is located notice that the operator of the well or related facility is not in compliance with the bill's provisions.

The bill establishes that such a suspension or revocation remains in effect until the operator comes into compliance with the bill's provisions. The bill defines the following terms:

- "operator" as a person who assumes responsibility for the physical operation and control of a well as shown by a form the person files with the RRC and the RRC approves; and
- "well" as a hole drilled for the purpose of producing oil or gas, injecting fluid or gas into the ground in connection with the exploration for or production of oil or gas, or obtaining geological information by taking cores or through seismic operations.

C.S.H.B. 3334 requires the RRC, for any well and related facilities for which there is no locatable owner or operator or for which the owner or operator is not responsive, to assume control of and responsibility for the well and related facilities and ensure that the well and related facilities are compliant with applicable state laws and regulations pertaining to susceptibility to wildfires. The bill requires the RRC, in consultation with the Public Utility Commission of Texas (PUC) and at the time the RRC determines a well or related facility to be orphaned, inactive, or not in compliance with state laws and regulations pertaining to susceptibility to wildfires, to direct the electric utility or other entity that provides electric service for the well or related facility to terminate electric service for the well or related facility at the point of origin. The bill prohibits the terminated electric service from being reinstated until the following conditions are satisfied:

- an approved operator assumes ownership of the well or related facility;
- the site of the well or related facility is confirmed by the RRC to be in compliance with all applicable state laws and regulations pertaining to susceptibility to wildfires; and
- the electric utility or other entity receives written notice from the RRC and the PUC that the service may be reinstated.

C.S.H.B. 3334 exempts a surface owner affected by a well or related facility that is orphaned, inactive, or not in compliance with state laws and regulations pertaining to susceptibility to wildfires from liability for an action taken by the owner to ensure the safety of the owner's property under the following circumstances:

- the operator of the well or related facility has been unresponsive;
- the owner has received notice of noncompliance from the RRC as provided by the bill; or
- in the event of an emergency, including the imminent threat of wildfire.

The bill authorizes a surface owner to seek reimbursement from the operator of a well or related facility located on the owner's land for any action taken by the owner to ensure the safety of the owner's property.

C.S.H.B. 3334 authorizes the RRC to impose an administrative penalty on a person who violates the bill's provisions or a rule adopted or order issued under such provisions. The bill caps the amount of the penalty at \$5,000 for each violation and establishes that each day a violation continues or occurs is a separate violation for the purpose of imposing a penalty. The bill requires the amount of the penalty to be based on the following:

- the seriousness of the violation, including the nature, circumstances, extent, and gravity of the violation;
- the economic harm to property or the environment caused by the violation;
- the history of previous violations;
- the amount necessary to deter a future violation;

- efforts to correct the violation; and
- any other matter that justice may require.

The bill authorizes the enforcement of the penalty to be stayed during the time the order is under judicial review if the person pays the penalty to the clerk of the court or files a supersedeas bond with the court in the amount of the penalty. The bill authorizes a person who cannot afford to pay the penalty or file the bond to stay the enforcement by filing an affidavit in the manner required by the Texas Rules of Civil Procedure for a party who cannot afford to file security for costs, subject to the RRC's right to contest the affidavit as provided by those rules. The bill authorizes the attorney general to sue to collect the penalty and establishes that a proceeding to impose the penalty is considered to be a contested case under the Administrative Procedure Act.

C.S.H.B. 3334 requires the RRC, as soon as practicable after the bill's effective date, to adopt rules necessary to implement the changes in law made by the bill.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3334 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.

The substitute does not include provisions that appeared in the introduced relating to the required inspection and remediation of active wells that did the following:

- required an operator of an active well to contract annually with a bonded and state-certified third-party inspector to identify and inspect for susceptibility to wildfires all wells and related facilities associated with the operator;
- required a third-party inspector, not later than the 30th day after the date of conducting such an inspection, to provide to the RRC and the operator of any well or related facility inspected a written report of the results of the inspection;
- required the inspector's report to document any safety issue, violation, or fire risk identified during the inspection;
- required an operator, not later than the 30th day after the date the operator receives the report, to confer with the RRC and take any remedial action necessary to address any violation, safety issue, or fire risk identified in the report;
- authorized the RRC to do the following for purposes of ensuring that any required remedial action has been completed:
 - send a RRC inspector, or require the operator to contract with a third-party inspector, to verify completion; or
 - require that an operator provide written evidence demonstrating that any safety issue, violation, or fire risk identified in the report has been addressed to the RRC's satisfaction;
- made an operator responsible for any cost associated with an inspection conducted or remedial action taken under these provisions of the introduced; and
- required the RRC to adopt rules specifying the date by which a person must conduct such an inspection.

The substitute does not include provisions that appeared in the introduced that required the RRC to make the following publicly available on its website as a part of the oil and gas records database:

- each inspection report relating to well, well site, and facility susceptibility to wildfires provided to the RRC under the introduced version's provisions; and

- any subsequent inspection report or written evidence supplied by an operator demonstrating completion of remedial action submitted under those provisions.

The substitute does not include a provision that appeared in the introduced that established that the bill's provisions prevail in the event of a conflict between such provisions and any other law.

The substitute includes a provision that was not in the introduced making the bill's provisions relating to the required inspection and certification before the transfer of a well applicable only to a well that has been the subject of a formal complaint filed with the RRC.

With respect to the bill's requirement for the RRC, at the time the RRC determines a well or related facility to be orphaned, inactive, or not in compliance with state laws and regulations pertaining to susceptibility to wildfires, to direct the electric utility or other entity that provides electric service for the well or related facility to terminate electric service for the well or related facility at the point of origin, the substitute specifies that such direction is to be done in consultation with the PUC, whereas the introduced did not include that specification. With respect to the bill's prohibition against electric service that is terminated as such being reinstated until, in part, the electric utility or other entity receives written notice that the service may be reinstated, the introduced specified that such notice is from the RRC, whereas the substitute specifies that such notice is from the RRC and the PUC.