

SUBJECT: Clarifying the oil-field cleanup regulatory fee on crude oil and natural gas

COMMITTEE: Energy Resources — favorable, without amendment

VOTE: 6 ayes — West, Farabee, Canales, Delisi, E. Jones, B. Keffer

0 nays

1 absent — Crabb

WITNESSES: For — *(Registered, but did not testify:)* Martin Fleming, Texas Independent Producers and Royalty Owners Association; Kinnan Goleman, Shell Oil Company/Devon Energy; Bill Stevens, Texas Alliance of Energy Producers

Against — None

On — *(Registered, but did not testify:)* Steve Gault, Texas Railroad Commission

BACKGROUND: Natural Resources Code, sec. 81.116 requires an oil-field cleanup regulatory fee of five-eighths of one cent on each barrel of 42 gallons to be imposed on crude oil produced in the state. Proceeds from the fee are deposited into the oil-field cleanup fund.

The fee under this section is assessed in addition to the tax of three-sixteenths of one cent on each barrel of crude petroleum required under Natural Resources Code, sec. 81.111. It also is assessed in addition to the oil production tax levied under Ch. 202 of the Tax Code.

Natural Resources Code, sec. 81.117 requires an oil-field regulatory fee of one-fifteeneth of one cent for each thousand cubic feet of gas produced in the state. Proceeds from the fee are deposited into the oil-field cleanup fund.

The fee assessed under this section is assessed in addition to the tax on gas required under Tax Code, sec. 201.052.

DIGEST: HB 2301 would amend Natural Resources Code, sec. 81.116 to specify that the oil-field cleanup fee collected on crude oil was “independent of any liability for” taxes imposed under sec. 81.111 of the Natural Resources Code and Ch. 202 of the Tax Code. It also would specify that this fee would not be affected by certain exemptions and reductions for the oil severance tax set out in chapter 202 of Tax Code.

HB 2301 also would amend sec. 81.117 to specify that the oil-field cleanup fee collected on natural gas was “independent of any liability” for the tax on gas required under Tax Code, sec. 201.052. It also would specify that this fee would not be affected by certain exemptions and reductions for the gas severance tax set out in chapter 201 of the Tax Code.

The bill would take effect September 1, 2003.

SUPPORTERS SAY: By correcting an oversight in the Natural Resources Code, HB 2301 would end an exemption from the oil-field cleanup regulatory fee granted to some oil and gas produced in the state, thus maximizing the collection of an important funding mechanism for the fund. Some types of oil and gas rightly are exempt from the severance tax, but current language in the Natural Resources Code unintentionally includes the oil-field cleanup fee in the exemption. By correcting and clarifying the statute, the Legislative Budget Board estimates that HB 2301 would add close to \$5 million to oil-field cleanup fund through fiscal 2008.

OPPONENTS SAY: No apparent opposition.