

BILL ANALYSIS

Senate Research Center

H.B. 3696
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Natural Resources
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Engrossed

DIGEST

Currently, a state fee lease may be transferred at any time by a lessee. Additionally, every transferee is required to succeed to all rights and subject to all obligations, liabilities, and penalties owed to the state by the original lessee or any prior transferee of the lease. As it stands, current bonding programs in place at the Railroad Commission of Texas may not be adequate to ensure that wells on state-owned submerged lands or any other lands are properly plugged and abandoned. H.B. 3696 authorizes a lessee to transfer a lease with the consent of the Commissioner of the General Land Office (commissioner). Existing law does not require the commissioner's consent. This bill authorizes the commissioner to require the transferee to demonstrate that it has the financial responsibility to discharge its obligations under the lease, including the obligations to properly plug abandoned wells, remove platforms or pipelines, or remediate contamination at drill sites. H.B. 3696 also authorizes the commissioner to require the transferee to post a bond or provide other security to secure those obligations, if the transferee is unable to demonstrate such financial responsibility to the commissioner's satisfaction.

PURPOSE

As proposed, H.B. 3696 establishes conditions regarding the approval of assignments of oil and gas leases covering certain state land.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 52.026, Natural Resources Code, by amending Subsection (a) and adding Subsection (e), to require the liability of the transfer to properly discharge its obligations under the lease at drill sites to pass to the transferee upon prior written consent of the commissioner. Prohibits the Commissioner of the General Land Office (commissioner) from withholding the consent unreasonably. Authorizes the commissioner to require the transferee to demonstrate that it has the financial responsibility to properly discharge its obligation and may require the transferee to post a bond or provide other security to secure those obligations if the transferee is unable to demonstrate such financial responsibility to the satisfaction of the commissioner. Provides that this section does not relieve a person from the duty to comply with a rule adopted or order issued by the Railroad Commission of Texas under another provision of this code.

SECTION 2. Effective date: September 1, 1999.

SECTION 3. Emergency clause.