

BILL ANALYSIS

Senate Research Center
79R6020 RMB-D

H.B. 1161
By: Farabee (Armbrister)
Natural Resources
5/17/2005
Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Under existing statutes, the Railroad Commission of Texas (commission) has no authority over lease and royalty matters, including payment of royalties and the right to receive royalties. Nevertheless, because the commission does collect certain information that is useful to royalty owners, historically the agency has received many requests for assistance from royalty owners.

The 77th Legislature, Regular Session, 2001, passed H.B. 981, which requires that, once every 12 months, a payor must provide the following statement to each royalty interest owner to whom the payor makes a payment:

Section 91.504, Texas Natural Resources Code, gives an owner of a royalty interest in oil or gas produced in Texas the right to request from a payor information about itemized deductions, the heating value of gas, and the commission identification number for the lease, property, or well that may not have been provided to the royalty interest owner. The request must be in writing and must be made by certified mail. A payor must respond to a request regarding itemized deductions, the heating value of gas, and the commission identification number by certified mail not later than the 60th day after the date the request is received. Additional information regarding production and related information may be obtained by contacting the commission of Texas' Office of Public Assistance or accessing the commission's website.

Since this provision has been in effect, it has become obvious that this statement is more confusing than helpful to royalty owners. The commission is frequently asked to provide itemized deductions from royalty payments or the heating value of gas information that the Railroad Commission does not have. The commission can give the royalty owner production data, provided the royalty owner has a commission identification number for the lease, property, or well.

H.B. 1161 does not weaken the current statute requiring payors to provide information to royalty owners; rather, the measure clarifies what information the royalty owner must ask the payor to provide, and what information the commission can provide.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 91.054(e), Natural Resources Code, to require a payor, at least once every 12 months, to provide a certain amended statement to each royalty interest owner to whom the payor makes payment. Includes in the statement text authorizing an owner of a royalty interest in oil or gas to obtain information regarding production that has been reported to the Railroad Commission of Texas (commission) by contacting the oil and gas division of the commission or accessing the commission's website and providing the identification number of the lease and the county in which the lease is located. Deletes existing text required to be contained in the notice.

SECTION 2. Effective date: September 1, 2005.