

BILL ANALYSIS

Senate Research Center
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H.B. 380
By: West, George "Buddy" (Armbrister)
Natural Resources
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Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Current Texas law requires the operator of an oil or gas well to have an individual bond, a blanket bond, a letter of credit or cash deposit to meet the financial assurances requirement.

During the 77th Legislature, Regular Session, 2001, S.B. 310 mandated that oil and gas operators meet financial assurance requirements in order to drill wells in Texas. This program was set up to protect the state and environment from consequences of abandoned oil and gas wells. The current bonding program does not completely protect the state from the possibility of financial liability for abandoned wells.

H.B. 380 provides that a well-specific plugging insurance policy meets the financial assurances requirement. It also allows the Railroad Commission of Texas to accept well-plugging insurance in lieu of bonds and alternative forms of financial assurance.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Railroad Commission of Texas is modified in SECTION 2 (Section 91.1041, Natural Resources Code) and SECTION 3 (Section 91.1042, Natural Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 91.104, Natural Resources Code, as follows:

Sec. 91.104. New heading: BONDS, LETTERS OF CREDIT, CASH DEPOSITS, AND WELL-SPECIFIC PLUGGING INSURANCE POLICIES. Provides that a person required to file a bond, letter of credit, or a cash deposit under Section 91.103 (Persons Required to Execute Bond, Letter of Credit, or Cash Deposit) who operates one or more wells is considered to have met that requirement for a well if the well bore is included in a well-specific plugging insurance policy that includes certain provisions.

SECTION 2. Amends Section 91.1041, Natural Resources Code, by adding Subsections (c) and (d), as follows:

(c) Requires the Railroad Commission of Texas (commission) to exclude a well, when calculating under Subsection (a) the amount of the bond a person who operates one or more wells is required to file, if the well bore is included in a well-specific plugging insurance policy described by Section 91.104(c).

(d) Requires the rules to provide for the exclusion of the well from the calculation, if the inclusion of a bay or offshore well whose well bore is included in a well-specific plugging insurance policy described by Section 91.104(c) in the calculation under Subsection (b) of the amount of the bond an operator of one or more bay or offshore wells is required to file would result in an increase in the amount of the bond that would otherwise be required.

SECTION 3. Amends Section 91.1042, Natural Resources Code, by adding Subsections (c) and (d), to make conforming changes.

SECTION 4. Amends Section 91.105, Natural Resources Code, to provide that this section (Bond Conditions) does not apply to a well-specific plugging insurance policy described by Section 91.104(c).

SECTION 5. Amends Sections 91.107, 91.108, and 91.1091, Natural Resources Code, as follows:

Sec. 91.107. NEW BOND, LETTER OF CREDIT, OR CASH DEPOSIT. Makes a conforming change.

Sec. 91.108. DEPOSIT AND USE OF FUNDS. Requires proceeds from bonds and other financial security required pursuant to this chapter and benefits under well-specific plugging insurance policies described by Section 91.104(c) that are paid to the state as contingent beneficiary of the policies, subject to the refund provisions of Section 91.1091, if applicable, to be deposited in the oil-field cleanup fund and, notwithstanding Sections 91.112 and 91.112, authorizes the proceeds to be used only for actual well plugging and surface remediation.

Sec. 91.1091. REFUND. Requires the commission to refund the proceeds from a bond, letter of credit, or cash deposit required under this subchapter if certain guidelines apply.

SECTION 6. Amends Section 91.111(c), Natural Resources Code, to provide that the fund consists of proceeds from bonds and other financial security, rather than assurances, required by this chapter and benefits under well-specific plugging insurance policies described by Section 91.104(c) that are paid to the state as contingent beneficiary of the policies, subject to the refund provisions of Section 91.1091, if applicable. Deletes existing text referring to the fund consisting of fees collected under Section 91.104.

SECTION 7. Makes application of Section 91.103, Natural Resources Code, as amended by this Act, prospective.

SECTION 8. Effective date: upon passage or September 1, 2005.