

By: Miles

S.B. No. 1803

A BILL TO BE ENTITLED

AN ACT

relating to the financial security requirements for operators of oil and gas wells.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.104(c), Natural Resources Code, is amended to read as follows:

(c) A person required to file a bond, letter of credit, or cash deposit under Section 91.103 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:

(1) is approved by the Texas Department of Insurance;

(2) names this state as the owner and contingent beneficiary of the policy;

(3) names a primary beneficiary who agrees to plug the specified well bore;

(4) is fully prepaid and cannot be canceled or surrendered;

(5) provides that the policy continues in effect until the specified well bore has been plugged;

(6) provides that benefits will be paid when, but not before, the specified well bore has been plugged in accordance with commission rules in effect at the time of plugging; and

(7) provides benefits that equal the greatest of:

(A) an amount equal to the amount determined by

1 the commission under Section 91.1043 for the oil and gas division
2 district in which the specified well is located multiplied by the
3 number of feet [~~\$2 for each foot~~] of well depth, as determined in
4 the manner specified by the commission, for the [~~specified~~] well;

5 (B) if the specified well is a bay well and
6 regardless of whether the well is producing oil or gas, the amount
7 required under commission rules for a bay well that is not producing
8 oil or gas;

9 (C) if the specified well is an offshore well and
10 regardless of whether the well is producing oil or gas, the amount
11 required under commission rules for an offshore well that is not
12 producing oil or gas; or

13 (D) the payment otherwise due under the policy
14 for plugging the well bore.

15 SECTION 2. Section 91.1041(a), Natural Resources Code, is
16 amended to read as follows:

17 (a) A person required to file a bond, letter of credit, or
18 cash deposit under Section 91.103 who operates one or more wells may
19 file a bond in an amount equal to the amount determined by the
20 commission under Section 91.1043 for the oil and gas division
21 district in which each well is located multiplied by the number of
22 feet [~~\$2 for each foot~~] of well depth for each well.

23 SECTION 3. Sections 91.1042(a) and (b), Natural Resources
24 Code, are amended to read as follows:

25 (a) A person required to file a bond, letter of credit, or
26 cash deposit under Section 91.103 may file a blanket bond to cover
27 all wells for which a bond, letter of credit, or cash deposit is

required as follows:

(1) a person who operates 10 or fewer wells shall file a \$35,000 [~~\$25,000~~] blanket bond;

(2) a person who operates more than 10 but not more [~~fewer~~] than 20 [~~100~~] wells shall file a \$50,000 blanket bond;

(3) a person who operates more than 20 but not more than 35 wells shall file a \$75,000 blanket bond;

(4) a person who operates more than 35 but not more than 60 wells shall file a \$130,000 blanket bond;

(5) a person who operates more than 60 but fewer than 100 wells shall file a \$215,000 blanket bond; and

(6) [~~(3)~~] a person who operates 100 or more wells shall file a \$250,000 blanket bond.

(b) Notwithstanding Subsection (a), the commission by rule shall set the amount of the bond for an operator of bay or offshore wells at a reasonable amount that exceeds the amount provided by Subsection (a)(1), (2), [~~or~~] (3), (4), (5), or (6), as applicable.

SECTION 4. Subchapter D, Chapter 91, Natural Resources Code, is amended by adding Section 91.1043 to read as follows:

Sec. 91.1043. DETERMINATION OF AVERAGE PLUGGING COSTS. At the beginning of each state fiscal year, the commission shall determine the average cost for each foot of well depth of plugging a well located in each oil and gas division district during the preceding state fiscal year.

SECTION 5. (a) The changes in law made by this Act apply only to a person required to file a bond, letter of credit, or cash deposit under Section 91.103, Natural Resources Code, on or after

1 the effective date of this Act. A person required to file a bond,
2 letter of credit, or cash deposit under Section 91.103, Natural
3 Resources Code, before the effective date of this Act is governed by
4 the law as it existed immediately before the effective date of this
5 Act, and that law is continued in effect for that purpose.

6 (b) The changes in law made by this Act apply to each well
7 for which a person is required to file a bond, letter of credit, or
8 cash deposit under Section 91.103, Natural Resources Code, on or
9 after the effective date of this Act regardless of whether the
10 person was required to file a bond, letter of credit, or cash
11 deposit under that section for the well before the effective date of
12 this Act.

13 SECTION 6. This Act takes effect September 1, 2017.