

AN ACT

relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.

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

SECTION 1. Section 91.104(b), Natural Resources Code, as effective September 1, 2004, is amended to read as follows:

(b) A person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is an inactive operator or who operates one or more wells [~~and is not involved in any other activities that require the filing of a bond, letter of credit, or cash deposit~~] must, at the time of filing or renewing an organization report required by Section 91.142, file:

- (1) an individual bond as provided under Section 91.1041;
- (2) a blanket bond as provided under Section 91.1042;
- or
- (3) a letter of credit or cash deposit in the same amount as required for an individual bond under Section 91.1041 or a blanket bond under Section 91.1042.

SECTION 2. Section 91.109, Natural Resources Code, as effective until September 1, 2004, is amended to read as follows:

Sec. 91.109. FINANCIAL SECURITY FOR PERSONS INVOLVED IN ACTIVITIES OTHER THAN OPERATION OF WELLS [~~DISPOSAL SITE BOND~~].

1 (a) A person applying for or acting under a commission permit to
2 store, handle, treat, reclaim, or dispose of oil and gas waste may
3 be required by the commission to maintain a performance bond or
4 other form of financial security conditioned that the permittee
5 will operate and close the storage, handling, treatment,
6 reclamation, or disposal site in accordance with state law,
7 commission rules, and the permit to operate the site. However, this
8 section does not authorize the commission to require a bond or other
9 form of financial security for saltwater disposal pits, emergency
10 saltwater storage pits (including blow-down pits), collecting
11 pits, or skimming pits provided that such pits are used in
12 conjunction with the operation of an individual oil or gas lease.
13 Subject to the refund provisions of Section 91.1091 of this code,
14 proceeds from any bond or other form of financial security required
15 by this section shall be placed in the oil-field cleanup fund. Each
16 bond or other form of financial security shall be renewed and
17 continued in effect until the conditions have been met or release is
18 authorized by the commission.

19 (b) In addition to the financial security requirements of
20 Subsection (a), a person required to file a bond or alternate form
21 of financial security under Section 91.103 who is involved in
22 activities other than the ownership or operation of wells must file
23 the bond or alternate form of financial security at the time of
24 filing or renewing an organization report required by Section
25 91.142 according to the following schedule:

26 (1) no bond, letter of credit, or cash deposit if the
27 person is a:

1 (A) local distribution company;

2 (B) gas marketer;

3 (C) crude oil nominator;

4 (D) first purchaser;

5 (E) well servicing company;

6 (F) survey company;

7 (G) salt water hauler;

8 (H) gas nominator;

9 (I) gas purchaser; or

10 (J) well plugger; or

11 (2) a bond, letter of credit, or cash deposit in an
12 amount not to exceed \$25,000 if the person is involved in an
13 activity that is not associated with the ownership or operation of
14 wells and is not listed in Subdivision (1).

15 (c) A person who engages in more than one activity or
16 operation, including well operation, for which a bond or alternate
17 form of financial security is required under this subchapter is not
18 required to file a separate bond or alternate form of financial
19 security for each activity or operation in which the person is
20 engaged. The person is required to file a bond or alternate form of
21 financial security only in the amount required for the activity or
22 operation in which the person engages for which a bond or alternate
23 form of financial security in the greatest amount is required. The
24 bond or alternate form of financial security filed covers all of the
25 activities and operations for which a bond or alternate form of
26 financial security is required under this subchapter.

27 SECTION 3. Section 91.109, Natural Resources Code, as

1 effective September 1, 2004, is amended by amending Subsection (b)
2 and adding Subsection (c) to read as follows:

3 (b) In addition to the financial security requirements of
4 Subsection (a) [~~and Section 91.104(b)~~], a person required to file a
5 bond, letter of credit, or cash deposit under Section 91.103 who is
6 involved in activities other than the ownership or operation of
7 wells must file the bond, letter of credit, or cash deposit at the
8 time of filing or renewing an organization report required by
9 Section 91.142 according to the following schedule [~~in an amount~~
10 ~~equal to~~]:

11 (1) no bond, letter of credit, or cash deposit if the
12 person is a:

13 (A) local distribution company;

14 (B) gas marketer;

15 (C) crude oil nominator;

16 (D) first purchaser;

17 (E) well servicing company;

18 (F) survey company;

19 (G) salt water hauler;

20 (H) gas nominator;

21 (I) gas purchaser; or

22 (J) well plugger [\$250,000]; or

23 (2) a bond, letter of credit, or cash deposit in an
24 amount not to exceed \$25,000 if the person is involved in an
25 activity that is not associated with the ownership or operation of
26 wells and is not listed in Subdivision (1) [a lesser amount
27 determined by the commission if the person is able to demonstrate

1 ~~that the risk associated with an operation or group of operations~~
 2 ~~warrants a lesser amount].~~

3 (c) A person who engages in more than one activity or
 4 operation, including well operation, for which a bond, letter of
 5 credit, or cash deposit is required under this subchapter is not
 6 required to file a separate bond, letter of credit, or cash deposit
 7 for each activity or operation in which the person is engaged. The
 8 person is required to file a bond, letter of credit, or cash deposit
 9 only in the amount required for the activity or operation in which
 10 the person engages for which a bond, letter of credit, or cash
 11 deposit in the greatest amount is required. The bond, letter of
 12 credit, or cash deposit filed covers all of the activities and
 13 operations for which a bond, letter of credit, or cash deposit is
 14 required under this subchapter.

15 SECTION 4. Section 91.142(g), Natural Resources Code, is
 16 amended to read as follows:

17 (g) An organization report filed under this section must be
 18 accompanied by the following fee:

- 19 (1) for an operator of not more than 25 wells, \$300;
 20 (2) for an operator of more than 25 but not more than
 21 100 wells, \$500;
 22 (3) for an operator of more than 100 wells, \$1,000;
 23 (4) for an operator of one or more natural gas
 24 pipelines as classified by the commission, \$225 [~~\$100~~];
 25 (5) for an operator of one or more service activities
 26 or facilities [~~, including liquids pipelines as classified by the~~
 27 ~~commission,~~] who does not operate any wells, an amount determined

1 by the commission but not less than \$300 or more than \$500;

2 (6) for an operator of one or more liquids pipelines as
3 classified by the commission who does not operate any wells, an
4 amount determined by the commission but not less than \$425 or more
5 than \$625;

6 (7) [~~6~~] for an operator of one or more service
7 activities or facilities, including liquids pipelines as
8 classified by the commission, who also operates one or more wells,
9 an amount determined by the commission based on the sum of the
10 amounts provided by the applicable subdivisions of this subsection
11 but not less than \$425 [~~\$300~~] or more than \$1,125 [~~\$1,000~~]; and

12 (8) [~~7~~] for an entity not currently performing
13 operations under the jurisdiction of the commission, \$300.

14 SECTION 5. This Act takes effect September 1, 2003.

David Bushner

President of the Senate

Jim Cusick

Speaker of the House

I certify that H.B. No. 942 was passed by the House on May 6, 2003, by a non-record vote; and that the House concurred in Senate amendments to H.B. No. 942 on May 30, 2003, by a non-record vote.

Robert Haney

Chief Clerk of the House

I certify that H.B. No. 942 was passed by the Senate, with amendments, on May 28, 2003, by the following vote: Yeas 31, Nays 0.

Letsy Saw

Secretary of the Senate

APPROVED: 20 JUN '03

Date

Rick Perry

Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
10:30 PM O'CLOCK

JUN 20 2003
Leann Shea
Secretary of State