



Texas House of Representatives
Energy Resources Committee

July 6, 2015

Dear Members,

Over the course of the 84th Legislature, 57 bills were referred to the House Committee on Energy Resources. The Committee met in nine public hearings to hear 33 of those bills. Of those 33, 22 were passed favorably out of committee and of those 22, seven have or will become law. You can all be proud of the work this committee has accomplished during this Session, but there is still much work to be done.

In the coming months, I will begin researching issues and making suggestions to the Speaker for Interim Charges. Two unresolved issues I feel need further examination this interim are allocation wells and oil equipment theft. The Committee heard many hours of testimony on these topics during Session and I hope to continue to work with stakeholders to find reasonable and fair policy solutions for this committee to consider and move forward as recommendations to the full House.

The Railroad Commission will once again be under Sunset Review this interim, with the Sunset Commission making their recommendations to the 85th Legislature. I will be working with agency and Sunset staff as this process begins as this will likely be a significant focus of the Committee next Session.

Please let myself or our clerk, Jamie Burchfield, know if you have any suggestions for interim studies so we may submit them to the Speaker at the appropriate time. I look forward to continuing the work of the Energy Resources Committee this interim.

Sincerely,

A handwritten signature in black ink that reads "Drew Parley".

ENERGY RESOURCES BILLS SIGNED INTO LAW

House Bill 40 (Darby, Keffer, Phil King, Senfronia Thompson, Oliveira / Sponsor: Fraser)

Expressly preempts local regulation of oil and gas activity and resides regulatory authority with the state. This law also establishes that all municipalities may exercise their authority over surface activity (specifically but not limited to lights, traffic, noise, fire and emergency response, imposing notice and reasonable setback requirements) provided it is commercially reasonable and does not effectively prohibit an oil and gas operation. The municipal provision applies to both general law and home-rule cities and is the first time in statute that municipal authority as it relates to oil and gas surface activities is defined by the legislature. Previously, home-rule cities asserted general police powers, not expressed statutory authority. Finally, the law instructs a court, when reviewing an ordinance under the commercially reasonable test, to give evidentiary weight of compliance if the oil and gas operations at issue have occurred for a period of five years or more.

Effective Date: Immediately

House Bill 497 (Wu / Sponsor: Uresti)

In 2013, the 83rd Legislature passed SB 514 which allows the construction of saltwater pipeline facilities through, under, along, across, or over a public road to conduct saltwater byproducts away from oil and gas production operations. HB 497 expands the definition of saltwater pipeline facility in the Natural Resources Code, chapter 91 to include pipeline facilities that conduct saltwater intended to be used in drilling or operating an oil or gas well. This would include pipelines conducting saltwater into injection wells used for enhanced recovery operations.

Effective Date: Immediately

House Bill 1184 (Paddie, Anchia, Villalba / Sponsor: Eltife)

Local governmental entities and schools can enter into a performance contract to install more efficient systems or equipment that will result in long-term savings in energy, water, or other costs. Under these contracts, local governments can obtain financing to fund construction based on a guarantee of future savings. HB 1184 allows local governments to enter into performance contracts for vehicle alternative fuel programs.

Effective Date: Immediately

House Bill 1331 (Phil King, Villalba / Sponsor: Fraser)

Increases the recycling of drill cuttings, turning a waste product into a useful resource. Without recycling, drill cuttings would go to landfills or landfarms where contaminated soil is worked into the ground, which can cause significant environmental degradation. This would represent the expansion of a valuable industry, increasing job growth and economic activity.

Effective Date: September 1, 2015

House Bill 2207 (Keffer, Anchia, Phil King, Clardy, Longoria / Sponsor: Eltife)

While the mineral estate is generally dominant in state law, in certain instances where the surface estate is severed from the mineral estate a foreclosure on a surface property can cause surface estate interests to subjugate the mineral estate. In these instances the lien holder of the surface estate can act to terminate a legal oil and natural gas lease for the mineral estate. HB 2207

prevents a lien holder from terminating a legal oil and natural gas lease when the surface property is involved in a foreclosure and then mineral estate is held by a separate party.

Effective Date: January 1, 2016

House Bill 2558 (Isaac / Sponsor: Campbell)

Prohibits propane distributors from billing periods of no more than 32 days in December, January, or February, and no more than 31 days in any other month.

Effective Date: September 1, 2015

Senate Bill 1589 (Zaffirini / Sponsor: Guillen)

Requires oil and gas companies that hold unclaimed payments for oil and gas leases to include certain information in the property report for the proceeds, including the lease, property, or well name; a lease, property, or well identification number; and the county in which the lease is located. This information is confidential and not subject to disclosure under an open records request. The comptroller must compile a list, categorized by county, which included the number of property reports and the aggregate amount of mineral proceeds attributable to all wells in each respective county. This list will be available to the public.

Effective Date: January 1, 2016

ENERGY RESOURCES BILLS VETOED BY THE GOVERNOR

House Bill 1633 (Romero / Sponsor: Uresti)

Would have directed the Railroad Commission to adopt rules requiring an operator to state in an application for a permit to drill an oil or gas well whether the well would be located within an easement or within 50 yards of an easement held by the Texas Department of Transportation. If a well would be located within an easement or within 50 yards of an easement, the Railroad Commission would be required to forward a copy of the application to TxDOT within 14 days of receiving it.

In his Veto Proclamation, Governor Abbott asserted that HB 1633 thrusts a new and unnecessary hurdle onto oil and gas producers to solve the State's internal communication challenges.

House Bill 3291 (Raymond / Sponsor: Zaffirini)

Would have increased the penalty for tampering with oil and gas equipment from a third-degree felony to a second-degree felony. Additionally, purchasing or selling oil, gas, or condensate without the applicable tender or permit from the Railroad Commission relating to oil or gas a second-degree felony. HB 3291 would also have made theft of oil, gas, condensate, or oil and gas equipment a second-degree felony if the value of the property stolen was worth between \$10,000 and \$200,000.

In his Veto Proclamation, Governor Abbott stated that the language of HB 3291 was overly broad and would create severe criminal penalties for conduct that may have nothing to do with theft of oil or gas.