

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

NOTICE TO OPERATORS

2003 Legislative Changes

Listed below are some of the bills recently passed by the 78th Legislature (2003) that contain provisions that impact oil and gas operators. The Commission is in the process of implementing these changes and will be publishing rules, as necessary, to address these changes in the near future. For more information, you may download the text of the bills from the Texas Legislature Online website at http://www.capitol.state.tx.us/tlo/legislation/bill_status.htm

HB 942 (Effective September 1, 2003) P-5 Financial Assurance & Filing Fees

This bill amends §§91.109 and 91.142, Natural Resources Code, to change financial assurance requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission other than the operation of wells and to increase the Form P-5 filing fee for certain types of activities.

HB 1195 (Effective September 1, 2003) Severance/Seal Reconnect Fee

This bill amends §85.167(a), Texas Natural Resources Code, to increase the reconnect fee for any oil lease or gas well that has had a Form P-4 Certificate of Compliance canceled by severance or seal order. Previously, the fee to reconnect a lease or well and reissue a Certificate of Compliance was \$100 per lease. The new fee is \$300 per severance or seal order.

HB 2021 (Effective September 1, 2003) Notice to the Commission of Bankruptcy

This bill amends §91.142, Natural Resources Code, by adding a new subsection (h), which requires that an entity required to file a P-5 Organization Report or an affiliate of such an entity performing operations within the jurisdiction of the RRC that files for federal bankruptcy protection give written notice to the Commission of that action by submitting the notice to the Commission's Office of General Counsel not later than the 30th day after the date of filing.

HB 2424 (Effective October 1, 2003) Severance Tax Exemptions

This bill amends §§201.057 and 201.054, Tax Code, to make the severance tax exemption for high cost gas and enhanced oil recovery (EOR) permanent. Previously, the high cost gas exemption was to end on September 1, 2010, and the EOR exemption was to end on January 1, 2008.

(Over)

HB 2425 (Effective Immediately) High Cost Gas Tax Incentive

Section 110 of this bill amends §201.057, Tax Code, relating to the High Cost Gas Tax Incentive by changing the filing procedures and dates. Under the provisions of this Section, after January 1, 2004, the operator may only receive a tax credit on qualifying gas produced in the 24 months immediately prior to the month in which the operator submits to the Railroad Commission the application for certification.

HB 2613 (Effective September 1, 2003) Hydrocarbon Salvage

This bill amends §91.115, Natural Resources Code, to authorize the Railroad Commission to salvage and sell hydrocarbons, as well as equipment, located on a site or facility on which remediation is to occur using Oil Field Cleanup funds.

HB 3442 (Effective September 1, 2003) Oil and Gas Regulatory Fees

This bill amends §§81.116 and 81.117, Natural Resources Code, to require collection of the Oilfield Cleanup Regulatory Fee on Crude Oil (5/8th of 1 cent/bbl) and the Oilfield Cleanup Regulatory Fee on Natural Gas (1/30 of 1 cent/mcf) on production regardless of whether that production is exempt from severance tax or has been granted a severance tax reduction. Previously, the regulatory fee for gas was not collected on high-cost gas production that was exempt from severance tax under the provisions of §201.057 of the Tax Code.

SB 619 (Effective September 1, 2003) Coastal Spill Response

This bill changes the jurisdiction for response to coastal oil spills less than 240 barrels from the Railroad Commission to the General Land Office (GLO). This bill will not change the current Commission requirement to report spills in accordance with Statewide Rule 20.

SB 1484 (Effective Immediately) Acceptance of an Organization Report, Permit Applications, and issuance of Certificates of Compliance

This bill amends §91.114(a), Natural Resources Code, to increase from five to seven the number of years of records to be reviewed in determining whether or not an officer in an organization has violated a statute or Commission rule, order, license, permit, or certificate that relates to safety or the prevention or control of pollution for the purpose of determining whether to accept an organization report or permit application from an organization, or to issue a certificate of compliance for that organization.

Austin, Texas

June 2003

PLEASE FORWARD TO THE APPROPRIATE SECTION OF YOUR COMPANY
