

**RAILROAD COMMISSION OF TEXAS**  
**Oil and Gas Division**

---

**NOTICE TO OPERATORS**

**2007 Legislative Changes**

Listed below are some of the bills recently passed by the 80<sup>th</sup> Legislature (2007) 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/>

**HB 4 (Effective immediately) Tax Incentive for Reuse/Recycling of Fracturing Water**

This bill amends §151.355, Tax Code, relating to Water-Related Exemptions, to include in the list of items that are exempt from sales, excise, and use taxes, tangible personal property specifically used to process, reuse, or recycle wastewater that will be used in fracturing work performed at an oil or gas well. Applications for this incentive may be made to the Comptroller of Public Accounts (see [www.windows.state.tx.us/taxinfo/taxforms/01-forms.html](http://www.windows.state.tx.us/taxinfo/taxforms/01-forms.html)).

**HB 630 (Effective September 1, 2007) Operator Notice to Surface Owner of Certain Permits**

*Beginning with permits issued on or after October 1, 2007*, the bill requires operators to notify the surface owner within 15 days after the Commission issues a permit to drill a new well, or re-enter a plugged well. "Surface owner" is defined as the first person (and address) shown on the tax appraisal roles. Notice is not required to plugback, rework, sidetrack or deepen an unplugged well, for use of a surface location of an existing well to drill a horizontal well, or if there is a written agreement regarding such notice between the operator and the surface owner or a waiver of such notice by the surface owner.

**HB 1920 (Effective September 1, 2007) Informal Complaint Process Regarding Natural Gas**

This bill establishes procedures and requirements relating to the informal complaint process regarding the loss of or inability to account for natural gas gathered or transported.

**HB 3273 (Effective September 1, 2007) Administrative Penalty for Certain Natural Gas Activities.**

This bill provides the Commission with the authority to impose an administrative penalty of up to \$5000/day (with each day a violation continues being a separate violation) for certain natural gas-related activities; adds provisions concerning appointment of a mediator in an informal complaint proceeding; requires the Commission to notify oil and gas operators at least annually of the existence of any informal complaint resolution process provided by the Commission; prohibits mandatory confidentiality provisions in a contract to which a producer is a party for the sale, transportation or gathering of natural gas; establishes the Commission's authority to set market-based rates in certain circumstances; and confirms the Commission's authority to set a transportation or gathering rate for an entity whether or not it is classified as a utility by other law.

**HB 2654 (Effective September 1, 2007) Injection of Brine from Desalination Operation or Water Treatment Residuals**

This bill authorizes injection of nonhazardous drinking water treatment residuals and brine from desalination activities for enhanced recovery purposes. The bill also allows industry to use, and requires the Texas Commission on Environmental Quality (TCEQ) to adopt, a general permit to streamline approval of the use of brine and residuals instead of fresh water in enhanced recovery projects.

*(Over)*

**HB 2982 (Effective January 1, 2008) Tax Credits for Qualifying Low-Producing Wells**

This bill makes permanent the tax credits for qualifying low-producing wells pursuant to Tax Code, §§201.058 and 202.059, which were to expire on September 1, 2007. Application for this tax credit may be made with the Comptroller of Public Accounts. (See [www.window.state.tx.us/taxinfo/crude/low\\_prod\\_well.html](http://www.window.state.tx.us/taxinfo/crude/low_prod_well.html) and [www.window.state.tx.us/taxinfo/nat\\_gas/low\\_prod\\_well.html](http://www.window.state.tx.us/taxinfo/nat_gas/low_prod_well.html)).

**HB 3732 (Effective September 1, 2007) Advanced Clean Energy**

This bill provides a tax rate reduction on oil produced from enhanced recovery (EOR) projects using anthropogenic carbon dioxide (CO<sub>2</sub>). The bill requires the Railroad Commission to issue certification if the CO<sub>2</sub> used in the EOR project is to be sequestered in a reservoir productive of oil or natural gas; the Texas Commission on Environmental Quality (TCEQ) issue the certification if the CO<sub>2</sub> used in the EOR project is to be sequestered in a formation other than a reservoir productive of oil or natural gas; and both the Railroad Commission and TCEQ to issue certifications if the CO<sub>2</sub> is sequestered in both a formation not productive of oil or natural gas and a reservoir productive of oil or natural gas.

**SB 714 (Effective Sept. 1, 2007) Groundwater Conservation District Water Well Reports**

This bill authorizes a groundwater conservation district to adopt rules to require an owner or operator of a water well that is not an exempt low capacity domestic or livestock water well and that is required to be registered with or permitted by the groundwater conservation district to report groundwater withdrawals using reasonable and appropriate reporting methods and frequency. The bill could require reporting of withdrawals from certain registered rig supply wells and/or a permitted injection water source wells. Information on groundwater conservations districts may be found at [www.texasgroundwater.org](http://www.texasgroundwater.org).

**SB 1640 (Effective immediately) Radioactive Substances**

This bill transfers from the Department of State Health Services (DSHS) to Texas Commission on Environmental Quality (TCEQ) responsibility for processing and storage of low level radioactive waste, non-oil and gas naturally occurring radioactive material (NORM) waste, recovery and processing of source material, processing of by-product material, and sites for disposal of these materials. Also requires the Railroad Commission to adopt memoranda of understanding with TCEQ and DSHS to define respective duties with respect to radiation.

**SB 1670 (Effective September 1, 2007) Railroad Commission Certificates of Compliance**

This bill clarifies that any well under the Commission's jurisdiction, including an injection or disposal well, for which the Commission has cancelled the certificate of compliance cannot be used until the Commission has reissued the certificate of compliance. The bill also provides that where an operator uses a well, or reports such use, after the certificate of compliance for the well has been canceled, the Commission may refuse to renew the operator's organization report until the operator has paid the reconnect fee(s) and the certificate of compliance has been reissued.

Austin, Texas

August 2007

---

**PLEASE FORWARD TO THE APPROPRIATE SECTION OF YOUR COMPANY**

---