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Summaries of Key Oil and Gas Legislation

JULY 1, 2017 BY BAILEY LEROUX

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Permian Basin Petroleum Association
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May 29, 2017

SIGNIFICANT LEGISLATION OF THE SESSION

I. RAILROAD COMMISSION OF TEXAS

HB 1818 House Author: Gonzales, Larry Senate Sponsor: Taylor, Van

Relating to the continuation and functions of the Railroad Commission of Texas.

Railroad Commission of Texas Sunset Bill.

I. Continuation. Continues the RRC until September 1, 2029.

II. Alternative Dispute Resolution. Requires the RRC to develop and implement a policy to “encourage” the use of appropriate alternative dispute resolution procedures to assist in the resolution of internal and external disputes under the commission’s jurisdiction.

III. Monitoring and Enforcement Plan. Requires the Oil and Gas Division of the RRC to develop and to publish an annual plan to use the oil and gas monitoring and enforcement resources of the commission strategically to ensure public safety and to protect the environment.

Requires the commission to seek input from stakeholders when developing each annual plan.

Requires the commission to collect and maintain information that accurately shows the effectiveness of the commission’s oil and gas monitoring and enforcement activities. Requires the commission to prepare an annual report which must include data regarding violations of statutes or commission rules that relate to oil and gas, including:

(1) the number, type, and severity of:

(A) violations the commission found to have occurred;

(B) violations the commission referred for enforcement to the section of the commission responsible for enforcement; and

(C) violations for which the commission imposed a penalty or took other enforcement action;

(2) the number of major violations for which the commission imposed a penalty or took other enforcement action; and

(3) the number of repeat violations, categorized by individual oil or gas lease, if applicable; and

(4) the number of repeat major violations, categorized by individual oil and gas lease, if applicable.

IV. Pipeline and Regulatory Fees. Allows the commission to establish by rule pipeline and regulatory fees to be assessed for permits or registrations for pipelines under the jurisdiction of the commission's pipeline safety and regulatory program.

Allows the fees to be assessed annually against permit or registration holders, as well as individual fees for new permits or registrations, permit or registration renewals, and permit or registration amendments.

Requires that the fees be in amounts that in the aggregate are sufficient to support all pipeline safety and regulatory program costs.

Adds these fees to list of revenue sources that are included in the Oil and Gas Regulation and Cleanup Fund.

Note: the current natural gas utility fee (Tex. Utility Code Section 121.211) which annually collects approximately \$22-million is statutorily required to be deposited "to the credit of the oil and gas regulation and cleanup fund." Tex. Utility Code Section 121.211(h). However, the revenue from the natural gas utility fee is NOT included in the list revenue sources describing the Oil and Gas Regulation and Cleanup Fund. Tex. Nat. Res. Code Section 81.067(c). This bill did NOT change that.

Allows the commission to adopt and enforce safety standards for interstate pipelines.

V. E-Verify Program. Prohibits the commission from awarding a contract for goods or services in this state unless the contractor and any subcontractor register with and participate in the E-Verify program to verify employee information.

VI. Abolishes the Oil and Gas Regulation and Cleanup Fund Advisory Committee.

SB 1 Senate Author: Nelson, Jane House Sponsor: Zerwas, John
General Appropriations Bill.

The total budget adopted for the state for the next biennium is \$216.7579-Billion. This is an increase of just \$359.4 million or just 0.2%. The fact that we were able to achieve a significant increase in the budget of the Railroad Commission in such a historically conservative state budget cannot be overstated.

As filed, the budget of the Railroad Commission would have been slashed by nearly 8 percent to \$162.7 million.

After significant efforts to help the Commission, as finally passed, the General Appropriations Bill was successfully amended to increase the RRC budget to \$256.1 million. This results in a biennial increase of \$79.7 million or a 45.2% increase.

A breakdown of significant provisions follows:

Salary Parity: not adopted (see Operational Stability Funding below)

IT Modernization: \$3,000,000

Data Center Services: not adopted

Vehicle Replacement: \$2,038,000

4 Percent Reduction: not adopted (would have decreased Railroad Commission funding by \$4,605,921 across various strategies)

Number of Full-Time-Equivalents: increase of 7.0 FTEs for IT, bringing agency total to 827.1 FTEs

Operational Stability Funding: \$39,650,000 in new funding from the Gas Utility Pipeline Tax. \$27,650,000 for operational stability and \$12,000,000 for supplemental salary funding (a \$12,000,000 increase made during conference). They can use this money for salary parity.

Energy Resource Development: \$5,320,445 decrease over current budget

Pipeline Safety: \$5,986,334 increase over current budget

Pipeline Damage Prevention: \$225,780 decrease over current budget

Regulate Alternative Energy Resources: \$1,927,277 increase over current budget

Oil and Gas Monitoring and Inspections: \$562,656 increase over current budget

Surface Mining Monitoring and Inspections: \$503,395 decrease over current budget

Oil and Gas Well Plugging & Remediation: \$41,525,831 increase over current budget (includes \$38,200,000 in ESF for well plugging – see Article IX Economic Stabilization Fund rider)

Surface Mining Reclamation: \$930,656 increase over current budget

Gas Utility Commerce: \$176,981 decrease over current budget

Public Information and Services: \$334,063 increase over current budget

II. EXPLORATION AND PRODUCTION

HB 129 House Author: Craddick, Tom Senate Sponsor: Estes, Craig

Relating to the manner in which a payor of proceeds derived from the sale of oil or gas production is required to provide certain information to a royalty interest owner.

Current law requires that each check stub, attachment to a payment form, or other remittance advice must include a long list of specific information. This bill requires the payors of oil and gas royalty payments who pay by a paper check to include the information on the check stub, an attachment to the payment form, or another remittance advice that accompanies the payment unless the payor obtains, or a previous payor has obtained, the consent of the royalty interest owner to provide the information in some other form.

HB 1643 House Author: Springer, Drew Senate Sponsor: Seliger, Kel

Relating to the prosecution of the offense of operation of an unmanned aircraft over certain facilities.

In general, makes it illegal to fly a drone over an oil and gas or chemical facility. Specifically, adds the following to the list of critical infrastructure facilities over which one cannot fly a drone:

1. an oil or gas drilling site;
2. a group of tanks used to store crude oil, such as a tank battery;
3. an oil, gas, or chemical production facility;
4. an oil or gas wellhead; and
5. an oil and gas facility that has an active flare.

HB 2819 House Author: Darby, Drew Senate Sponsor: Estes, Craig

Relating to establishing an Advisory Committee for the TexNet Monitoring Program.

Creates the "TexNet Advisory Committee" to watch over the "TexNet Seismic Monitoring Program" which is the program administered by the Texas Bureau of Economic Geology which oversees an array of equipment for a seismic network to study seismic events in Texas.

Provides that the "TexNet Advisory Committee" is composed of ten members as follows:

- A. three to be appointed by the Governor,
- B. three to be appointed by the Lieutenant Governor,
- C. three to be appointed by the Speaker of the House, and

D. one to be an employee of the Texas Railroad Commission who specializes in seismology, geomechanical engineering, reservoir engineering or another related field and is appointed by the Executive Director of the Texas Railroad Commission.

Requires that at least one appointment each from the Governor, Lieutenant Governor, and Speaker must be from the oil and gas industry.

Prohibits any person affiliated with or under contract for services under this program with the Bureau of Economic Geology from serving as a voting member of the Advisory Committee.

Requires the TexNet Advisory Committee to:

(a) Develop in consultation with Bureau of Economic Geology staff a program of work for the TexNet program and any affiliated research efforts to include acquisition and deployment of equipment, contracting with vendors, determine scope of research program and any other use of funds appropriated by the Legislature for the TexNet Seismic Monitoring Program and any associated research.

(b) Approve an annual budget for the use funds appropriated by the Legislature to the TexNet Seismic Monitoring Program;

(c) Provide oversight and input on the acquisition, deployment and operation of new and existing Program equipment;

(d) Prepare a biennial report to be delivered the House Energy Committee and the Senate Natural Resources and Economic Development Committees on or before December 1 of even numbered years regarding the use of the funds, a complete listing and accounting of all research funded through the program including a listing of contractors, itemized budget for each program element, complete listing of geographic coverage of the Program, important research undertaken and any findings or progress of the research for the Program, and recommendations related to the ongoing operations and requirements of the Program;

(e) Ensure that there is a monthly transmission of the data collected by the seismic equipment to the Incorporated Research Institutes for Seismology database; and

(f) Receive quarterly updates from the Bureau of Economic Geology regarding the progress of the program, expenditures made in connection with the Program as approved by the TexNet Advisory Committee, and any other information related to the program requested of the Bureau of Economic Geology.

SB 1422 Senate Author: Estes, Craig House Sponsor: Gonzales, Larry

Relating to the protection and use of intellectual property by the Railroad Commission of Texas.

Authorizes the Railroad Commission of Texas ["RRC"] to apply for, register, secure, hold, and protect patents, copyrights, trademarks, and other intellectual property ["IP"].

Allows the RRC to profit from the use of their IP. Provides that any proceeds paid to the RRC for the use of the IP shall be deposited to the credit of the oil and gas regulation and cleanup fund.

Strikes from the list of items deposited to the credit of the oil and gas regulation and cleanup fund, "money deposited to the credit of the fund under Section 81.112," which was the old oil regulation tax on crude oil produced in this state (three-sixteenths of one cent on each barrel of 42 standard gallons). That tax was abolished by SB 757 in 2015.

SB 1541 Senate Author: Estes, Craig House Sponsor: Lambert, Stan
Relating to the treatment and recycling for beneficial use of drill cuttings.

For the purpose of "treating" drill cuttings for a subsequent beneficial use, defines "treatment" to mean "a manufacturing, mechanical, thermal, or chemical process other than sizing, shaping, diluting, or sorting."

In order to be considered a beneficial use, requires that the drill cuttings be used:

1. in the construction of oil and gas lease pads or oil and gas lease roads; or
2. as part of a legitimate commercial product.

Requires the Railroad Commission of Texas ["RRC"] to define "legitimate commercial product."

Requires the RRC to adopt criteria for beneficial uses to ensure that a beneficial use of recycled drill cuttings is at least as protective as public health, public safety, and the environment as the use of an equivalent product made without recycled drill cuttings.

Requires that rules, permits, and orders of the RRC regarding the treatment and beneficial use of drill cuttings must be at least as protective of public health, public safety, and the environment as the rules, permits, and orders regarding the disposal of drill cuttings.

SB 1871 Senate Author: Zaffirini, Judith House Sponsor: Raymond, Richard
Relating to the creation of the offense of petroleum product or oil and gas equipment theft.

Creates specific offenses for the unlawful appropriation of petroleum products as follows:

- (1) a state jail felony if the total value of the petroleum product appropriated is less than \$10,000;
- (2) a felony of the third degree if the total value of the petroleum product appropriated is \$10,000 or

more but less than \$100,000;

(3) a felony of the second degree if the total value of the petroleum product appropriated is \$100,000 or more but less than \$300,000; and

(4) a felony of the first degree if the total value of the petroleum product or oil and gas equipment appropriated is \$300,000 or more.

Unlawful appropriation is defined to mean without the owner's effective consent.

III. EMINENT DOMAIN/PIPELINES

The threat of the Legislature passing damaging eminent domain legislation was very real this session all the way into May. There were over 35 separate eminent domain bills filed and almost every one of them would have been damaging to pipeline operations. Although Texas is a pro-business state, it is an extremely strong property-rights state. Accordingly, there was significant sympathy and energy to pass eminent domain "reform" and for legislators to go home to the voters saying they had strengthened property rights.

The main bills were SB 740 by Senator Lois Kolkorst and HB 2684 by Representative DeWayne Burns. PBPA worked with our allied associations to form an even broader-based coalition which included numerous entities (such as political subdivisions) and associations with members who exercise eminent domain authority. The broad group was called The Coalition for Critical Infrastructure. We then enlisted the Texas Civil Justice League to be the lead voice for the Coalition. This was because SB 740, HB 2684, and many of the other eminent domain bills were pro-plaintiff lawyers' bills which would have created a cottage industry in Texas encouraging costly and unnecessary litigation by property owners which would enrich the trial lawyers. We focused our opposition on the bills' provisions which would have required attorneys' fees to be paid to trial lawyers who prevailed at court if they achieved an award of at least 20% more than the final offer. This would have dramatically driven up the costs and time involved in eminent domain proceedings

We are pleased to report that our efforts were successful. Senator Kolkorst and a significant amount of other legislators agreed that the provisions awarding attorneys' fees would be removed. This caused the property owners coalition (Texans for Property Rights) to send a letter to the entire Legislature which was very critical of their own legislative sponsors wherein they not only removed their support for SB 740 and HB 2684 but actually stated that they would oppose those bills.

As a consequence, much of the legislative motivation to pass eminent domain reform evaporated and every one of the eminent domain bills died.

Although we were extremely successful this session, it is highly likely that this subject will be the subject of yet another interim study between now and next session. We will continue to be engaged through the interim and through next session.

IV. TAX

HB 2277 House Author: Darby, Drew Senate Sponsor: Watson, Kirk

Relating to fixing the median cost of high-cost gas wells.

Comptroller technical bill high-cost natural gas production tax

The high-cost natural gas tax incentive provides a reduced severance tax rate if certified by the Railroad Commission of Texas as a high-cost natural gas well. The magnitude of the rate reduction is based in part on the median drilling and completion ["D&C"] costs from all high-cost gas wells in the previous fiscal year, as reported to the Texas comptroller of public accounts ["Comptroller"].

Under existing law, there was confusion regarding whether the D&C cost variable should be recalculated when amended reports come in after the close of the tax year.

This bill provides that the Comptroller's annual determination of the median drilling and completion costs used to calculate the reduced tax rate is final. Requires that the deadline for submitting the drilling and completion costs for individual wells is March 1 of the following year.

Codifies the current practice of providing refunds for overpayments of tax and strikes language specific to expired tax exemptions.

Establishes that refunds of overpaid natural gas production taxes are to be refunded to the person who paid the tax and not necessarily to the producer. Strikes the authority for a taxpayer to receive a credit for overpaid tax, substituting instead refund authority. Limits refunds to a taxpayer who has applied for and received approval from the Comptroller for the tax reduction.

HB 2989 House Author: Bonnen, Dennis Senate Sponsor: Taylor, Larry

Relating to payment of an ad valorem tax refund in the event of a tax roll correction that decreases a property owner's tax liability.

(Requiring property tax refund to be made to owner that paid the tax)

Establishes that when a correction is made to the property tax roll that decreases tax liability after the owner has paid the tax, the taxing unit must make the refund to the property owner who paid the tax.

HB 3232 House Author: Darby, Drew Senate Sponsor: Bettencourt, Paul

Relating to the penalty imposed on certain delinquent oil and gas severance taxes.

Exception to penalty on delinquent oil and gas production taxes

Provides an exception to the 5% penalty for delinquent (including unintentionally delinquent) payment of oil and gas severance taxes for a taxpayer if:

- (1) the delinquency results from the filing of an amended report with the Comptroller for a timely filed original report;
- (2) the taxpayer paid the full amount of tax due as indicated in the original report;
- (3) the total amount of additional tax due as a result of the amended report does not exceed 25 percent of the amount of tax due as indicated in the original report;
- (4) the taxpayer resolves all errors identified by the Comptroller on the amended or original report by the 60th day after the date on which the amended or original report is filed; and
- (5) the taxpayer files the amended report not later than the 730th day after the date on which the original report was due and remits the full amount of the additional tax due with the amended report.

The changes apply to delinquent taxes owed as a result of an amended report filed with the Comptroller on or after the effective date (January 1, 2018), regardless of when the original report was due.

SB 1539 Senate Author: Watson, Kirk House Sponsor: Bohac, Dwayne

Relating to the application of the sales and use tax to certain property and services.

Makes various amendments to the application of the sales and use tax. Among others, provides that a “sale for resale” does not include the sale of tangible personal property that will be used, consumed, or expended in, or incorporated into, an oil or gas well by a purchaser who acquires the property to perform an oil well service which is taxable.

Note: this was a Comptroller’s cleanup bill. The Comptroller reports that this codifies existing policy and will not result in a change of tax application or tax liability.

Exempts labor to remodel, maintain, or restore tangible personal property from the sales and use tax (labor to repair tangible personal property is already exempt under current law).

IV. ENVIRONMENT

HB 2533 House Author: Geren, Charlie Senate Sponsor: Estes, Craig

Relating to civil suits brought by local governments or certain other persons for violations of certain laws under the jurisdiction of, or rules adopted or orders or permits issued by, the Texas Commission on Environmental Quality.

Current law (Sec. 7.351, Water Code) allows local governments to file civil suits for environmental violations. This bill subjects such suits to new qualifications.

Before instituting a claim for a civil suit, a local government, an affected person, or an authorized agent must first notify the Attorney General ["AG"] and the Executive Director of the Texas Commission on Environmental Quality ["TCEQ"] in writing of each alleged violation, the facts in support of the claim and the specific relief sought.

The suit may proceed 90 days after the notification unless:

- (1) the AG commences a civil suit on at least one of the alleged violations, or
- (2) the TCEQ commences a proceeding.

SB 1731 Senate Author: Birdwell, Brian House Sponsor: Meyer, Morgan

Relating to the repeal of laws governing certain state entities and a state compact, including the functions of those entities.

Texas Emission Reduction Plan Extension

Generally extends the expiration dates under the Texas Emission Reduction Plan ["TERP"] to the end of the fiscal year in which the state reaches attainment for ozone under the national ambient air quality standards. Most likely, this means that it is an effective extension in perpetuity.

I. Light-Duty Vehicles.

Requires the Texas Commission on Environmental Quality ["TCEQ"] to develop a purchase or lease incentive program for light-duty motor vehicles powered by compressed natural gas, liquefied petroleum gas, hydrogen fuel cells, or other electric drives.

II. Drayage Trucks and Cargo Equipment.

Requires the TCEQ to develop purchase incentive program to repower drayage trucks and cargo handling equipment with engines that must:

(A) be an electric motor or an engine certified to the current federal emissions standards applicable to that type of engine, as determined by the commission; and

(B) emit oxides of nitrogen at a rate that is at least 25 percent less than the rate at which the former engine in the truck or equipment being repowered under the program emits such pollutants.

III. Grants for Upstream and Midstream Oil and Gas Projects.

Adds the following to the types of projects that may be considered for a grant under the TERP program:

(1) new technology projects that reduce emissions from upstream and midstream oil and gas production, completions, gathering, storage, processing, and transmission activities through:

(A) the replacement, repower, or retrofit of stationary compressor engines;

(B) the installation of systems to reduce or eliminate the loss of gas, flaring of gas, or burning of gas using other combustion control devices; or

(C) the installation of systems that reduce flaring emissions and other site emissions by capturing waste heat to generate electricity solely for on-site service.

IV. Expansion of Clean Transportation Zone.

Expands the counties in the Clean Transportation Zone beyond the triangle of counties containing or intersected by an interstate highway connecting the cities of Houston, San Antonio, Dallas and Fort Worth to also include:

(A) counties containing or intersected by a portion of:

(i) an interstate highway connecting San Antonio to Corpus Christi or Laredo;

(ii) the most direct route using highways in the state highway system connecting Corpus Christi and Laredo; or

(iii) a highway corridor connecting Corpus Christi and Houston; and

(B) counties in this state all or part of which are included in a nonattainment area.

Requires the TCEQ to provide for strategically placed fueling facilities in the clean transportation zone to enable an alternative fueled vehicle to travel in those areas solely on alternative fuels.

Requires the TCEQ to establish additional eligibility and prioritization criteria for alternative fueling facility grants.

V. Heavy Duty and Medium-Duty Vehicles.

Extends and updates the program for providing incentive grants to replace on-road heavy-duty and medium-duty vehicles powered by compressed natural gas, liquefied natural gas, or liquefied petroleum gas.

VI. Governmental Alternative Fleet Program.

Requires the TCEQ to develop a governmental alternative fleet program to assist state agency and political subdivisions with a fleet of more than 15 vehicles to operate primarily on compressed natural gas, liquefied natural gas, or liquefied petroleum gas, hydrogen fuel cells, or electricity including plug-in hybrid motor vehicles.

VI. WATER

HB 101 House Author: Craddick, Tom Senate Sponsor: Zaffirini, Judith

Relating to the development of and contracting for reclaimed water facilities in certain municipalities.

Allows certain municipalities (Midland) to enter into a contract for reclaimed water facilities.

HB 2377 House Author: Larson, Lyle Senate Sponsor: Perry, Charles

Relating to the development of brackish groundwater.

Encourages the Development of Brackish Groundwater.

Upon receipt of a petition from a person with a legally defined interest in groundwater in a groundwater conservation district ["GCD"], requires the GCD to adopt rules for the withdrawal of brackish groundwater that will be treated to drinking water standards.

Provides that a person may obtain a permit under the rules for the following projects:

- (1) a municipal project designed to treat brackish groundwater to drinking water standards for the purpose of providing a public source of drinking water; and
- (2) an electric generation project to treat brackish groundwater to water quality standards sufficient for the project needs.

Requires that the rules must:

- (1) provide for processing an application for a brackish groundwater production zone operating permit in the same manner as an application for an operating permit for a fresh groundwater well, except as provided below;
- (2) allow withdrawals and rates of withdrawal of brackish groundwater from a designated brackish groundwater production zone not to exceed and consistent with the withdrawal amounts identified by the Texas Water Development Board ["TWDB"] for that brackish groundwater production zone.
- (3) provide for a minimum term of 30 years for a permit issued for a well that produces brackish groundwater from a designated brackish groundwater production zone;
- (4) require implementation of a monitoring system recommended by the development board to monitor water levels and water quality in the same or an adjacent aquifer, subdivision of an aquifer, or geologic stratum in which the designated brackish groundwater production zone is located;
- (5) for a project located in a designated brackish groundwater production zone in the Gulf Coast Aquifer, require reasonable monitoring by the district of land elevations to determine if production

from the project is causing or is likely to cause subsidence during the permit term;

(6) require from the holder of a permit annual reports that must include:

(A) the amount of brackish groundwater withdrawn;

(B) the average monthly water quality of the brackish groundwater withdrawn and in the monitoring wells; and

(C) aquifer levels in both the designated brackish groundwater production zone and in any aquifer, subdivision of an aquifer, or geologic stratum for which the permit requires monitoring; and

(7) be consistent with and not impair property rights.

To the extent possible, requires groundwater districts to issue permits up to the point that the total volume of exempt and permitted groundwater production in a designated brackish groundwater production zone equals the amount of brackish groundwater that may be produced annually to achieve the groundwater availability described by the TWDB in its designation of the brackish groundwater production zone.

SB 1525 Senate Author: Perry, Charles House Sponsor: Larson, Lyle

Relating to a study by the Texas Water Development Board of water needs and availability in this state.

Requires the Texas Water Development Board ["TWDB"] to conduct a study of water needs and availability in Texas and to produce a comprehensive water resources map.

Among other things, requires TWDB to consider the reuse of water associated with oil and gas operations.

Requires TWDB to conduct studies of aquifer storage and recovery projects including a statewide survey of the most favorable areas for aquifer storage and recovery.

Also requires TWDB to consider desalinated marine seawater and brackish groundwater.

VII. TRANSPORTATION

HB 62 House Author: Craddick, Tom Senate Sponsor: Zaffirini, Judith

Relating to the use of a wireless communication device while operating a motor vehicle.

In general, prohibits the use of a portable wireless communication device to read, write, and/or send an electronic message while operating a motor vehicle unless the vehicle is stopped.

SB 1305 Senate Author: Nichols, Robert House Sponsor: Darby, Drew

Relating to the abolishment of the transportation infrastructure fund and the grant program using money from the fund.

(Repeal of County Energy Transportation Reinvestment Zones)

Repeals the Transportation Infrastructure Fund, established by SB 1747, 2013 legislative session.

Repeals the sections of Chapter 222 of the Transportation Code that authorize County Energy Transportation Reinvestment Zones.

VII. GENERAL BUSINESS/MISCELLANEOUS

HB 1406 House Author: Blanco, Cesar Senate Sponsor: Hinojosa, Chuy

Relating to the authority of the asset management division of the General Land Office to sell real property to a federally recognized Indian tribe.

Authorizes the General Land Office to sell real property to a federally recognized Indian tribe.

HB 1704 House Author: Kuempel, John Senate Sponsor: Huffman, Joan

Relating to the award of court costs and attorney's fees in actions to determine the applicability of certain local government regulations.

Current law provided that permits issued by local political subdivisions (municipalities, water conservation districts, etc.) are subject only to the regulations in effect at the time of the permit issuance (not later regulations).

Current law allowed for enforcement only by mandamus, declaratory, or injunctive relief. In addition, this bill allows for the award of attorneys' fees and court costs.

HB 1944 House Author: Murphy, Jim Senate Sponsor: Hughes, Bryan

Relating to captive insurance companies.

Aligns the state's regulatory oversight of captive insurance companies with regulatory oversight in other states.

1. Allows capital and surplus to be held in the form of Texas county or municipal bonds.
2. Waives the requirement to provide an actuarial report with the captive's annual filing under certain circumstances.
3. Eliminates the requirement that the captive have a licensed claims adjuster if the claims are limited to first-party claims of the parent and/or affiliates of the captive.

4. Allows a captive insurance company to insure life insurance benefits for employee benefits subject to ERISA (Employee Retirement Income Security Act of 1974).
5. Authorizes a Texas captive insurance company to take credit for reinsurance ceded to a non-affiliated reinsurer when specific requirements are met.
6. Authorizes a Texas captive insurance company to be formed as a reciprocal insurance exchange.
7. Simplifies the corporate formation processes between the secretary of state and the Department of Insurance.

SB 1215 Senate Author: Hughes, Bryan House Sponsor: Shine, Hugh

Relating to responsibility for the consequences of defects in the plans, specifications, or other documents for the construction or repair of an improvement to real property.

Requires the appointment of a joint interim committee to study issues relating to construction contracts including:

- (1) the allocation of liability among persons involved in a construction project;
- (2) relationships among parties to construction contracts, including property owners, general contractors, subcontractors, and design professionals;
- (3) liens on real property arising from construction contracts;
- (4) indemnification and insurance issues;
- (5) warranties;
- (6) standards of care for persons involved in construction projects; and
- (7) civil actions and other forms of dispute resolution arising from construction defects and remedies for construction defects.

SB 1965 Senate Author: Creighton, Brandon House Sponsor: Dutton, Harold

Relating to enforcement of child support obligations.

Clarifies that a child support lien attaches to the proceeds derived from the sale of oil or gas production from an oil or gas well located in this state.

SCR 26 Senate Author: Estes, Craig House Sponsor: Darby, Drew

Recognition that this period in our nation's history represents an opportunity for Texas to work with leadership of the federal government to transcend partisan politics and correct misuses of federal power.

Resolves that the President of the United States and the Congress work with the State of Texas to identify, revise, and/or repeal burdensome regulations on the oil and gas industry.

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