

BILL ANALYSIS

C.S.S.B. 1170
By: Armbrister
Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current Texas law requires the Railroad Commission of Texas (commission) to make monthly determinations on every common gas reservoir in Texas, regarding the production available and the market demand for gas. The commission has statutory requirements for determinations that are no longer necessary to prevent the waste of gas reserves.

C.S.S.B. 1170 removes the statutory requirement that the commission determine the status of gas production from all gas reservoirs in the state, eliminates the requirement that the monthly reservoir market demand for gas be determined through a hearing, and enables the commission to streamline the regulatory process for setting gas well allowables.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Amends Section 86.081(a), Natural Resources Code, to require the Railroad Commission of Texas (commission), for the protection of public and private interests, on written complaint and proof by an affected party or on its own initiative and after notice and an opportunity for a hearing, to prorate and regulate the daily gas well production from a common reservoir, if the commission finds such an action to be necessary to prevent waste or adjust the correlative rights and opportunities of each owner of gas in a common reservoir to produce and use or sell the gas as permitted in this chapter.

SECTION 2. Amends Section 86.084(a), Natural Resources Code, to authorize, rather than require the commission, on written complaint by an affected party or on its own initiative, to determine the status of gas production from any reservoir in the state.

SECTION 3. Amends Section 86.085, Natural Resources Code, to require the commission or a person authorized by the commission, on or before the last day of each month, to determine the lawful market demand for gas to be produced from each prorated reservoir during the following month and the volume of gas that can be produced without waste from each prorated reservoir and each well in the reservoir during the following month.

SECTION 4. Amends Section 86.086, Natural Resources Code, to require the commission, after determining demand for and volume of production from a prorated reservoir as provided in Section 86.085, to fix the monthly reservoir allowable of gas to be produced from the reservoir allowable of gas to be produced from the reservoir at the lawful market demand for the gas or at the volume that can be produced from the reservoir without waste, whichever is the smaller quantity.

SECTION 5. Amends Section 86.087, Natural Resources Code, to make a conforming change.

SECTION 6. Amends Section 86.089(a), Natural Resources Code, to make a conforming change.

SECTION 7. Amends Section 86.094, Natural Resources Code, to authorize, rather than require, the commission to adjust the inequality of withdrawals caused by the increase in fixing the

C.S.S.B. 1170 79(R)

allowable production of the various wells in the common reservoir or zone. Replaces gender specific terms with gender neutral descriptors.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

SECTION 1. Subsection (a), Section 86.081, Natural Resources Code, is amended from “on written complaint and proof by an affected party” to simply “on written complaint by an affected party”.

The phrase “and after notice and opportunity for hearing” is added to conform statute to current practice and future intent regarding procedure to be followed.

Amend from “may prorate” to “shall prorate” if commission determines action is necessary to prevent waste “or” [rather than “and”] protect correlative rights.

SECTION 2. Subsection (a), Section 86.084, Natural Resources Code, is amended to add the phrase “on written complaint by an affected party or on its on initiative” to clarify when the commission has discretion to determine the status of gas production from any reservoir in the state.

SECTION 7. Section 86.094, Natural Resources Code, is amended to add the phrase “in a prorated reservoir” and change “may” to “shall” to clarify that, in prorated reservoirs, the commission is required to revise allowables to adjust any inequities caused by non-ratable takes during emergency situations.