

By: Crownover

H.B. No. 2054

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of gas production by the Railroad Commission of Texas.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 86.081(a), Natural Resources Code, is amended to read as follows:

(a) For the protection of public and private interests, and on written complaint and proof by an affected party or if the commission on its own initiative finds such an action to be necessary, the commission may [~~shall~~] prorate and regulate the daily gas well production from each common reservoir to:

(1) prevent waste; and

(2) 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. Section 86.084(a), Natural Resources Code, is amended to read as follows:

(a) The commission may [~~shall~~] determine the status of gas production from any reservoir [~~all reservoirs~~] in the state.

SECTION 3. Section 86.085, Natural Resources Code, is amended to read as follows:

Sec. 86.085. DETERMINATION OF DEMAND AND VOLUME. On or before the last [~~25th~~] day of each month, the commission or a person authorized by the commission [~~, after notice and hearing,~~] shall

1 determine:

2 (1) the lawful market demand for gas to be produced
3 from each prorated reservoir during the following month; and

4 (2) the volume of gas that can be produced without
5 waste from each prorated [~~the~~] reservoir and each well in the
6 reservoir during the following month.

7 SECTION 4. Section 86.086, Natural Resources Code, is
8 amended to read as follows:

9 Sec. 86.086. MONTHLY RESERVOIR ALLOWABLE. After
10 determining demand for and volume of production from a prorated
11 reservoir as provided in Section 86.085 [~~of this code~~], the
12 commission shall fix the monthly reservoir allowable of gas to be
13 produced from the reservoir at the lawful market demand for the gas
14 or at the volume that can be produced from the reservoir without
15 waste, whichever is the smaller quantity.

16 SECTION 5. Section 86.087, Natural Resources Code, is
17 amended to read as follows:

18 Sec. 86.087. MONTHLY WELL ALLOWABLE. The monthly
19 reservoir allowable shall be allocated among all wells entitled to
20 produce gas from a prorated [~~the~~] reservoir to give each well its
21 fair share of the gas to be produced from the reservoir, but each
22 well is restricted to the amount of gas that can be produced from it
23 without waste. The volume of gas allocated to each well is the
24 monthly allowable for that well.

25 SECTION 6. Section 86.089(a), Natural Resources Code, is
26 amended to read as follows:

27 (a) In determining the daily allowable production for each

1 gas well in a prorated reservoir, the commission shall take into
2 account:

3 (1) the size of the tract segregated with respect to
4 the surface position and common ownership on which the gas well or
5 wells are located;

6 (2) the relation between the daily producing capacity
7 of each gas well and the aggregate daily capacity of all gas wells
8 producing the same kind of gas in the same common reservoir or zone;
9 and

10 (3) other factors that are pertinent.

11 SECTION 7. Section 86.094, Natural Resources Code, is
12 amended to read as follows:

13 Sec. 86.094. AUTHORITY TO INCREASE TAKE ABOVE
14 ALLOWABLE. If unforeseen contingencies increase the demand for
15 gas required by a distributor, transporter, or purchaser to an
16 amount in excess of the total allowable production of the wells to
17 which the person [~~he~~] is connected, the distributor, transporter,
18 or purchaser may increase the person's [~~his~~] take ratably from all
19 these wells in order to supply the person's [~~his~~] demand for gas,
20 provided that notice of the increase and the amount of the increase
21 are given to the commission within five days; and provided further,
22 the commission may [~~at its next hearing, shall~~] adjust the
23 inequality of withdrawals caused by the increase in fixing the
24 allowable production of the various wells in the common reservoir
25 or zone.

26 SECTION 8. This Act takes effect immediately if it receives
27 a vote of two-thirds of all the members elected to each house, as

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1 provided by Section 39, Article III, Texas Constitution. If this
2 Act does not receive the vote necessary for immediate effect, this
3 Act takes effect September 1, 2005.