

By: Armbrister

S.B. No. 1170

Substitute the following for S.B. No. 1170:

By: Farabee

C.S.S.B. No. 1170

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

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

(1) prevent waste; or ~~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. Subsection (a), Section 86.084, Natural Resources Code, is amended to read as follows:

(a) The commission, on written complaint by an affected party or on its own initiative, 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

1 before the last [~~25th~~] day of each month, the commission or a person
2 authorized by the commission [~~, after notice and hearing,~~] shall
3 determine:

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

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

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

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

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

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

27 SECTION 6. Subsection (a), Section 86.089, Natural

1 Resources Code, is amended to read as follows:

2 (a) In determining the daily allowable production for each
3 gas well in a prorated reservoir, the commission shall take into
4 account:

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

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

12 (3) other factors that are pertinent.

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

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

1 SECTION 8. This Act takes effect immediately if it receives
2 a vote of two-thirds of all the members elected to each house, as
3 provided by Section 39, Article III, Texas Constitution. If this
4 Act does not receive the vote necessary for immediate effect, this
5 Act takes effect September 1, 2005.