

1-1 By: Armbrister S.B. No. 1170
1-2 (In the Senate - Filed March 8, 2005; March 21, 2005, read
1-3 first time and referred to Committee on Natural Resources;
1-4 April 22, 2005, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 8, Nays 0; April 22, 2005,
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1170 By: Armbrister

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to the regulation of gas production by the Railroad
1-11 Commission of Texas.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Subsection (a), Section 86.081, Natural
1-14 Resources Code, is amended to read as follows:

1-15 (a) For the protection of public and private interests, the
1-16 commission, on written complaint by an affected party or on its own
1-17 initiative and after notice and an opportunity for a hearing, shall
1-18 prorate and regulate the daily gas well production from a ~~each~~
1-19 common reservoir if the commission finds that action to be
1-20 necessary to:

1-21 (1) prevent waste; or ~~and~~

1-22 (2) adjust the correlative rights and opportunities of
1-23 each owner of gas in a common reservoir to produce and use or sell
1-24 the gas as permitted in this chapter.

1-25 SECTION 2. Subsection (a), Section 86.084, Natural
1-26 Resources Code, is amended to read as follows:

1-27 (a) The commission, on written complaint by an affected
1-28 party or on its own initiative, may ~~shall~~ determine the status of
1-29 gas production from any reservoir ~~all reservoirs~~ in the state.

1-30 SECTION 3. Section 86.085, Natural Resources Code, is
1-31 amended to read as follows:

1-32 Sec. 86.085. DETERMINATION OF DEMAND AND VOLUME. On or
1-33 before the last ~~25th~~ day of each month, the commission or a person
1-34 authorized by the commission ~~, after notice and hearing,~~ shall
1-35 determine:

1-36 (1) the lawful market demand for gas to be produced
1-37 from each prorated reservoir during the following month; and

1-38 (2) the volume of gas that can be produced without
1-39 waste from each prorated ~~the~~ reservoir and each well in the
1-40 reservoir during the following month.

1-41 SECTION 4. Section 86.086, Natural Resources Code, is
1-42 amended to read as follows:

1-43 Sec. 86.086. MONTHLY RESERVOIR ALLOWABLE. After
1-44 determining demand for and volume of production from a prorated
1-45 reservoir as provided in Section 86.085 ~~[of this code]~~, the
1-46 commission shall fix the monthly reservoir allowable of gas to be
1-47 produced from the reservoir at the lawful market demand for the gas
1-48 or at the volume that can be produced from the reservoir without
1-49 waste, whichever is the smaller quantity.

1-50 SECTION 5. Section 86.087, Natural Resources Code, is
1-51 amended to read as follows:

1-52 Sec. 86.087. MONTHLY WELL ALLOWABLE. The monthly reservoir
1-53 allowable shall be allocated among all wells entitled to produce
1-54 gas from a prorated ~~the~~ reservoir to give each well its fair share
1-55 of the gas to be produced from the reservoir, but each well is
1-56 restricted to the amount of gas that can be produced from it without
1-57 waste. The volume of gas allocated to each well is the monthly
1-58 allowable for that well.

1-59 SECTION 6. Subsection (a), Section 86.089, Natural
1-60 Resources Code, is amended to read as follows:

1-61 (a) In determining the daily allowable production for each
1-62 gas well in a prorated reservoir, the commission shall take into
1-63 account:

2-1 (1) the size of the tract segregated with respect to
2-2 the surface position and common ownership on which the gas well or
2-3 wells are located;

2-4 (2) the relation between the daily producing capacity
2-5 of each gas well and the aggregate daily capacity of all gas wells
2-6 producing the same kind of gas in the same common reservoir or zone;
2-7 and

2-8 (3) other factors that are pertinent.

2-9 SECTION 7. Section 86.094, Natural Resources Code, is
2-10 amended to read as follows:

2-11 Sec. 86.094. AUTHORITY TO INCREASE TAKE ABOVE ALLOWABLE.
2-12 If unforeseen contingencies increase the demand for gas required by
2-13 a distributor, transporter, or purchaser to an amount in excess of
2-14 the total allowable production of the wells to which the person [~~he~~]
2-15 is connected, the distributor, transporter, or purchaser may
2-16 increase the person's [~~his~~] take ratably from all these wells in
2-17 order to supply the person's [~~his~~] demand for gas, provided that
2-18 notice of the increase and the amount of the increase are given to
2-19 the commission within five days; and provided further, the
2-20 commission may [~~, at its next hearing, shall~~] adjust the inequality
2-21 of withdrawals caused by the increase in fixing the allowable
2-22 production of the various wells in the common reservoir or zone.

2-23 SECTION 8. This Act takes effect immediately if it receives
2-24 a vote of two-thirds of all the members elected to each house, as
2-25 provided by Section 39, Article III, Texas Constitution. If this
2-26 Act does not receive the vote necessary for immediate effect, this
2-27 Act takes effect September 1, 2005.

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