

AN ACT

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

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

SECTION 1. Section 85.043, Natural Resources Code, is amended to read as follows:

Sec. 85.043. APPLICATION OF CERTAIN RULES AND ORDERS. If the commission requires a showing that refined products were manufactured from oil legally produced, the requirement shall be of uniform application throughout the state; provided that, if the rule or order is promulgated for the purpose of controlling a condition in any local area or preventing a violation in any local area, then on the complaint of a person that the same or similar conditions exist in some other local area and the promulgation and enforcement of the rule could be beneficially applied to that additional area, the commission may ~~shall~~ determine whether or not those conditions do exist, and if it is shown that they do, the rule or order may ~~shall~~ be enlarged to include the additional area.

SECTION 2. Subsection (a), Section 85.053, Natural Resources Code, is amended to read as follows:

(a) If a rule or order of the commission limits or fixes in a pool or portion of a pool the production of oil, or the production of gas from wells producing gas only, the commission, on written

1 complaint by an affected party or on its own initiative and after
2 notice and an opportunity for a hearing, shall distribute, prorate,
3 or otherwise apportion or allocate the allowable production among
4 the various producers on a reasonable basis if the commission finds
5 that action to be necessary to:

6 (1) prevent waste; or

7 (2) adjust the correlative rights and opportunities of
8 each owner of oil or gas in a common reservoir to produce and use or
9 sell the oil or gas as permitted in this chapter.

10 SECTION 3. Subsections (a) and (c), Section 85.054, Natural
11 Resources Code, are amended to read as follows:

12 (a) To prevent unreasonable discrimination in favor of one
13 pool as against another, and on written complaint and proof of such
14 discrimination or if the commission on its own initiative finds
15 such an action to be necessary, the commission may allocate or
16 apportion the allowable production of oil on a fair and reasonable
17 basis among the various pools in the state.

18 (c) The commission may [~~shall~~] determine the reasonable
19 market demand of the respective pool as the basis for determining
20 the allotments to be assigned to the respective pool so that
21 discrimination may be prevented.

22 SECTION 4. Subsections (a), (b), and (c), Section 85.055,
23 Natural Resources Code, are amended to read as follows:

24 (a) If, on written complaint by an affected party or on its
25 own initiative and after notice and an opportunity for a hearing,
26 the commission finds that full production from wells producing gas
27 only from a common source of supply of gas in this state is in excess

1 of the reasonable market demand, the commission shall inquire into
2 the production and reasonable market demand for the gas and shall
3 determine the allowable production from the common source of
4 supply.

5 (b) The allowable production from a prorated common source
6 of supply is that portion of the reasonable market demand that can
7 be produced without waste.

8 (c) The commission shall allocate, distribute, or apportion
9 the allowable production from the prorated common source of supply
10 among the various producers on a reasonable basis and shall limit
11 the production of each producer to the amount allocated or
12 apportioned to the producer.

13 SECTION 5. Section 85.058, Natural Resources Code, is
14 amended to read as follows:

15 Sec. 85.058. COMMISSION INQUIRY AND DETERMINATION. From
16 time to time, the commission may [~~shall~~] inquire into the
17 production, storage, transportation, refining, reclaiming,
18 treating, marketing, and processing of oil and gas, and the
19 reasonable market demand for oil and gas, so that it may determine
20 whether or not waste exists or is imminent or whether the oil and
21 gas conservation laws of this state or the rules and orders of the
22 commission promulgated under those laws are being violated.

23 SECTION 6. This Act takes effect immediately if it receives
24 a vote of two-thirds of all the members elected to each house, as
25 provided by Section 39, Article III, Texas Constitution. If this
26 Act does not receive the vote necessary for immediate effect, this
27 Act takes effect September 1, 2005.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1175 passed the Senate on May 3, 2005, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendment on May 27, 2005, by the following vote: Yeas 29, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1175 passed the House, with amendment, on May 25, 2005, by the following vote: Yeas 144, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor