

1-1 By: Armbrister S.B. No. 1175
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. 1175 By: Armbrister

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

1-10 relating to the regulation of oil and 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. Section 85.043, Natural Resources Code, is
1-14 amended to read as follows:

1-15 Sec. 85.043. APPLICATION OF CERTAIN RULES AND ORDERS. If
1-16 the commission requires a showing that refined products were
1-17 manufactured from oil legally produced, the requirement shall be of
1-18 uniform application throughout the state; provided that, if the
1-19 rule or order is promulgated for the purpose of controlling a
1-20 condition in any local area or preventing a violation in any local
1-21 area, then on the complaint of a person that the same or similar
1-22 conditions exist in some other local area and the promulgation and
1-23 enforcement of the rule could be beneficially applied to that
1-24 additional area, the commission may ~~shall~~ determine whether or
1-25 not those conditions do exist, and if it is shown that they do, the
1-26 rule or order may ~~shall~~ be enlarged to include the additional
1-27 area.

1-28 SECTION 2. Subsection (a), Section 85.053, Natural
1-29 Resources Code, is amended to read as follows:

1-30 (a) If a rule or order of the commission limits or fixes in a
1-31 pool or portion of a pool the production of oil, or the production
1-32 of gas from wells producing gas only, the commission, on written
1-33 complaint by an affected party or on its own initiative and after
1-34 notice and an opportunity for a hearing, shall distribute, prorate,
1-35 or otherwise apportion or allocate the allowable production among
1-36 the various producers on a reasonable basis if the commission finds
1-37 that action to be necessary to:

1-38 (1) prevent waste; or
1-39 (2) adjust the correlative rights and opportunities of
1-40 each owner of oil or gas in a common reservoir to produce and use or
1-41 sell the oil or gas as permitted in this chapter.

1-42 SECTION 3. Subsections (a) and (c), Sections 85.054,
1-43 Natural Resources Code, are amended to read as follows:

1-44 (a) To prevent unreasonable discrimination in favor of one
1-45 pool as against another, and on written complaint and proof of such
1-46 discrimination or if the commission on its own initiative finds
1-47 such an action to be necessary, the commission may allocate or
1-48 apportion the allowable production of oil on a fair and reasonable
1-49 basis among the various pools in the state.

1-50 (c) The commission may ~~shall~~ determine the reasonable
1-51 market demand of the respective pool as the basis for determining
1-52 the allotments to be assigned to the respective pool so that
1-53 discrimination may be prevented.

1-54 SECTION 4. Subsections (a) and (c), Section 85.055, Natural
1-55 Resources Code, are amended to read as follows:

1-56 (a) If full production from wells producing gas only from a
1-57 common source of supply of gas in this state is in excess of the
1-58 reasonable market demand, the commission may ~~shall~~ inquire into
1-59 the production and reasonable market demand for the gas and shall
1-60 determine the allowable production from the common source of
1-61 supply.

1-62 (c) The commission may ~~shall~~ allocate, distribute, or
1-63 apportion the allowable production from the common source of supply

2-1 among the various producers on a reasonable basis and shall limit
2-2 the production of each producer to the amount allocated or
2-3 apportioned to the producer.

2-4 SECTION 5. Section 85.058, Natural Resources Code, is
2-5 amended to read as follows:

2-6 Sec. 85.058. COMMISSION INQUIRY AND DETERMINATION. From
2-7 time to time, the commission may [~~shall~~] inquire into the
2-8 production, storage, transportation, refining, reclaiming,
2-9 treating, marketing, and processing of oil and gas, and the
2-10 reasonable market demand for oil and gas, so that it may determine
2-11 whether or not waste exists or is imminent or whether the oil and
2-12 gas conservation laws of this state or the rules and orders of the
2-13 commission promulgated under those laws are being violated.

2-14 SECTION 6. This Act takes effect immediately if it receives
2-15 a vote of two-thirds of all the members elected to each house, as
2-16 provided by Section 39, Article III, Texas Constitution. If this
2-17 Act does not receive the vote necessary for immediate effect, this
2-18 Act takes effect September 1, 2005.

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