

AN ACT

relating to the remedies available in connection with certain disputes between producers of natural gas and persons who gather or transport the gas.

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

SECTION 1. Subchapter C, Chapter 85, Natural Resources Code, is amended by adding Section 85.065 to read as follows:

Sec. 85.065. INFORMAL COMPLAINT PROCESS REGARDING LOSS OF OR INABILITY TO ACCOUNT FOR NATURAL GAS GATHERED OR TRANSPORTED.

(a) A producer may submit a written request to a person who gathers or transports gas for the producer for an explanation of any loss of or inability to account for the gas tendered to the person by the producer. The request may ask the person to provide any or all of the information that would be required to be included in an accounting under Subsection (c). Not later than the 30th day after the date the person receives the request from the producer, the person must provide the producer a written explanation of any loss of or inability to account for the gas tendered to the person by the producer. The response must include any relevant information requested by the producer that is available to the person and that would be required to be included in an accounting under Subsection (c).

(b) If a producer submits a request under Subsection (a) to a person who gathers or transports gas for the producer and the

1 person provides an inadequate explanation of any loss of or  
2 inability to account for the gas, or fails to provide any  
3 explanation of any loss of or inability to account for the gas by  
4 the deadline provided by that subsection, the producer may file  
5 with the commission an informal complaint against the person. An  
6 informal complaint may not be filed before the 30th day after the  
7 end of the production period covered by the complaint. An informal  
8 complaint must:

9 (1) specify the production period covered by the  
10 complaint;

11 (2) state that at least 30 days have elapsed since the  
12 end of the production period covered by the complaint; and

13 (3) if the producer metered the volume of gas tendered  
14 to the person who gathered or transported the gas:

15 (A) describe the type of meter used; and

16 (B) state the date the meter was last calibrated.

17 (c) Not later than the 14th day after the date the complaint  
18 is filed, the person who gathered or transported the gas shall  
19 provide to the producer and the commission an accounting of the gas  
20 tendered to the person by the producer for gathering or transport  
21 during the production period covered by the complaint. The  
22 accounting may be provided on a thousand cubic feet or a million  
23 British thermal unit basis, as applicable, and must include the  
24 information the commission determines to be necessary to resolve an  
25 informal complaint under this section, which may include:

26 (1) the amount of gas tendered by the producer from  
27 each well that has a meter;

1           (2) a laboratory analysis of the composition and  
2 heating value of the gas and other substances tendered by the  
3 producer, if such an analysis has been performed;

4           (3) if available, a schematic drawing of the person's  
5 system for gathering or transporting gas that shows:

6                   (A) each meter type;

7                   (B) the date each meter was last calibrated;

8                   (C) the accuracy of each meter; and

9                   (D) all equipment that alters, disposes of, or  
10 otherwise consumes any of the gas tendered to the person;

11           (4) the estimated amount of gas used for fuel, flared,  
12 or vented for construction, repair, maintenance, or other  
13 operational uses and, if the information is available, the location  
14 of that use;

15           (5) the estimated amount of contaminants or other  
16 impurities removed from the gas and the location at which the  
17 impurities were removed;

18           (6) the estimated amount of liquid hydrocarbons and  
19 condensate removed from the gas and the location at which the liquid  
20 hydrocarbons and condensate were removed;

21           (7) the estimated amount of gas lost and the location  
22 at which the gas was lost;

23           (8) the estimated amount of gas redelivered by the  
24 person, including the amount of gas sold that was allocated to the  
25 producer, and the location at which the redelivery of the gas  
26 occurred;

27           (9) any amount of gas received from the producer by the

1 person that remains unaccounted for; and

2 (10) any other information the person who gathered or  
3 transported the gas considers relevant to the resolution of the  
4 complaint.

5 (d) The commission may grant an extension of time to the  
6 person who gathered or transported the gas to provide the  
7 accounting required by Subsection (c). An extension may not permit  
8 the accounting to be provided later than the 45th day after the date  
9 the informal complaint was filed.

10 (e) If the person who gathered or transported the gas does  
11 not have the information necessary to provide the accounting  
12 required by Subsection (c), the person must provide to the producer  
13 and to the commission a written explanation of the reason the person  
14 does not have the information.

15 (f) If the person who gathered or transported the gas fails  
16 to provide the accounting required by Subsection (c) or the  
17 explanation required by Subsection (e), the informal complaint  
18 filed by the producer is considered to be valid.

19 (g) If Subsection (f) applies or the commission determines  
20 that the person who gathered or transported the gas committed  
21 waste, the commission may take any action it considers appropriate,  
22 including issuing an order in a formal proceeding to prevent waste  
23 by the person who gathered or transported the gas.

24 (h) This subsection applies only to a producer and a person  
25 who gathers or transports gas for the producer under a contract  
26 between the producer and that person that is entered into or renewed  
27 on or after September 1, 2007. On written request, the producer is

1 entitled to audit the books and records of the person that pertain  
2 to the contract between the producer and the person for the purpose  
3 of verifying whether any gas tendered to the person by the producer  
4 that the person has lost or is unable to account for has been  
5 allocated to the volume of gas tendered to the person by the  
6 producer as required by the contract. A producer is not entitled to  
7 conduct an audit under this subsection more frequently than  
8 annually.

9         SECTION 2. Section 85.065, Natural Resources Code, as added  
10 by this Act, applies only to the loss of or inability to account for  
11 natural gas that is tendered by a producer to a gatherer or  
12 transporter of gas on or after the effective date of this Act. The  
13 loss of or inability to account for natural gas that is tendered by  
14 a producer to a gatherer or transporter of gas before the effective  
15 date of this Act is governed by the law in effect on the date the gas  
16 is tendered, and the former law remains in effect for that purpose.

17         SECTION 3. This Act takes effect September 1, 2007.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 1920 was passed by the House on May 8, 2007, by the following vote: Yeas 146, Nays 0, 2 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 1920 was passed by the Senate on May 23, 2007, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor