

By: Keffer, et al.

H.B. No. 1920

Substitute the following for H.B. No. 1920:

By: Corte

C.S.H.B. No. 1920

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the remedies available in connection with certain
3 disputes between producers of natural gas and persons who gather or
4 transport the gas.

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

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

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

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

23 (b) If a producer submits a request under Subsection (a) to
24 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.