

1-1 By: Keffer, et al. (Senate Sponsor - Ogden) H.B. No. 1920
1-2 (In the Senate - Received from the House May 9, 2007;
1-3 May 10, 2007, read first time and referred to Committee on Natural
1-4 Resources; May 18, 2007, reported favorably by the following vote:
1-5 Yeas 10, Nays 0; May 18, 2007, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to the remedies available in connection with certain
1-9 disputes between producers of natural gas and persons who gather or
1-10 transport the gas.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Subchapter C, Chapter 85, Natural Resources
1-13 Code, is amended by adding Section 85.065 to read as follows:

1-14 Sec. 85.065. INFORMAL COMPLAINT PROCESS REGARDING LOSS OF
1-15 OR INABILITY TO ACCOUNT FOR NATURAL GAS GATHERED OR TRANSPORTED.

1-16 (a) A producer may submit a written request to a person who gathers
1-17 or transports gas for the producer for an explanation of any loss of
1-18 or inability to account for the gas tendered to the person by the
1-19 producer. The request may ask the person to provide any or all of
1-20 the information that would be required to be included in an
1-21 accounting under Subsection (c). Not later than the 30th day after
1-22 the date the person receives the request from the producer, the
1-23 person must provide the producer a written explanation of any loss
1-24 of or inability to account for the gas tendered to the person by the
1-25 producer. The response must include any relevant information
1-26 requested by the producer that is available to the person and that
1-27 would be required to be included in an accounting under Subsection
1-28 (c).

1-29 (b) If a producer submits a request under Subsection (a) to
1-30 a person who gathers or transports gas for the producer and the
1-31 person provides an inadequate explanation of any loss of or
1-32 inability to account for the gas, or fails to provide any
1-33 explanation of any loss of or inability to account for the gas by
1-34 the deadline provided by that subsection, the producer may file
1-35 with the commission an informal complaint against the person. An
1-36 informal complaint may not be filed before the 30th day after the
1-37 end of the production period covered by the complaint. An informal
1-38 complaint must:

1-39 (1) specify the production period covered by the
1-40 complaint;

1-41 (2) state that at least 30 days have elapsed since the
1-42 end of the production period covered by the complaint; and

1-43 (3) if the producer metered the volume of gas tendered
1-44 to the person who gathered or transported the gas:

1-45 (A) describe the type of meter used; and

1-46 (B) state the date the meter was last calibrated.

1-47 (c) Not later than the 14th day after the date the complaint
1-48 is filed, the person who gathered or transported the gas shall
1-49 provide to the producer and the commission an accounting of the gas
1-50 tendered to the person by the producer for gathering or transport
1-51 during the production period covered by the complaint. The
1-52 accounting may be provided on a thousand cubic feet or a million
1-53 British thermal unit basis, as applicable, and must include the
1-54 information the commission determines to be necessary to resolve an
1-55 informal complaint under this section, which may include:

1-56 (1) the amount of gas tendered by the producer from
1-57 each well that has a meter;

1-58 (2) a laboratory analysis of the composition and
1-59 heating value of the gas and other substances tendered by the
1-60 producer, if such an analysis has been performed;

1-61 (3) if available, a schematic drawing of the person's
1-62 system for gathering or transporting gas that shows:

1-63 (A) each meter type;

1-64 (B) the date each meter was last calibrated;

2-1 (C) the accuracy of each meter; and
 2-2 (D) all equipment that alters, disposes of, or
 2-3 otherwise consumes any of the gas tendered to the person;

2-4 (4) the estimated amount of gas used for fuel, flared,
 2-5 or vented for construction, repair, maintenance, or other
 2-6 operational uses and, if the information is available, the location
 2-7 of that use;

2-8 (5) the estimated amount of contaminants or other
 2-9 impurities removed from the gas and the location at which the
 2-10 impurities were removed;

2-11 (6) the estimated amount of liquid hydrocarbons and
 2-12 condensate removed from the gas and the location at which the liquid
 2-13 hydrocarbons and condensate were removed;

2-14 (7) the estimated amount of gas lost and the location
 2-15 at which the gas was lost;

2-16 (8) the estimated amount of gas redelivered by the
 2-17 person, including the amount of gas sold that was allocated to the
 2-18 producer, and the location at which the redelivery of the gas
 2-19 occurred;

2-20 (9) any amount of gas received from the producer by the
 2-21 person that remains unaccounted for; and

2-22 (10) any other information the person who gathered or
 2-23 transported the gas considers relevant to the resolution of the
 2-24 complaint.

2-25 (d) The commission may grant an extension of time to the
 2-26 person who gathered or transported the gas to provide the
 2-27 accounting required by Subsection (c). An extension may not permit
 2-28 the accounting to be provided later than the 45th day after the date
 2-29 the informal complaint was filed.

2-30 (e) If the person who gathered or transported the gas does
 2-31 not have the information necessary to provide the accounting
 2-32 required by Subsection (c), the person must provide to the producer
 2-33 and to the commission a written explanation of the reason the person
 2-34 does not have the information.

2-35 (f) If the person who gathered or transported the gas fails
 2-36 to provide the accounting required by Subsection (c) or the
 2-37 explanation required by Subsection (e), the informal complaint
 2-38 filed by the producer is considered to be valid.

2-39 (g) If Subsection (f) applies or the commission determines
 2-40 that the person who gathered or transported the gas committed
 2-41 waste, the commission may take any action it considers appropriate,
 2-42 including issuing an order in a formal proceeding to prevent waste
 2-43 by the person who gathered or transported the gas.

2-44 (h) This subsection applies only to a producer and a person
 2-45 who gathers or transports gas for the producer under a contract
 2-46 between the producer and that person that is entered into or renewed
 2-47 on or after September 1, 2007. On written request, the producer is
 2-48 entitled to audit the books and records of the person that pertain
 2-49 to the contract between the producer and the person for the purpose
 2-50 of verifying whether any gas tendered to the person by the producer
 2-51 that the person has lost or is unable to account for has been
 2-52 allocated to the volume of gas tendered to the person by the
 2-53 producer as required by the contract. A producer is not entitled to
 2-54 conduct an audit under this subsection more frequently than
 2-55 annually.

2-56 SECTION 2. Section 85.065, Natural Resources Code, as added
 2-57 by this Act, applies only to the loss of or inability to account for
 2-58 natural gas that is tendered by a producer to a gatherer or
 2-59 transporter of gas on or after the effective date of this Act. The
 2-60 loss of or inability to account for natural gas that is tendered by
 2-61 a producer to a gatherer or transporter of gas before the effective
 2-62 date of this Act is governed by the law in effect on the date the gas
 2-63 is tendered, and the former law remains in effect for that purpose.

2-64 SECTION 3. This Act takes effect September 1, 2007.

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