

CHAPTER 745

H.B. No. 1866

An Act relating to the daily and monthly allowable production for certain gas wells.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Section 86.090, Natural Resources Code, is amended to read as follows:

Sec. 86.090. **AUTHORIZING OVERPRODUCTION AND UNDERPRODUCTION.**

(a) In order to adjust the correlative rights and opportunities of each owner to produce, use, and sell gas from a common reservoir from which a portion of the market demand is seasonal or

where a portion of the market demand fluctuates from month to month, the commission may permit the wells in the reservoir to be produced in excess of the monthly allowable, in accordance with the conditions and limitations set forth in Subsections (b), (c), ~~and~~ (d) and (e) of this section, if no waste would be ~~is~~ caused by such production.

(b) *Except as authorized in Subsection (e) of this section, no ~~No~~ well may be permitted in any one month to produce ~~;~~*

~~[(1) at a rate in excess of 25 percent of the daily producing capacity of the well as found by the commission; or~~

~~[(2) in excess of two times its monthly allowable, except ~~that~~ if ~~an application to the commission there is shown to exist, or~~ there exists or there is threatened a situation causing ~~and unforeseen, an emergency requiring~~ an increase in the demand for the gas from the reservoir which cannot be satisfied otherwise from the reservoir, then the commission may allow a well to ~~wells under the application may~~ be produced in excess of two times its monthly allowable. ~~as authorized in this subchapter but not in excess of four times each of the well's monthly allowable.~~]~~

(c) *Except as authorized in Subsection (e) of this section, no ~~No~~ well may ever be allowed to produce in excess of twice its allowable for more than two months in any period of six months beginning on the first day of March and September of each year. If a well has produced twice its allowable or more during a period of six months beginning on the first day of March or September, it shall be shut ~~closed~~ in or, by appropriate commission order, have its production restricted to a fractional part of its monthly allowable until its production and allowable are in balance.*

(d) On the first day of March and September of each year, the commission shall restrict production from all wells that are then overproduced to the fractional part of their monthly allowable that will bring the accumulated allowables and the accumulated monthly production in balance during the next six months. If the overproduction is not balanced during that six-month period, the overproduced well shall be shut in or, by appropriate commission order, have its production restricted to a fractional part of its monthly allowable until its production and allowable are in balance.

(e) The commission by appropriate order may permit a gas well to be underproduced for a period of six consecutive months and may allow the accumulated underproduction to be produced in addition to the regular monthly allowable during the following six-month period. *If the underproduction is not balanced during this six-month period, the remaining accumulated underproduction may, by appropriate commission order, be produced in addition to the regular monthly allowable during subsequent consecutive six-month periods.*

SECTION 2. Sections 86.089 and 86.091, Natural Resources Code, are amended to read as follows:

Sec. 86.089. **FACTORS IN DETERMINING ALLOWABLE.** (a) In determining the daily allowable production for each gas well, the commission shall take into account:

- (1) the size of the tract segregated with respect to the surface position and common ownership on which the gas well or wells are located;
- (2) the relation between the daily producing capacity of each gas well and the aggregate daily capacity of all gas wells producing the same kind of gas in the same common reservoir or zone; and
- (3) other factors that are pertinent.

(b) *In determining the daily allowable production for each gas well, the commission shall not take into account the size of the tract on which any gas well or wells are located in excess of the efficient drainage area of the well or wells ~~;~~ producing at 25 percent of the daily productive capacity]. The drainage area shall be determined by the commission.*

(c) In ascertaining the drainage area of a well, the commission shall take into account such factors as are reflected in the productive capacity of a gas well, including formation pressure, the permeability and porosity of the producing formation, and the well bore's structural position, together with all other factors taken into account by a reasonably prudent operator in determining the drainage area for a gas well.

Sec. 86.091. ~~MINIMUM~~ **LIMITS ON WELL RESTRICTIONS.** ~~[(a)]~~ None of the provisions of this chapter shall require the commission to limit ~~that~~ the production from a gas well with a daily deliverability of 100,000 cubic feet of gas or less ~~[natural open flow of 200,000 cubic feet of gas or more be restricted]~~ to a quantity less than its actual deliverability ~~[50,000 cubic feet of gas daily].~~

~~[(b)]~~ None of the provisions of this chapter require that the production from a gas well with a daily natural open flow of less than 200,000 cubic feet of gas be reduced to a quantity of less than 25 percent of its natural open flow.]

SECTION 3. Section 86.092, Natural Resources Code, is repealed.

SECTION 4. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed by the House on May 1, 1985, by the following vote: Yeas 139, Nays 2, 1 present, not voting; passed by the Senate on May 24, 1985, by the following vote: Yeas 29, Nays 0.

Approved: June 14, 1985

Effective: Immediately