

By: _____ .B. No. _____

Substitute the following for .B. No. _____:

By: _____ C.S. .B. No. _____

A BILL TO BE ENTITLED

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AN ACT

relating to oil and gas wells that traverse multiple tracts.

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

SECTION 1. Section 85.046, Natural Resources Code, is amended by adding Subsection (d) to read as follows:

(d) Unless expressly prohibited by a lease, deed, or other contract, an operator or lessee with the right to drill an oil or gas well on or produce or develop oil or gas from each tract independently may, under a permit issued by the commission, drill, operate, and produce oil or gas from an oil or gas well that traverses multiple tracts in order to prevent waste, promote conservation, or protect correlative rights. If there is not an agreement with one or more of the affected owners of royalty or mineral interests in the tracts traversed by the well regarding the manner in which production from the well shall be allocated among the tracts, the operator or lessee shall allocate to each tract its share of the aggregated production from the well as determined by the operator or lessee with reasonable probability. The operator or lessee must send written notice of its method of production allocation among the tracts, and the resulting allocation factor for each of the tracts, to each affected royalty or mineral interest owner at the owner's last known address. Each affected royalty or mineral interest owner shall have 90 days after the date of issuance of the written notice to file an application with the commission for

1 review under this subsection. If an owner of a royalty or mineral
2 interest in a tract enters into an agreement with the operator or
3 lessee regarding the manner in which production from the well shall
4 be allocated to the tract, the agreement prevails over the
5 allocation determined by the operator or lessee under this
6 subsection, and that owner shall not be an affected royalty or
7 mineral interest owner under this subsection. On application of an
8 affected royalty or mineral interest owner filed with the
9 commission on or before 90 days after the date of issuance of the
10 written notice under this subsection, the commission, after notice
11 and opportunity for hearing, shall have exclusive jurisdiction to
12 issue an order either approving the operator's or lessee's
13 production allocation or adjusting the operator's or lessee's
14 production allocation if necessary to:

15 (1) prevent waste or adequately protect correlative
16 rights; and

17 (2) ensure that the method of production allocation
18 attributes to each tract its share of the aggregated production
19 from the well with reasonable probability.

20 SECTION 2. This Act takes effect immediately if it receives
21 a vote of two-thirds of all the members elected to each house, as
22 provided by Section 39, Article III, Texas Constitution. If this
23 Act does not receive the vote necessary for immediate effect, this
24 Act takes effect September 1, 2015.