

BILL ANALYSIS

Senate Research Center

S.B. 1487
By: Bivins
Natural Resources
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As Filed

DIGEST

Currently, oil and gas leases of state-owned minerals must contain a provision that restricts the sale of produced gas outside the State of Texas unless the Railroad Commission finds, after notice and hearing, that the produced gas is not needed to meet intrastate needs. Exceptions exist to prevent waste of natural gas or to prevent confiscation by operation of the statute. The deregulated natural gas market relies on free transfer of gas in interstate commerce to assure that gas is available where needed. Requiring producers of state-leased lands to market within the state is inefficient and may require the producer's to sell gas at below market prices thereby reducing the royalty paid to the state. S.B. 1487 would repeal the mandated lease restrictions, thereby increasing the efficiency of the natural gas industry.

PURPOSE

As proposed, S.B. 1487 outlines provisions regarding the repeal of the in-state need lease restriction on the sale of casinghead gas or natural gas out of the state.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Repealers: Sections 52.291-52.294 and 52.296, Natural Resources Code (Coverage, Prohibited Leases, Prerequisite to Sale outside State, Prerequisite to Filing Leases, and Granting Exceptions to Subchapter).

SECTION 2. Provides that the terms of any oil and gas lease executed before the effective date of this Act that impose the requirements of Sections 52.291-52.294 and 52.296, Natural Resources Code, are null and void.

SECTION 3. Effective date: September 1, 1997.

SECTION 4. Emergency clause.