

**55-703. Regulation of production of natural gas by commission; considerations in determination of production from common sources of supply; exception for certain cities of second class.** (a) Whenever the available production of natural gas from any common source of supply is in excess of the market demands for natural gas from the common source of supply, or whenever the market demands for natural gas from any common source of supply can be fulfilled only by the production of natural gas from the common source of supply under conditions constituting waste, or whenever the commission finds and determines that the orderly development of and production of natural gas from any common source of supply requires the exercise of its jurisdiction, then any person, firm or corporation having the right to produce natural gas from the common source of supply may produce only that portion of all the natural gas that may be currently produced without waste and to satisfy the market demands, as will permit each developed lease to ultimately produce approximately the amount of gas underlying the developed lease and currently produce proportionately with other developed leases in the common source of supply without uncompensated cognizable drainage between separately owned, developed leases or parts thereof.

Except as otherwise provided in subsection (b), the commission shall regulate the taking of natural gas from any and all common sources of supply within this state in order to prevent the inequitable or unfair taking of natural gas from a common source of supply by any person, firm or corporation and to prevent unreasonable discrimination in favor of any one common source of supply as against another and in favor of or against any producer in any common source of supply. In promulgating rules, regulations and formulas, to attain such results the commission shall give equitable consideration to acreage, pressure, open flow, porosity, permeability and thickness of pay, and such other factors, conditions and circumstances as may exist in the common source of supply under consideration at the time, as may be pertinent.

The commission in determining the market demand for gas from a common source of supply shall consider the reasonable current requirements for current consumption and use within and without the state, and such other factors, conditions, or circumstances that would aid in establishing the market demand.

(b) The provisions of this section shall not apply to that portion of a common source of supply which is within the corporate boundaries of a city of the second class and upon which is located a producing natural gas well which is solely owned by such city and the total production from which is consumed by and for the benefit of such city. Such well shall not be allowed to be produced in an amount which exceeds two times the amount authorized by any rule, regulation or formula promulgated by the commission pursuant to subsection (a).

The provisions of this subsection shall expire on July 1, 1988.

**History:** L. 1935, ch. 213, § 3; L. 1945, ch. 233, § 3; L. 1959, ch. 237, § 1; L. 1981, ch. 222, § 1; L. 1983, ch. 184, § 1; L. 1985, ch. 183, § 1; May 9.