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Laura M. Buchanan

1005 Congress Avenue
Suite 360
Austin, Texas 78701

(512) 479-5000 phone
(512) 479-5066 fax

info@tlma.org
www.tlma.org

May 13, 2016

Ken Levine
Director, Sunset Advisory Commission
P.O. Box 13066
Austin, Texas 78711-3066

Dear Mr. Levine:

Thank you for the opportunity to provide comments on the Sunset Advisory Commission Staff Report on the Railroad Commission of Texas. The Texas Land & Mineral Owners Association (TLMA) is a statewide advocacy association of members who are farmers, ranchers, landowners, and mineral-interest owners. The association strives for a business and legal environment that promotes a healthy oil and gas industry in Texas, knowing that in our great state this can only be done while still respecting the private-property rights of surface owners and mineral owners.

The Railroad Commission has the very important purpose of regulating an industry that is more than just iconic, it is integral to Texas's economic health and impacts its environmental health. TLMA would like to commend the Sunset Commission staff on their diligent work reviewing the Railroad Commission in anticipation of its 2017 sunset. Obviously, the agency should continue. The Sunset Commission staff's report makes good recommendations that will not only keep an essential agency, but will also promote transparency and fairness in Railroad Commission actions.

For instance, moving contested-case hearings to the State Office of Administrative Hearings, an independent agency, would create a better public perception of impartiality in proceedings. In addition, closing the regulatory gap to allow the Railroad Commission oversight of interstate pipelines addresses a real concern for public safety and environmental integrity. Authorizing the Railroad Commission to assess a permit fee for pipeline permits also assists the Commission in carrying out its regulatory functions with self-funding.

There are two issues for which the TLMA feels the Sunset Commission staff's recommendations could go even further without undue burden. On Issue 3, improved tracking and reporting of oil- and gas-field violations would provide beneficial steps toward increased transparency. TLMA appreciates the recommendation, but believes the Railroad Commission could do more. A system to allow online filing and tracking of landowner-reported complaints would provide landowners with easier recourse and knowledge of Railroad Commission actions in response to their claims. Currently, landowners may call the district office to report a complaint, but they have no way to follow up on the status.

Allowing landowners online access to report complaints, and the ability to check the progress of their complaints, could alleviate some of the boots-on-the-ground burden on Railroad Commission staff since landowners have the easiest access to and knowledge of their property and its condition. As stated in the staff's report, the Railroad Commission has "151 oil and gas field inspectors who oversee drilling, hydraulic fracturing, production, and well plugging activities, as well as activities associated with the disposal and cleanup of waste generated by oil and gas exploration and production." That is a huge task for a limited staff, so allowing landowners to participate and report non-compliance enhances the Railroad Commission's ability to enforce timely compliance with its orders

On Issue 4, TLMA again appreciates the Sunset Commission staff attention to an important issue and recommendation to reevaluate the P-5 permit blanket-bond amounts. Adding new levels to the tiered structure would make the bonds better work as intended and generate more fairness for operators. However, TLMA sees no reason to decrease any blanket-bond amounts. This becomes especially relevant since the Sunset Commission staff, who consult with Railroad Commission staff, anticipates an increase in abandoned wells.

The legislature in 1991 deemed the levels appropriate for P-5 blanket bonds for operators with 20 wells or less. The estimated cost of well-plugging has more than doubled over the last 25 years. The Sunset Commission should also note that operators do not have to choose the blanket-bond option, they may instead file an individual bond in an amount equal to \$2 for each foot of well depth. The Natural Resources Code also provides an alternative to bonding—the operator may secure a well-specific plugging insurance policy. Because very small operators have alternatives to the blanket bond, and because operators with 20 wells or less are in the high-risk group for abandoning wells, TLMA sees no reason to decrease the blanket-bond amounts.

TLMA's only additional recommendation is to add more enforcement and compliance staff to the Railroad Commission. We understand the Railroad Commission is doing the best it can with limited resources; however, the agency needs more enforcement to protect the integrity of lands from which private-property-owners earn a living even when oil and gas operations are not in play. As stated in the Sunset Commission's staff report, in 2015, the Railroad Commission employed 151 inspectors for more than 433,000 oil and gas wells operated by 7,100 operators in the state. Add in the projection that the number of abandoned wells will increase, and the inability of Railroad Commission staff to keep up with demand results in a very large mess for Texas.

Reiterating its support for the Sunset Commission staff's report and recommendations that will ensure the responsible regulation of the oil and gas industry in a manner that promotes transparency and fairness, TLMA respectfully asks the Sunset Commission to consider its positions on Issues 3 and 4. In addition, TLMA would like to see an increase in enforcement staff at the Railroad Commission to support the ability of the Railroad Commission to effectively address landowners' concerns.

TLMA thanks you for your attention to our comments on behalf of landowners and mineral owners who are daily impacted by the actions of the Texas Railroad Commission. We appreciate your staff's recommendations, but we feel there are places where the Railroad Commission could make more improvements to increase transparency and protect private-property rights for Texans.

Sincerely,

A handwritten signature in black ink, reading "Laura Buchanan", followed by a long horizontal flourish line.

Laura Buchanan
Executive Director
Texas Land & Mineral Owners Association