

Expert Testimony Sunset Commission Public Hearing

Karen Sherlock
Sherlock Geophysical Consulting
Sugar Land, TX
KSherlock@SherlockGeophys.com
WWW.SherlockGeophys.com

Personal Qualifications

- 3 + decades in the energy industry
- Geologist, geophysicist, seismic interpretation expert, interpretation software expert/innovator 3D salt modeling, software trainer, software product manager, solutions expert
- Unocal, BHPBilliton, Coastal/EIPaso, Halliburton
- Completed undergraduate degrees in Eng. Lit, Geology; MS from USC in Geophysics
- Expected completion of Master of Theology from Perkins Seminary, SMU in May 2017. Candidacy Track for Ordination as Methodist Deacon. PhD completion target 2019.

Testimony

- My theological and environmental studies convict me that action is needed now to insure that our kids and subsequent generations will inherit healthful, sustainable living conditions. All the mainstream churches I have studied including Lutheran, Methodist, Episcopalian, Catholic and Baptist have strong doctrine that directs their followers to be good environmental stewards.
- Most energy companies aim to be good stewards. It's the small number of inexperienced, poorly trained or unconcerned bad actors that need attention - regulations must therefore be enforced.
- Responsible energy companies are concerned with public opinion. They want to be seen as good neighbors so that their brands have integrity and are marketable. Therefore, appropriate regulation benefits the energy companies as well as the public good. Self-regulation has been shown empirically to be an oxymoron - that emperor has no clothes.

Testimony

- Where corporate cultures tie employee bonuses to safety such as at BHPBilliton, lost time incidences/accidents are quite low
- Where corporate culture is focused on time savings and end results with less priority for safety such as with my former partners at BP, failures can occur. (Horizon blowout). Catastrophic failure usually requires multiple infractions that can and should be caught ahead of time if inspections and regulations are enforced.
- Enforcing regulations causes emphasis on safety, concern for public good and works to change corporate culture to follow suit.
- Regulation enforcement is crucial and therefore requires additional resourcing. This is the only recommendation on which I disagree with the Sunset Committee. Existing resources have been shown to be insufficient. Insufficient resourcing = poor deterrent outcomes
- Changing the name of the Railroad Commission to Texas Energy Resources Commission will reflect its true mandate, will give it both additional gravitas and public understanding/transparency to help insure it fulfills its responsibilities with legislative and public support.

Inspections Versus Penalties/Deterrence

- Oil and Gas Oversight pg 8:
 - 337,740 operating wells, 134,480 (40%) inspected with 45% (61,000) in violation resulted in 9500 severance orders/252 enforcements for \$3.6MM in revenue to state. ~\$59 per violation. If 100% of producing wells inspected, revenue rises to \$8MM.
- Pipeline Safety pg 9
 - Of 3800 pipeline safety inspections, 2250 or 60% were in violation . \$487,000 in penalties \$220 per violation
- Coal and Uranium
 - 490 inspections, 4 actions, no penalties for coal mines
 - Issued permits but no inspections or penalties.
- Alternate Fuels
 - Of 16,642 inspections, 93% or 15,556 sites were in violation. \$6.5 per violation was collected

OPERATORS HAVE A REASONABLE EXPECTATION THAT THEY WILL NOT BE PENALIZED -

pg 36 Sunset Commission Report