

Panhandle Producers & Royalty Owners Association

Issue 1

Continue the Railroad Commission of Texas for 12 Years with a Name That Reflects the Agency's Important Functions.

Key recommendation: Change the name to the Texas Energy Resources Commission and continue agency for 12 years.

PPROA agrees the agency should continue for 12 years; however, considering the agency has been in place since the mid-1800s and is readily recognizable by anyone industry related combined with the cost of a name change at such an inopportune time, PPROA feels a name change at this time would not be beneficial.

Issue 2

Contested Hearings and Gas Utility Oversight Are Not Core Commission Functions and Should Be Transferred to Other Agencies

PPROA believes that the Commission should maintain control over all current functions particularly contested cases. It is well known the Commission has lacked funding for critical improvements and with increased appropriations for pertinent upgrades should be implemented prior to implement costly transfer of functions.

Again our industry is in a depressed state and to carry out change and disrupt the current flow could potentially create an unstable regulatory atmosphere. It takes knowledge and tenure to understand, regulate and mediate contested matters concerning the oil and gas industry and those should be retained at the Commission.

PPROA believes that transferring contested hearings to the State Office of Administrative Hearings is unjustified and reflects a lack of knowledge about the oil and gas industry. No other industry does what we do. Experience with administrative matters in other substantive areas does not qualify one to preside over hearings on oil and gas questions. The RRC staff and hearing examiners are already familiar with geology, reservoir pressure transients, surface vs underground rights, relative permeability to oil, water, and gas and many other topics that are unique to the oil industry. A State Administrative judge, no matter how intelligent, will not be able to grasp these concepts in a reasonable time to determine the correct answers to complex issues that will be presented in the oil and gas industry. The RRC examiners are already familiar with these concepts and will do a much more efficient and equitable job in determining the right answers to questions posed.

Issue 3

Oil and Gas Monitoring and Enforcement Need Improvements to effectively ensure Public Safety and Environmental Protection.

PPROA agrees with proactive measures to increase public safety and environmental protection. We support the Commission's efforts to improve, increase and proactively educate those improvements to the general populous bearing in mind that those improvements are not arduous to smaller producers.

Key Recommendations

- Develop a strategic plan to track and measure the effectiveness of monitoring and enforcement.

PPROA agrees with this recommendation.

- Develop in rule a process for issuing expedited penalties for minor violations.

PPROA does not support any effort expedite or increase penalties for minor violations but instead encourages corrective actions and compliance through communications. This method is less laborious, costly. The oil and gas industry is already penalized and regulated more than any other.

- Direct the Railroad Commission to accurately track and report the number of oil and gas violations annually

PPROA believes the Commission already does this.

- Develop a definition of repeat violations in rule and report results on its website.

PPROA does not see this as productive. Our industry and oil and gas producers are faced with an onslaught of compliance issues, particularly those that operate multiple leases and wells (sometimes into the hundreds). It is difficult at best to maintain complete compliance on a daily basis and publishing those infractions potentially, and possibly unfairly, taints opinions of governing agencies and the public in general. Reporting is already available for those in the industry.

- Direct an audit of a sample of production and transportation reports

PPROA agrees with this recommendation.

- Require all production reports be filed electronically.

PPROA would agree to this recommendation.

- Direct the RRC to expand its risk matrix for oil and gas inspections.

PPROA believes the inspection procedures already in place are satisfactory.

Issue 4

Insufficient and Inequitable Statutory Bonding Requirements Contribute to the Large Backlog of Abandoned Wells

Key Recommendation

- Amend blanket bond requirements in statute to better reflect risk and increase equitability.

PPROA adamantly disagrees with this recommendation.

Adequate funding of the RRC should resolve any increase of abandoned or orphaned wells. Previous legislatures opposed increasing bond requirements in recognition that posting bonds is but one option to deal with this issue.

The RRC has in place stringent regulatory requirements to address the issue of inactive wells. Bonding is one of several of those operator requirements. Operators that fail to plug wells are not allowed to renew the required P-5 license.

The RRC has long had a program for safely plugging abandoned wells using a fund paid for by industry. These procedures include environmental requirements on every abandoned well. Field inspections, completion data, freshwater protection, and fluid levels in wellbore are all required and reported.

Our industry is already in dire distress and increasing bonds for operators will cause an additional expense that will, not only raise the cost of doing business for compliant operators, but may very well prevent them from being able to do business going forward. This recommendation will slow the recovery of reorganizing companies, lost jobs and drilling.

Issue 5

Improved Oversight of Texas' (Interstate) Pipeline Infrastructure Would Help Further Ensure Public Safety.

PPROA agrees with the recommendations which would grant the Railroad Commission statutory authority to enforce damage prevention requirements for interstate pipelines and authorizes the Railroad Commission to create a pipeline permit fee.

Issue 6

The Railroad Commission's Contracting Procedures Are Improving, but Continued Attention Is Needed.

Key Recommendations

- Centralize all contract administration functions by September 1, 2016.
- Implement contracting best practices as outlined by recent legislation and the Comptroller.

PPROA agrees with the recommendations to centralize contract administration and implement best practices; however, increased cost for well plugging and site remediation needs to be considered for overall impact.

Issue 7

The Railroad Commission's Statute Does Not Reflect Standard Elements of Sunset Reviews.

PPROA has no comment to the contrary.