



Texas and Southwestern Cattle Raisers Association

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*The Cattleman*



August 24, 2016

Chairman Larry Gonzales  
Texas Sunset Advisory Commission  
P.O. Box 13066  
Austin, Texas 78711-3066

Dear Chairman Gonzales:

The Texas and Southwestern Cattle Raisers Association (TSCRA) appreciates the opportunity to comment on the Sunset Advisory Commission Staff Report of the Railroad Commission of Texas (RRC). TSCRA is a 139 year-old trade association and is the largest and oldest livestock organization based in Texas. TSCRA has more than 17,000 beef cattle operations, ranching families, and businesses as members. These members are made up of mineral and surface owners and represent over 76 million privately owned acres.

TSCRA readily recognizes the importance of the oil and gas industry. Development of Texas' energy resources is critically important to our economy and supporting a rapidly growing state population. However, production of these energy resources must be managed with proper regard for the private property rights of Texas' surface and mineral owners and the RRC plays a vital role in this.

TSCRA appreciates the Sunset Advisory Commission and its staff for their work reviewing the RRC. Many of the recommendations included in this staff report would help create transparency and strengthen enforcement, which would in-turn better serve surface owners as their land is utilized for oil and gas production.

There are several recommendations in the Sunset Advisory Commission Staff Report that will help the RRC better fulfill its duties. TSCRA respectfully requests that these issues be taken under consideration in future Sunset Advisory Commission actions and into the next legislative session.

TSCRA supports Issue 2, recommending the transfer of contested case hearings to the State Office of Administrative Hearings (SOAH). This would create better public perception by allowing the review of these contested cases by an unbiased and independent state agency. As the staff report mentions, the RRC is one of just a few state agencies that still conducts its own hearings, and all major state regulatory agencies like the Public Utility Commission (PUC) and Texas Commission on Environmental Quality (TCEQ) use SOAH.

Like governing bodies at other state agencies such as the PUC and TCEQ, the Railroad Commissioners would still have the opportunity to accept or reject proposals for decision (PFDs) from the SOAH administrative law judges (ALJs). This addresses the concern that the Railroad Commissioners would be forced to accept any PFD they received. In addition, the Railroad Commissioners can set time frames by which SOAH ALJs have to deliver a PFD back to the Railroad Commissioners for action. This would eliminate concerns that moving cases to SOAH would take too long. Lastly, SOAH has handled numerous complicated, high level, and extremely technical cases for other state regulatory agencies. While contested cases at the RRC can be complicated, SOAH has shown that it can handle these types of cases.

Regarding Issue 3, TSCRA agrees oil and gas monitoring and enforcement by the RRC need improvements to effectively carry out its intended duties. This is an area where the RRC has lacked and failed to consistently enforce many of its current rules. This is simply unacceptable. Existing rules and any new rules adopted by the RRC will only be successful if the RRC more adequately enforces them for all oil and gas companies. More enforceability would create better transparency and a healthier relationship between oil and gas operators and surface owners.

Additionally, an effective system allowing electronic filing and tracking of complaints would provide surface owners greater knowledge and ability to follow-up on the status of their complaints. This would also benefit RRC staff by cutting down on the amount of inquiries they receive from surface owners. While the RRC staff should always be attentive to surface owners calling about the status of a complaint, an online database would more efficiently serve all parties.

Regarding Issue 4, TSCRA agrees with the Sunset Commission staff's recommendation to review the P-5 permit blanket bond amounts and increase the number of tiers in the current structure. However, TSCRA disagrees with the recommendation to decrease blanket bond requirements for those operating fewer than 21 wells.

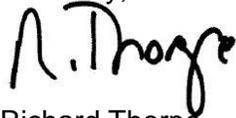
The current bond requirement for plugging abandoned wells doesn't provide the RRC the financial resources needed to plug the wells. According to the staff report, the number of wells plugged with state funds has decreased by 58 percent since 2003, resulting in a backlog of abandoned wells which has increased to 9,715 wells since 2011. Decreasing the blanket bond will only make matters worse by creating more delay for plugging abandoned wells. When this occurs, both mineral and surface owners are forced to police their own property and do the RRC's job for them.

TSCRA understands the RRC is working with limited resources at times, however TSCRA members from across the state are regularly frustrated that the RRC staff cannot get to their inquiries in a timely manner and in some cases that RRC district offices do not even have adequate resources for U.S. postage. According to the staff report, the RRC currently employs approximately 151 inspectors for more than 433,000 oil and gas wells operated by over 7,000 operators across the state. To make matters worse, it is a well-known fact that the amount of oil and gas wells needing regulation from the RRC will rapidly increase in the near future.

This information proves that the need for additional resources at the RRC is critical to address current and future issues. Therefore, TSCRA respectfully recommends that the Texas Legislature fully appropriate funds to the RRC for well plugging and appropriate additional funds to the RRC to help address compliance and enforcement issues that are affecting surface owners.

TSCRA appreciates the work of the Sunset Advisory Commission and its staff for their hard work on this and many other issues. Please contact Laramie Adams at 512-469-0171 or at [ladams@tscra.org](mailto:ladams@tscra.org) if TSCRA can be of further assistance on this matter.

Sincerely,



Richard Thorpe  
President