SELF-EVALUATION REPORT

SUBMITTED TO THE
SUNSET COMMISSION
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TABLE OF CONTENTS

I. AGENCY CONTACT INFORMATION

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II. KEY FUNCTIONS AND PERFORMANCE

A. Provide an overview of your agency's mission, objectives, and key functions.

The Railroad Commission of Texas (RRC) is the oldest regulatory agency in Texas and one of the oldest in the United States. It was established in 1891 to regulate the rail industry with jurisdiction over rates and operations of railroads, terminals, wharves, and express companies. The RRC's oversight responsibility has changed and expanded over its 118 year history to encompass many different industries, particularly the oil, natural gas, and coal mining industries. Presently the RRC is the state agency with primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, the natural gas and hazardous liquid pipeline industry, natural gas utilities, the LP-gas industry, alternative fuels, coal surface mining, and uranium exploration operations. In its regulatory role, the RRC has environmental and safety responsibilities related to oil and gas production. An overarching agency goal is to encourage the responsible development of natural resources while protecting the environment.

Our mission is to serve Texas by our stewardship of natural resources and the environment, our concern for personal and community safety, and our support of enhanced development and economic vitality for the benefit of Texans.

We support the development, management, and use of Texas' oil and gas energy resources to protect correlative rights, provide equal and fair energy access to all entities, ensure reasonable gas utility rates, and promote research and education on use of alternative fuels.

We advance safety in the delivery and use of Texas petroleum products through training, monitoring and enforcement.

We help assure that Texas fossil fuel energy production, storage, restoration of lignite mining areas, and delivery is conducted in a manner that minimizes harmful effects on the state's environment and preserves natural resources.

We strive to maximize electronic government and to minimize paper transactions by developing technological enhancements that promote efficient regulatory programs and preserve and increase access to public information.

B. Do each of your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

The RRC has four key functions that provide necessary regulation of the state's energy industries, without which Texas would not have a vital pillar of its vibrant economy.

Energy Resources:

The RRC is responsible for ensuring effective use of the state's energy resources through the regulation of almost all phases of the oil and gas exploration and production industry, by ensuring fair gas utility rates, and by promoting research and education on the use of alternative fuels. From initial permitting to drill a well to its final plugging, each oil and gas well in the state is monitored and regulated by the RRC. Currently, the Texas oil and gas industry encompasses approximately 10,718 business enterprises operating over 285,937 active producing oil and gas wells as of May 28, 2011. Through its regulation, the RRC protects both adjacent mineral interest owners' interests, and reservoirs by regulating the spacing and density of wells, determining financial assurance, mapping wells for future reference, and evaluating potential impacts to underground fresh water access and ensuring that such activities do not negatively affect surface and subsurface water quality.

More than 4.5 million residential and business customers rely on the RRC to ensure the availability and reliability of natural gas from the consumer who uses natural gas for essential home heating needs to the farmer who relies on natural gas for feedstock or the major manufacturer who uses natural gas as a process fuel. Further, during peak demand periods over half of the electricity generated in Texas is fueled by natural gas. The RRC provides economic oversight and regulation to ensure that natural gas utilities provide safe and reliable service at just and reasonable rates. Texas is by far the largest natural gas producing state in the nation. In 2010, over 7.4 Tcf of natural gas was produced, which is over one-third of the nation's total domestic gas production.

Texas is the largest propane producing and consuming state, and promoting efficient, environmentally beneficial uses of this important Texas resource and fuel is one of the RRC's key energy resources functions. There are 311,000 propane-fueled residences in Texas. In addition, propane outdoor cooking has overtaken charcoal grills, more than 80 percent of the state's forklifts are propane-powered, and about 7,500 Texas highway vehicles are powered by propane. Clean air mandates and incentives are expected to contribute to the increasing demand for propane-fueled vehicles, with the RRC actively encouraging municipalities and school districts throughout the state to convert fleet vehicles and school buses to propane-powered vehicles. There are approximately 1,800 propane-fueled school buses throughout the state.

Safety:

The RRC oversees the most extensive state network of pipelines in the nation that are required to gather, transport, and deliver valuable oil and natural gas resources. The RRC has responsibility to ensure that pipeline systems are designed, constructed, operated, and maintained safely. Approximately one-sixth of the total pipeline mileage in the United States is located in Texas. The RRC works as a certified agent in partnership with the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, and the RRC safety regulations meet or exceed federal standards. The RRC's ensures that the pipeline network beneath the ground in the state function safely. As a participant in the Common Ground Alliance, the RRC promotes safety through its One Call 8-1-1 program and establishes penalties for evacuation damage to pipeline facilities.

In conjunction with its promotion of alternative fuels, the RRC also regulates the safe transport, storage, distribution, and use of LP-gas, commonly referred to as propane, as well as compressed natural gas (CNG) and liquefied natural gas (LNG). The RRC conducts training and continuing education for LP-gas licensees, certificate holders, and emergency response personnel. There are 11,000 certified individuals working in the industry, with about 4,300 total licenses issued annually and about 11,000 facility inspections conducted each year.

Environmental Protection:

The RRC's environmental protection function addresses potential threats to the environment and human health posed by oil and gas industry activity. The RRC works to prevent the degradation of land and water resources by providing environmental protection regulation that considers environmental risk and economic cost to the public and the state's continuing energy requirements, as well as to ensure the timely and safe reclamation and remediation of affected land and water. Further, as the energy industry matures in the state, the RRC has a greater degree of responsibility in regulating environmental aspects for the exploration and production phases of the industry. If the industry is in a downturn, environmental responsibilities will increase as more abandoned wells and sites fall to the RRC to manage.

The U.S. Department of the Interior authorized the RRC to administer the surface coal mine regulatory program under the federal Surface Mining Control and Reclamation Act of 1977. In its efforts, the RRC seeks to prevent adverse effects to the environment associated with unregulated surface coal mining operations and to assure that coal mining operations are conducted in a manner that will prevent permanent degradation of land and water resources. The RRC's environmental protection role seeks to ensure that reclamation of all land on which surface coal mining takes place is accomplished as contemporaneously as practicable with the surface coal mining. The RRC regulates the state's uranium exploration in much the same manner under the authority of a state program to ensure that land and water resources are protected during and after the exploration process.

Public Access to Information:

The RRC recognizes the value of its information and has taken steps to improve public access to its data repositories. External stakeholders who once could obtain regulatory information only by visiting the RRC's headquarters in Austin or one of the district offices, can now view and print information from the RRC's

website. Members of the regulated industries and the general public continue to request more information, data, and easier access to RRC documents that concern various oil and gas exploration and development issues including field rules, secondary recovery projects, maximum efficient rates of production, determination of responsibility for the proper plugging of abandoned wells, applications to inject water into reservoirs for enhanced oil and gas production, and prevention and control of oil and gas pollution. The public information held by the RRC is used on a daily basis by those interested in various facets of the industries regulated by the RRC. The Commission is in the process of updating its field inspection reporting system, D-Forms, that will allow electronic inspection reporting data to be more accessible to agency staff and the general public.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

In addition to the historical detail provided by the Legislative Budget Board approved performance measures, approximately twice a month at the RRC Conference the efficiency and effectiveness of the agency in meeting its strategic objectives is on display. At each meeting the Commissioners discuss protested dockets and entertain motions for rehearing, but the majority of items before the Commissioners are agreed enforcement orders, consent agenda unprotected items, and master default orders, which demonstrates the ability of the agency to effectively address regulatory actions at the staff level.

Energy Resources:

The overarching objective of the RRC is to promote the development of the state's energy resources without creating unnecessary barriers to the orderly and efficient development of those resources. Texas continues to lead the nation in oil production, natural gas production, and propane production and consumption. The state also maintains its position as the sixth largest coal producer, with Texas leading the nation in construction of gas-fired electric generation. Through the RRC's effective regulatory management of the state's oil and gas energy resources, the Comptroller estimates that transfers from state oil production and natural gas tax collections to the Economic Stabilization Fund should total approximately $1.2 billion over the three-year period FY 2011-2013, providing a significant benefit to the state in periods of economic uncertainty.

Safety:

Texas has more than 355,000 miles of pipeline systems within the state, with more than 169,000 miles of pipeline under the direct safety oversight of the RRC. The RRC adopted the nation's first overall integrity management plan for pipelines, ahead of the federal government which used the RRC's rules as a template to develop their own integrity management rules. This is considered the premiere step in assuring the safer operation of pipeline facilities in the

state. To improve its effectiveness, the RRC uses a formal risk-based evaluation system to assess pipeline systems throughout the state. Safety inspections are conducted at time intervals dependent upon the identified risks of either the pipeline or alternative fuel facility.

Environmental Protection:

Texas is the nation's leading oil and gas producing state, providing 30 percent of the domestic onshore oil production, and 32 percent of the domestic onshore-marketed gas production in the U.S. According to the United States Energy Information Administration, in 2009 Texas had remaining proven oil reserves of 5.496 billion barrels, and proven gas reserves of 80.42 trillion cubic feet, but Texas is also a mature oil producing state with increasingly marginal production. In addition to its oil and gas resources, Texas is the sixth largest coal producing state in the nation.

The RRC's Oil Field Cleanup dedicated account, and its successor account the Oil and Gas Regulation and Cleanup (OGRC) dedicated account, is used to plug orphan wells and remediate abandoned oil field sites. The RRC provides quarterly financial status reports to the Oil Field Cleanup Advisory Committee to demonstate that the funds are used effectively and efficiently to plug abandoned wells and clean up abandoned oil field sites. As of May 31, 2011, the RRC plugged more than 31,500 wells since the program began, and completed 191 cleanups, investigations, or assessments in FY 2010.

The RRC's federally funded abandoned mine land reclamation program reclaims priority sites based on public health and safety concerns. To date, 450 dangerous abandoned underground tin, mercury, copper, and coal mine openings have been closed and no longer pose a danger to the public. The program reclaimed over 2,550 acres of abandoned lignite and uranium minespoil and associated dangerous highwalls in 17 counties to include 36 mine sites throughout the state.

Public access to information:

The RRC has made significant progress to maximize electronic government and to minimize paper transactions by implementing technological solutions. While more progress is necessary, the applications currently available provide queries for access to valuable oil and gas data, provide online filing and electronic payment capabilities, and provide online access to electronic records.

Available online queries as of 8/31/11 include:

- Oil and Gas Production,
- Oil and Gas Well Records (including well logs),
- Oil and Gas East Texas Historical Hearings,

- Drilling Permits,
- Disposal/Injection Well Monitoring Report (H-10),
- Disposal/Injection Well Permits (W-14),
- Disposal/Injection Well Pressure Test Report (H-5),
- Gas Utility Information,
- Geographic Information, and
- Gas Tariffs

Available online filing includes forms for:

- Production Reports (87.25% filed online),
- Drilling Permits (93.66% filed online),
- Disposal/Injection Well Monitoring Report (H-10) (70.83% filed online),
- Natrual Gas Tariff froms (100% filed online),
- Texas Damage Reporting (100% filed online),
- Pipeline forms (100% filed online), and
- Oil and Gas Completions.

In FY 2011, the Commission completed work on a grant awarded in 2009 from the National Historic Records and Publications Commission, who recognized not only the historic value of the RRC's hearings files collection, but also the RRC's efforts to provide this information to the public electronically. The RRC was the only non-archival institution in the nation awarded these funds to further advance digitizing efforts.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

The RRC's enabling law continues to reflect its mission, objectives and approach to performing the RRC's functions, with the exception of railroad regulation, which was fully transferred to the Texas Department of Transportation in 2005.

Senate Bill 1540, 81st Legislature (Regular Session, 2009), repealed provisions in Title 112, Revised Statutes, and re-enacted those provisions applicable to railroads, including the regulation of railroads and powers and duties of railroads, railways, and rail districts, in Title 5, Transportation Code. The bill also repealed the general provisions governing the RRC in Title 112, Revised Statutes, and re-enacted them in Chapter 81, Natural Resources Code.

The RRC will continue to work with the Texas Legislature to make modifications, as necessary, to the agency's enabling law.

E. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

None of the RRC's functions specifically duplicate those of another state or federal agency. The RRC is charged with regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, the natural gas and hazardous liquid pipeline industry, natural gas utilities, the LP-gas industry, coal surface mining, and uranium exploration operations.

Several other agencies have similar responsibilities relative to protecting the environment and ensuring the safety of Texas, but no other agency completely duplicates the functions of the RRC. The RRC serves as a certified agent or has been granted primacy by the federal government for several programs.

In other instances, the RRC has established memoranda of understanding with the appropriate agency. Specifically, it may appear as though there could be duplication with the TCEQ related to environmental protection, but the RRC's energy resource conservation and environmental protection functions depend on industry-specific expertise established at the RRC that is not duplicated by the TCEQ.

The RRC has jurisdiction over the disposal of oil field related naturally occurring radioactive material (NORM) waste and management of NORM-contaminated equipment, while the Department of State Health Services has jurisdiction over possession, storage, use, transfer, transport, recycling, and decontamination of NORM resulting from oil and gas exploration and production.

Texas is the only state in the nation that has a bifurcated regulatory structure for oversight of natural gas utilities. City governments throughout Texas have direct economic regulation of gas distribution utilities located within the incorporated areas of their city, unless they choose to surrender this jurisdiction to the RRC, which has direct jurisdiction over gas utilities' rates for those ratepayers living in unincorporated areas of the state and appellate jurisdiction when utilities appeal city decisions concerning rate requests. Following enactment of Senate Bill 7, 76th Legislature (Regular Session, 1999), which restructured the regulation of electric utilities in Texas, regulatory processes for electric utilities diverged from those for gas utilities, further reducing similarities between the two regulatory processes.

In areas related to alternative fuels and energy conservation through the use of alternative fuels, it may appear as though there is overlap with the General Land Office (GLO) or the State Energy Conservation Office (SECO) located with the Comptroller of Public Accounts. The GLO operates an alternative fuels program focused on natural gas vehicles and renewable energy resources. SECO operates an alternative fuels program paid for by Petroleum Violation

Escrow (oil overcharge) funds and U.S. Department of Energy grants. The RRC's Alternative Fuels program is funded by the propane industry through a "check off" program, and the program's enabling statute limits its scope to those industries that fund the program. The RRC's Alternative Fuels program does limited work on natural gas and renewable energy with fuel-neutral grant funding, but in those instances often works in conjunction with the agency with primacy in those areas.

The RRC coordinates closely with peer agencies, often through participation on inter-agency work groups, to ensure that efforts are supportive and not duplicative.

F. In general, how do other states carry out similar functions?

The RRC is nationally and internationally recognized for its regulatory efforts to ensure the safe and environmentally sound development of energy resources. The RRC's responsibilities are unique as oversight and regulatory jurisdiction follow the energy stream from extraction from the state's geologic formations to use by the consumer. The RRC is a safety leader and a model for other states in the regulation of the energy industry. In some areas, the RRC oversees federal regulations, which are applied uniformly across the state, while in other areas the RRC oversees state regulations, which may vary from state to state. Regulations in other states tend to be modeled after those of the RRC's as it is one of the oldest regulatory agencies of its kind in the nation, and the agency has a proven record of progressive regulatory success.

G. What key obstacles impair your agency's ability to achieve its objectives?

The RRC faces the same personnel recruitment and retention obstacles facing most other state agencies. The RRC projects that many division director, manager, and highly skilled professional employees will retire in the next five years. The RRC strives to maintain the same high level of service and to manage increased workloads while funding and staffing levels decrease. Retention of employees in the engineering and technical oilfield disciplines is particularly difficult particularly with the shale boom. Without these employees, progressive regulatory models cannot be implemented, and basic services may begin to deteriorate. A program to provide competitive salaries to attract and retain the RRC's human resources is critical.

A second key obstacle facing the RRC is the availability of resources to advance the RRC's information technology system. Maintaining current technology infrastructure affects the ability of the RRC to accomplish its mission. Funding for equipment and systems development and maintenance is vital to the continued success of the RRC's regulatory programs. The RRC has a vast store of information that is useful to industry and to the public. Most of this information is in paper or microfilm records that must be copied or viewed in person, but the RRC has taken steps to assure that future records are more accessible, and some of the historical data and forms are already available via the Internet.

A significant part of the work of the RRC involves travel for emergency response, monitoring and inspection of regulated facilities, as well as industry training. This involves oil and gas facilities, pipelines, LP-gas systems, and surface mining locations. This travel requirement necessitates an extensive fleet of vehicles for field employees. Much of this vehicle travel is in extreme conditions on minimally maintained roads encountered in the oilfield and along pipeline right-of-ways. The RRC has adopted a 100,000-miles/ six years of age vehicle replacement schedule, consistent with the schedule adopted by the State Office of Fleet Vehicle Management (OFVM). The ability to maintain and replace vehicles under this regular schedule ensures the RRC's fleet is available to respond to emergency situations, minimizes employee downtime, and reduces maintenance costs. During FY 2012-13 biennium, the Commission will acquire 88 new vehicles with funding from Article IX, House Bill 1, 82nd Legislature (Regular Session, 2011).

H. Discuss any changes that could impact your agency's key functions in the future (e.g., changes in federal law or outstanding court cases).

Several pieces of federal and state legislation could have a significant effect on the RRC's key functions in the coming years. Along with pending decisions in state and federal courts, recent and proposed legislation seeking to address climate change and other environmental concerns stemming from those industries regulated by the RRC may result in the need for significant changes to regulatory processes.

On July 6, 2011, the US EPA announced the release of the final Cross-State Clean Air Rule (formerly referred to as the Clean Air Transport Rule or CATR). This rule is intended to regulate coal fired power plant emissions that may affect downwind areas in other states. In the final rule, Texas is included as a state where new limitations on SO2 and NOx emissions will be applicable. These limitations will go into affect in January 2012. This rule will require a 47 percent reduction in SO2 emissions and about 8 percent in NOx from all coal fired power plants in Texas. This could result in the retirement or temporary closure of a fair number of lignite fueled power plants in Texas. At this time it is difficult to predict the impact on the coal regulatory program but some estimates indicate that as much as 75 percent of the lignite fueled power plants would be retired or converted to other fuels in the next few years. This would result in a commensurate reduction in lignite production. Coal mining permits would still be required until reclamation of the mines are complete-approximately 10 years after closure.

Cap and Trade legislation, if enacted, is one area of federal legislation that could have a significant impact on the RRC. Several parts of such comprehensive legislation touch on activities regulated by the RRC, including oil and gas exploration and production, pipeline transportation, surface mining, and geologic sequestration, by injection, of anthropogenically generated carbon dioxide into oil and gas reservoirs and formations directly above and below those formations (carbon sequestration).

In 2009 the U.S. EPA adopted rules regulating greenhouse gases under the Clean Air Act (CAA, endangerment findings in). EPA has also adopted mandatory greenhouse gas reporting rules. While it is not likely these rules will impact the RRC programs, it is likely to impact oil and gas exploration and production, pipeline operations, surface coal mining, and alternative fuels, which are under the jurisdiction and regulation of the RRC.

Pursuant to RRC authority over carbon sequestration under Senate Bill 1387, 81st Legislature, 2009 Regular Session, the RRC must be cognizant and consistent with federal requirements for this activity. The RRC will have to assure its regulations are consistent with the standards in U.S. EPA rules promulgated pursuant to the Safe Drinking Water Act. EPA adopted rules that establish a new category of Underground Injection Control (UIC) wells—Class VI wells—to specifically regulate the injunction of carbon dioxide for long term storage and associated storage facilities.

The FY 2012 federal budget proposes to eliminate Abandoned Mine Land (AML) grants to states that have certified completion of abandoned coal reclamation work. Texas is one of five states and tribes that have made this certification. If Congress approves this proposal as part of the FY 2012 federal budget, and current federal law directing disbursement of these funds is changed, the Texas AML Program could lose approximately $31 million over the next 10 years that would be redirected to AML programs in other states.

In *Railroad Com'n of Texas v. Texas Citizens for a Safe Future and Clean Water*, 336 S.W.3d 619 (Tex. 2011) (rehearing denied May 27, 2011), the Texas Supreme Court reversed the Third Court of Appeals (Austin) and held that the RRC's construction of the phrase "public interest" as a narrow term that does not include traffic-safety considerations is reasonable and in accord with the plain language of the Texas Water Code 27.051(b)(1), related to injection well permitting.

For stormwater, EPA's 2008 Construction General Permit (CGP) will expire in 2012, and its new CGP has been adopted to become effective on expiration of the current CGP. Through these permits, Clean Water Act requirements for discharges from oil and gas exploration, production, processing or treatment operations or transmission facilities could impact these activities.

Hydraulic fracturing of oil and gas wells is the subject of several state and federal initiatives that impact key functions of the RRC. In the Energy Policy Act of 2005, Congress amended the UIC portion of the federal Safe Drinking Water Act (42 USC 300h(d) to define "underground injection" to exclude "...the underground injection of fluids or propping agents (other than diesel fuels) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." Accordingly hydraulic fracturing is not subject to regulation under the federal UIC regulations, unless diesel fuel is injected or used as the propping agent. Although it is difficult to determine at this time the magnitude of the impact

on the RRC's regulatory program for hydraulic fracturing under the Safe Drinking Water Act, it could be significant.

The EPA has proposed to issue guidance on SDWA requirements for hydraulic fracturing that uses diesel fuel. RRC has issued a notice to operators (http://www.rrc.state.tx.us/forms/reports/notices/DieseFuel-110210.pdf) that advises hydraulic fracturing may be subject to regulation under the federal UIC regulations if diesel fuel is injected or used as a propping agent, and an operator must submit a written request to the Railroad Commission's Technical Permitting Section of the Oil and Gas Division prior to such use. It is not clear whether such instruction will satisfy federal requirements that may be implemented.

The EPA and the Department of Energy are also engaged in separate studies of hydraulic fracturing, and it is possible that such studies result in further regulation or statutory change.

At the state level, the 82nd Legislature Regular Session, 2011, added §91.851 to the Natural Resources Code and provides, inter alia, that RRC by rule must require operators involved with hydraulic fracturing to file, with its well completion reports, the completed form posted on the hydraulic fracturing chemical registry Internet website of the Ground Water Protection Council and the Interstate Oil and Gas Compact Commission listing chemical ingredients of hydraulic fracturing fluids subject to the requirements of 29 C.F.R. Section 1910.1200(g)(2), related to Hazard Communication, and requiring the operator to post the completed form on that website. Operators must also disclose the volume of water used in the hydraulic fracturing process. The RRC must also by rule require operators to file with the RRC a list, to be made available on a publicly accessible website, of all other chemical ingredients not listed in the form that were intentionally included and used for the purpose of hydraulic fracturing a well. The RRC must also establish a process for assertion by operators of the trade secret privilege respecting such information and a process for providing notice of challenges to the assertion of the trade secret privilege. On August 29, 2011, the RRC began the rulemaking process to implement the bill.

HB 2694, Sections 2.01–2.08 (82nd Legislature Regular Session, 2011) amends various provisions of the Natural Resources Code and the Water Code to transfer from the TCEQ to the RRC the responsibility of issuing to oil well and injection well permit applicants letters advising of the depth to which surface casing must be placed for the protection of fresh groundwater. The bill authorizes the RRC to adopt rules regarding the depth of well casing necessary to meet the requirements of §91.011 of the Natural Resources Code, and adopts new Natural Resources Code §91.020, which authorizes the RRC to work cooperatively with other appropriate state agencies to study and evaluate electronic access to geologic data and surface casing depths necessary to protect usable groundwater in this state. RRC is engaged in rulemaking to implement these changes and impose fees as authorized by HB 2694.

I. What are your agency's biggest opportunities for improvement in the future?

The RRC is poised to be the nation's leading energy regulatory agency for the 21st century. Using technology to streamline its regulatory functions and move towards a more effective progressive regulatory model, the RRC will be better able to serve the citizens of Texas and advance the energy security of the nation. The RRC has the opportunity to support the development of emerging alternative energy sources, while ensuring that the development of the state's traditional energy sources continues within a regulatory model that protects citizens and the environment while also supporting the state's economy.

J. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.

Railroad Commission of Texas
Exhibit 2: Key Performance Measures—Fiscal Year 2010

Key Performance Measures	FY 2010 Target	FY 2010 Actual Performance	FY 2010 % Of Annual Target
OUTCOME 1-1-1 Percent of Oil and Gas Wells that are Active	73%	75.3%	103.15%
OUTPUT 1-1-1-2 Number of Drilling Permit Applications	27,900	20,675	74.10%
OUTPUT 1-1-1-3 Number of Wells Monitored	375,000	393,963	105.06%
EFFICIENCY 1-1-1-2 Average Number of Wells Monitored Per Analyst	28,846	28,195	97.74%
OUTPUT 1-2-1-2 Number of Gas Utility Dockets Filed	80	108	135%
OUTPUT 1-2-2-1 Number of Rebate and Incentive Applications Handled	3,351	2,473	73,80%
EFFICIENCY 1-2-2-1 Administrative Costs as a Percent of AFRED Account Fee Revenue	18.6%	16.1%	85.56%
EXPLANATORY 1-2-2-1 Number of alternative-fuel vehicles in Texas	107,898	86,294	79.98%

Railroad Commission of Texas Exhibit 2: Key Performance Measures—Fiscal Year 2010			
Key Performance Measures	**FY 2010 Target**	**FY 2010 Actual Performance**	**FY 2010 % Of Annual Target**
OUTCOME 2-1-1 Average # of Pipeline Safety Violations per equivalent 100 miles of Pipe Identified Through Inspections	3.5	1.48	42.29%
OUTPUT 2-1-1-1 Number of Pipeline Safety Inspections Performed	2,500	2,479	99.16%
OUTPUT 2-1-1-2 Number of LPG/LNG/LNG Safety Inspections Performed	13,500	16,323	120.91%
OUTPUT 2-1-18 Number of Third Party Damage Enforcement Cases Completed	5,000	3,800	76.00%
EFFICIENCY 2-1-1-1 Average Number of Pipeline Field Inspections per Field Inspector	110	121.90	110.82%
OUTCOME 3-1-1 Percentage of Oil and Gas Facility Inspections that Identify Environmental Violations	18.0%	15.6%	86.67%
OUTPUT 3-1-1-1 Number of Oil and Gas Facility Inspections Performed	108,000	121,123	112.15%
OUTPUT 3-1-1-3 Number of Oil and Gas Environmental Permit Applications and Reports Processed	96,500	107,035	110.92%
EFFICIENCY 3-1-1-1 Average Number of Oil and Gas Facility Inspections Performed by District Office Staff	900	904	100.44%
EXPLANATORY 3-1-1-1 Number of Oil/Gas Wells and Other Related Facilities Subject to Regulation	389,274	407,987	104.81%
OUTPUT 3-1-2-1 Number of Coal Mining Inspections Performed	450	434	86.44%
OUTCOME 3-2-1 Percentage of Known Orphaned Wells Plugged with the use of State-managed Funds	24.6%	16.8%	68.29%

Railroad Commission of Texas Exhibit 2: Key Performance Measures—Fiscal Year 2010			
Key Performance Measures	**FY 2010 Target**	**FY 2010 Actual Performance**	**FY 2010 % Of Annual Target**
OUTPUT 3-2-1-1 Number of Abandoned Pollution Sites Investigated, Assessed or Cleaned Up w/ Use of State-managed Funds	203	191	94.09%
OUTPUT 3-2-2-1 Number of Orphaned Wells Plugged with the Use of State-Managed Funds	1,400	1,182	84.43%
OUTPUT 3-2-2-2 Total Aggregate Plugging Depth of Orphaned Wells Plugged with the Use of State-managed Funds (linear feet)	3,057,600	1,902,235	62.21%
OUTPUT 4-1-2-1 Number of Documents Provided to Customers by Information Services	892,000	1,156,797	129.69%

III. HISTORY AND MAJOR EVENTS

Provide a timeline of your agency's history and key events, including:

- the date your agency was established;
- the original purpose and responsibilities of your agency;
- major changes in responsibilities or statutory authority;
- changes to your policymaking body's name or composition;
- significant changes in state/federal legislation, mandates, or funding;
- significant state/federal litigation that specifically affects your agency's operations; and
- key changes in your agency's organization (e.g., a major reorganization of the agency's divisions or program areas).

1890 Article X, §2 of the Texas Constitution was amended to provide for the Railroad Commission (RRC), stating the "Legislature ...may provide and establish all requisite means and agencies invested with such powers as may be deemed adequate and advisable (to regulate Railroads)." The amendment was adopted following the election on November 4, 1890 with the Proclamation of December 19, 1890.

1891 The Texas Legislature establishes the Railroad Commission of Texas, with jurisdiction over rates and operations of railroads, terminals, wharves, and express companies.

1894 Article. XVI, §30 of the Texas Constitution was amended to provide for elective six year overlapping terms for Railroad Commissioners. The amendment was adopted following the election on November 6, 1894 with the Proclamation of December 21, 1894.

1917 The Texas Legislature declared pipelines to be common carriers, and gave the RRC jurisdiction over them. This is the first act to designate the RRC as the agency to administer the conservation laws relating to oil and gas.

1919 The Texas Legislature enacted a statute requiring the conservation of oil and gas, forbidding waste, and gave the RRC jurisdiction. Later that year the RRC adopted its first Statewide Rule regulating the oil and gas industry, making Texas the first state to adopt a well spacing rule. Statewide Rule 37 has a conservation basis, was promulgated primarily to reduce fire hazards, and to minimize the danger of water percolation into oil stratum from wells drilled in too great a number or in too close proximity.

1920 The Texas Legislature declared the production and sale of natural gas to be a public utility and gave the RRC jurisdiction.

1927 The Texas Legislature enacted a statute related to buses, regulating their use for hire on the highways and gave the RRC jurisdiction over rates and operation.

1929 The Texas Legislature enacted a statute related to trucks and their use for hire on the highways, giving the RRC jurisdiction over their rates and operation. The bill became effective without the signature of the Governor.

1931 Governor Sterling called a special session of the Legislature to pass an oil conservation statute. The Legislature amended an 1899 statute, which limited gas to light, fuel or power purposes to allow use for any other purpose that the RRC finds to be practical and conducive to the public welfare. The act defines "physical waste," and forbids the RRC to limit production to market demand. The Legislature also amended the Common Purchaser Act of March 18, 1930 to include gas, and again expressly forbids RRC from prorating production on the basis of current or market demand.

1932 The RRC set up a comprehensive system of reports relating particularly to the production and transportation of oil. The fourth Special Session of the 42nd Legislature convenes to amend the general oil and gas laws.

1934 The Texas Legislature extended the jurisdiction of the RRC to the regulation of the purchase, transportation, sale, and handling of the products, by products and derivatives of crude petroleum oil and natural gas.

1935 The Texas Legislature enacted a general oil and gas law, prohibiting the production of oil and gas in such a manner as to cause waste, and delegated to the RRC the duty to adopt the necessary orders to prevent wasteful operations. The Legislature also enacted a comprehensive gas regulation.

1937 The RRC requires the odorization of natural gas.

1949 The Texas Legislature authorized operators to submit voluntary unitization agreements to the RRC for their approval; and where approval is granted, parties to the unitization agreement gain benefits under the State's anti-trust laws.

1951 The Texas Legislature established the Liquefied Petroleum Gas Division as a separate department within the RRC, required the use of malodorants and regulated storage and distribution for protection of the public safety.

1955 The Texas Legislature authorized promulgation of rules by the RRC regarding the abatement of pollution of fresh water in the oil field operations.

1961 The Texas Legislature enacted a law requiring persons to obtain a permit from the RRC to drill injection wells or to convert existing wells into injection wells.

1964 The RRC amended Statewide Rule 5 to require financial assurance to ensure proper well plugging.

1965 The Texas Legislature enacted the Mineral Interest Pooling Act, making it effective for all fields discovered subsequent to March 8, 1961, and authorized the RRC to provide for pooling of mineral interests for an oil or gas well under certain conditions and providing for allocation of production and for appeals from such pooling order before it becomes effective. The Legislature also enacted the Well Plugging Statute placing a duty on the operator, non-operator, and landowner to plug abandoned oil and gas wells or dry holes. The Legislature amended Article 7621d Sec.10(c)(4), to give the RRC exclusive jurisdiction to regulate disposition of waste and abatement and prevention of pollution of water, both surface and subsurface, resulting from activities associated with the exploration, development or production of oil or gas.

1967 The RRC adopted a safety code for gas transmission lines and a Statewide no pit order prohibiting operators conducting oil and gas development operations from using salt water disposal pits for storage and evaporation of oil field brines and mineralized waters. Later that year the Texas Legislature enacted the Saltwater Hauler's Act requiring permits from the RRC before saltwater can be hauled from a lease and disposed. The Legislature also enacted the Texas Water Quality Act of 1967, which divides jurisdiction over the abatement and prevention of water pollution between the Texas Commission on Environmental Quality, as it is now known, and the RRC, with jurisdiction over oil and gas wastes residing with the RRC.

1969 The Texas Legislature expressly granted power to the RRC to adopt safety standards and practices applicable to the transportation of gas and all gas pipeline facilities within the borders of Texas.

1970 The RRC adopted minimum federal safety standards for transportation of natural gas by pipeline.

1975 The RRC amended Statewide Rule 36 to apply more stringent safety standards to operations in hydrogen sulfide service in the interest of protection of the public from the hazard of hydrogen sulfide. Later the same year, the Texas Legislature gave the RRC jurisdiction over the exploration, development and production of geothermal energy and enacted the Texas Surface Mining and Reclamation Act, which required the RRC to adopt rules and regulations governing the mining of coal, lignite and uranium and the reclamation or restoration of lands disturbed by mining operations.

1977 The Texas Legislature granted eminent domain powers for underground storage of gas, with the RRC designated as the agency to determine, supervise, and classify all storage reservoirs. The Legislature adopted the Natural Resources Code, a formal revision and codification of the statutes relating to oil and gas, the public domain, and other natural resources.

1979 The Texas Legislature authorized the RRC to modify its coal and lignite mining regulations to meet the standards of the federal Surface Mining Control and Reclamation Act (SMCRA). The Legislature adopted the Liquefied Petroleum Gas Code (LPG Code) designed to empower the RRC to regulate the liquefied petroleum gas (propane) industry.

1980 The State of Texas, through the RRC, became the first state in the nation to be designated as the regulatory authority authorized by the U.S. Department of the Interior to administer the coal regulatory program under the federal Surface Mining Control and Reclamation Act of 1977.

1982 The RRC is authorized by the U.S. Environmental Protection Agency to administer the Underground Injection Control (UIC) program under the federal Safe Drinking Water Act (SDWA) for Class II wells associated with oil and gas activity.

1983 The Texas Legislature gave the RRC authority to regulate compressed natural gas work and operations. The same year the RRC was given safety enforcement jurisdiction over pipeline transporters of certain hazardous liquids, while the Gas Utility Division's Pipeline Safety Section was given responsibility to enforce the federal standards for intrastate hazardous liquids pipeline operators. The Texas Legislature enacted the Gas Utility Regulatory Act (GURA) and gave the RRC exclusive jurisdiction over iron ore and iron ore gravel mining, and reclamation operations in Texas.

1985 The Texas Legislature empowered the RRC to issue state rules and orders to regulate rail safety, as permitted by the Federal Railroad Safety Act of 1970. The Federal Energy Regulatory Commission adopted FERC Order No.436, which set forth significant revisions in the guidelines for interstate transportation of natural gas including interstate natural gas transported initially by intrastate pipelines. Under Order 436, transportation service is to be offered on a non-discriminatory basis.

1987 The Texas Legislature enacted the most comprehensive changes to motor carrier regulation since the Motor Carrier Act of 1929.

1989 The Texas Legislature passed "Clean Air" legislation, which required vehicles to be capable of using compressed natural gas (CNG) or liquefied petroleum gas (LPG).

1990 The RRC adopted Statewide Rule 50 to govern the state's first production incentive program and Statewide Rule 105, which exempted from state severance taxes gas produced from high cost gas wells drilled or completed between May 24, 1989 and September 1, 1996.

1991 The Texas Legislature allowed the RRC to impose fees on the first sale of odorized liquefied petroleum gas (LPG) and assigned the RRC the new duties of researching and educating the public on alternative fuels. The RRC created the Alternative Fuels Research and Education Division. The RRC was also given jurisdiction over Aggregate Quarry and Pit Safety. The RRC implemented legislation that created the Oil Field Cleanup Fund and its associated programs. The Cleanup Fund replaced the Well Plugging Fund and receives monies from a variety of new fees paid by industry, which are used to plug wells for which no responsible operator can be located or where the responsible operator lacks financial resources for plugging and to clean up surface pollution. The legislation also created a hazardous oil and gas waste regulatory program to be funded by fees levied on generators of such waste with the fee determined by the type and quantity of waste generated.

1992 The well category determination program of the federal Natural Gas Policy Act (NGPA) of 1978 ended. Under the federal Natural Gas Wellhead Decontrol Act of 1989, the RRC no longer made determinations on pricing categories.

1993 The Texas Legislature gave the RRC jurisdiction to regulate the liquefied natural gas (LNG) industry to the same extent that it regulates the LPG and CNG industries. The Legislature also required the RRC to adopt safety standards for underground hazardous liquids storage facilities. The RRC established a consumer rebate and incentive programs for LPG appliances and equipment, limited to not more than 25 percent of the funds available from the Alternative Fuels Research and Education Fund.

1994 The RRC implemented the streamlined Salvage Program Procedures authorized 73rd Texas Legislature. The RRC also implemented the Trucking Industry Regulatory Reform Act of 1994, which prohibited states from enforcing any law relating to intrastate fares on interstate motorbus carriers over routes authorized by the Interstate Commerce Commission. The RRC adopted the Federal Energy Regulatory Commission Code of Conduct following their disclaimer of jurisdiction over gathering services by interstate pipeline affiliates.

1995 The RRC transferred all remaining motor carrier regulatory functions to the Texas Department of Transportation, ending over 60 years of RRC regulatory oversight of this industry.

1996 The RRC began its Texas Experimental Research and Recovery Activity (TERRA) program, which allowed operators an alternative to plugging mechanically sound, non-polluting wells that could not be produced economically by placing the well under control of the RRC.

1997 Governor Bush designated the RRC as a primary member of the federal Regional Response Team for emergency response and planning. The Governor also designated the RRC as an agency that can file Oil Pollution Act claims directly with the federal trust fund. The Texas Legislature required all public schools to conduct pressure tests on their piping systems prior to the school year and some gas pipelines to receive construction permits from the RRC.

1998 The One Call notification system became operational providing a call-before-you-dig service to avoid accidentally rupturing a pipeline during excavation activities.

1999 The RRC filed an application with the U.S. EPA for authorization to administer the Underground Injection Control program under the federal Safe Drinking Water Act for Class III brine mining injection wells.

2000 The first electronic filing and approval of a drilling permit is completed.

2002 Fees for Oil Field Cleanup Fund increased substantially to allow for increased well plugging and site remediation and the RRC began the transition to universal bonding of all oil and gas operators to slow the incidence of orphan wells that must be plugged by the state.

2003 The Texas Legislature transferred responsibility for the aggregate pit and quarry program from RRC to the Texas Department of Transportation. New statutes required the collection of the Oil Field Cleanup Regulatory fee on crude oil and natural gas production regardless of whether that production was exempt from severance tax or was granted a severance tax reduction. Jurisdiction for the response to coastal oil spills less than 240 barrels moved from the RRC to the GLO. The Legislature passed the Gas Reliability Infrastructure Program Adjustment (GRIP) allowing natural gas utilities an annual interim rate adjustment on net investment. The RRC became the first state oil and gas agency in the country to be awarded a Brownfields Subtitle C Grant from the U.S. EPA.

2004 The RRC completed its first system-wide gas utility rate case. The U. S. EPA officially delegated to the RRC the Class III Brine Mining Program under the federal Safe Drinking Water Act. The RRC and the Louisiana Department of Natural Resources Office of Conservation signed a Memorandum of Understanding regarding reciprocal notification prior to certain oil and gas activity near the boundary between the two

states. The RRC implemented "universal bonding" requiring all well operators, and many non-well operators, to provide a bond, letter of credit or cash deposit as financial security with the filing or renewal of their organization reports.

2005 The Texas Legislature transferred the remainder of the railroad safety oversight program from the RRC to the Texas Department of Transportation. After a 114-year history, the RRC now has no rail oversight whatsoever. The Legislature created the Orphaned Well Reduction Program and Tax Incentive, Low-Producing Well Tax Reduction, and Enhanced Efficiency Equipment Tax Credit. The Legislature also encouraged Clean Coal projects in Texas and clarified the RRC's jurisdiction over injection of carbon dioxide from Clean Coal projects into zones productive of oil, gas, and geothermal energy.

2006 The RRC initiated its forklift rebate program to reduce air pollution in 41 counties by offering incentives to purchasers of low-NOx propane forklifts.

2007 The RRC adopted rules for the protection of pipelines from evacuation damage activities and provides penalty provisions for violations of the rule, and implemented an online system for reporting damages to underground pipelines. The Texas Legislature modified laws governing exploration for minerals covered under the Texas Uranium Exploration, Surface Mining, and Reclamation Act.

2008 The RRC implemented a new rule that increased the frequency of natural gas inspection leaks and shortens natural gas leak repair time frames. The RRC adopted rules to create an informal process for matters related to loss of or inability to account for natural gas gathered or transported. The RRC also adopted rules regarding administrative penalties and other remedies for discrimination against a seller of natural gas in the purchase of natural gas from the seller, and against a purchaser, transporter, or gatherer of natural gas.

2009 The Texas Legislature gave the RRC jurisdiction over the injection and extraction of anthropogenic carbon dioxide stored in a geologic storage facility. The Legislature also established an inactive well program that mandated surface equipment removal, and established seven options to obtain well plugging exceptions. The RRC adopted pipeline safety rules that require natural gas distribution pipeline operators to submit leak reports every six months. The reports also must list leaks identified and the number of unrepaired leaks remaining on pipelines. Under the new rules, new pipeline construction reports also will now be required to be filed with the RRC on new liquefied petroleum gas (LP-gas or propane) distribution systems. The RRC also adopted rules that place natural gas production and flow lines in heavily populated areas under the state's safety jurisdiction.

2010 The Commission began to implement House Bill 2259 (81st Legislature, 2009), which established standards for disconnecting electrical service, purging fluids from tanks, lines, and vessels, and removing surface equipment from inactive land wells. HB 2259 also amended the Texas Natural Resources Code to establish requirements for all operators to address their inventories of inactive wells annually in order to obtain approval of their yearly organization reports. The Commission also adopted a new rule relating to Carbon Dioxide (CO2), to implement Senate Bill (SB) 1387, 81st Legislature (Regular Session, 2009). SB 1387 amended the Texas Water Code and the Texas Natural Resources Code to provide for the implementation of projects involving the capture, injection, sequestration, or geologic storage of carbon dioxide (CO2). The rules will ensure protection of underground sources of drinking water while promoting the capture and storage of anthropogenic CO2.

In September 2010, the Commission proposed a new rule to address the mandatory replacement of steel service lines and other facilities in natural gas distribution systems.

The Commission amended the Memorandum of Understanding (MOU) with the Texas Commission on Environmental Quality (TCEQ). The MOU between the TCEQ and the RRC was last updated substantively in May 1998, and since that time, each agency has gained experience implementing the MOU; has had changes to its statutory authority; and has undergone administrative reorganizations, all of which contribute to the need to revise the MOU.

2011 The Legislature created a new Oil and Gas Regulation and Cleanup fund to fund the Commission's Oil and Gas Activities – Industry Regulation (Permitting, Monitoring, and Inspections), Environmental Cleanup (Abandoned Well Plugging and Polluted Site Remediation), Public Information, and administrative expenses. The new fund replaced the Oil Field Cleanup (OFCU) fund and existing General Revenue supporting these activities. Industry fees and new surcharges will fund the Oil and Gas Activities. The Commission received authority to set surcharges up to 185 percent on existing industry fees, excluding regulatory fees. The surcharges will be established by Commission rule. The Legislature also transferred the Texas Commission on Environmental Quality (TCEQ) Groundwater Protection Program to the Railroad Commission. The Commission will provide surface casing and groundwater protection requirements for the Oil and Gas industry, a function that previously was provided by the TCEQ. The Legislature also gave the RRC the authority to adopt rules relating to public disclosure of hydraulic fracturing chemicals, including trade secrets relating to hydraulic fracturing chemicals.

IV. POLICYMAKING STRUCTURE

A. Complete the following chart providing information on your policymaking body members.

Railroad Commission of Texas Exhibit 3: Policy Making Body			
Member Name	Term/Appointment Dates/ Appointed By_____	Qualification	Hometown
Elizabeth Ames Jones, Chairman	Feb. 9, 2005 to Dec. 31, 2012	Elected	San Antonio, Texas
David Porter, Commissioner	Jan. 5, 2011 to Dec. 31 2016	Elected	Midland, Texas
Barry T. Smitherman, Commissioner	July 8, 2011 to Dec. 31, 2012	Appointed	Houston, Texas

B. Describe the primary role and responsibilities of your policymaking body.

The Railroad Commission (RRC) is a regulatory agency which principally oversees the Texas energy sector: oil and gas industry, gas utilities, pipeline safety, safety in the liquefied petroleum gas industry, the surface mining of coal, and exploration of uranium. In the exercise of this oversight authority, the Commissioners, the ultimate decision-making group within the agency, use quasi-judicial procedures to render decisions in contested cases and the agency's rulemaking authority to promulgate rules establishing RRC regulatory policy and to implement legislation. Additionally, although many administrative responsibilities have been delegated to senior staff, including an executive director, the Commissioners generally oversee the administration of the agency.

C. How is the chair selected?

The Commissioners elect the Chair of the RRC.

D. List any special circumstances or unique features about your policymaking body or responsibilities.

Three statewide-elected officials who are elected to 6-year staggered terms head the RRC. As a public body, the RRC conducts it business, consistent with the requirements of the Open Meetings Act, in publicly noticed open meetings known as Conference. At regularly scheduled Conferences, RRC staff present various business items for discussion and/or decision including contested case proceedings, proposed rulemakings, and other administrative matters. Each item is decided by majority vote of the Commissioners.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2010? In FY 2011?

In general, the RRC meets approximately twice a month to deliberate and/or make decisions regarding contested cases, rulemaking proceedings, and administrative matters. The RRC also posts as open meetings certain other events (such as press conferences or oral argument in pending contested cases) at which all three Commissioners will be present and the gathering otherwise falls within the definition of "meeting" in Texas Government Code, Sec. 551.001(4). The RRC met 25 times in fiscal year 2010 and 22 times in fiscal year 2011.

F. What type of training do members of your agency's policymaking body receive?

At a minimum, Commissioners are required to receive training on open meetings and public information. (See, Tex. Gov't Code, §551.005, and Tex. Gov't Code, §552.012, both of which were added by Acts 2005, 79th Leg., ch. 105, effective January 1, 2006.)

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

The respective roles of the RRC and staff in the exercise of the agency's regulatory functions are delineated, in most instances, by the rules that have been adopted by the RRC. For example, with regard to oil and gas matters, the Statewide Oil and Gas Rules frequently indicate whether the RRC or the "Commission designee" (Commission staff) will make a particular substantive determination. The RRC's General Rules of Practice and Procedure also indicate which decisions in the hearing process will be made by the Commissioners (generally substantive and policy) and which by the examiners (generally procedural and evidentiary, subject to appeal to the RRC). Along with the Administrative Procedures Act, these rules also prescribe the procedure that is to be followed, as well as the role the hearing examiner staff is to play, in processing contested cases. Other substantive RRC rules also aid in defining the roles of the RRC and staff by describing the responsibilities of the various divisions in the exercise of their respective regulatory functions.

Regarding administrative matters, the RRC's Personnel Policy and Guidelines Manual describes the respective roles of the RRC and staff in employment related matters. The RRC has also delegated certain other administrative responsibilities to the Executive Director and Division Directors as outlined in the Delegation of Authority Policy.

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

Oil Field Cleanup Program—The Oil and Gas Division presents its activity report to the Commissioners quarterly.

Strategic Plan and Legislative Appropriations Request—Biannually the Commissioners approve the proposed strategic plan structure and the Legislative Appropriations Request, which includes a historical assessment of the agency's performance along with projected future performance targets.

Operating Budget—The Commissioners approve the agency's operating budget annually.

Performance Measures—Each quarter the key performance measures are presented to the Commissioners' aides for review.

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

The RRC adopts rules only after public notice and opportunity for comment. In major rulemaking proceedings, the RRC often will circulate one or more drafts of a proposed rule to interested persons for informal review and comment before publishing the proposed rule in the Texas Register for public comment. In some instances, prior to preparing a draft rule, the RRC will conduct one or more public workshops, to which affected entities and interested persons are invited, for the purpose of raising issues, fostering discussion, and receiving information and comment in an informal setting. The RRC also provides information on proposed and final new and amended rules to persons who subscribe to this service managed by the Office of General Counsel.

The RRC maintains a website with information about current programs, rules under development, and other information regarding each RRC division. The website is a key interface for providing current information to the public, providing the public with designated contact persons in each division, including e-mail addresses, for receipt of questions or comments. The website is evolving to serve as the means for electronic filing of many required reports. Current online technology allows industry to file high volume and key report and permit applications electronically. These include: drilling permits, H-10 injection reports, and production information. The RRC is continually working to maintain and upgrade this important information resource.

The RRC includes as a standing item on each open meeting agenda an item entitled "Public Input." This is an opportunity for general public input on any matter under the jurisdiction of

the RRC, in accordance with the policy adopted on September 7, 2005, which is posted on the RRC's website.

Each year, the Commission also holds training and continuing education seminars throughout the state. In addition, Commission representatives frequently speak at meetings of industry, environmental, and professional associations.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Railroad Commission of Texas
Exhibit 4: Subcommittees and Advisory Committees

Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Oil-Field Cleanup Advisory Committee	Consists of 10 members. One member of senate appointed by Lt Governor; One presiding officer of the House committee with primary jurisdiction over matters affecting energy resources; One public member appointed by the governor; One member appointed by the Lt. Governor from the academic field of geology or economics; one member appointed by the speaker of the house from the academic field of geology or economics; The executive officer or a person designated by the executive officer of each of the following organizations: Texas Oil & Gas Association, Texas independent Producers and Royalty Owners Association, the Panhandle Producers and Royalty Owners Association, the Permian Basin Petroleum Association, and the Alliance of Energy Producers	Meets quarterly with Commission staff, reviews proposed rulemaking affecting the OFCUF and recommendations for legislation proposed by the Commission; and monitors the effectiveness of the Oil Field Cleanup fund. The committee is purely advisory.	Texas Natural Resources Code, Section 91.1135 Established by Texas Legislature effective September 1, 2001.
Texas Groundwater Protection Committee (TGPC)	Members represent: Alliance of Groundwater Districts; Commission on Environmental Quality; Water Development Board; Railroad Commission; Department of State Health Services; Department of Agriculture; State Soil & Water Conservation Board; Texas AgriLife Research; Bureau of Economic Geology; Department of Licensing & Regulation	The TGPC is an interagency committee to coordinate state agency actions for the protection of groundwater quality in this state.	Created by the Legislature in 1989 Sections 26.403 through 26.408 of the Texas Water Code

Railroad Commission of Texas Exhibit 4: Subcommittees and Advisory Committees			
Name of Subcommittee or Advisory Committee	**Size/Composition/How are members appointed?**	**Purpose/Duties**	**Legal Basis for Committee**
Coastal Coordination Advisory Committee	Members include a representative of the Land Office; the Texas Parks and Wildlife Commission; the TCEQ; the Railroad Commission; the TWDB; the Texas Transportation Commission; the SSWCB; and the Texas A&M University Sea Grant Program to serve as a nonvoting member. The following members are to be appointed by the Land Commissioner office who resides in the coastal area: an owner of a business located in the coastal area who resides in the coastal area; a resident from the coastal area; and a representative of agriculture.	Advises the Land Commissioner in his duties to administer the Texas Coastal Management Program (TCMP) as established by the Legislature and the Council and approved by the National Oceanic and Atmospheric Administration (NOAA)	Chapter 33 of the Texas Natural Resources Code
Texas Radiation Advisory Board	18 members appointed by the governor and confirmed by the Senate. Members serve for 6-year terms.	State's advisors on all radiation issues. The Board reviews rules, guidelines, and programs of agencies that regulate radiation.	Created in 1961 Health and Safety Code, Chapter 401
Natural Gas Pipeline Competition Study Advisory Committee	Nine members appointed by the RRC Commissioners (3 members per Commissioner) Expertise as lawyers, engineers, oil & gas operators, educators, and business executives	Review competition in the Texas intrastate pipeline industry and develop recommendations for changes to statutes or rules.	By Rule §7.7201 the Commission established the Committee.
Texas Energy Reliability Council (TERC)	There currently are 39 members from most of the key segments of the energy industry in Texas.	Purpose is to facilitate the voluntary allocation of natural gas resources during critical times.	TERC activities are approved and endorsed in an annual letter from the RRC Commissioners.
Propane Alternative Fuels Advisory Committee (AFRED Advisory Committee)	17 members 8 LPG industry members 8 consumer members 1 ex officio member All members are appointed by and serve at the pleasure of the Railroad Commission.	Consults with and advises the Commission on opportunities and methods to expand the use of LPG	Tex. Nat. Res. Code §113.242; 16 TAC §15.30

V. FUNDING

A. Provide a brief description of your agency's funding.

The Railroad Commission of Texas (RRC) is funded through a combination of general revenue funds, general revenue dedicated funds, federal funds, and other funds including appropriated receipts and interagency contracts. HB 1, 82nd Legislature appropriates $146.3 million in all funds for 2012–13, with a total of 772.1 FTEs authorized for the biennium. The Commission's Oil and Gas activities will be funded by a new general revenue dedicated account – Oil and Gas Regulation and Cleanup (OGRC) Fund.

B. List all riders that significantly impact your agency's budget.

HB 1, 82nd Legislature, Regular Session, Article VI, Rider 6. Unexpended Balance and Estimated Appropriation Authority: Oil Field Cleanup Account. Appropriates $1.9 million of revenues received in excess of the BRE to fund 21 FTEs to reduce permitting backlogs.

HB 1, 82nd Legislature, Regular Session, Article VI, Rider 9. Surface Mining Permits and Contingency Appropriation for Fee Increase. Appropriates $351,913 in fiscal year 2012 and $351,345 in 2013 contingent on the Railroad Commission increasing surface mining permit fees. The additional appropriations restore the Surface Mining program to the same levels before the 2010-11 5% budget reduction.

HB 1, 82nd Legislature, Regular Session, Article IX, Sec 18.11. Contingency Appropriation. Appropriates $10 million of General Revenue to the Oil and Gas strategies for 41 FTEs and 88 vehicles.

HB 1, 82nd Legislature, Regular Session, Article IX, Sec 18.56. Contingency Appropriation HB 2694. Transfers the Groundwater Protection Program from TCEQ to the RRC and appropriates $1.6 million and 9 FTEs.

HB 1, 82nd Legislature, Regular Session, Article IX, Sec 18.58. Contingency Appropriation HB 3134. Appropriates $709,598 in the OGRC fund and 6 FTEs for handling of contested case hearings related to plugging of inactive wells. The appropriation is covered by fees charged for the hearings.

SB 1, 82nd Legislature, 1st Called Session, Article XIX, Sec 19.2. Creates the Oil and Gas Regulation and Cleanup account replacing the Oil Field Cleanup account to fund the Commission's Oil and Gas activities. Allows the Commission to charge surcharges on Oil and Gas fees excluding regulatory fees.

SB 1, 82nd Legislature, 1st Called Session, Article XIX, Sec 19.25. Allows the use of the pipeline safety fee to fund the gas utility regulation program.

SB 2, 82nd Legislature, 1st Called Session, Sec 7. Appropriates $74.6 million of funding in the new Oil and Gas Regulation and Cleanup fund and reduces the General Revenue and Oil Field Cleanup appropriations. Appropriates $466,000 in the Gas Utilities strategy contingent on increasing the pipeline safety fee.

C. Show your agency's expenditures by strategy.

Railroad Commission of Texas Exhibit 5: Expenditures by Strategy—Fiscal Year 2010 (Actual)		
Goal/Strategy	**Total Amount**	**Contract Expenditures Included In Total Amount**
Goal A.1.1 / Promote Energy Resource Development Opportunities	$5,991,522	$168,846
Goal A.2.1 / Ensure Fair Rates and Compliance to Rate Structures	$1,838,225	$21,586
Goal A.2.2 / Promote LP Gas Usage	$6,667,619	$182,376
Goal A Subtotal:	**$14,497,366**	**$372,808**
Goal B.1.1 / Ensure Pipeline and LPG/CNG/LNG Safety	$6,087,118	$96,956
Goal B Subtotal:	**$6,087,118**	**$96,956**
Goal C.1.1 / Oil and Gas Monitoring and Inspections	$13,152,794	$79,274
Goal C.1.2 / Surface Mining Monitoring and Inspections	$2,968,890	$15,452
Goal C.2.1 / Oil and Gas Remediation	$5,303,337	$2,708,551
Goal C.2.2 / Oil and Gas Well Plugging	$15,809,305	$9,865,503
Goal C.2.3 / Surface Mining Reclamation	$2,439,562	$1,790,386
Goal C Subtotal:	**$39,673,888**	**$14,459,166**
Goal D.1.1 / Geographic Information Systems and Well Mapping	$739,491	$4,197
Goal D.1.2 / Public Access to Information and Services	$2,030,767	$219,502
Goal D Subtotal:	**$2,770,258**	**$223,699**
Grand Total:	**$63,028,630**	**$15,152,629**

D. Show your agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2009–FY 2010.

Railroad Commission of Texas Exhibit 6: Objects of Expense by Program or Function—Fiscal Year 2010 (Actual)			
Object of Expense	**Promote Energy Resource Development Opportunities**	**Ensure Fair Rates and Compliance to Rate Structures**	**Promote LP Gas Usage**
Salaries and Wages	$4,781,246	$1,593,150	$1,650,616
Other Personnel Costs	$216,282	$50,302	$45,238
Professional Fees and Services	$392,449	$85,872	$189,986
Fuels and Lubricants	$1,333	$105	$21,453
Consumable Supplies	$25,083	$5,487	$20,204
Utilities	$924	$1,048	$14,372
Travel	$26,101	$25,204	$48,246
Rent – Building	$613	$12,804	$30,052
Rent – Machine and Other	$42,349	$10,612	$15,310
Other Operating Expense	$504,129	$53,362	$4,303,385
Grants	$0	$0	$280,289
Capital Expenditures	$1,013	$279	$48,468
Total	**$5,991,522**	**$1,838,225**	**$6,667,619**

Railroad Commission of Texas Exhibit 6: Objects of Expense by Program or Function—Fiscal Year 2010 (Actual)			
Object of Expense	**Ensure Pipeline and LPG/CNG/LNG Safety**	**Oil and Gas Monitoring and Inspections**	**Surface Mining Monitoring and Inspections**
Salaries and Wages	$4,708,609	$10,548,002	$2,599,250
Other Personnel Costs	$166,742	$389,287	$72,415
Professional Fees and Services	$324,783	$681,659	$139,138
Fuels and Lubricants	$128,921	$60,992	$19,304
Consumable Supplies	$16,377	$33,290	$8,687
Utilities	$50,259	$105,360	$5,775
Travel	$193,646	$12,494	$23,035
Rent – Building	$45,109	$152,308	$20,301
Rent – Machine and Other	$40,180	$84,350	$17,177
Other Operating Expense	$212,691	$633,754	$63,356
Grants	$0	$0	$0
Capital Expenditures	$199,801	$451,298	$452
Total	**$6,087,118**	**$13,152,794**	**$2,968,890**

Railroad Commission of Texas Exhibit 6: Objects of Expense by Program or Function—Fiscal Year 2010 (Actual)			
Object of Expense	**Oil and Gas Remediation**	**Oil and Gas Well Plugging**	**Surface Mining Reclamation**
Salaries and Wages	$2,108,184	$4,056,407	$473,635
Other Personnel Costs	$71,383	$166,208	$32,291
Professional Fees and Services	$679,205	$459,247	$1,794,317
Fuels and Lubricants	$46,223	$594,758	$11,041
Consumable Supplies	$9,669	$29,521	$2,032
Utilities	$19,066	$64,834	$3,693
Travel	$18,717	$38,972	$16,148
Rent – Building	$26,150	$198,046	$40
Rent – Machine and Other	$16,190	$33,672	$5,507
Other Operating Expense	$2,308,197	$10,166,908	$44,490
Grants	$0	$0	$0
Capital Expenditures	$353	$732	$56,368
Total	**$5,303,337**	**$15,809,305**	**$2,439,562**

Railroad Commission of Texas Exhibit 6: Objects of Expense by Program or Function—Fiscal Year 2010 (Actual)			
Object of Expense	**Geographic Information Systems and Well Mapping**	**Public Information and Services**	**Commission Total**
Salaries and Wages	$649,406	$1,180,239	$34,348,744
Other Personnel Costs	$27,029	$44,269	$1,281,446
Professional Fees and Services	$41,964	$87,450	$4,876,070
Fuels and Lubricants	$51	$107	$884,288
Consumable Supplies	$3,268	$50,301	$203,919
Utilities	$99	$318	$265,748
Travel	$685	$5,201	$408,449
Rent – Building	$79	$20,355	$505,857
Rent – Machine and Other	$5,129	$39,335	$309,811
Other Operating Expense	$11,644	$602,908	$18,904,824
Grants	$0	$0	$280,289
Capital Expenditures	$137	$284	$759,185
Total	**$739,491**	**$2,030,767**	**$63,028,630**

E. Show your agency's sources of revenue. Included all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Railroad Commission of Texas Exhibit 7: Sources of Revenue—Fiscal Year 2010 (Actual)	
Source	**Amount**
General Revenue	$28,339,627
GR Dedicated—Alternative Fuels Research Account No. 101	1,787,827
GR Dedicated—Oil Field Cleanup Account No. 145	21,606,343
Federal American Recovery and Reinvestment Fund	374,768
Land Reclamation Fund No. 454 (Federal Funds)	159,065
Federal Funds	5,752,531
Appropriated Receipts	1,750,161
Interagency Contracts	3,258,308
TOTAL	**$63,028,630**

F. If you receive funds from multiple federal programs, show the types of federal funding sources.

Railroad Commission of Texas Exhibit 8: Sources of Revenue—Fiscal Year 2010 (Actual)				
Type of Fund	State/Federal Match Ratio	State Share	Federal Share	Total Funding
10.912 Environmental Quality Incentives Program	53% State 47% Federal	$38,340	$34,000	$72,340
15.250 Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	50% State 50% Federal	$1,079,228	$1,079,228	$2,158,456
15.252 Abandoned Mine Land Reclamation	100% Federal	N/A	$2,325,903	$2,325,903
20.700 Pipeline Safety Program Base Grants	49% State 51% Federal	$1,752,754	$1,824,295	$3,577,049
20.720 State Damage Prevention Program Grants	100% Federal	N/A	$61,426	$61,426
66.433 State Underground Water Source Protection	25% State 75% Federal	$155,892	$467,675	$623,567
66.717 Source Reduction Assistance	63% State 37% Federal	$8,486	$4,984	$13,470
66.817 State and Tribal Response Program	100% Federal	N/A	$74,438	$74,438
81.086 Conservation Research & Development	80% State 20% Federal	$1,468,370	$374,768	$1,843,138
89.003 National Historic Publications and Records Grants	88% State 12% Federal	$290,745	$39,647	$330,392
	TOTAL	**$4,793,815**	**$6,286,364**	**$11,080,179**

G. If applicable, provide detailed information on fees collected by your agency.

Railroad Commission of Texas
Exhibit 9: Fee Revenue—Fiscal Year 2010

Fee Description/Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
LPG Delivery Fees Texas Nat. Res. Code Sec. 113.244	$7.50 - $50.00	48	$1,936,919	Alternative Fuels Research and Education (No. 0101)
Commercial Transportation Fees – LPG Texas Nat. Res. Code Sec. 113.082,113.093, 113.131, 116.072	Registration fees $270. Transfer fees $100.	8,691	$1,670,113	General Revenue
Railroad Commission Service Fees – CertificationsTexas Nat. Res. Code Sec. 81.01009, 81.01010, 113.090	Copies of any document of record in the amount of $.15 for each 100 words. Research fee of $5 for each half hour or fraction of half hour.	85	$1,969	General Revenue--Appropriated Receipts
Gas Utility Pipeline TaxTexas Util. Code Sec. 122.051, 122.201	1/2 of 1% of the gross receipts and late fees	282	$14,886,403	General Revenue
Compressed Natural Gas (CNG) Training and ExaminationsTexas Nat. Res. Code Sec. 116.034(b)	$40 for employee-level exam; $70 for management-level exam	149	$11,370	General Revenue--Appropriated Receipts
Compressed Natural Gas LicensesTexas Nat. Res. Code Sec. 116.031-033	$50 - $1,000, includes renewals and late fees	55	$15,055	General Revenue
Drilling Permit - Application FeeTexas Nat. Res. Code Sec. 85.2021	$200 up to 2,000 ft.$225 btw 2,001 – 4,000 ft.$250 btw 4,001 – 9,000 ft.$300 more than 9,000 ft.	281 397 965 555	$5,685,728	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Drilling Permit – Rule Exception FeeTexas Nat. Res. Code Sec. 85.2021	$200 (Rules 37 & 38 Exceptions)	477	$746,700	General Revenue Dedicated–Oil Field Cleanup (No. 0145)

Railroad Commission of Texas
Exhibit 9: Fee Revenue—Fiscal Year 2010

Fee Description/Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Drilling Permit - Expedite FeeTexas Nat. Res. Code Sec. 85.2021	$150	984	$1,832,800	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Drilling Permit – Surface Water Discharge FeeTexas Nat. Res. Code Sec. 91.1013	$300	62	$38,100	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Drilling Permit – Fluid Injection Well Permit FeeTexas Nat. Res. Code Sec. 91.1013	$200	364	$488,900	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Oil & Gas Violations – Oil and Gas DivisionTexas Nat. Res. Code Sec. 81.0531, 85.381, 89.121, 91.459	Administrative penalties may not exceed $10,000 per day for safety or pollution control violations. Administrative penalties may not exceed $1,000 per day for false applications, reports, and gauge tampering.	249	$2,841,781	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Oil & Gas Violations – Pipeline Safety DivisionTexas Utility Code Sec. 121.206	Not to exceed $10,000 per day.	1,503	$1,561,425	General Revenue
Oil & Gas Violations – LP Gas ProgramTexas Nat. Res. Code Sec. 113.231-113.136	Various penalties	51	$38,650	General Revenue
Application Fees – Surface Mining Permits (Coal, Lignite, Iron) Texas Nat. Res. Code Sec. 134.054	Application not less than $5,000.Renewal not less than $3,000. Application revision not less than $500.	25	$75,500	General Revenue
Annual Fees – Surface Mining Permits (Coal, Lignite, Iron)Texas Nat. Res. Code Sec. 134.055	Annual fees set by Commission Rules. Annual acreage fee – $150/acre.Annual bonded acreage fee – $3.75/acre.Annual permit fee $4,200.	26	$1,418,021	General Revenue
Surface Mining (Uranium)Texas Nat. Res. Code Sec. 131.135	Initial application not to exceed $400. Approved applications $10/acre	0	$0	General Revenue

Railroad Commission of Texas
Exhibit 9: Fee Revenue—Fiscal Year 2010

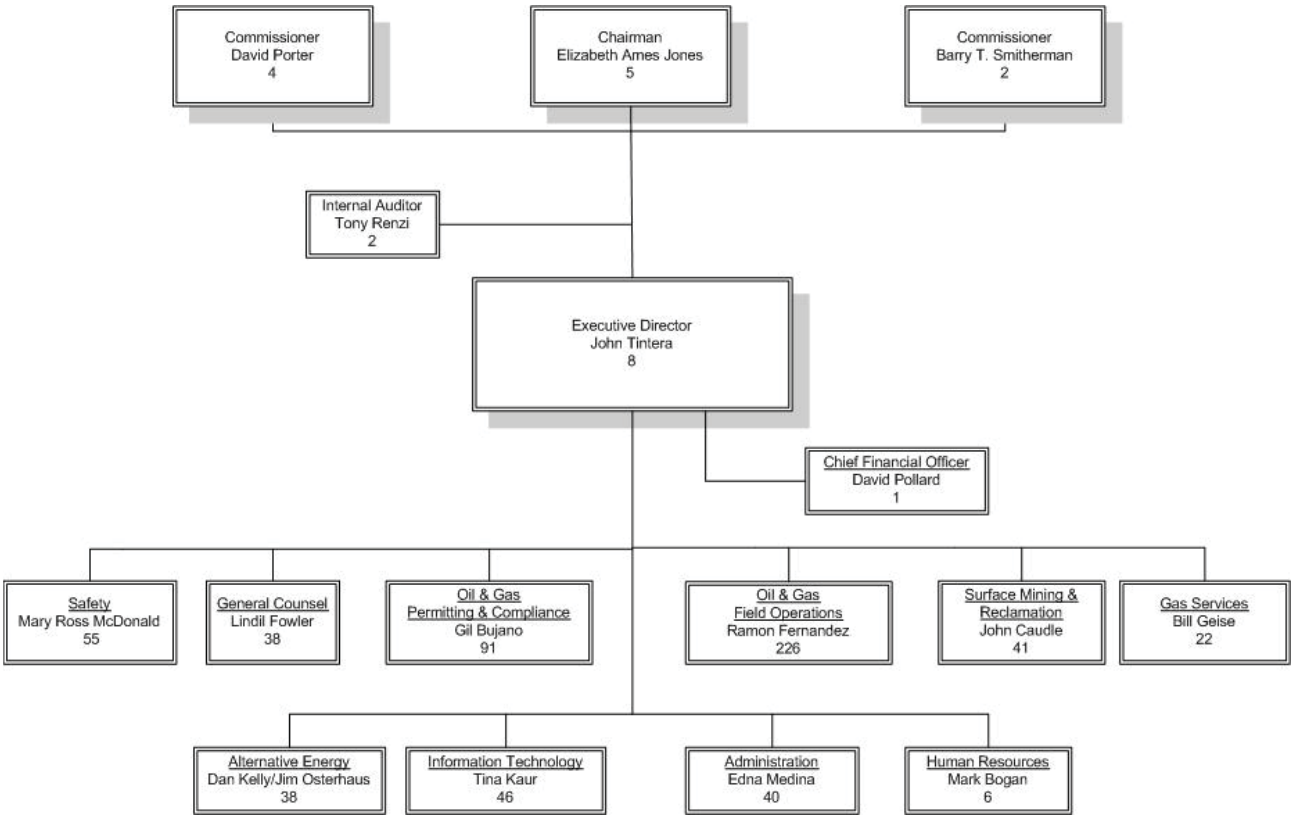
Fee Description/Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Civil PenaltiesSurface Mining DivisionTexas Nat. Res. Code Sec. 134.174	Varies – Administration Penalty (Notice of Violation)	2	$15,750	General Revenue
Organization Report FeesTexas Nat. Res. Code Sec. 91.142	$225 - $1,350	7,362	$3,696,335	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Voluntary Cleanup Application FeesTexas Nat. Res. Code Sec. 91.654	$1,000 plus additional reimbursements as needed	11	$6,200	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Anthropogenic CO2 Storage FeeTexas Water Code Sec. 27.045	Permit application fee - $50,000Permit application amendment fee - $25,000 Injection fee - annual fee of $0.025 per metric ton of CO2 injected Post-injection care fee - $50,000	0	$0	Anthropogenic Carbon Dioxide Storage Trust Fund (No. 0827)
Well Plugging Reimbursement for General Revenue Dedicated–Oil Field Cleanup (No. 0145) Texas Nat. Res. Code Sec. 89.043, 89.083, 91.113	Varies	6	$97,243	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Abeyance of Plugging ReportTexas Nat. Res. Code Sec. 89.024	$100	0	$0	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Fluid level or Hydraulic Pressure TestTexas Nat. Res. Code Sec. 89.026	$50	0	$0	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Injection Well RegulationTexas Water Code Sec. 27.014, 27.021, 27.035, 27.0321, 27.036	$100 - $200	197	$38,100	General Revenue
Oil Field Cleanup Regulatory Fee on OilTexas Nat. Res. Code Sec. 81.116	5/8th of one cent on each barrel of oil produced (42 gallons)	N/A – Comptroller deposits	$2,148,273	General Revenue Dedicated–Oil Field Cleanup (No. 0145)

Railroad Commission of Texas Exhibit 9: Fee Revenue—Fiscal Year 2010				
Fee Description/Program/ Statutory Citation	**Current Fee/ Statutory maximum**	**Number of persons or entities paying fee**	**Fee Revenue**	**Where Fee Revenue is Deposited (e.g., General Revenue Fund)**
Railroad Commission Rule ExceptionsTexas Nat. Res. Code Sec. 81.0521	$150 (split $50 General Revenue/$100 General Revenue Dedicated–Oil Field Cleanup (No. 0145))	590	$440,400	General Revenue & General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Oil Field Cleanup Regulatory Fee on GasTexas Nat. Res. Code Sec. 81.117	1/15th of one cent for each MCF of gas produced (thousand cubic feet)	N/A – Comptroller deposits	$5,176,353	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Oil and Gas Compliance Certification Reissue FeeTexas Nat. Res. Code Sec. 91.707	$300 per severance or seal order	1,542	$1,147,675	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Abandoned Well Site Equipment DisposalTexas Nat. Res. Code Sec. 89.085(d), 91.115	Based on salvage value	94	$895,097	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Pipeline Safety FeeTexas Util. Code Sec. 121.211	Not to exceed (NTE) $.50 for each service line.NTE $100 on each operator of a natural gas master metered system.Late penalties of 10% of the total assessment due under (2) and (3) that are not paid within 30 days after the annual day date may also be assessed.	605	$3,403,614	General Revenue
Waste Disposal Facilities (Hazardous) Texas Nat. Res. Code Sec. 91.605	Set by the Commission based on volume of waste and reasonably related to cost of implementation	23	$82,400	General Revenue Dedicated–Oil Field Cleanup (No. 0145)

Railroad Commission of Texas Exhibit 9: Fee Revenue—Fiscal Year 2010				
Fee Description/Program/ Statutory Citation	**Current Fee/ Statutory maximum**	**Number of persons or entities paying fee**	**Fee Revenue**	**Where Fee Revenue is Deposited (e.g., General Revenue Fund)**
Waste Disposal Facilities(Non-Hazardous)Texas Water Code Sec. 29.015	$100	884	$94,210	General Revenue Dedicated–Oil Field Cleanup (No. 0145)
Fees for copies of Filing of Records (Railroad Commission)Texas Nat. Res. Code Sec. 89.088	Not to exceed $10 for each lease covered by the request	2,247	$606,273	General Revenue--Appropriated Receipts
Conference, Seminars, and Training Registration FeesTexas Nat. Res. Code Sec. 113.088, General Appropriations Act, 81st Leg., Art. IX, Sec. 8.08	Varies	4,991	$874,924	General Revenue--Appropriated Receipts

VI. ORGANIZATION

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.



B. If applicable, fill in the chart below listing field or regional offices.

Railroad Commission of Texas Exhibit 10: FTEs by Location—Fiscal Year 2010			
Headquarters, Region, or Field Office	**Location**	**Number of Budgeted FTEs, FY 2010**	**Number of Actual FTEs as of August 31, 2010**
Headquarters	Austin	405.6	401.8
Regional Offices	Abilene	29.0	28.0
	Corpus Christi	29.0	27.0
	Forth Worth	14.0	14.0
	Houston	46.5	45.0
	Kilgore	37.5	36.5
	Midland	42.5	38.5
	Pampa	20.0	16.0
	San Angelo	18.5	18.0
	San Antonio	29.0	28.0
	Wichita Falls	27.0	27.0
One employee/office	Hidalgo	1.0	1.0
	Tyler	4.0	4.0
	Sweetwater	1.0	1.0
	El Paso	1.0	1.0
	Total	**705.6**	**686.8**

C. What are your agency's FTE caps for fiscal years 2010–2013?

2010—743.6 FTEs
2011—743.6 FTEs
2012—772.1 FTEs
2013—772.1 FTEs

The Railroad Commission's FTE cap increased by 28.5 FTEs for the 2012–2013 biennium.

D. How many temporary or contract employees did you agency have as of August 31, 2010?

As of August 31, 2010, the Railroad Commission had one contract employee.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program.

Railroad Commission of Texas Exhibit 11: FTEs by Location—Fiscal Year 2010		
Program	**FTEs as of 8/31/10**	**Actual Expenditures**
Promote Energy Resource Development Opportunities	104.9	$5,991,522
Ensure Fair Rates and Compliance to Rate Structures	29.4	$1,838,225
Promote LP Gas Usage	28.1	$6,667,619
Ensure Pipeline and LPG/CNG/LNG Safety	92.0	$6,087,118
Oil and Gas Monitoring and Inspections	219.4	$13,152,794
Surface Mining Monitoring and Inspections	46.5	$2,968,890
Oil and Gas Remediation	38.2	$5,303,337
Oil and Gas Well Plugging	78.3	$15,809,305
Surface Mining Reclamation	6.8	$2,439,562
Geographic Information Systems and Well Mapping	14.5	$739,491
Public Information and Services	28.7	$2,030,767
TOTAL	**686.8**	**$63,028,630**

VII. GUIDE TO AGENCY PROGRAMS

1. ENERGY RESOURCE DEVELOPMENT

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Energy Resource Development
Location/Division	Austin and Regional Offices/Oil and Gas Division
Contact Name	Gil Bujano and Ramon Fernandez
Actual Expenditures, FY 2010	$5,991,522
Number of FTEs as of August 31, 2010	104.9

B. What is the objective of this program or function? Describe the major activities performed under this program.

The key function of the Energy Resource Development program is to administer state statutes and RRC rules in a consistent manner to prevent waste and promote conservation of hydrocarbons and to protect the correlative rights of Texas mineral owners and oil and gas producers. Major activities performed under this program include: issuing drilling permits, developing field rules, processing of organizational reports, reviewing applications for compliance with spacing and density rules, issuing certificates of compliance, assigning production allowables, and reviewing applications for certification for incentives.

Oil and gas permit applications: Application determinations can be administrative or by the Commission. Applications generally relate to owning and operating a hydrocarbon well or facility, maintaining operator's financial responsibility, hydrocarbon transportation, and resource management including tax incentives. Any organization, including any person, firm, partnership, corporation, or other organization, domestic or foreign, operating wholly or partially within this state, that performs operations within the jurisdiction of the RRC must have on file with the RRC an approved organization report and financial security. This requirement allows the RRC to keep track of operators under its jurisdiction, ensure that adequate financial security is on file, and enforce its regulations. The Organization Report, P-5, must be renewed annually. There are currently approximately 7,835 operators in the state. The Commission is presently undergoing rule-making to implement the provisions of HB 3134, 82nd Legislature (Regular Session, 2011), which would require the Commission to determine an operator's failure to comply with inactive well requirements before refusing to renew an operator's organization report.

A drilling permit is required before any entity may drill, deepen, reenter, or plug back an oil or gas or service well in the state. The wells must be drilled in accordance with the

RRC's density and spacing regulations. This permitting process ensures conservation of the State's natural resources and protection of the correlative rights of mineral interest owners in a common reservoir. In 2008, the RRC issued over 24,000 drilling permits, a record not seen since 1985.

Correlative rights issues: In general, oil and gas cannot be produced from different strata through the same string of tubulars. However, if commingled production will prevent waste or promote conservation or protect correlative rights, the RRC may grant an exception and allow such commingling. In order to prevent waste, to promote conservation or to protect correlative rights, the RRC may approve surface commingling of oil, gas, or oil and gas production from two or more tracts of land producing from the same RRC-designated reservoir or from one or more tracts of land producing from different RRC-designated reservoirs.

Prevent waste: The program sets hydrocarbon production limits, or "allowables." To prevent the early decline of fields because of decreased reservoir pressure and damage to its gas or water drive mechanism. Allowable setting procedure may include proration of monthly hydrocarbon production rates as appropriate for the monthly reservoir demand. The RRC assigns a new field designation and/or discovery allowable after an operator furnishes proper evidence, other than horizontal distance, proving that a well is a new discovery. The RRC may approve an operator to pool acreage, in accordance with appropriate contractual authority and applicable field rules, for the purpose of creating a drilling unit or proration unit.

Collection and maintenance of necessary resource data: Any operator who seeks to operate any well subject to the RRC's jurisdiction must file Form P-4 for a certificate of compliance and transportation authority for each property on which the wells are located certifying that the operator has complied with all applicable statutes in respect to the property. The certificate of compliance establishes the operator of an oil lease, gas well, or other well; certifies responsibility for regulatory compliance, including plugging wells in accordance with RRC rules; and identifies gatherers, purchasers, and purchasers' RRC-assigned system codes authorized for each well or lease. Operators are required to file Form P-4 for new oil leases, gas wells, or other wells; recompletions; reclassifications of wells from oil to gas or gas to oil; consolidation, unitization or subdivision of oil leases; or change of gatherer, gas purchaser, gas purchaser system code, operator, field name or lease name. The RRC reviews the form for completeness and accuracy and may require the operator to provide evidence that the operator has the right to operate the lease or well. In addition, a transporter may not transport the oil, gas, or geothermal resources from such property until the RRC has approved the certificate of compliance and transportation authority.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Energy Resource Development program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Percent of Oil and Gas Wells that are Active	73%	75.3%	103.15%
Outcome	Percent of forms and reports filed electronically through the RRC Online System	82%	88.7%	108.17%
Output	Number of Wells Monitored	375,000	393,963	105.06&
Output	Number of Drilling Permit Applications Processed	27,900	20,675	74.10%
Output	Number of Organizations Permitted or Renewed	7,500	7,785	103.80%
Efficiency	Average Number of Cases Completed Per Examiner	165	116	70.30%
Efficiency	Average Number of Wells Monitored Per Analyst	28,846	28,195	97.74%
Explanatory	Annual calendar year production of primary energy sources of crude oil, natural gas and lignite	1,580,000,000	1,781,524,322	112.75%
Explanatory	Number of Active Oil and Gas Rigs	875	556	63.54%
Explanatory	Volume of CO_2 stored underground	0%	0	100.00%
Explanatory	Volume of oil produced from leases that have active CO_2 injection wells for tertiary recovery	110,112,373	100,204,239	100.09%
Explanatory	Percent of Total US Onshore Gas Coming from Texas	35%	37%	105.71%

Explanatory	Percent of Total US Onshore Oil Coming from Texas	29%	30.50%	105.17%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

In the early years of Texas oil production whenever a field was discovered, oil seemed to cover the surrounding lands. The pressure of some of these wells was so great that it was days before the flow could be controlled, with oil soaking into the ground, or running off in nearby creeks and gullies, or it was directed to hastily dug nearby pits. Even after the flow was controlled, pits were used for storage or vast open tanks. The results were inevitable—waste and pollution. Today Texas is a mature producing state with increasingly marginal production. Texas fields, rather than spewing oil to the surface as a result of reservoir pressure, must be assisted to produce oil to the surface with enhanced recovery and pumps. Peak annual oil production for Texas was in 1972 when the average oil production was almost 3.5 million barrels of oil per day coming from 167,000 active oil wells. In 2010 production from Texas oil wells averaged only 1,000,267 barrels per day, less than one-third of the rate produced in 1972, with approximately 282,806 active producing oil wells.

Production incentives were introduced in 1989 to encourage increased production of the state's oil and gas resources. The incentive programs are targeted to help grow the economy by encouraging investment in exploration and production. By providing exemptions from or reduction in severance tax on oil and gas production, these incentive programs in effect lower the cost of production. For marginal operations in particular these incentives might mean the difference between shutting in a well, keeping a well in production, or bringing a well back into production. For others, the incentives are factored into decisions to drill a well, initiate an enhanced recovery project, or service a well to increase its production.

The RRC continues to support the incentive programs authorized by the Legislature in past years, incentive programs so successful that they have been replicated by other oil and gas producing states. These incentives recognize that encouraging operators to return wells to production after being inactive (the 2-Year Inactive Well Incentive), encouraging operators to undertake enhanced recovery projects (the Enhanced Oil Recovery Incentive), encouraging operators to capture casinghead gas previously vented or flared (Vent/Flare Incentive), and encouraging operators to commit to prolific but costly-to-drill natural gas supplies (the High-Cost Gas Incentive) add value to the state's economy that would have otherwise been unrealized.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Texas oil and natural gas industry consists of a wide spectrum of businesses, ranging from sole proprietorships to fully integrated, multinational corporations. Activities range from drilling and plugging wells to hauling waste. All aspects of the oil and natural gas production cycle from beginning to end are part of the regulatory responsibility of the RRC.

The Energy Resource Development program affects the extensive oil and natural gas production industry throughout the state. The RRC monitors over 388,000 oil and gas wells and related facilities throughout the state. More than 85 percent of Texas counties currently report oil production, and 77 percent of the counties produce natural gas.

RRC actions affect not only those industries regulated by the RRC, but also many ancillary industries and general public groups. Affected populations include: landowners, mineral interest owners, royalty owners, exploration and production operators, oil and gas transporters, oilfield waste disposal operators, natural gas distribution companies, natural gas consumers, electric utilities, environmental associations, safety associations, the Texas Legislature, other local, state and federal agencies, attorneys, the general public, public school teachers and students, research and development organizations, industry organizations, professional organizations, the media, business consulting firms, information brokers, hydrocarbon storage operators, gas gathering and processing companies, commercial disposal facilities, and oil and gas service companies.

Oil and natural gas production in Texas, although not as great as in the past, remains an important source of economic benefit to Texas, in terms of value, jobs created, and taxes. Historically, the oil and natural gas industry have accounted for approximately 10 percent to 25 percent of the state's Gross State Product (GSP). In 2007, the wellhead value of oil and gas exceeded $67.5 billion. In terms of economic value trickled down through the Texas economy and jobs created, this figure equates to nearly $196 billion and over 1.3 million jobs. Severance, ad valorem, and indirect taxes provide additional economic benefits of more than $6 billion to Texas.

The leasing of mineral rights to State- and University-owned lands statewide, moreover, provides royalty and leasing revenue that replenishes the Permanent University and School Funds, important sources of revenue for public education in Texas. In addition, approximately 19.1 jobs are created for every million dollars of oil and gas production. In 2006, more than 312,000 Texans, or 3.1 percent of the state's work force, were directly employed in the oil and natural gas industry. The Barnett Shale Trend, which has an estimated potential of 26 trillion cubic feet, alone resulted in creation of more than 100,000 jobs and over $10 billion annual output.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Railroad Commission regulates the exploration, production, and transportation of oil and natural gas in Texas. In its statutory role the Energy Resource Development program seeks to prevent waste of the state's natural resources, protect the correlative rights of different interest owners, to prevent pollution, and provide safety in matters such as hydrogen sulfide.

To carry out its regulatory responsibilities over the state's oil and gas wells for prevention of waste and protection of correlative rights, the RRC grants drilling permits based on established spacing and density rules. In addition, each month the RRC: assigns production allowables on oil wells and gas wells, receives operators' production reports on oil leases (an oil lease may contain multiple oil wells) and gas wells and audits the oil disposition path to ensure production did not exceed allowables. Allowables are assigned according to factors such as tested well capability, reservoir mechanics, market demand for production, and past production.

The RRC accomplishes its functions by promulgating rules, registering organizations, maintaining financial assurance of operators, reviewing operator filings, granting permits and licenses, monitoring performance, inspecting facilities, maintaining records and maps, reviewing variance requests, investigating complaints, educating the public, researching and providing education concerning alternative fuels, providing public information, resolving disputes, conducting hearings on disputed matters, and rendering decisions.

The RRC regulates 285,937 active oil and gas wells, 109,759 inactive wells, and approximately 53,000 injection and disposal wells. These wells are sited in over 24,500 oil and gas fields spread across the state. Since the drilling of Texas' first commercial well in 1894, over 533,787 (FY07 oil and gas report) wells have been drilled in over 70,000 fields. The total cumulative production from those wells has been over 56 billion barrels of crude oil and, since 1970, more than 134 billion mcf (thousand cubic feet) of natural gas. Production in 2010 was 364,117 million barrels crude oil and 6.62 Tcf (trillion cubic feet) of gas well gas.

The RRC also regulates allied oil and gas activities, including: 12,019 waste haulers, over 1200 disposal systems, 27 reclamation plants, 2000 gas processing plants and compressor stations, 269 gasoline plants, and 201 transporters.

The RRC set standards that must be met to obtain a drilling permit in Statewide Rules 5, 37, 38, and 78. Administrative staff reviews drilling permit applications to ensure these standards are met. If they are, the application is approved and the drilling permit is issued. In some cases, an application may request an exception to the spacing and/or density rules, Rules 37 and 38. These rules govern the minimum distance a well can be drilled from the nearest well

and lease line and the minimum number of acres that a well must be assigned were written to take into account that there may be circumstances when the minimum distances can be less without affecting ultimate recovery or another's property rights. Staff with more technical and legal expertise reviews these exception applications. If an exception request is denied administratively, the applicant may request an evidentiary hearing to present more technical data to the RRC's engineering and legal staff. At the conclusion of the hearing process, a Proposal for Decision (PFD) is presented to the RRC. In an open meeting, the Commissioners make the final determination to grant or deny the requested exception. In this way, RRC staff manage standard application, while the Commissioners determine the non-routine application.

Rulemaking initiative can come from the Commission itself, RRC staff, the regulated community and the public. Particularly in the case of rule revision, rulemaking may come about as a result of administrative process. When a unique situation arises or significant changes in trend direction and strength occur, staff will go to the Commission seeking interpretation of the rule. If the existing rule cannot be applied, a rulemaking process will be commenced. Once a new statewide rule is adopted or new provisions written into an existing rule, there may be a period when the Commission requests that applications be presented to it for final determination. In this way, the Commission may see if the rule is properly implemented.

With a large and diverse population subject to its regulatory jurisdiction, the RRC has developed a flexible and effective approach to the permitting and authorization process. Through the development and implementation of statewide and field rules and in accord with the Texas Administrative Procedure Act, the Commission is able to set standards and policies to guide RRC staff in administering the vast majority of the many application processes, while reserving to itself the determination of non-routine or administratively denied applications. Sufficient delegation is necessary in good, efficient, and effective regulation. At the RRC, the process of delegation is under constant review and the mechanisms for change are readily available.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Energy Resource Development	General Revenue	$4,134,851
	Oil Field Cleanup Fund-GR Dedicated	$1,250,120
	Federal	$307,685
	Appropriated Receipts	$234,049
	Interagency Contracts	$64,817

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

There are no programs internally or externally that provide identical or similar services or functions related to promoting oil and gas resources. Other states with oil and gas production have similar programs, many of which were developed from the Texas model.

The Texas General Land Office has programs to protect the mineral interests of the state. The Minerals Management Service and the Bureau of Land Management have programs that perform similar functions on federal lands.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

In Texas, there is generally no duplication of effort or conflict with the RRC's role to promote energy resource development.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Energy Resource Development program coordinates with and provides data to several state and federal units of government.

The Office of the Comptroller of Public Accounts has oversight of tax incentive programs

and responsibility for collecting severance and other taxes imposed on oil and gas produced in the state. The RRC works with the Comptroller's office to determine eligibility for incentives and providing production information.

The program works closely with the General Land Office and University Lands Office as they lease the state's mineral interests for oil and gas development. Wells drilled and operated on these lands are subject to oil and gas regulations administered by the RRC.

The RRC works with both the Bureau of Land Management and the Minerals Management Services of the U.S. Department of the Interior to address oil and gas activity on federal lands in Texas.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Promote Energy Resource Development Opportunities program expended $168,846 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Structural policy changes related to this program are discussed in Section IX Policy Changes. Additionally specific proposed statutory changes are:

A statutory change to the Natural Resources Code (Section 91.1013) to allow the Commission to set permit application filing fees for all types of injection wells and to set an annual compliance fee for each type of high risk injection well would better reflect the relative environmental and safety risk associated with each type of facility and provide the Commission with the resources necessary to effectively administer its programs in response to rapidly changing circumstance.

A statutory change to the Natural Resources Code (Section 91.142) to give the Commission the authority to require an operator whose financial assurance has been collected due to delinquency to pay an administrative fee could offset the staff time spent to administer the collection process, while serving as incentive for prompt filing.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Energy Resource Development program does not have any additional information to provide at this time.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Administration of the program is implemented by the enforcement and monitoring of statewide rules, field rules, and RRC orders for oil, gas, and geothermal operations. To enforce the oil and gas laws, the Permitting and Production Services function tracks wells from drilling to plugging and abandonment. The Monitoring and Inspections program conducts field inspections and coordinates any follow-up enforcement activities. The Monitoring and Inspections program guide describes the regulatory program in more detail.

In 1993 the Legislature authorized the RRC to assess administrative penalties of up to $10,000 per day for a violation of its safety or pollution prevention rules, and the RRC established a new Legal Enforcement Section to administer the administrative penalty program. In addition to administrative penalties, the RRC has effective enforcement mechanisms tied to production, such as pipeline severances, sealing of wells, and "zeroed" allowables. These mechanisms allow the RRC to respond to violations quickly and effectively.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

The Oil and Gas Monitoring and Inspections program tracks regulatory complaints related to this program.

2. GAS UTILITIES RATES AND COMPLIANCE

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Gas Utilities Rates and Compliance
Location/Division	Austin and Regional Locations/Gas Services Division
Contact Name	Bill Geise
Actual Expenditures, FY 2010	$1,838,225
Number of FTEs as of August 31, 2010	29.4

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Gas Utilities Rates and Compliance program provides auditing, market oversight, dispute resolution, and rate analysis and review to ensure that natural gas utilities provide safe and reliable service at just and reasonable rates.

Audits: District personnel travel to the location where the utility's financial records are maintained to perform Field Audits and Gas Utility Tax Audit Functions. Agency staff conduct audits to ensure that natural gas utilities are in compliance with the statutory and regulatory requirements on both rates and taxes. Staff located in Austin complete in-house audits of annual reports and the Gas Utility Tax filings along with procedures concerning Gas Utility status determinations.

Market Oversight: The Market Oversight Section serves as the RRC's chief technical resource for planning and analysis of all policy and regulatory initiatives concerning those sectors of the natural gas industry that affect natural gas flow from its origination at the wellhead to the end-user. Staff continuously monitor and publish regular reports on conditions and events in the natural gas industry.

Dispute Resolution: The Informal Complaint Process allows for an Alternative Dispute Resolution process that facilitates the informal resolution of natural gas industry disputes faster and at less expense than a formal hearing.

Rate Analysis and Review: Technical examiners and expert witnesses in ratemaking, complaints, and other formal regulatory proceedings comprise the Rate Analysis and Review function. These staff members evaluate and review certain utility transactions, such as proposed rate increases, interim rate adjustments, cost of service adjustments, service abandonment and sales, transfers, and mergers between utilities, to determine whether the action is in the public interest.

Division staff performs the function of maintaining natural gas utility filings and tariffs to ensure compliance with approved rates and to provide a resource for customers and potential customers to determine if discrimination is occurring with regard to pipeline access or rates being charged.

Staff monitors natural gas supplies and supply disruptions during periods of potential shortage and emergencies to maintain reliable gas flow and to ensure that human needs are given priority service over other customers.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Gas Utilities Rates and Compliance program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Average Texas Residential Gas Price for Commission Regulated Util. as a % of National Gas Price	98%	100.4%	102.45%
Output	Number of Gas Utility Dockets Filed	80	108	135.00%
Output	Number of Field Audits Conducted	140	182	101.43%
Output	Number of Gas Utilities' Compliance, Tariff and Escalator Filings	105,000	204,883	195.13%
Output	Number of Pipeline & LP Gas Permits & Licenses Issued or Renewed	25,300	29,136	115.16
Efficiency	Average Number of Field Audits Per Auditor	17.50	17.8	101.71%
Explanatory	Cost of gas included in average residential natural gas bill	$8.79	$6.42	73.00%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The federal government regulated only the interstate natural gas market until 1978. The Natural Gas Policy Act of 1978 (NGPA) granted the Federal Energy Regulatory Commission (FERC) authority over intrastate as well as interstate natural gas commodity pricing. The NGPA was a significant shift from the previous system of bifurcated markets, in which natural gas was produced and sold in upstream markets—those close to the producing field—under markedly different regulations. This legislation and subsequent FERC decisions allowed interstate pipelines to act solely as transporters of natural gas, rather than filling the role of a natural gas merchant, and eventually lead to the deregulation of the interstate natural gas industry. The Texas Legislature and the Railroad Commission reacted to these federal changes by instituting negotiated rate making for gas utilities and associated services.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Gas Utilities Rates and Compliance program affects approximately 202 investor-owned natural gas utilities, approximately 4.5 million gas distribution customers in approximately 1,100 Texas cities with gas service, the environs of those cities, and unincorporated areas throughout Texas. The legislative process of certifying to non-utility status (Tex. Utility Code § 121.005) affected 413 entities that collectively certified approximately 932 pipeline permitted systems through the division's 'certifying-out' screening action. The program responded to over 950 public and industry inquiries and complaints in FY10. These programs serve both suppliers to and customers of gas utilities by making available information that helps determine if discriminatory activities are taking place. Information is available on the RRC's website including approximately 10,000 current utility rate tariffs and docket rate case information for most of the rate cases filed at the RRC over the preceding 60 years. There are no eligibility requirements in order to receive these services.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Railroad Commission administers the Gas Utilities Rates and Compliance program from the main Austin office in conjunction with field auditors in Austin and at two regional offices in Houston and Fort Worth. Staff in Austin collect and analyze various

required filings and reports from gas utilities, including quarterly tax filings, annual reports, ongoing tariff filings, curtailment reporting and other utility specific filing requirements. Field auditors visit the location where a utility maintains its financial record to conduct audits to ascertain compliance with all statutory and regulatory requirements of gas utilities, and the accurate reporting of information required by the RRC.

Through statutory and regulatory requirements staff administer the key functions of the program concerning rate filing and disputed matters. The gas utility industry or utility customers typically initiate rate changes, complaints, and other regulatory proceedings. The management of the division assigns technical examiners to review and evaluate the filings, and prepare a Proposal for Decision, which is presented to the Commissioners at their regularly scheduled open meetings. Trained staff manage informal complaints by serving as mediators, if necessary, to assist in the resolution of a complaint. Regulatory analysts process statute or rule mandated tariffs and other regulatory filings to determine whether they are timely, complete, and accurate.

Item	Frequency	Required Action
Annual Report	90 days after Dec 31st	Desk audit initially, field audit later
Gas Utility Tax	Each calendar quarter	Desk audit initially, field audit later
Tariff Filings	Every rate change/addition	30 days to accept/reject, field audit later
Field Audits	Approximately 1 1/2 to 2-year intervals	Audits are logged in a database, which tracks length of time since last audit. All utilities receive audits.
Statistical Report	Annually	Compilation of statistical info report
Rate Case Filings	Determined by the utility	185 days for hearings and Commission decision
Informal Complaints	Determined by filer	77 days for completion
Interim Rate Adjustments	Determined by utility	Utility files annually once initiated
Consumer Inquiries and Complaints	Determined by consumer	No time limit on response, average is 3 days

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Gas Utilities Rates and Compliance	General Revenue	$1,698,091
	Alternative Fuels Research and Education—GR Dedicated	$41,249
	Appropriated Receipts	$98,885

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The Railroad Commission's Gas Utilities Rates and Compliance program is the sole provider of intrastate natural gas utility regulation for customers residing outside a municipality or inside a municipality that has ceded jurisdiction to the Railroad Commission. Additionally, there are no other entities available for dispute resolution of discrimination complaints, or consumer complaints in unincorporated areas throughout the state.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not applicable for the Gas Utilities Rates and Compliance program.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Not applicable for the Gas Utilities Rates and Compliance program.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Gas Utility Compliance program expended $21,586 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then are further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

A statutory change to the Utilities Code (Chapter 105, Subchapter B) to give the Commission the authority to impose administrative penalties when a natural gas utility does not timely comply with its regulatory responsibilities and in instances where reasonable attempts are made by the agency to obtain voluntary compliance with violations that have been properly noticed and have failed to result in compliance by the non-compliant utility.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Not applicable.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Regulation of natural gas utilities ensures that, in the absence of competition, a safe and reliable natural gas product is provided to customers at a price that is just and reasonable.

Gas utilities are often referred to as natural monopolies because they do not compete with other natural gas utilities for customers in the areas that they serve. Gas utilities are capital-intensive, investing large sums of money at the outset to build the facilities required to serve their customers. Since a utility's capital investment is relatively high, the existence of competing utilities would be wasteful and inefficient. Regulation of investor owned natural gas utilities operates in lieu of the competitive forces that would otherwise control prices for goods and services in a free market economic environment.

In Texas many natural gas pipelines are not regulated as gas utilities. Rather they are economically unregulated gathering lines operated by gas producers with no movement of gas for others for a fee or they meet a non-utility provision established by the Legislature (Tex. Util. Code, §§121.003–121.006). It is critical that all T-4 Permits to Operate Pipelines (natural gas) be screened to identify those entities whose operations constitute that of a gas utility so appropriate steps can be taken to bring them into compliance with their statutory and regulatory obligations and requirements.

In order to ensure compliance with the various statutory and regulatory requirements of gas utilities, the agency conducts field audits in which the operations of the gas utility are reviewed and all required filings are tested for accuracy. Two primary concerns are the computation and application of the authorized rates and the proper payment of the Gas Utility Tax. A formal letter is sent to the utility which summarizes the results of the audit and indicates any violations that will need correction. If necessary, a formal audit violation letter is sent to the utility, and procedures are in place to track abatement of the violations by the utility.

When unable to secure voluntary compliance by a gas utility, staff is forced to file a formal complaint against that utility. The complaint is docketed and a formal or informal hearing

will result, with the Commissioners making a final decision during a regularly scheduled open meeting.

If a gas utility refuses to comply with a Commission Order, sanctions are available to the Commission in Tex. Util. Code, §§105.021–105.027 (Enforcement and Penalties subchapter). The Attorney General represents the Commission in these actions.

RRC staff serve as facilitators between the utility and the consumer, and address consumer and public complaints against a gas utility. RRC staff also investigate and respond to consumers in disputes over billing, service quality, or other issues.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Railroad Commission of Texas - Gas Utilities Rates and Compliance Exhibit 12: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2009 and 2010		
	FY 2009	**FY 2010**
Total number of regulated persons	None	None
Total number of regulated entities	198	200
Total number of entities inspected	141	142
Total number of complaints received from the public	784	950
Total number of complaints/inquires initiated by agency	None	None
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	N/A	N/A
Number of jurisdictional complaints found to be without merit	N/A	N/A
Number of complaints handled	784	950
Average number of days for complaint resolution	3 to 4	3 to 4
Complaints resulting in disciplinary action:	None	None
administrative penalty	None	None
reprimand	None	None
probation	None	None
suspension	None	None
revocation	None	None
other	None	None

3. ALTERNATIVE FUELS RESEARCH AND EDUCATION

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Alternative Energy
Location/Division	Austin and Regional Locations/Education Division
Contact Name	Dan Kelly
Actual Expenditures, FY 2010	$6,667,619
Number of FTEs as of August 31, 2010	28.1

B. What is the objective of this program or function? Describe the major activities performed under this program.

House Bill (HB) 1, 82nd Legislature (Regular Session, 2011) reduced appropriations for the AFRED propane-marketing program by fi fty percent. This reduction will allow the Sunset Commission and the Legislature to observe the reductions' impact on the propane industry.

The Alternative Fuels Research and Education (AFRED) program provides research, marketing, public education, and training services to the retail liquefied petroleum gas (LP-gas; propane) industry, propane consumers, and the general public.

Research: The program's research function helps develop, demonstrate, and commercialize new propane technologies. These technologies generate new business for propane marketers and provide cost savings and environmental benefits to propane consumers and the general public. Two examples of technologies the RRC helped develop are a propane-fueled implement that poultry producers in east Texas use to sterilize the floors of their broiler houses between flocks, and an ultra-low-emissions propane-powered school bus that Blue Bird Corporation developed under an $860,000 Propane Education and Research Council grant. Texas school districts bought 744 OEM (original equipment manufacturer) propane school buses since 2008, the first year they were commercially available.

Marketing and Public Education: Fifty percent of delivery-fee revenue each year is dedicated by statute to consumer rebates, making it the program's largest ongoing marketing program. Since 1994 the division has paid more than 69,000 rebates to buyers of propane water heaters and other appliances.

Since 2005, under three interagency contracts with TCEQ, the RRC was awarded $40 million of Texas Emissions Reduction Plan grants to operators who replaced their old forklifts, school buses, and medium-duty trucks with new low-emissions propane

equipment. As of June 2011, the Commission had awarded $35.6 million from these grants and reduced smog-forming NOx nitrogen oxides by 4,495 tons at an average cost person of $7,928. The division also worked with the department of Housing and Community Affairs since 1996 to help direct $19.8 million of federal energy assistance funding to 71,000 low-income Texas households that heat with propane. In addition, the division's marketing and public education section operates an educational program for homebuilders, organizes seminars on propane school buses and other vehicles for fleet operators, publishes duty-to-warn materials for propane marketers and propane-safety materials for consumers, exhibits at trade and environmental shows, issues monthly propane-safety news releases, and maintains an online directory of propane outlets, plumbers and builders for use by the general public.

Training: The RRC's LP-gas training program includes classes for both company managers and their employees who handle propane on the job. AFRED's instructors train about 3,000 LPG managers and technicians each year on safety and regulatory compliance related to servicing and installing residential and commercial systems and appliances, operating propane dispensers and delivery trucks, and installing and maintaining automotive systems. In addition, since March 2005 and in cooperation with LPG licensees, the division has trained more than 3,900 volunteer firefighters and emergency responders from 550 departments statewide on the proper management of propane emergencies.

Training is part of the RRC's LP-gas certification function. To be certified to manage a full-service retail or wholesale propane company, applicants are required by law to complete an 80-hour course of instruction and pass a comprehensive management-level qualifying examination covering all applicable LP-gas activities. A 16-hour course and a management-level examination are required of applicants seeking certification to manage a company that performs a more limited range of LP-gas activities, e.g., operating a propane service station or cylinder-filling facility, and an 8-hour course is required for most technicians in the first year after they pass their qualifying examination. Both managers and technicians are required to complete eight hours of continuing education every four years to maintain their LP-gas certification.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Alternative Fuels Research and Education program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Annual Percent Change in the Level of AFRED Fee Revenue	0%	7.5%	N/A
Output	Number of Rebate and Incentive Applications Handled	3,351	2,473	73.8%
Output	# Training Hours Provided to Texas LP-Gas Licensees and Certificate Holders	2,350	2,640	112.33%
Efficiency	Administrative Costs as a Percent of AFRED Account Fee Revenue	18.60%	16.10%	86.56%
Explanatory	Number of alternative-fuel vehicles in Texas	107,898	86,294	79.98%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Propane is traditionally viewed as a rural fuel. It is widely used in mobile homes, recreational vehicles, farmhouses, and custom homes built away from natural gas lines. Its principal competitor in residential and commercial markets is electricity. Propane has also been used for more than 70 years as an engine fuel for fleet vehicles, equipment operating in enclosed spaces, such as industrial forklift trucks, and farm vehicles. Its principal competitors in these markets are diesel fuel and gasoline for fleet and farm vehicles and electricity for forklifts.

Texas produces and consumes more propane than any other state, but its market is unique. Ninety-three percent of the propane produced in Texas is used in unodorized form as a feed stock for petrochemical manufacturing. Chemical plants use propane as a raw material when doing so is less expensive than using alternative hydrocarbon feed stocks like ethane, butane or naphtha. Only 7 percent of the state's propane is odorized—for ease of leak detection, like natural gas—and used as a fuel for residences (54 percent) and commercial property (20 percent), industrial purposes (7 percent), motor vehicles (11 percent), and agriculture (7 percent).

The program began in 1991 as the first propane research and education program in the nation. At that time the RRC's work on developing new technology—work that benefited the industry nationally—was funded entirely from Texas "checkoff" funds. Since the national Propane Council began regular operations in January 1998, the vast majority of the RRC's research and development work has been funded more equitably by grants from the Council and other national sources.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

AFRED's direct customers are the owners and managers of the state's 436 full-service retail propane licensees and 14,000 total industry employees. Indirectly, the division serves a much larger number of end users, including approximately 53,600 propane forklift operators, 6,800 propane vehicle drivers, 311,000 propane households, and 4 million users of propane grills and other outdoor appliances.

Eligibility for the RRC's consumer rebate program is open to any Texas resident who complies fully with the program rules set out in 16 TAC §§15.101 et seq.

Eligibility for Texas Emissions Reduction Plan grants is open to any Texas operator of eligible equipment who complies fully with the terms and conditions of the RRC's master grant contract with the Texas Commission on Environmental Quality, which include location of the equipment in a TERP-eligible county, and with the applicable rules for RRC rebates set out in 16 TAC §§15.101 et seq.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Division programs are administered through a central administrative office and two operating sections: Research and Technical Services, and Marketing and Public Education.

The central administrative office includes the division director and office manager. The Research and Technical Services section is headed by an engineer and includes the training staff. The Marketing and Public Education section is headed by an energy economist and includes rebate and grant program staff, a graphic designer, and regional marketing coordinators based outside of Austin. The consumer rebate program manager based in Austin also serves as the regional marketing coordinator for five central Texas counties.

AFRED develops an annual work plan each summer in consultation with propane marketers in each region of the state and with the 17-member Propane Alternative Fuels Advisory

Committee. The RRC retains sole executive and administrative authority over budgets, programs, personnel, and all other operations of the division.

The division's field staff develop regional work plans in coordination with propane marketers in their regions to set priorities, goals, and objectives for the upcoming year.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Alternative Fuels and Research	General Revenue	$489,111
	Alternative Fuels Research and Education—GR Dedicated	$1,746,578
	Federal	$38,984
	Federal—ARRA	$374,768
	Appropriated Receipts	$824,687
	Interagency Contracts	$3,193,491

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The RRC's alternative fuels program is not duplicated elsewhere in state government. Programs whose functions are similar to some degree include:

General Land Office Alternative Fuels Program: The General Land Office operates an alternative fuels program focused on natural gas vehicles and renewable energy resources. The GLO program does not overlap significantly with the RRC's program based on the type of alternative fuel each program addresses and promotes.

State Energy Conservation Office (SECO): SECO operates an alternative fuels program paid for by Petroleum Violation Escrow (oil overcharge) funds and U.S. Department of Energy grants, including American Recovery and Reinvestment Act funds. SECO has granted funds to the RRC to train mechanics that work on alternative-fueled vehicles, to purchase and convert school buses and other vehicles, to develop energy-education materials that include alternative fuels, and to increase public awareness of alternative fuels.

Propane Education and Research Council (PERC): PERC is a national counterpart propane checkoff organization created by Congress in 1996 and modeled on the RRC's

AFRED program. Currently funded by industry assessments of about $40 million a year, PERC offers numerous partnership opportunities in research and development, training, and safety matters. Since September 2009, PERC has been restricted by federal law from engaging in marketing or advertising activities. RRC staff communicates regularly with PERC executives, staff, and board members. The RRC has administered several PERC research and training grants. AFRED's director, research director, and marketing director are longtime members of PERC's advisory committees for research and development, agriculture, and engine fuel, respectively. As the biggest and most experienced state propane checkoff program in the U.S., AFRED represents a key resource to PERC and has participated in PERC planning activities since that organization began operations in 1998.

Texas Propane Gas Association (TPGA): TPGA is the propane marketers' trade association, whose primary function is to advocate for the industry before governmental bodies. As such, and since not all propane companies are association members, TPGA is not well suited to operate research and development, marketing and public-education programs on behalf of the entire industry, or to deliver such services to consumers statewide. The association's desire for an appropriately funded organization to develop and run such programs led to the establishment of AFRED by the Legislature in 1991.

Propane Council of Texas (PROCOT): PROCOT, known until June 2009 as the Texas Propane Educational and Marketing Foundation, is a nonprofit foundation set up by TPGA in 1998 for the limited purpose of receiving and administering the 20 percent of national checkoff fee collections from each state that PERC rebates back to an organization in that state. PERC rebates to Texas total $335,270 in 2011 and are expected to decline to $274,908 in 2012. Since September 2009 PROCOT, like PERC, has been restricted by federal law from engaging in marketing and advertising activities.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

AFRED coordinates with its partner entities to ensure that activities are not duplicated. The RRC has interagency contracts with the Texas Commission on Environmental Quality and the State Energy Conservation Office that complement but do not duplicate work performed by the grantor agencies. Such work is performed under the terms and conditions of the contracts.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The RRC's alternative fuels program provides school districts and local governments

with grant funds and information about propane vehicles, incentives, and regulatory requirements. Typically the RRC will conduct seminars for appropriate interested parties and fleet managers, as well as train mechanics, refuelers, operators of propane vehicles, and area emergency responders.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The AFRED program expended $182,376 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Not applicable for the Alternative Fuels Research and Education program.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Not applicable for the Alternative Fuels Research and Education program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable for the Alternative Fuels Research and Education program.

4. PIPELINE AND LPG/CNG/LNG SAFETY

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Pipeline and LPG/CNG/LNG Safety
Location/Division	Austin and Regional Offices/Safety Division
Contact Name	Polly McDonald and James Osterhaus
Actual Expenditures, FY 2010	$6,087,118
Number of FTEs as of August 31, 2010	92.0

B. What is the objective of this program or function? Describe the major activities performed under this program.

The RRC's Pipeline and LPG/CNG/LNG Safety program is responsible for slightly over 169,000 miles of intrastate pipelines. The program conducts inspections using a risk based prioritization schedule to more frequently address those systems with the greatest problem or affecting the greatest population.

There are 26 inspectors throughout the state to conduct pipeline safety inspections. With the increasing size of the pipeline infrastructure and its increasing age, the RRC has begun to focus on the integrity of the pipeline system. The RRC began with the liquids and natural gas transmission systems. The RRC is working towards the same goal for the distribution industry by requiring a time schedule for leak repair, as well as new regulations for leak survey, leak grading, and leak repairs. Further, the Commission's rule on distribution facilities replacements augments the distribution intergrity management program by requiring replacement of the riskiest distribution piping or other facilities. Further, the pipeline permitting process allows the RRC and other regulatory agencies to know the location of all pipelines throughout the state. This information is required to identify pipelines for inspection and for emergency response functions.

The RRC's Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG) function also utilizes a risk based prioritization format to schedule the frequency installations and equipment are inspected. There are ten LPG/CNG/LNG inspectors conducting safety evaluations throughout the state's 254 counties, with more than 62,000 LPG/CNG/LNG facilities or equipment listed for inspection. Each year the function completes more than 12,500 inspections. Inspections include schools, nursing homes, child care centers, public, commercial and industrial sites, bulk storage and dispensing facilities, cargo tank motor vehicles, school buses, mass transit, and special transit vehicles. In the last fiscal year an average of one violation was cited per inspection, and the inspection process identified more than 12,600 safety violations. In addition to safety evaluations, an average of more than 40 safety related complaints are investigated

and resolved each year. In the last two fiscal years the program conducted an average of 30 accident investigations to determine the cause, origin and circumstances of incidents involving LPG/CNG/LNG.

The leading cause of damage to underground pipeline facilities in Texas is excavation related activity. In the first year of its authority, the RRC received over 18,600 reports of damages in its online reporting system. In FY 2009, the RRC received 16,209 reports of excavation damage to piplines, and in FY 2010 received 14,528 reports. The RRC's enforcement function continues to help reduce the number of incidents caused by excavation activities by raising awareness of the one call system laws and by providing an enforcement mechanism to help prevent repeat offenses by both pipeline operators and excavators.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Pipeline and LPG/CNG/LNG Safety program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Average Number of LPG/CNG/LNG Safety Violations identified per Inspection Unit	0.70	1.33	190.00%
Outcome	Average number of Pipeline Safety Violations per equivalent mile of pipe identified through Inspections	3.5	1.48%	42.29%
Output	Number Pipeline and LP Gas Accident Investigations and Special Investigations	400	284	71.0%
Output	Number of LPG/CNG/LNG Safety Violations Identified through Inspections	8,000	12,201	152.51%

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Output	Number of LPG/ CNG/LNG Safety Inspections Performed	13,500	16,323	120.91%
Output	Number of Pipeline and LP Gas Education Programs Administered	40	59	147.5%
Output	Number of Pipeline Safety Inspections Performed	2,500	2.479	99.16%
Output	Number of Pipeline Safety Violations Identified through Inspections	3,100	2,934	94.65%
Output	Number of Third Party Damage Enforcement Cases Completed	5,000	3,800	76.00%
Efficiency	Average Number of LPG/CNG/LNG Safety Inspections Per Inspector	1,255	1.476	120.49%
Efficiency	Average Number of Pipeline Field Inspections Per Field Inspector	110	121.90	110.82%
Explanatory	Number of Calls to "One-Call" Centers	1,500,000	1,665,221	111.01%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Dates of major importance to the Pipeline and LPG/CNG/LNG Safety program are included in the general history of the agency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The pipeline safety function affects all natural gas distribution operators, both municipally owned and investor owned, LPG distribution system, all natural gas gathering and transmission facilities, all crude oil and products transmission lines, non rural crude oil gathering facilities, carbon dioxide pipelines, and master meter pipelines. There are 120

distribution operators, with 83 owned and operated by municipal governments, including the City of San Antonio and the City of Corpus Christi.

The LPG/CNG/LNG function affects individuals storing, transporting, dispensing, and using LPG/CNG/LNG for cooking, heating, motor fuel, and commercial or industrial applications. Individuals working in the LPG/CNG/LNG industries must be trained and certified for the work they are performing. Companies engaged in LPG/CNG/LNG businesses are required to be licensed, have insurance coverage applicable to the activities they conduct, and utilize only trained, certified personnel. In the last two fiscal years, an average of 17,017 persons engaged in regulated activities that required registration or certification with the RRC. Further, the RRC regulated an average of 4,300 business entities in the last two fiscal years. This function affects individuals working directly in the LPG/CNG/LNG industries, as well as the general public. Preventing a fire or an explosion through an organized and effective inspection and enforcement program reduces the risk of injury and property loss not only for those individuals who work in the industry, but the general public as well.

The damage prevention function affects every pipeline operator by enforcing the damage prevention regulations on any entity that may be excavating in the vicinity of a pipeline to include homeowners, other underground facility operators, excavators, contractors others engaging in excavation related activities. This program affects individuals throughout the state.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Pipeline Safety function of the Pipeline and LPG/CNG/LNG Safety operates from Austin headquarters and six regional offices, strategically located throughout the state to provide coverage for the number of systems located within the regional areas as well as provide a relatively short response time for any pipeline emergency. Work is primarily assigned from the Austin office. Field personnel conduct inspections as identified through the RRC's risk based inspection program. Documentation from each inspection is tracked in an oracle database allowing the opportunity to identify trends.

The LPG/CNG/LNG function reviews plans and maintains records of LPG/CNG/LNG installations and equipment, performs inspections of stationary sites and mobile equipment to verify compliance with applicable statutes and safety regulations, investigates complaints involving safety rule violations, and determines the cause, origin and circumstances of accidents involving LPG/CNG/LNG. Ten inspectors are located strategically throughout the state to provide statewide coverage for the program's risk based management schedule of inspections. Installations involving transfer of product pose the greatest threat of an accident and are inspected more frequently than those that do not involve product transfer.

The pipeline excavation damage prevention function pursues enforcement actions for violations of the damage prevention rules and regulations.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Pipeline and LPG/CNG/ LNG Safety	General Revenue	$4,201,391
	Federal	$1,885,721

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The pipeline safety function is unique to the RRC. The federal Office of Pipeline Safety conducts similar services or functions for interstate pipelines. The RRC's rules for intrastate pipelines incorporate all of the federal rules for interstate pipelines, in addition to more stringent regulations adopted by the RRC for intrastate pipelines.

County and municipal fire marshals may conduct inspections of the same type of LPG stationary installations inspected by the RRC, but the safety rules used by the local official may conflict with the safety rules adopted by the RRC, or be interpreted differently than the RRC interprets the rules. The conflict between safety requirements can create confusion for stakeholders and the general public.

The Texas One Call Board receives complaints regarding violations of the state's damage prevention law as does the RRC, however, the One Call Board, is not, at this time processing enforcement actions. The RRC has enforcement authority, but it is limited to only pipelines.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The RRC's Pipeline and LPG/CNG/LNG Safety functions coordinate in the limited areas where other agencies may also perform similar activities. The program registers plumbers and heating and air-conditioning contractors to perform LPG related work without requiring them to obtain a license, additional training, or exam certification.

The RRC attends One Call Board meetings to stay informed of its activities and to provide any information the One Call Board would like to know about the program's pipeline safety damage prevention initiatives and pipeline excavation damage enforcement efforts.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The RRC is as a certified agent of the federal program and works as a partner with the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA). The RRC's grant program depends on annual program reviews and certifications. The program works closely with PHMSA to meet the state guidelines for participation in the federal program.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Pipeline and LPG/CNG/LNG Safety program expended $96,956 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Structural policy changes related to this program are discussed in Section IX., Policy Changes.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Pipeline and LPG/CNG/LNG Safety programs do not have any additional information to

provide at this time.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

All pipelines that leave an oil or gas production site are required to have an operating permit from the RRC. These permits are used to identify all of the pipelines located within the state and in the offshore boundaries of Texas. The permits are used to identify potential safety regulated facilities and record the system into the inventory for future inspections.

Individuals that work with LP-gas, compressed natural gas, or liquefied natural gas are required by statute to be certified by the RRC, as these are hazardous materials that must be handled properly to protect public health and safety. To maintain certification, individuals must comply with all applicable examination, renewal and training requirements. LPG, CNG and LNG certifications expire annually. Individuals that fail to comply with all applicable requirements are identified by a report from the RRC's certification database and sent a cease operations letter advising them that their certification has expired and they must immediately cease to perform LPG, CNG or LNG activities. A list of noncompliant individuals is forwarded for use by field inspectors.

Companies that perform LP-gas, compressed natural gas or liquefied natural gas activities are required by statute to be licensed by the RRC, as these are hazardous materials that must be handled properly to protect public health and safety. To maintain their licenses, companies must comply with all applicable requirements, including those for insurance, certification of company representatives, and truck registration. LPG, CNG and LNG licenses expire annually. Companies that fail to comply with all applicable requirements are identified by a report from the RRC's licensing database and sent a cease operations letter advising them that their license has expired and they must immediately cease to perform LPG, CNG or LNG activities. A list of noncompliant companies is forwarded for use by field inspectors.

Individuals licensed as a master or journeyman plumber by the Texas State Board of Plumbing Examiners or who hold a Class A or B Air Conditioning and Refrigeration

Contractors License issued by the Texas Department of Licensing and Regulation may register with the RRC and be granted an exemption from the Category D LP-gas licensing and examination requirements. Individuals with valid registrations may perform LP-gas activities in compliance with the RRC's LP-Gas Safety Rules. Registration is needed because LPG is a hazardous material that must be handled properly to protect public health and safety.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Railroad Commission of Texas – Pipeline Safety
Exhibit 12: Information on Complaints Against Regulated Persons or Entities
Fiscal Years 2009 and 2010

	FY 2009	FY 2010
Total number of regulated persons	N/A	N/A
Total number of regulated entities	1,516	1,488
Total number of entities inspected	559	733
Total number of complaints received from the public	41	66
Total number of complaints initiated by the agency	6	7
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	22	23
Number of jurisdictional complaints found to be without merit	0	0
Number of complaints resolved	47	73
Average number of days for complaint resolution		
Complaints resulting in disciplinary action:	N/A	N/A
• Administrative penalty	0	0
• Reprimand	0	0
• Probation	0	0
• Suspension	0	0
• Other	0	0

Railroad Commission of Texas – LPG/CNG/LNG Safety Exhibit 12: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2009 - 2010		
	FY 2009	**FY 2010**
Total number of regulated persons	15,575	16,875
Total number of regulated entities	4,230	4,260
Total number of entities inspected	16,059	16,225
Total number of complaints received from the public	42	37
Total number of complaints initiated by the agency	0	0
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	0	1
Number of jurisdictional complaints found to be without merit	0	0
Number of complaints resolved	42	37
Average number of days for complaint resolution	7	7
Complaints resulting in disciplinary action:	N/A	N/A
• Administrative penalty	5	3
• Reprimand	2	3
• Probation	0	0
• Suspension	0	0
• Revocation	0	0
• Other (Unlicensed/Unauthorized Activity)	7	16

5. MONITORING AND INSPECTIONS

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Monitoring and Inspections
Location/Division	Austin and Regional Offices/Oil and Gas Division
Contact Name	Gil Bujano and Ramon Fernandez
Actual Expenditures, FY 2010	$13,152,794
Number of FTEs as of August 31, 2010	219.4

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Monitoring and Inspections program assures that Texas fossil fuel energy production, storage, and delivery is conducted to minimize harmful effects on the state's environment and to preserve natural resources, and to protect correlative rights. The RRC administers its environmental and safety regulations for oil and gas through field operations and technical permitting functions. The technical permitting function administers the RRC's permitting programs for management of wastes and protection of the public from surface storage or disposal, disposal and enhanced recovery wells, underground hydrocarbon storage and brine mining. This function also coordinates with other state and federal agencies on environmental and safety matters. The field operations function coordinates the activities of nine district offices in inspecting oil and gas operations and enforcing the RRC's environmental and safety rules.

The Monitoring and Inspections program seeks to prevent pollution that might result from activities associated with exploration, development, and production of oil, gas, or geothermal resources of the state and to prevent operations dangerous to life or property. The program seeks to prevent degradation of land and water resources from activities under its jurisdiction by using its available resources as efficiently as possible to develop effective regulatory and enforcement programs to oversee and control those activities that present the most risk to the environment and human health.

The RRC's Monitoring and Inspection program includes drilling, operation, and plugging of wells; separation and treatment of produced fluids in the field or at natural gas processing plants; storage of crude oil before it enters the refinery; underground storage of hydrocarbons in salt caverns or natural gas depleted reservoirs; transportation of crude oil or natural gas by pipeline; drilling, operation and plugging of brine wells: and storage, hauling, reclamation, or disposal of wastes generated by these activities.

The RRC adopted comprehensive regulations that have been greatly strengthened in recent years that are constantly updated to address emerging environmental issues of concern. Permitting, monitoring, and remediation supplement these regulations. Enforcement programs include inspections, auditing of reports and records, violation notices, pipeline severances, sealing of wells, penalty action, and, in certain limited circumstances, pursuit of criminal action.

The program administers the Underground Injection Control (UIC) program delegated to the agency by the EPA under the federal Safe Drinking Water Act (SDWA) for Class II wells associated with oil and gas activity and Class III brine mining wells. In addition to delegated programs, the Monitoring and Inspection program has environmental and safety functions to regulate drilling, completing, operating, and plugging of oil and gas wells, handling, storage, transportation, and disposal of nonhazardous oil and gas wastes and oil field fluids, transportation of oil and gas waste that contains naturally occurring radioactive material (NORM), cleanup of spills, and protection of the public from hydrogen sulfide.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Monitoring and Inspections program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Percentage of Oil and Gas Facility Inspections that Identify Environmental Violations	18%	15.6%	86.67%
Output	Number of Oil and Gas Environmental Permit Applications and Reports Processed	96,500	107,035	110.92%

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Output	Number of Oil and Gas Facility Inspections Performed	108,00	121,123	112.15%
Output	Number of Enforcement Referrals for Legal Action due to Oil and Gas Rule Violations	500	447	89.4%
Efficiency	Average Number of Oil and Gas Facility Inspections Performed by District Office Staff	900	904	100.44%
Explanatory	Number of Oil/ Gas Wells and Other Related Facilities Subject to Regulation	389,274	407,987	104.81%
Explanatory	Number of Statewide Rule Violations Documented	81,000	71,646	88.45%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The expansion of oilfield activities into urban areas has underscored new safety concerns. In particular, the development of the vast Barnett Shale gas resource in the metropolitan Fort Worth area poses a new safety challenge for the RRC. This development presents a unique opportunity to assure that this important natural resource is adequately developed while maintaining the safety and quality of life for the residents in the developing areas. The RRC has assumed a proactive role in addressing community concerns throughout the Barnett Shale region, including opening an office and adding inspectors in the region, as well as attending numerous meetings with local government officials. The Eagleford Shale in south Texas has qualities similar to the Barnett Shale. As development of the trend expands, the Commission is directing additional resources to this area of the state.

As new areas of oil and gas production are developed, conflict between surface owners

and mineral owners arises. Many surface owners do not also own the mineral rights and disagreements can develop over this issue. It was not until September 1, 2007, that Texas required operators to notify a surface owner after the RRC issues a permit to drill a new well, or re-enter a plugged well (House Bill 630, 80th Texas Legislature, RS, 2007). In addition, state law currently provides that operators can use as much of the surface area as is reasonably necessary to extract the minerals underlying the surface. Texas courts have defined what is reasonably necessary to extract the minerals.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Monitoring and Inspections program serves the general public, local governments, and local school districts, other state agencies, federal agencies, royalty owners, and the oil and gas industry through effective regulation and protection of the state's natural resources. The program makes available production, completion, and permitting data on the RRC's website, by telephone, or in hard copy. More than one million royalty owners rely on RRC regulations to protect their interests.

The program works with the General Land Office, Comptroller of Public Accounts, University of Texas Land Office, Texas Commission on Environmental Quality, Texas Parks and Wildlife, Office of the Attorney General, Public Utility Commission, Secretary of State, and State Securities Board to provide information and services that they may require to fulfill their missions.

The Environmental Protection Agency, Department of Energy, Department of the Interior, Federal Energy Regulatory Commission, and Department of Commerce rely on the information provided by the Monitoring and Inspections program.

Most information provided to the RRC through its regulatory program is public record and related information services are available to the public at large. There are no eligibility requirements for requesting RRC services in enforcing compliance with regulations. Any company performing oil and gas related activities under the RRC's jurisdiction is required to be registered with the RRC and to file appropriate financial assurance. The RRC's regulatory program serves as a model for other states as well as other nations, with industry members ranging from national oil companies to state governments looking to the RRC as they establish their regulatory policies.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Monitoring and Inspection program prevents pollution that might result from activities associated with exploration, development, and production of oil, gas, or geothermal resources in the state and to prevent operations dangerous to life or property. Exploration and production activities include drilling, production, and plugging of wells, fluid injection for enhanced recovery of oil and gas, separation and treatment of produced fluids in the field or at natural gas processing plants, storage of crude oil before it enters the refinery, underground storage of hydrocarbons in salt caverns or natural gas depleted reservoirs, transportation of crude oil or natural gas by pipeline, drilling, operation and plugging of brine wells, and storage, hauling, reclamation, or disposal of wastes generated by these activities, including disposal by underground injection and plugging of orphaned wells and remediation of abandoned sites.

Many activities carried out in the oil and gas industry regulated by the RRC require prior approval to ensure stated standards are met. These standards are policy set by the Texas Legislature as statute and the RRC as statewide and field rules and guidelines. In some cases, the statutes may contain some detail as to how pollution abatement and prevention is to be carried out; however, in most cases, the state has allowed the RRC to define more explicitly how pollution prevention is to be carried out, what standards are to be adhered to and what guiding policies are to be followed.

The technical permitting function administers that portion of federal UIC program relating to injection/disposal wells used for disposal of oil and gas wastes and enhanced recovery of oil and gas under Rules 9 and 46. The EPA delegated enforcement authority to the RRC in 1982. Technical Permitting processes approximately 2,780 injection well permit applications per year and monitors status and operation of approximately 53,000 permitted injection wells.

Technical permitting also permits and monitors underground hydrocarbon storage and the operations of brine mining facilities (Class III injection wells). The U. S. EPA granted the RRC enforcement authority for these wells in 2004. This function monitors operations of 55 hydrocarbon storage facilities with about 460 active wells, 14 natural gas storage reservoirs, and 76 sites with 113 active brine mining wells.

The technical permitting function also issues permits for surface waste management of oil and gas waste and oil and gas waste hauling. Surface waste permits include surface impoundments, landfarms and discharges. Oil and gas waste haulers also are permitted for the commercial recycling of oil and gas waste and management of oil and gas naturally occurring radioactive material (NORM). This function processes approximately 2,800 permit applications each year and monitors the status and operation of about 4,400 permitted pits, 72 landfarms, 188 active, permitted discharges, and 33 permitted commercial disposal facilities. While the majority of oilfield waste is classified as exempt, this function further oversees permitting associated with hazardous oil and gas wastes that

are not exempt from the federal hazardous waste regulations and that are specifically listed as hazardous by EPA or exhibit hazardous waste characteristics of ignitability, corrosivity, reactivity, and toxicity.

The field operations section of the program responds to pollution complaints and conducts inspections and witnesses tests to evaluate compliance with RRC rules and permit requirements. The field operations function also play a substantial role in sour gas pipeline permitting activities in coordination with the safety function.

The field operations function ensures that all oil and gas exploration and production activities are performed in accordance with the RRC's rules and regulations, particularly those related to protection of the environment and the general public. Nine district offices strategically located in the major oil and gas producing areas across the State manage compliance activities. In Texas there are 228 counties with oil or gas production, totaling 236,880 square miles.

The field operations function oversees approximately 388,000 wells and all related facilities used in the production of oil and gas to ensure compliance with RRC rules and regulations. Related facilities include active drilling rigs, oil and gas leases, storage and processing facilities, pipeline gathering and transmission systems, and gas plants. This function also witnesses well casing and cementing jobs, completions, well pluggings, well testing, and other activities on oil and gas properties. Additionally, they investigate complaints and pollution incidents, blowouts, fires, oil spills, ensure compliance with hydrogen sulfide safety requirements, and provide information to the regulated industry and the general public. Staff in Austin oversee the operations of the nine District offices, develop policy and rules, collect and disseminate information from the District offices.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Monitoring and Inspections	General Revenue	$11,977,123
	Oil Field Cleanup Fund—GR Dedicated	$984,208
	Federal	$159,990
	Appropriated Receipts	$31,473

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The RRC's programs for oil and gas activities are comprehensive as drilling, completion, and plugging requirements for oil and gas wells protect both water resources and oil and gas resources and are interconnected. Jurisdiction over surface water, groundwater, and waste management is split by statute among various agencies in Texas as detailed below.

	SURFACE WATER		**GROUND WATER**	**OTHER WASTE MANAGEMENT**	
EPA	Clean Water Act	Spill Prevention Control and Countermeasures Non-delegable	Safe Drinking Water Act	Resource Conservation and Recovery Act	
				Hazardous waste (Subtitle C)	Non-hazardous waste (Subtitle D)
TCEQ	Federally delegated discharge permitting program (only one discharge permit required from TCEQ)	N/A	Federally delegated Underground Injection Control (UIC) program for hazardous and non-hazardous wastes	Federally delegated hazardous waste program	Federally delegated industrial and municipal waste program
RAILROAD COMMISSION	Discharge permitting program (Rule 8), but not federally delegated (discharge permits required from both EPA and Commission).	N/A	Federally delegated UIC program for oil and gas wastes and brine mining.	Hazardous oil and gas waste program (Rule 98) but not yet federally delegated. Most oil and gas wastes are exempt from Subtitle C.	EPA has not developed Subtitle D regulations for oil and gas wastes.

The RRC is responsible for regulating and preventing any discharge to surface water associated with or resulting from oil and gas activities. The TCEQ was recently authorized by EPA to administer this program for discharges under its jurisdiction. The RRC does not have a federally delegated program and shares this regulatory responsibility with the U.S. EPA. The RRC has not continued to seek delegation of this program from EPA because

the EPA has prohibited most discharges associated with oil and gas activities and has adopted, or is considering adopting, general permits for the remainder of the discharges.

The RRC has jurisdiction over virtually all oil field waste, while the TCEQ has jurisdiction over all wastes other than oil and gas wastes, and advises the RRC on certain water quality matters (defines usable quality water for surface casing setting, testing non-producing wells, and setting plugs), sets surface water quality standards for the state, has jurisdiction over disposal of non-oil and gas NORM waste, and regulates air emissions from all activities, including air emissions from oil-field activities.

Most oil field waste is exempt from Resource Conservation and Recovery Act Subtitle C (RCRA) regulations for hazardous waste. The Texas Legislature authorized the RRC to develop a hazardous waste program for oil and gas hazardous wastes and to seek primacy for this part of the state's hazardous waste program. TCEQ administers a hazardous waste program for non-oil and gas hazardous wastes under the federal RCRA regulations.

The RRC is the certifying agency for permits required under sections 401 and 404 of the federal Clean Water Act for projects associated with oil and gas exploration and production activities. The TCEQ is the certifying agency for all other sections 401 and 404 permits. Such certifications are primarily required for permits to fill a wetland or other waters of the United States issued by the Army Corps of Engineers.

The TCEQ regulates UIC wells that are not regulated by the RRC, such as Class I injection wells for hazardous wastes, industrial non-hazardous liquids, or municipal wastewater, Class III injection wells for fluids associated with solution mining of minerals, and most Class V injection wells for non-hazardous fluids that are typically shallow, on-site disposal systems. The RRC's UIC program covers Class II wells, which are the most prevalent type of UIC well in Texas, as well as nationally, as this type of well is for brines and other fluids associated with oil and gas production, and hydrocarbons for storage.

The TCEQ programs for management of municipal and industrial waste are somewhat similar to the RRC's waste management programs because they are both based on risk to human health and the environment. However, the RRC's programs for oil and gas activities are comprehensive and the most effective enforcement mechanisms available to the RRC (seals and severances) are directly tied to oil and gas production. The RRC has regulated all aspects of drilling, production, and pipeline transportation of both to conserve oil and gas resources and to protect public health and the environment since 1919. Drilling, completion, and plugging requirements for oil and gas wells protect both water resources and oil and gas resources and are intertwined. Plugging requirements, in particular, have a significant bearing on the ultimate recovery of oil and gas resources, because they determine whether an abandoned well may be reentered in the future. RRC permitting requirements for injection wells used in enhanced recovery operations protect water resources and conserve oil and gas resources. More than 80

percent of the injection wells regulated by the RRC are associated with enhanced recovery projects. These wells are frequently converted to and from producing wells.

In the Texas Commission on Environmental Quality's (TCEQ) Sunset legislation, the Texas Legislature transferred from the TCEQ to the RRC the surface casing program, including personnel and fees (HB 2694, Regular Session 2011). RRC now is responsible for surface casing letters for wells to be drilled or plugged and for the underground completion control program.

The Texas Department of Health has jurisdiction over the possession, use, transfer, and storage of naturally occurring radioactive material (NORM), including oil and gas NORM waste. The Commission has jurisdiction over disposal of oil and gas NORM waste and tagging of NORM-contaminated equipment.

The Texas General Land office has programs for oil spill response and cleanup that are similar to the RRC's program, but are limited to coastal waters as a part of the General Land Office's duty to manage state submerged land.

Consolidation of regulatory programs for oil and gas operations in the RRC promotes efficiency and effectiveness. The RRC has more than 135 field inspectors who are trained and experienced in oil and gas operations as well as environmental protection. They are located in nine district offices selected to provide optimum coverage of oil and gas activities in the state. Each RRC inspection serves multiple functions—the inspector checks for compliance with environmental protection requirements as well as requirements relating to prevention of waste of oil and gas resources, protection of correlative rights, and safety.

In addition to administrative penalties, the RRC has effective enforcement mechanisms tied to production, such as pipeline severances and "zeroed" allowables. These mechanisms allow the RRC to respond to violations quickly and effectively.

The RRC has sophisticated data systems and mapping systems that contain complete, up-to-date information on oil and gas operators and operations. These systems all contain information that relates to both oil and gas production activities and environmental protection activities.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The RRC partners with federal entities to secure grants funding for vital projects to

meet the needs of the public and industry. The RRC works closely with other state agencies to share information resources, coordinate jurisdiction, and uphold the goals of the state. The RRC also works with the TCEQ and the GLO to plug abandoned wells and reduce air pollution with funds that these agencies have available to protect surface and groundwater, as well as improve air quality. The RRC works with other state agencies as an active member of the Texas Groundwater Protection Committee and the Texas Coastal Coordination Council. The RRC also works with local municipalities and city governments to monitor and assure compliance with environmental protection standards, and to protect public health and safety.

An updated Memorandum of Understanding (MOU) between the RRC and the Texas Commission on Environmental Quality (TCEQ) was finalized and became effective on August 30, 2010. The RRC is working with TCEQ to update and amend this MOU.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The RRC works when appropriate with the TCEQ and other state agencies on oil and gas related environmental issues. RRC-regulated facilities are typically located in more remote and rural areas than are TCEQ-regulated facilities, which tend to be clustered in industrialized areas. When the RRC receives a complaint relating to a facility regulated by TCEQ, the RRC makes a referral to TCEQ or the citizen is directed to the appropriate TCEQ district office. TCEQ also refers complaints to the RRC when appropriate.

The Texas Coastal Management Program (TCMP) became effective on January 10, 1997. The purpose of the program is to effectively and efficiently manage Texas coastal resources and coordinate state and federal permitting. The rules of the program require review of and statement that action to be permitted will be consistent with TCMP, including water quality standards.

The RRC works with other state agencies through the Texas Groundwater Protection Committee (TGPC). The TGPC was created in 1989 by the state Legislature, which recognized the importance of groundwater. The TGPC is composed of the Texas Alliance of Groundwater Districts (TAGD) and nine state agencies: Texas Commission on Environmental Quality, Texas Water Development Board, Railroad Commission of Texas, Texas Department of Health, Texas Department of Agriculture, Texas State Soil and Water Conservation Board, Texas Alliance of Groundwater Districts, Texas Agricultural Experiment Station, Bureau of Economic Geology, Texas Department of Licensing and Regulation. These members represent the primary state agencies and groundwater districts entrusted by the Legislature with the conservation, protection—and where necessary—the remediation of groundwater.

Additionally, the RRC participates in conferences in Texas and the Interstate Oil and Gas

Compact Commission (IOGCC). Texas was a major participant in several IOGCC issues, including the state peer review process, the federal Toxics Release Inventory program, and NORM.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Oil and Gas Monitoring and Inspections program expended $79,274 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then are further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Structural policy changes related to this program are discussed in Section IX., Policy Changes.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Monitoring and Inspections program does not have any additional information to provide at this time.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

The RRC's environmental and safety regulatory programs are needed to prevent and abate pollution of surface and subsurface waters from oil and gas exploration and production activities and to protect the public from certain hazards associated with such operations. Field inspections, monitoring, and environmental permitting are critical to protecting the environmental and the health and safety of the people of the state of Texas. The field operations function is the primary enforcement entity for regulatory programs administered by the Monitoring and Inspections program.

District field offices ensure compliance with RRC rules by field inspections, witnessing of well completions, pluggings, testing., and investigating complaints, blowouts, fires, and oil spills. Field inspectors and district technical staff conduct lease inspections to check for compliance with RRC rules and permits. Field inspections typically occur without prior notice to operators. Approximately 121,123 lease inspections were conducted during FY 2010, of which many were necessary back checks and repeat inspections. In 2010 inspections resulted in the detection of 71,646 violations of RRC rules. To ensure proper plugging of wells, district office personnel witnessed 4,192 plugging operations in FY 2010. To ensure that the site for a proposed pit or land treatment facility is suitable, district office personnel also perform a pre-permit inspection.

Written reports designated as D-forms are filed on all inspections. Field inspectors complete the appropriate form in the field and the technical staff in the district office reviews the forms for violations. Operators are contacted verbally or in writing when violations are noted and back check inspections are scheduled to verify compliance. The information on the D-form is entered in a database that is used to track types of jobs and violations. When a violation of an environmental permit is discovered through review of reporting information, the RRC sends a violation notice to the operator directing compliance within a specified period. If compliance is not achieved in a timely manner, additional enforcement measures may be taken as discussed.

To increase efficiency most field inspectors work as outriders. An outrider is an inspector that works for a particular district office, but is stationed in an area or town other than the actual location of the district headquarters. This puts the field inspectors in areas of dense oil and gas activity and improves efficiency by reducing driving time to and from the district office location. All field inspectors are in daily contact with district technical and management staff for dispatching job assignments and discussion of field related issues. Inspection reports are turned in or mailed to the district office on a daily basis.

Field inspectors and district technical staff conduct lease inspections to check for compliance with RRC rules and permits. Field inspections are typically conducted without prior notice to operators. Staff limitations prevent inspection of all facilities on an annual basis so inspection efforts are directed toward known problem areas. District offices also conduct inspection sweeps of problem areas. These sweeps involve concentrating several inspectors in one area to inspect every lease or specific type of activity being conducted such as surface casing setting or well plugging in a short period of time.

The RRC enforces its regulations through various mechanisms, including notices of violation, pipeline severances, sealing wells, and penalty action. The RRC also has authority to pursue criminal action in limited circumstances. When a violation is noted, the RRC issues a notice of violation. The notice gives the operator a specific time period within which to correct the violation. If the operator fails to correct the violation within the time period, the RRC takes further enforcement action, such as issuing a pipeline severance or a seal order.

A severance or seal prevents an operator from producing oil and gas and from transporting oil or gas from a lease. Before issuing a severance or seal, the RRC notifies the operator by certified mail of the violation and the impending enforcement action. A minimum of 10 days notice is required. Thirty-day notices may be given for paperwork violations. During the specified period, the operator is given the opportunity to demonstrate or achieve compliance to avoid a severance or seal. Once a severance or seal is issued, the operator must correct the violation and pay a $300 fee before the severance or seal may be lifted.

The RRC has authority to assess administrative penalties of up to $10,000 per day for each violation relating to safety or the prevention or control of pollution and up to $1,000 per day for each violation not relating to safety or the prevention or control of pollution. The RRC also has authority to assess administrative penalties of up to $25,000 per day for each violation relating to intentionally damaging of underground gas storage facilities or disabling a safety device. In addition, the RRC has the authority to assess administrative penalties of up to $1,000 for each violation for knowingly filing false forms or tampering with guages. The RRC also has authority to assess administrative penalties of up to $10,000 for each violation relating to producing or transporting from severed leases and breaking RRC placed seals.

The RRC can also revoke, modify, or suspend any permit upon a demonstration that the permittee violated the terms and conditions of the permit, failed to pay an assessed penalty, or used false or misleading information or fraud to obtain the permit. Forfeiture of financial assurance instruments is also an option where expenditure of funds is required to remedy or prevent pollution.

The RRC may issue orders restraining operators from unauthorized activity. In addition, the RRC may seek court orders restraining such activities.

Citizens are viewed as extra eyes to help the RRC identify problems. The Commissioners and RRC employees encourage citizens to report problems to the RRC. Also, legislators and other state agencies are encouraged to refer citizen complaints to the RRC. Complaints may be made by phone, by letter, by contact in the field, by e-mail, or by a visit to a RRC district office or the Austin office. RRC district offices have staff available or on-call 24 hours per day to respond to emergencies.

The RRC's complaint policy requires a response to a complaint within 24 hours unless other arrangements are made with the complainant. Status update reports, the frequency of which varies with the seriousness of the problem, continue until the complaint is resolved. In some cases legal enforcement action is required and status reports are then provided as required for legal action. The complainant is provided copies of all reports.

All complaints are assigned a unique number and are entered into a database that tracks and stores the complaint information. The complaints are reviewed monthly for any delinquent reports and periodically a printout is run to ensure that none are overlooked. Once the complaint is considered resolved, the complainant is notified of the final resolution and made aware that compliance with RRC regulations has been achieved. The complainant is given an opportunity to provide feedback at this time.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Railroad Commission of Texas - Monitoring and Inspections Exhibit 12: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2009 and 2010		
	FY 2009	**FY 2010**
Total number of regulated persons (P-5)	7,596	7,618
Total number of regulated entities (same as above)		
Total number of inspections	128,270	121,123
Total number of complaints received from the public	681	699
Total number of complaints initiated by the agency	0	0
Number of complaints pending from prior years	245	303
Number of complaints found to be non-jurisdictional.	N/A	N/A
Number of jurisdictional complaints found to be without merit.	N/A	N/A
Number of complaints resolved	623	640
Average number of days for complaint resolution		
(days)	69	63
Complaints resulting in disciplinary action:		
• Administrative penalty	47	9
• Reprimand. Notice of violation sent.	534	563
• Probation	N/A	N/A
• Suspension	N/A	N/A
• Other	N/A	N/A

6. SURFACE MINING REGULATION

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Surface Mining Regulation
Location/Division	Austin and Regional Offices/Surface Mining and Reclamation Division
Contact Name	John Caudle
Actual Expenditures, FY 2010	$2,968,890
Number of FTEs as of August 31, 2010	46.5

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Surface Mining Regulation program prevents unreasonable degradation of land and water resources from unregulated mining operations, protects the rights of surface landowners from unregulated surface mining operations, assures that reclamation of all land on which surface mining takes place occurs as contemporaneously as practicable with the surface mining, while ensuring a balance among environmental protection, agricultural productivity, and the state's need for coal as an essential source of energy. This function regulates coal surface mining and uranium exploration in Texas. The Texas Commission on Environmental Quality regulates in-situ or solution uranium mining.

Permit application review: The Surface Mining Regulation program conducts a technical evaluation of each permit application to prepare a written technical analysis that describes the adequacy of the application in addressing the requirements of the regulations. This technical analysis includes an evaluation of administrative and baseline environmental information, the mine plan, and the plan for reclamation of the areas proposed mining or disturbed for mining. The review process for exploration notices includes an evaluation of the depth and quality of ground water within the notice or permit area to determine specific plugging and surface reclamation requirements. The permit review process assesses similar types of data whether a coal surface mining or uranium exploration permit is sought.

Bond requirements, evaluation and review: The program ensures that a permitted company provides a bond sufficient to complete reclamation of disturbances associated with a mining permit in the event of forfeiture through a detailed analysis and estimation of reclamation costs to determine an appropriate reclamation bond amount. Upon mining completion this function evaluates reclamation success through an on site inspection and a technical evaluation of environmental monitoring data for post-mine soil, vegetative cover and productivity, and surface and ground water quality and quantity. Based on a successful

evaluation of reclamation activities an entity will be released from its bond.

Permit compliance inspections and monitoring: The program conducts unannounced monthly inspections and monitors sites. Inspectors and technical staff perform tests to ensure compliance with the regulations, with civil penalties assessed for violations based on a point system.

Coal mining complaint investigations: The program investigates citizen complaints about mining operations, conducting all necessary sampling, testing, and evaluation of data to determine if a mining operation is in compliance with the regulations. Investigation results are documented in written reports to be completed within timeframes specified by regulations. The technical staff provides support and peer review.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Surface Mining Regulation program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Percent Current Surface Coal Mining Operations in Compliance	100%	100%	100.00%
Output	Number of Coal Mining Inspections Performed	450	434	93.64%
Output	Number of Coal Mining Permit Actions Processed	550	515	93.64%
Output	Percent of uranium exploration sites inspected monthly	100.0%	93.0%	93.0%
Efficiency	Average number of staff review days required to process administrative coal mining permitting actions	60	60	100.0%

Efficiency	Average number of staff review days required to process coal mining permitting actions that require Commission decision	60	112	53.57%
Efficiency	Average number of staff review days required to process uranium exploration permitting actions	60	23	260.87%
Explanatory	Number of Acres Permitted	287,000	296,035	103.15%

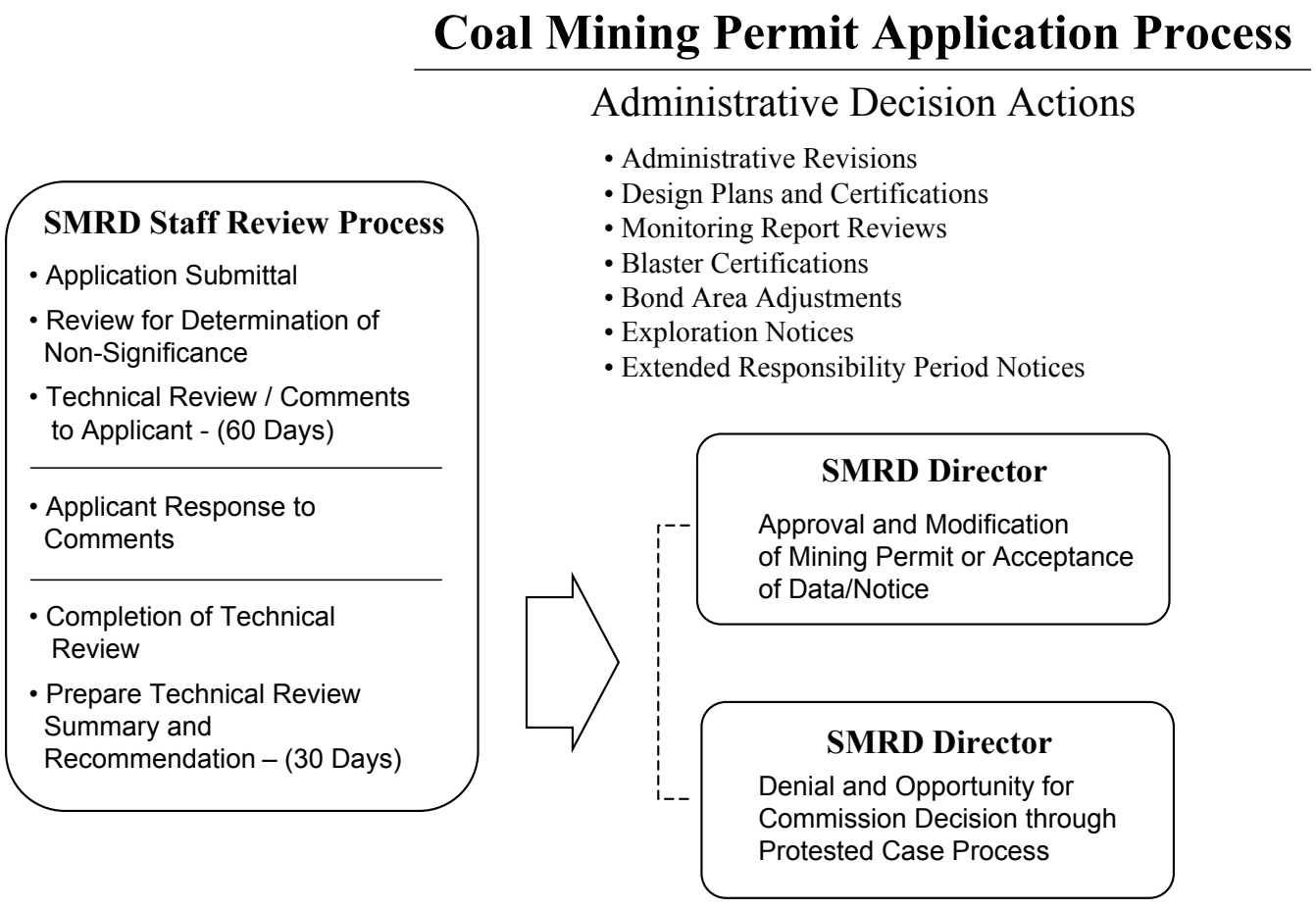
D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

More than 99 percent of the lignite mined is used as boiler fuel in the production of electricity. Since 2000 lignite production decreased from 47.5 million tons to a low of about 37 million tons in 2009. In 2010 lignite production was about 41 million tons due to two new lignite fueled power plants coming on line. Increases in lignite consumption will continue to be offset by the blending of western coal with lignite at some power plants in Texas. The continued long-term fuel commitment required for existing lignite fueled electric power generation facilities suggests that the lignite mining industry in Texas will remain relatively stable for the foreseeable future. New regulations on cross-state power plant air emissions will be the biggest challenge for continued growth in lignite production as a boiler fuel.

In 1980 the Surface Mining Regulation program administered 34 uranium surface mining permits issued to three major companies. Presently there are no permitted uranium surface mining areas in Texas, with the last remaining uranium surface mining permit granted full bond release in 2003. The required infrastructure for the production of uranium through surface mining includes large-scale ore treatment, milling, and waste disposal facilities, which have all been dismantled and reclaimed. A resurgence of the uranium production industry through surface mining techniques is not predicted in the near future. All current uranium production activities in Texas are confined to in-situ mining regulated by the Texas Commission on Environmental Quality. In 2005 a worldwide shortage of uranium resulted in a price increase. The 80th Texas Legislature Session, passed HB 3837, which provided the RRC the authority to assess fees for uranium exploration permitting. Since 2005, active uranium exploration permits have increased from one to 15 current permits.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Surface Mining Regulation program ensures the restoration of mined lands to their pre-mine productivity while minimizing the health and safety affects on people and the environment. Only entities that have provided the necessary information to obtain a permit are allowed to mine coal or explore for uranium in Texas. The permitting process ensures that the entity has operation and reclamation plans to mine the coal or explore for uranium and reclaim the land, which will result in the condition of the reclaimed land as good or better than it was before it was mined. If mining and reclamation is conducted according to the approved permit and regulations, there is no affect expected to anyone other than the permitted entity, who must operate in a regulated environment. Permitting and land reclamation activities ensure the prevention of soil erosion and the attendant adverse affects to surface and subsurface waters that can occur if mined lands are not properly reclaimed.



August 2009

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Surface Mining Regulation program is administered by technical and administrative personnel in the Austin office, supported by technical personnel in a field office located in Tyler and a technical person in Corpus Christi to inspect uranium exploration sites. The program includes an Application and Permits section and an Inspection and Enforcement section.

The Applications and Permits section consists of scientists and engineers that are responsible for the administrative and technical review of all coal exploration registrations and permits, and coal mining permit applications. This section reviews and makes technical findings, and recommendations on permit revisions to ensure compliance with regulatory performance requirements. This section reviews environmental monitoring data that is required by regulation or permit conditions. This section also reviews uranium exploration permit applications.

The technical staff reviews and evaluates each coal-mining permit and permit revision application for administrative and technical adequacy. A Technical Analysis (TA) document is provided to the Commission's Office of General Counsel. The TA summarizes the application and identifies whether it complies with regulatory requirements or describes deficiencies in the application. As part of the TA, technical staff includes a Cumulative Hydrologic Impact Analysis. This analysis identifies what surface and ground water impacts are expected from a mine or group of mines within a defined hydrologic area. The technical staff will also include in the TA an independent estimate of the cost to reclaim the mine to determine a minimum reclamation performance bond amount. This reclamation cost estimate is used to establish the amount of financial assurance (reclamation bond) required for issuance of a coal-mining permit. Technical staff meet with mining company representatives to discuss ongoing revisions to permitted operations. These meetings and consultations are crucial to provide mine operators with guidance regarding interpretation of reclamation performance standards and to describe documents and data needed to support revision applications.

The Inspection and Enforcement (I&E) section operates from Austin and Tyler offices. The section verifies environmental baseline data to ensure it was accurately submitted in a permit application. On-site compliance inspections of each mining and reclamation permit are required to occur on an irregular and unannounced schedule with a minimum frequency of one per month for each inspectable unit. Special site visits are also made at the request of the operator for consultation and observation of various activities involved in permit compliance. Regular inspections can take from one to three days; however, additional research or follow-up inspections may be required depending on the size of the

operation and whether problem areas are identified during the inspection. Coal exploration areas are inspected to ensure that borehole plugging is in compliance with the regulations and permit conditions and that reclamation of the land surface has been accomplished. Exploration operations can, and often do, involve more than one county and may be active for several years.

The inspection staff investigates complaints filed with the Division against mining operations promptly. Meetings are scheduled with the complainant and investigations are performed to determine if problems described by the complainant are mining related. If necessary, the inspection staff ensures that any corrective action is completed.

Inspection staff occasionally obtain ground water and surface water samples from within the permitted area. Selective soil handling operations, by random sampling in reclaimed areas, are also monitored to determine if acid or toxic-forming materials occur near the land surface. The water and soil-monitoring program validates the permitted entity's monitoring data and independently documents permit performance standards.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Surface Mining Regulation	General Revenue	$1,889,662
	Federal	$1,079,228

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Several state and federal entities have jurisdiction over activities that may occur during mining operations. In many instances compliance with the regulations of another entity is a condition of the RRC's surface mining permit.

The RRC has an established memorandum of understanding with the Texas Commission on Environmental Quality (TCEQ) giving the RRC the primary inspection and enforcement role for discharges to surface and subsurface waters from coal mining operations. Compliance with a TCEQ discharge permit is a condition of the surface mining permit. The RRC provides notice of mine permit applications to TCEQ so that they may review the application and comment as appropriate.

The RRC has a similar memorandum of understanding with the Texas Historical Commission (THC) with a primary inspection and enforcement role at mine sites to ensure the identification and mitigation of archaeological sites eligible for listing on the National Register of Historic Places. The THC acts as the expert for review of the cultural resource information in surface coal mining permit applications. The RRC provides notice of mine permit applications to THC so that they may review the application and comment, as appropriate.

Texas Parks and Wildlife (TPWD) and United States Fish and Wildlife Services (USFWS) have jurisdiction over activities that impact threatened or endangered species. Where mining operations may impact a protected species, the RRC confers with the appropriate agency regarding possible protection plan alternatives. Applicable requirements for species protection are included in mine permits. The TPWD has some authority in determining species composition and productivity standards for some post-mine land uses that may be included in a surface coal-mining permit. The RRC also provides notice of mine permit applications to these agencies so that they may review the application and comment, as appropriate.

The U.S Army Corps of Engineers (USACE) has jurisdiction over mine activities that affect wetlands and waters of the United States. The RRC requires that authorization from the USACE be obtained prior to conducting mine operations that would result in dredging or filling of a wetland. Mining permits include recommendations of the USACE for mitigation and replacement of wetlands disturbed by mining activities. The RRC also provides notice of mine permit applications to the USACE so that they may review the application and comment, as appropriate.

The State Conservationist of the Natural Resources Conservation Service (NRCS) establishes specifications for removal, storage, replacement, and reconstruction of all prime farmlands to be mined and reclaimed. Mine permit reclamation plans include individual specifications and recommendations. The RRC also provides notice of mine permit applications to the NRCS so that they may review the application and comment, as appropriate.

The RRC has jurisdiction over the hydrologic impacts of mining operations, including ground water withdrawals. Some underground water conservation districts have the ability to restrict withdrawals of groundwater, but withdrawals associated with mining operations are not subject to regulation by these local districts.

The Texas Commission on Environmental Quality (TCEQ) regulates the production of uranium through in-situ methods. The Texas Uranium Exploration, Surface Mining, and Reclamation Act, the RRC statutory authority, is confined to uranium exploration and surface mining of uranium, and specifically excludes in-situ mining methods. House

Bill 3837 (80th Legislative Session) mandates that the RRC notify groundwater conservation districts, located in areas of uranium exploration, of applications for uranium exploration activities within the district and ensure that the district is provided with any groundwater data collected by the permitted entity. Nine permits within five groundwater conservation districts have been subject to this requirement since passage of the legislation.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The RRC coordinates closely with other state and federal agencies that have authority over various activities that may occur at a mine site. Most of these agencies do not have the resources to independently inspect and monitor compliance with applicable requirements at mine sites. The RRC has a considerable presence at permitted mines sites. When a violation of RRC requirements that might also be a violation of rules administered by one of these agencies occurs the RRC notifies the agency of the violation and consults with the agency about RRC enforcement efforts. In most cases other agencies will defer to the RRC and not bring an independent enforcement action.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Surface Mining Regulation program works with various state, local, and federal units of government to ensure compliance with all applicable statutes and regulations. For environmental matters, the program works closely with the Texas Commission on Environmental Quality, the U.S. Army Corps of Engineers, and the Natural Resources Conservation Service, as well as local groundwater conservation districts. For matters related to endangered species, the program coordinates with the Texas Parks and Wildlife Department and the U.S. Fish and Wildlife Service. The program partners with the Texas Historical Commission and the National Register of Historic Places to ensure protection of potentially important archaeological sites.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Surface Mining Monitoring and Inspections program expended $15,452 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then are further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Surface Mining Regulation program.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Texas is the largest consumer of coal in the United States and is the sixth largest coal producing state. Unregulated strip mining prior to 1977 resulted in significant affects to water resources and the loss of productivity on previously mined land. The success of the coal mining regulatory program since 1977 in protecting surface and subsurface waters, and restoring land to a pre-mine productivity that is as good or better than before it was mined, demonstrates the benefits gained from this program. Currently the program administers 25 coal-mining permits, held by 10 companies and covering approximately 296,500 acres in 17 counties.

In fiscal year 2010 almost 1,530 uranium exploration boreholes were drilled and plugged. Each uranium exploration permit is reviewed to develop specific borehole plugging procedures based on the nature, location, and type of aquifer that is being penetrated to ensure that the state's ground water resources are protected. Permit conditions included

provisions to mark plugged boreholes so that follow-up inspections can be performed. Permits remain active, with boreholes and drill sites inspected until surface restoration is complete.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Surface mining regulation seeks to prevent adverse effects to the environment from surface coal mining or uranium exploration operations and to assure that the rights of surface landowners and other persons with a legal interest in the land or appurtenances to the land are protected.

RRC rules require an on-site inspection of every inspectable unit at least once a month. Each quarter the RRC conducts a comprehensive inspection of each mine including a records audit and evaluation of all aspects of permit compliance.

Authorized representatives of the RRC may issue cessation orders, notices-of-violation, or suspension or revocation of permits under specific conditions described in RRC regulations. The RRC may assess administrative or civil penalties for each notice-of-violation. RRC rules establish a point system for assessment of administrative penalties. Civil penalties may be assessed in an amount of up to $10,000 for each violation. The RRC may also seek permit revocation or suspension and injunctive relief. In addition, the RRC requires financial assurance to cover estimated costs of reclamation in the event of forfeiture by a permitted entity and may draw on those assurance instruments in the manner provided for under RRC regulations.

A citizen may request an inspection and will be informed of the results of the inspection within 10 days. RRC rules also provide citizens with an avenue to appeal the outcome of the complaint investigation.

An administrative penalty for uranium exploration can be assessed if, based on an inspection, the violation has resulted in environmental pollution of the air or water or poses a threat to public safety. The permitted entity must be provided opportunity for public hearing prior to penalty assessment.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Railroad Commission of Texas - Surface Mining Regulation Exhibit 12: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2009 and 2010		
	FY 2009	**FY 2010**
Total number of regulated persons	N/A	N/A
Total number of regulated entities (an entity is defined as a permit)	33	36
Total number of entities inspected (an entity is defined as a permit)	6	3
Total number of complaints received from the public	11	3
Total number of complaints initiated by the agency	0	0
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	2	1
Number of jurisdictional complaints found to be without merit	8	2
Number of complaints resolved	11	3
Average number of days for complaint resolution	35	34
Complaints resulting in disciplinary action:		
• Administrative penalty	0	0
• Reprimand	0	0
• Probation	0	0
• Suspension	0	0
• Other	0	0

7. OIL AND GAS REMEDIATION

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Oil and Gas Remediation
Location/Division	Austin/Oil and Gas Division
Contact Name	Gil Bujano and Ramon Fernandez
Actual Expenditures, FY 2010	$5,303,337
Number of FTEs as of August 31, 2010	38.2

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Site Remediation program seeks to reduce the pollution potential from abandoned surface oil and gas sites through the state-funded assessment and cleanup of abandoned oil field sites using the Oil Field Cleanup Fund, where the responsible person has failed or refused to control or cleanup oil and gas waste or other materials or the responsible person is unknown, cannot be found, or has no assets.

Activities associated with this effort involve identifying and recommending sites for cleanups, obtaining fund expenditure approvals, preparing and awarding cleanup bids, reviewing and approving contractor invoices, seeking reimbursement of state cleanup expenses through the Office of the Attorney General, and managing professional engineering service contracts for complex site assessments. The Site Remediation program also monitors complex industry assessment and cleanup activities at exploration and production sites, coordinates agency emergency response activities, and administers the Voluntary Cleanup Program.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Oil and Gas Site Remediation program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Percent of Identified Pollution Sites Investigated, Assessed, Cleaned with State-managed Funds	15%	9.3%	62%
Output	Number of Abandoned Pollution Sites Investigated, Assessed or Cleaned Up with Use of State-managed Funds	203	191	94.09%
Efficiency	Average Number of Days to Complete abandoned State-managed Site Clean-ups	150	153	101.67%
Explanatory	Number of Complex Operator-initiated Cleanups Monitored and Evaluated	540	540	100%
Explanatory	Number of Identified Abandoned Pollution Sites that are Candidates for State Funded Cleanup	1,771	2,054	115.98%
Explanatory	Number of Voluntary Cleanup Program applicant operator initiated cleanups monitored and evaluated	33	24	72.73%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Dates of major importance to the Site Remediation program are included in the general history of the agency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The state benefits from the RRC's Site Remediation Programs. Landowners, on whose property abandoned oil and gas facilities exist, benefit directly from elimination of actual or potential pollution sources through remediation of abandoned surface facilities. The population at large also benefits from elimination of actual and potential pollution threats

that might impair water quality in the state's streams, rivers, and groundwater. Facilities are selected for remediation from the existing noncompliant facilities that are identified through a complaint system or through routine lease inspections conducted by Monitoring and Inspections program. The facilities that pose the greatest environmental and safety threats are given priority for remediation efforts.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Site Remediation program uses the Oil Field Cleanup Fund in coordination with the RRC's District Offices to cleanup pollution of abandoned oil and gas sites. Funding for the program comes from regulatory fees, permit fees, and bond collections paid by the oil and gas industry.

An abandoned site becomes a candidate for state cleanup when the responsible party fails or refuses to take action, or is unknown, deceased or bankrupt. Cleanup prioritization is based on public health, safety, and the protection of the environment. Similar to the well plugging priority system, abandoned oilfield sites are prioritized based on the present or possible future impact to the environment and public safety. With larger sites and historical sites, the program faces the challenge of identifying the source of the pollution and determining if it is man-made or natural, which potential operator is responsible, how to evaluate the site, and which remedial method is appropriate for the situation.

Technical staff (geologists, a certified toxicologist, registered engineers, and an environmental scientist) in Austin administer the Site Remediation program along with cleanup coordinators located in nine district offices monitor field activities. Abandoned sites are identified primarily through field inspections and complaints. Reimbursement for State cleanup expenses is sought through the Office of the Attorney General.

District personnel are primarily responsible for identifying and priority ranking abandoned sites and requesting state funds from Austin. Cleanup codes are assigned to the fund requests and tracked on an electronic database to monitor activities and expenditures. Cleanup contractors are selected according to state procurement requirements, with field cleanup activities monitored by RRC personnel and invoices reviewed by the district staff and forwarded to Austin for payment approval.

Program administration follows procedures designed to comply with both internal and external requirements. A Site Remediation Manual was distributed to all staff as a guidance document. The manual is updated regularly with memoranda that provide details on the required procedures and coordination efforts necessary to administer the program.

In fiscal year 2010 state-managed remediation activities included 113 routine remediation operations; 36 emergency operations, and 42 site assessment investigations.

The Operator Cleanup function under the Site Remediation program oversees complex pollution cleanup activities performed by the oil and gas industry. Complex sites include those that occur in sensitive environmental areas and may require site-specific cleanup levels based on risk. Additionally, the Operator Cleanup function may review data in cases where the source of contamination is uncertain. Sites are referred to the Site Remediation program by the RRC District Offices, RRC Legal Enforcement Section, and directly from industry. A significant number of sites are identified by due diligence assessments on oil and gas properties as a result of corporate mergers, acquisitions, or other business activities. The majority of the projects are long-term remediation projects that require specialized skills to review and manage. Importantly, the responsible operator funds environmental cleanup activities under this function. Prompt review and action by the RRC may keep some of these projects from becoming state-managed projects that would need Oil Field Cleanup funds to complete remediation activities. While these projects do not impose assessment of cleanup costs to the Oil Field Cleanup Fund, they do require considerable staff resources of employees who are paid out of the fund. When the operator successfully completes cleanup activities, RRC staff may issue a "No Further Action" letter acknowledging completion. The RRC tracks approximately 540 complex operator cleanups. These projects involve frequent sampling, reporting, and evaluation to ensure final cleanup is protective of the public health, safety, and the environment.

The Voluntary Cleanup function provides an incentive to remediate oil and gas related pollution by participants as long as they did not cause or contribute to the contamination. Applicants to the program receive a release of liability to the state in exchange for a successful cleanup. In fiscal year 2010 there were two new Voluntary Cleanup applications, with 24 active sites at the end of fiscal year 2010. Forty-two sites have been cleaned up and certificates of completion issued since the RRC began this effort.

The Voluntary Cleanup function provides an incentive to lenders, developers, owners, and operators to remediate soil and water affected by oil and gas production and exploration. This function uses an application process with an initial $1,000 application fee, which is applied to the costs associated with staff oversight of the cleanup. When cleanup is completed, the RRC issues a Certificate of Completion, which embodies the release of liability to the state for a participant (and subsequent owners) who did not cause or contribute to the contamination and acquire the certificate by fraud, misrepresentation, or knowing failure to disclose material information. The Voluntary Cleanup function began in 2002 and is self-funded through the collection of application and oversight fees, which are deposited to the Oil Field Cleanup Fund.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Oil and Gas Remediation	General Revenue	$587,235
	Oil Field Cleanup Fund—GR Dedicated	$4,641,664
	Federal	$74,438

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Several programs within the RRC play a role in cleanup and emergency response activities. Field Operations oversees the district office staff and is responsible for field inspections and responses. The Safety program responds to releases from natural gas and hazardous liquids pipelines. The Site Remediation program oversees state-funded and complex operator cleanup activities.

The Environmental Protection Agency has federal jurisdiction over some types of spills and cleanups. A spill of crude oil into water is a violation of RRC rules as well as federal statute. When a significant spill occurs, a federal presence may be involved in cleanup activities, but the EPA generally defers to the state on spill response matters. A Regional Response Team (RRT) for U.S. EPA Region 6 ensures coordination of federal and state response activities. The team meets regularly to review response policy, coordination, and other pertinent issues. The RRT consists of several federal agencies and is co-chaired by the EPA and United States Coast Guard with state representatives from Texas, New Mexico, Louisiana, Arkansas, and Oklahoma. The Governor designated the RRC as a primary member of the RRT for Texas, along with the TCEQ and the General Land Office (GLO).

The RRC has statewide responsibilities for oil spills from exploration and production activities, except for spills in coastal areas. The GLO has response authority for coastal oil spills, while the TCEQ has jurisdiction over hazardous substance spills. In addition, local governments and other federal or state agencies may be involved in cleanup or response activities. The US Fish and Wildlife Service and the Texas Parks and Wildlife Department may both play a role in responding to a specific spill event if it affects fish or wildlife.

The EPA has site remediation authority over any exploration and production site that was on the National Priorities List (NPL) under CERCLA (Comprehensive Environmental

Response, Compensation, and Liability Act, or Superfund). There are no active sites in Texas on the NPL. In other limited circumstances, EPA has the authority to conduct a removal action in the face of imminent danger to the public or the environment.

The TCEQ also has significant cleanup responsibilities, but their authority extends only to sites that are not associated with oil and gas exploration and production activities and do not duplicate the Site Remediation program. There is little opportunity for overlap of responsibilities as the settings of oil and gas operations are typically different from those of activities regulated by the TCEQ. The Texas Commission on Environmental Quality has operator cleanup oversight and a voluntary cleanup function, but does not have a comparable state-funded cleanup program

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Site Remediation program activities are distinct from other programs with procedures designed to avoid conflict or duplication. The RRC routinely shares information on spills or other incidents with federal, state, or local government entities and participates in a variety of councils and teams to avoid duplication and to ensure the safety of the public and protection of the environment.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Site Remediation program works cooperatively with local governments as the need arises. The Site Remediation program represents the RRC as a member of the State Emergency Management Council. The RRC is a participant in the State of Texas Emergency Management Plan, which coordinates disaster response with local government entities, including local emergency planning committees, county, city, or other parts of local government. The Site Remediation program responds to complaints by local governments filed with the RRC about abandoned sites.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Oil and Gas Remediation program expended $2,687,089 on oil and gas site remdiationand pollution abatement projects, and $21,462 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then are further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Structural policy changes related to this program are discussed in Section IX., Policy Changes.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Revenue for the Oil Field Cleanup Dedicated Account comes from the oil and gas industry in the form of fees for permits, oil and gas production regulatory fees, financial assurance collections, sales of salvageable equipment, reimbursement for plugging and remediation costs, administrative penalties and civil penalties. Much of this revenue depends on the health of the industry. During periods of low prices and low rig counts, revenue from permit fees and production decreases, while the fiscal demands on the account increase as the state must address more abandoned wells and neglected sites.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Not applicable for the Site Remediation program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Complaints related to abandoned sites are tracked through the RRC's Monitoring and Inspections program.

8. OIL AND GAS WELL PLUGGING

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Oil and Gas Well Plugging
Location/Division	Austin and Regional Offices/Oil and Gas Division
Contact Name	Gil Bujano and Ramon Fernandez
Actual Expenditures, FY 2010	$15,809,305
Number of FTEs as of August 31, 2010	78.3

B. What is the objective of this program or function? Describe the major activities performed under this program.

The primary objective of the Oil and Gas Well Plugging program is to plug abandoned oil and gas wells that are causing pollution or threatening to cause pollution, for which: a responsible operator does not exist, the responsible operator fails to plug the well, or the responsible operator fails to otherwise bring the wells into compliance. The Well Plugging program submits recommendations for plugging with state funds for approval, prepares and evaluates bids, awards well plugging contracts, supervises well plugging operations, approves well plugging invoices, and prepares payment vouchers. The program also inventories salvageable equipment from wells plugged with state funds, prepares and evaluates bids for the sale of salvageable equipment, awards bills of sale for salvageable equipment, processes, and approves salvage claims, and pursues reimbursement of well plugging expenses through the Office of the Attorney General.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Oil and Gas Well Plugging program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Percentage of Known Orphaned Wells Plugged with the use of State-managed Funds	24.6%	16.8%	68.29%
Output	Number of Orphaned Wells Plugged with the Use of State-Managed Funds	1,400	1,182	84.43%
Output	Total Aggregate Plugging Depth of Orphaned Wells Plugged with the Use of State-managed Funds (linear feet)	3,057,600	1,902,235	62.21%
Efficiency	Average Number of Days to plug an orphaned well with use of state-managed funds	50	45	90%
Explanatory	Number of Known Orphaned Wells in Non-compliance w/ Commission Plugging Rule	6,500	7,036	108.25%
Explanatory	Number of Orphaned Wells Approved for Plugging	1,600	1,207	75.44%
Explanatory	Number of Wells Plugged by Operators without the Use of State-managed Funds	5,400	4,192	77.63%
Explanatory	Percentage of active well operators who have more then 25% of their well inactive	42%	45.3%	102.86%
Explanatory	Number of Shut-In/ Inactive Wells	110,000	112,469	102.24%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The RRC's well plugging program began in 1983 with the creation of the Well Plugging Fund, with fees used to plug abandoned oil and gas wells that cause or threatening to cause pollution. Such plugging is to prevent contamination of the state's surface and ground waters by leaking saltwater or residual hydrocarbon fluids. The more comprehensive Oil Field Cleanup Fund

replaced the Well Plugging fund in 1991. Prompted by the 1986 collapse of the oil and gas industry, the new program allowed the RRC to plug additional oil and gas wells. In 1993 the Legislature authorized the RRC to recover some of its well plugging expenses through the sale of salvageable equipment. An annual report to the Legislature on the RRC's Oil Field Cleanup Program is required by statute.

The RRC plugged the 30,000th abandoned well in 2009. As of July 2009 there were approximately 8,000 wells throughout Texas that are inactive with the last operator of record delinquent in renewing its organization report (orphan wells). Many of these wellbores are valuable for further geological interpretation, or re-completion into previously overlooked reservoirs. If these well bores are not assumed by a responsible operator, it is likely that they will be left to the state for plugging.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The state of Texas benefits from the RRC's Oil and Gas Well Plugging program. Landowners, on whose property abandoned oil and gas wells exist, benefit directly from elimination of actual or potential pollution sources through plugging. The population at large also benefits from elimination of actual and potential pollution threats that might impair water quality in the state's streams, rivers, and groundwater. Wells to be plugged are selected from the existing noncompliant wells that are identified through a complaint system or through routine lease inspections conducted by RRC staff. The wells that pose the greatest environmental and safety threats are given priority for plugging.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Abandoned oil and gas wells are identified through citizen complaints or through routine lease inspections conducted by the Monitoring and Inspections program. The RRC's intranet includes the State Managed Plugging Manual: Procedures and Documents, which details all applicable policies and procedures for addressing orphaned wells. It also contains a decision tree that is included at the conclusion of this section. Through the decision tree the RRC determines whether a non-compliant well or lease is eligible for plugging with state funds.

If a well or lease is eligible for plugging with state funds, then a prioritization determination scheme is applied to each well to determine the priority on a well basis, and whether the well or lease will be recommended for plugging. A priority 1 well (a leaking well) has top priority for plugging. Priority 2, 2H and 3 wells will also be recommended for

plugging. State-funded plugging of priority 4 wells is deferred until a later date. Estimated well plugging costs are determined from historical average well plugging costs incurred by the RRC on a district basis.

As soon as wells are approved for plugging Invitations to Bid are developed and sent to well plugging contractors on the Centralized Master Bidders List. The bids are evaluated, and the lowest and best contractor is selected. RRC personnel witness plugging operations, process invoices, and approve payment.

Any salvageable equipment or hydrocarbons are sold to the highest bidder to recover some of the plugging expenses. Salvage claims from potential claimants are reviewed by the Office of General Counsel and presented to the RRC for approval. Once the wells are plugged, reimbursement of well plugging expenses are pursued against the operator of the well through the Office of the Attorney General.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Oil and Gas Well Plugging	General Revenue	$1,217,471
	Oil Field Cleanup Fund—GR Dedicated	$14,591,834

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

In Texas there are no known internal or external programs identical or similar to the RRC's Oil and Gas Well Plugging program.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Oil and Gas Well Plugging program does not conflict with other programs or provide duplicated services.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Coordination with local units of government is not required for the majority of the wells plugged with state funds. Occasionally, coordination is required with the U.S. Army Corps of Engineers (USACE) to obtain permits for plugging operations in USACE jurisdictional waters. In FY 2010, the Commission worked with Texas Parks and Wildlife Department to inspect nearly all of the bay and offshore wells, platforms, and facilities for compliance with RRC rules.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Oil and Gas Well Plugging program expended $9,755,212 on oil and gas well plugging and pollution abatement projects, and $110,291 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then are further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Structural policy changes related to this program are discussed in Section IX., Policy Changes.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The number of wells remaining to be plugged with state funds depends on the health of

the industry and the RRC's program for ensuring that wells are produced, used as service wells, or plugged, or that sufficient financial assurance is in place to plug the well.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Not applicable for the Oil and Gas Well Plugging program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Complaints related to unplugged and abandoned wells are tracked through the RRC's Monitoring and Inspections program

Well Plugging Priority System
Operator-Lease Name-Lease Number-County

	FACTOR	Weight	Well Number
1.	**Well Completion**		
A.	Unknown (no well records	*15*	
B.	No surface casing or set above base of deepest usable quality water	*10*	
C.	Additional casing string not adequately cemented to isolate usable quality water	*5*	
D.	Injection or Disposal Well	*10*	
E.	Well penetrates salt/corrosive water bearing formation or abnormally pressured	*5*	
F.	Well in H2S Field	*5*	
G.	Age: Well drilled ≥ 25 years ago	*5*	
	Total: (40 points max)		**0**
2.	**Wellbore Conditions**		
A.	Well is pressured up at the surface (tbg or prod csg)	*10*	
B.	*Bradenhead pressure exists (**Auto 2H if UQW not protected and fluid at BH is**	*5*	
C.	Measured fluid level		
D.	Fluid level at or above the base of deepest usable quality water.	*50*	
E.	Fluid level less than 250' below base of deepest usable quality water (NA if 2D	*15*	
F.	MIT Failure	*5*	
G.	H-15 (MIT) never performed or test > 5 years old (NA if F applies)	*3*	
H.	Inadequate wellhead control/integrity	*5*	
	Total: (75 points max)		**0**
3.	**Well location with respect to sensitive areas:**		
A.	H2S well with Public area ROE** **Automatic Priority 2H**		
B.	In Marine Environment	*10*	
C.	Within 100' or river, lake, creek, or domestic use fresh water well (NA if B applies)	*5*	
D.	Betwee 100' and 1/4 mile of river, lake, creek, or domestic use fresh water well (NA if C applies)	*3*	
E.	Located within agricultural area.	*2*	
F.	Well located in known sensitive wildlife area.	*3*	
G.	Well located within city or town site limits.	*10*	
	Total (20 points max)		**0**
4.	**Unique environmental, Safety, or Economic Concern**		
A.	Adjacent to active water flood or disposal well at or above completion interval.	*5*	
B.	Logistics (poor roads, encroaching public, etc.)	*5*	
C.	Well contains junk.	*5*	
D.	P-5 Delinquent > 5 years	*5*	
E.	Other (attach explanation)	*1-20*	
	Total: (20 points max)		**0**

Well Number	
Total Weight	0
Priority	

Priority 1 = Leaking Well [based upon definition]
Priority 2H = Higher Risk well [based on definition and/or total weight of 75+]
Priority 2 = Total Weights of 50-75
Priority 3 = Total Weights of 25-49
Priority 4 = Total Weights < 25

Base of Usable Quality Water (BUQW)

*BH pressure is sustained.
**2H if public areas could be impacted based on SWR 36 definition. Undetected/continuous leak possibe.

9. ABANDONED MINE LANDS

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Abandoned Mine Lands
Location/Division	Austin/Surface Mining and Reclamation Division
Contact Name	John Caudle
Actual Expenditures, FY 2010	$2,439,562
Number of FTEs as of August 31, 2010	6.8

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Abandoned Mine Lands program protects the public from the health and safety hazards posed by abandoned mines found throughout the state.

Project Development: The project development function identifies property ownership and eligibility for reclamation through the Abandoned Mine Land Program, develops baseline environmental surveys, conducts environmental assessment, and secure the necessary permits.

Project Design: The project design function completes engineering designs for earthwork and water control at abandoned mine sites, as well as engineering closure designs for underground mines. The Abandoned Mine Lands program develops revegetation and erosion control plans as a function of project design.

Construction Management: The construction management function completes preparatory specification for all projects, completes inspections of construction sites, and ensures prompt processing of payments for construction contracts.

Program Administration: The program administration function develops and maintains the RRC's mine land inventories and coordinates federal grant application and reporting requirements for the Abandoned Mine Lands program.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Abandoned Mine Lands program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Explanatory	Percent of Abandoned Sites on which Reclamation has been Initiated	45.0%	50.0%	111.11%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The federal Surface Mining Control and Reclamation Act of 1977, created the Abandoned Mine Land (AML) Program, and established the authority to collect taxes from active coal mining to establish the Abandoned Mine Land Fund. The Texas AML program identified 10 abandoned uranium mines, three coal mines, more than 100 hardrock underground mine openings, and approximately 500 aggregate mining sites in need of reclamation. Congress reauthorized funding through the year 2022 for the AML Program in 2006.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Abandoned Mine Lands program serves the entire state through its reclamation efforts. AML reclamation projects have been completed in 17 counties. Abandoned mine lands are eligible for reclamation through the AML Reclamation Program if they were mined prior to August 3, 1977, and left in an inadequately reclaimed condition, and there is no continuing reclamation responsibility by the operator under state or federal statutes.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Surface Mining and Reclamation Division administers the AML program. The AML program is under the oversight of the federal Office of Surface Mining Reclamation and Enforcement, U.S. Department of the Interior. The RRC has an active inventory of 15 abandoned mine sites that are addressed within the annual funding limitations of the federal program, as reclamation work is 100 percent federally funded through a production tax levied on active coal mining operations in Texas.

The Texas AML program certified completion of all known and accessible Priority 1 and 2 coal AML problems. The program is now focusing its efforts on abandoned surface uranium mines in Karnes and Live Oak counties, and on abandoned underground hard rock mines in Brewster, Presidio, and El Paso counties.

The program solicits construction bids for its reclamation projects and then oversees each phase of a project. Earthwork reclamation projects involve reshaping and recontouring abandoned surface mine pits and spoil piles. Revegetation and erosion control reclamation requires seedbed preparation, seeding native grasses, sprigging coastal Bermuda grass, and installing turf reinforcement mats. Hardrock mine reclamation involves closing abandoned underground mine shafts and openings by backfilling, constructing rock walls, and installing metal gates and grates.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Abandoned Mine Lands	General Revenue	$113,659
	Federal	$2,325,903

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Federal Abandoned Mine Land funds can be used to restore abandoned mine lands to pre-mine use and to address specific public safety hazards associated with abandoned mines. State and federal Superfund programs may be perceived as similar to the AML program, but Superfund sites remove or isolate specific contaminants from industrial sites to address public health, safety, and environmental hazards posed by those contaminants.

The AML program may also involve to some degree contaminant removal or isolation, but the AML program is more holistic than Superfund remediation as it seeks to return a property to its pre-mine land use. Through revegetation of large areas affected by past surface mining activities a property can be restored to productive use.

AML funds used to address specific safety hazards frequently involve closing mine shafts at state and national parks. The RRC partners with state and national parks in public safety protection efforts to address hazards such as mine shafts within park boundaries. Funding constraints often limit such efforts by park systems, while the AML program frequently has more readily available funding to provide a permanent and protective solution to such hazards located within parks systems.

Federal law restricts expenditure of AML funds to abandoned mine sites and mine wastes. AML funds cannot be used to clean up mill or ore processing contamination, nor can the funds be used on sites on the National Priorities List under Superfund.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Abandoned Mine Lands program coordinates closely with state and national park service personnel to identify mine hazards at parks in Texas and to reach consensus on acceptable methods to address those hazards. Available funds are directed to the greatest hazards within the parks systems.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Abandoned Mine Land program is federally funded with fees from the mining industry. The Abandoned Mine Lands program works with the federal Office of Surface Mining Reclamation and Enforcement of the U.S. Department of the Interior. Program staff also work closely with state and national park service personnel to identify mine hazards at parks in Texas and to reach consensus on acceptable means to address those hazards. Such cooperation allows available funds to be directed to the greatest hazards within the parks systems.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Abandoned Mine Lands program expended $1,773,336 on re-grade and erosion control projects, and $17,050 on general contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Abandoned Mine Lands program.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Only states that have been delegated primacy to implement the federal Coal Mining Regulatory program are eligible to participate in the Abandoned Mine Lands program.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Not applicable for the Abandoned Mine Lands program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable for the Abandoned Mine Lands program.

10. GEOGRAPHIC INFORMATION SYSTEMS AND WELL MAPPING

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Geographic Information Systems and Well Mapping
Location/Division	Austin/Oil and Gas Division
Contact Name	Gil Bujano and Ramon Fernandez
Actual Expenditures, FY 2010	$739,491
Number of FTEs as of August 31, 2010	14.5

B. What is the objective of this program or function? Describe the major activities performed under this program.

GIS technology is a critical component of the mapping review step of the drilling permit approval process. The effectiveness of the GIS technology in this process directly affects the RRC's ability to approve drilling permits in a timely manner, which in turn has a direct positive impact on the State's economy, relative to the receipt of severance tax collections, along with cascading effects on local economies with industry activity.

The Drilling Permits function spots new well locations in the digital database from documents submitted by oil and gas operators, including resolving any discrepancies from inaccurate information reported by an operator about the location of a well.

The Pipeline and Well Mapping function updates the status of existing wells in the digital database from documents submitted by oil and gas operators, digitizes new pipeline paths, and updates the status of existing pipelines from documents and digital data submitted by the pipeline operator, and resolves any discrepancies in the mainframe wellbore database.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Oil and Gas GIS and Well Mapping program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Outcome	Percent of Public Requests for Research or Information Received Through Internet-Based Technology	4.0%	7.71%	192.75%
Output	Number of Reports Provided to Customers from electronic data records	2,375	2,387	100.51%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Dates of major importance to the Oil and Gas GIS and Well Mapping program are included in the general history of the agency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The RRC, other state agencies, businesses, industry, and the public consider the RRC's GIS data as an essential component for daily operations. Using the RRC Viewer or the RRC Public Viewer, the GIS database is available for internal and external stakeholders to retrieve information on demand. Stakeholders can locate various categories of mapped oil and gas wells including natural gas wells, plugged wells, dry holes, injection and disposal wells, and permitted locations for new wells, as well as pipelines on the RRC's website. GIS data is also requested via mail or fax through Central Records and is provided to the requestor on compact disc. The program continues to seek newer technology and expanded capability to meet the current and future needs for GIS data to ensure that stakeholders have access to data that is reliable, current, and accurate. The GIS Public Viewer application averages 2.5 million page views per month.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Oil and Gas GIS and Well Mapping program combines detailed information and location coordinates for oil wells, gas wells, and pipelines from the RRC's files with base map data captured from U.S. Geological Survey 7.5 minute quadrangle maps. The program administers

interactive maps developed using Environmental Systems Research Institute, Inc. (ESRI) ArcIMS software that interface with the RRC's Production Data Query and Drilling Permit Query applications. The GIS data is available to the public. Older maps may be available only in hard copy, which are available to the public in person at the RRC's Austin office.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Oil and Gas GIS and Well Mapping	General Revenue	$739,491

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The Oil and Gas Well Mapping program is unique to the RRC relative to the data, but other local, state, and federal agencies have GIS programs to map data specific to their missions.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The RRC maintains unique data sets that are not duplicated elsewhere.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Oil and Gas Well Mapping program provides data to local, regional, and federal units of government as requested. This data is also shared with the State Office of Emergency Management, and is particularly useful to assess potential damage from Gulf Coast hurricanes.

K. If contracted expenditures are made through this program please provide:

- ❑ the amount of those expenditures in fiscal year 2010;
- ❑ the number of contracts accounting for those expenditures;
- ❑ a short summary of the general purpose of those contracts overall;
- ❑ the methods used to ensure accountability for funding and performance; and
- ❑ a short description of any current contracting problems.

The Commission awarded 869 contracts agency-wide in FY 2010. The Oil and Gas GIS and Well Mapping program expended $4,197 on contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Oil and Gas GIS and Well Mapping program.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Oil and Gas GIS and Well Mapping program does not have any additional information to provide at this time.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Not applicable for the Oil and Gas GIS and Well Mapping program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable for the Oil and Gas GIS and Well Mapping program.

11. PUBLIC INFORMATION AND SERVICES

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Name of Program or Function	Public Information and Services
Location/Division	Austin/Administration
Contact Name	Susan Rhyne
Actual Expenditures, FY 2010	$2,030,767
Number of FTEs as of August 31, 2010	28.7

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Public Information and Services program provides records management and access to public information by managing and maintaining oil and gas records, conducting research for the public, ensuring compliance with well log reporting requirements, and administering the RRC's subscription services and sales for its data sets and other public information.

Manage and Maintain Records: The Public Information and Services program provides records management services for all oil and gas well records, plant and refinery reports, all oil and gas hearings and administrative penalty case files, and various other RRC documents. Staff prepare and file records in paper format, as digital images, or as microfilmed images as appropriate.

Public Research: The Public Information and Services program is the main repository of vital historical documents that are precedent setting, and when viewed in totality shaped the oil and natural gas industry in Texas, and as the leading energy producing state, by association the industry nationwide. The material covers the entire lifecycle of more than one million wells and 68,000 fields, from drilling and completion through production and final plugging reports. The RRC provides research assistance to the public and offers copying services for a fee.

Well Log Compliance: The Public Information and Services program processes well logs run at the time a wellbore is drilled, in compliance with Natural Resources Code §91.551 et.seq. and 16 TAC §3.16. All oil and gas operators are required to comply with 16 TAC §3.16, Log and Completion or Plugging Report by providing the RRC with a copy of an electronic well log. The Public Information and Services program collects the logs and ensures operator compliance with the rule.

Subscription Services and Sales: The Public Information and Services program administers the RRC's subscription and sales function. The RRC makes available for sale electronic data sets generated from the agency's mainframe, GIS, and network computers as well as copying services for paper and microform documents. Some data is available by subscription. This function also serves as a central payment portal for customers wishing to pay their Oil and Gas permitting or severance fees in person or by telephone with a credit card.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2010 performance measures illustrate the effectiveness of the Public Information and Services program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2010 Target	FY 2010 Actual	FY 2010 % Target
Output	Number of Documents Provided to Customers by Information Services	892,000	1,156,797	129.69%
Explanatory	Number of External Hits to the RRC Website (in Thousands)	94,523	148,460	157.06%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

In 2004 the Public Information and Services program began a project to image all well logs received by the RRC in compliance with Statewide Rule 16. In 2007 the RRC began to image all paper format oil and gas well records, effectively altering the way that the general public and the energy producing industries access critical historical and contemporary data about energy production in the state. Through that project all oil and gas well records from 1981 to the present are now digitized, with all new completed well logs imaged as they are submitted. In 2009 the Public Information and Services program received a federal grant to digitize historical oil and gas hearings files in the east Texas region. This project is the first step towards digitizing approximately 5,645,000 remaining hearings files. All images are searchable through the RRC web site.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Public Information and Services program serves the general public, mineral interest owners, and the energy producing industries of the state, but also attracts customers from across the nation and the globe. State and federal agencies such as the General Land Office, the Comptroller of Public Accounts, the Texas Commission on Environmental Quality, and the U.S. Department of Energy rely on the availability of data provided by this program. Students and educators use the data regularly, with particularly high usage from the University of Texas at Austin.

In a typical month the program receives an average of 2,200 requests for information, sells 100,000 documents and 200 electronic data sets, collects approximately $40,000 in payments for research fees, copies, and electronic data sales, and collects approximately $88,000 in permits fees from walk-in and phone customers.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Two functional areas comprise this program, which is located in Austin. The Central Records group includes Files, Research, and Imaging teams, while the Public Sales group includes Oil and Gas central fee collection, subscription and publication sales, electronic data set sales, information request desk, and copy cashier.

The Public Information and Services program maintains, preserves, and makes accessible valuable information assets stored in paper, microform, and electronic formats.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program	Funding Source	Amount FY 2010
Public Information and Services	General Revenue	$1,291,536
	Oil Field Cleanup Fund—GR Dedicated	$138,517
	Federal	$39,647
	Appropriated Receipts	$561,067

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The University of Texas Bureau of Economic Geology (BEG) provides complementary services and functions. In 1986 the RRC and the BEG agreed to share well logs submitted to the RRC pursuant to 16 TAC §3.16. After processing and imaging the well logs the RRC sends them on a weekly basis to the BEG's facility at the J.J. Pickle Research Campus.

Many commercial entities, such as information brokers and consultants, offer research and photocopying services and may base their business strategy on the ability to provide access to RRC records. The service offered by the RRC is usually the least expensive, but the process is generally lengthier than that provided by a commercial entity's service.

Most of the RRC's district offices have records—specific to that district—that are available to the public.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The RRC began to image all well logs in July 2004 before sending them to the Bureau of Economic Geology. Prior to that time, well logs were microfiched before being sent to BEG. The RRC retains ownership of all logs, and the BEG is free to set all policies and procedures regarding storage and use of the logs. The agreement solved a major storage problem because the paper well logs are voluminous, and retention periods are lengthy. When a customer requires a full-size paper log received before July 2004 the RRC sends the customer to the BEG to make the required copy.

Many commercial entities such as information brokers and consultants offer research and photocopying services, which are similar to services offered by the Public Information and Services program. The RRC maintains the raw data, including forms, maps, and well logs, while commercial entities have the staff and resources to add value to the data in the form of analyses and reporting. Without the raw data provided by the RRC, the commercial entities would not have information to analyze.

Although most of the RRC's district offices have a central records function, their records are generally unique to the district office.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Public Information and Services program works with local, regional, and federal units of government on an as needed basis to provide the requestor with the oil and gas or pipeline data they need for a specific purpose.

K. If contracted expenditures are made through this program please provide:

- ❑ **the amount of those expenditures in fiscal year 2010;**
- ❑ **the number of contracts accounting for those expenditures;**
- ❑ **a short summary of the general purpose of those contracts overall;**
- ❑ **the methods used to ensure accountability for funding and performance; and**
- ❑ **a short description of any current contracting problems.**

The Commission awarded 869 contracts agency-wide in FY 2010. The Public Information and Services program expended $219,502 on contracts in FY 2010. The majority of the contracts are small dollar contracts for services such as mail, IT, printing, and cleaning services, while the majority of expenditures are for environmental cleanup contracts.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Finance Section of the Administration Division. There are no known contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Public Information and Services program.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Access to accurate and timely engineering and geoscientific data is critical to the process of finding and producing oil and gas. Such data is also used for a variety of other applications such as environmental protection, water resource management, economic studies, and basic and applied research. The Public Information and Services program provides historical and contemporary data to the public and the energy producing industries of this

state that is unavailable elsewhere and is critical for the ongoing success of these industries and their contributions to the state's economy.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- ❑ **why the regulation is needed;**
- ❑ **the scope of, and procedures for, inspections or audits of regulated entities;**
- ❑ **follow-up activities conducted when non-compliance is identified;**
- ❑ **sanctions available to the agency to ensure compliance; and**
- ❑ **procedures for handling consumer/public complaints against regulated entities.**

Not applicable for the Public Information and Services program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable for the Public Information and Services program.

VIII. STATUTORY AUTHORITY AND RECENT LEGISLATION

A. Fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2007–2011, or earlier significant Attorney General opinions, that affect your agency's operations.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Const. Article 16 Section 30(b)	Establishes that when law creates a Railroad Commission, it shall be composed of three Commissioners, elected statewide for staggered six-year terms, and that the Governor shall fill a vacancy by appointment until the next general election.
Tex. Government CodeSection 403.028(enacted by Senate Bill 184, 81st Legislature; effective 9/1/09) as Section 2305.201; redesignated as §403.028 by Senate Bill 1303, §27.001(22), 82nd Legislature, effective September 1, 2011	Redesignated Section 403.028 of the Government Code, entitled, "Strategies to Reduce Emissions of Greenhouse Gasses," requires the Commission to participate in developing strategies for reducing greenhouse gas emissions that will result in economic benefits, cost savings to businesses and consumers, and environmental benefits; deadline is December 31, 2010.
Tex. Health & Safety Code Chapter 382 Subchapter K (enacted by House Bill 1796, 81st Legislature; effective 9/1/09)	New Subchapter K, entitled, "Offshore Geologic Storage of Carbon Dioxide," requires the Commission to participate in developing federal greenhouse gas reporting and registry requirements. Establishes a New Technology Implementation grant program to be administered by TCEQ, with assistance as needed by the Commission and other state agencies.
Tex. Health & Safety Code Chapter 401	Delegates specific duties to the Commission regarding radioactive materials and other sources of radiation. Requires the Commission to consider the recommendations and advice of the Texas Radiation Advisory Board. Requires the Commission, the Texas Commission on Environmental Quality, and the Health and Human Services Commission to adopt, by rule, memoranda of understanding defining their respective duties under Chapter 401. Grants the Commission sole authority to regulate and issue licenses, permits, and orders for the disposal of oil and gas NORM (naturally occurring radioactive material) waste.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Health & Safety Code Section 756.126	Directs the Commission to adopt and enforce safety standards and best practices, including those described by 49 U.S.C. Section 6105, et seq., relating to the prevention of damage by a person to a facility under the jurisdiction of the Commission.
Tex. Nat. Res. Code Chapter 33	Imposes specific requirements on the Commission with respect to the management of the surface estate in coastal public land. Provides that a member of the Commission, appointed by that body, shall be an ex officio member of the Coastal Coordination Advisory Committee. Requires the following Commission actions (when they might adversely affect a coastal natural resource area) to be consistent with the Coastal Management Program: wastewater discharge permits; waste disposal or storage pit permit; and certification of federal permit for the discharge of dredge or fill material.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 81	General jurisdictional and administrative provisions for the Railroad Commission. Declares that the Commission has jurisdiction over all common carrier pipelines, as defined in Tex. Nat. Res. Code, Section 111.002, in Texas; oil and gas wells in Texas; persons owning or operating pipelines in Texas; and persons owning or engaged in drilling or operating oil or gas wells in Texas. Authorizes the Commission to adopt all necessary rules for governing and regulating persons and their operations under the jurisdiction of the Commission as set forth in Section 81.051, including such rules as the Commission may consider necessary and appropriate to implement state responsibility under any federal law or rules governing such persons and their operations. Authorizes the Commission to assess a civil penalty against a person, not to exceed $10,000 a day for each day a person violates provisions of this title [Natural Resources Code, Title 3] which pertain to safety or the prevention or control of pollution or the provisions of a rule, order, license, permit, or certificate which pertain to safety or the prevention or control of pollution and are issued under this title, and requires the Commission to consider specified factors and by rule adopt guidelines to be used in determining the amount of a penalty under this section. A penalty collected under this section must be deposited to the credit of the oil-field cleanup fund. Provides for the imposition, disposition, and use of taxes on crude petroleum and the oil field cleanup regulatory fee on oil and gas. Authorizes the Commission to impose administrative penalties for violating a Commission rule adopting standards or a code of conduct for entities in the natural gas industry prohibiting unlawful discrimination or unreasonably discriminating against a seller of natural gas in the purchase of natural gas from the seller; engaging in prohibited discrimination against a shipper or seller of natural gas because the shipper or seller filed a formal or informal complaint with the Commission against the person relating to the person's purchase, transportation, or gathering of the gas; failing to participate in an informal complaint resolution proceeding or failing to provide information requested by a mediator in the proceeding.
Tex. Nat. Res. Code Chapter 85	Commission mandate to prevent waste; provides authority to adopt rules, and prosecute and order administrative penalties for violations of Commission rules. Provides Commission authority to establish and manage an informal complaint process regarding loss of or inability to account for natural gas gathered or transported.
Tex. Nat. Res. Code Chapter 86	Provides Commission jurisdiction and authority to regulate natural gas production.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 87	Provides Commission jurisdiction and authority for regulation of sour natural gas production.
Tex. Nat. Res. Code Chapter 88	Provides Commission jurisdiction and authority for regulation of producing oil properties.
Tex. Nat. Res. Code Chapter 89	Provides Commission jurisdiction and authority concerning plugging of wells by operators and the Commission.
Tex. Nat. Res. Code Chapter 90	Ratification of the Interstate Compact to Conserve Oil and Gas; designates governor as official state representative to the Compact.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 91	Provides Commission jurisdiction and authority for regulation of various aspects of oil and gas production and related operations, including well casing, waste prevention, natural gas measurement, financial security for operations, Oil Field Cleanup Fund, record keeping, annual report filing, underground hydrocarbon storage, disposal pits, electric log filing, royalty reporting standards and voluntary cleanup program, etc. Grants Commission the authority to adopt rules and orders and issue permits to prevent pollution of surface or subsurface waters from specified oil and gas exploration, development, and production activities. Specified activities include pipeline transportation of oil or gas prior to refining or use as a fuel or in manufacturing. Directs the Commission to require a bond, letter of credit, cash deposit, or nonrefundable annual fee from a person required to file an organization report with the Commission; this requirement may be met by including a well or well bore in a well-specific plugging insurance policy that meets specified criteria. Limits the Commission to approving a transfer of operator of an existing well to operators with a bond, letter of credit, or cash deposit on file with the Commission. Provides Commission the authority to require a bond, letter of credit or cash deposit from a person issued a permit to store, handle, treat, reclaim, or dispose of oil and gas waste; excuses operators engaged in specified activities from filing bonds, letters of credit or cash deposits based on their Commission regulated activities, and requires certain others to file a bond, letter of credit, or cash deposit of $25,000. Establishes the Oil Field Cleanup Fund as a special fund in the state treasury. Describes purpose of the Oil Field Cleanup Fund and specifies the activities for which fund monies may be used. Grants Commission the authority to conduct control or cleanup operations under specified circumstances. Gives Commission the authority to establish risk assessment as the guide for conducting site investigations and environmental assessments, and controlling and cleaning up of oil and gas wastes and other substances and materials under Commission jurisdiction. Requires the Commission to adopt rules for identifying abandoned wells that pose a high risk of contaminating surface water or groundwater; to periodically test high-risk wells by conducting a fluid level test or, if necessary, a pressure test; and giving priority to plugging high-risk wells with compromised casings.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 92	Provides Commission jurisdiction and authority to restrict drilling in qualified subdivisions.
Tex. Nat. Res. Code Chapter 101	Provides Commission jurisdiction and authority over voluntary unitization agreements.
Tex. Nat. Res. Code Chapter 102	Provides Commission jurisdiction and authority to "force pool" mineral interests.
Tex. Nat. Res. Code Chapter 103	Provides Commission authority to approve agreements by persons owning or controlling leases or other interests in separate property in oil fields, gas fields, or oil and gas fields for the construction and operation of cooperative facilities.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 111	Provides Commission jurisdiction and authority for regulation of crude oil common carriers, public utilities, and common purchasers. Authorizes the Commission to regulate certain types of common carriers; declares such businesses to be of public interest and subject to regulation; requires carriers to file tariffs and to transport without discrimination. Authorizes the Commission to regulate public utilities; requires such entities to operate without discrimination in rates or services. Declares that persons, gas pipeline companies, and gas purchasers claiming or exercising the right to carry or transport natural gas by pipeline or pipelines for hire or compensation, are regulated as common purchasers, and that the business of purchasing or purchasing and selling crude petroleum by a gathering system is a common purchaser and subject to the Commission's jurisdiction; provides that common purchasers are subject to the same regulation concerning rates for gathering, transporting, loading, and delivering crude petroleum as set out in Subchapter F; prohibits discrimination between persons and fields by common purchasers. Requires the Commission to adopt rules for gathering, transporting, loading, and delivering crude petroleum by common carriers and for use of storage facilities necessarily incident to this transportation; to prescribe and enforce rules for the government and control of common carriers with respect to their pipelines and receiving, transferring, and loading facilities. Requires the Commission to adopt rates for gathering, transporting, loading, and delivering crude petroleum by common carriers and for use of storage facilities necessarily incident to this transportation, and to hold a hearing once each year for the purpose of adjusting rates to conform to the statutory basis for rates and charges. Provides Commission enforcement authority, including jurisdiction to hear complaints and for appointment of a receiver. Contains penalty provisions; allows recovery by state and by aggrieved parties. Contains provisions governing "common carrier coal pipelines" and states the Commission's authority to issue certificates of public convenience and necessity.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 113	Provides Commission jurisdiction and authority to license LP-gas activities, services, and alternative fuels; to regulate LP-gas safety; and to assess administrative penalties for violations. Prohibits the Commission from approving an application for a license or a registration for an exemption for entities that have violated Commission LP-gas safety rules. Authorizes the Commission to adopt rules relating to the use of LP-gas and other environmentally beneficial alternative fuels that are or have the potential to be effective in improving the quality of air in this state. Creates the Alternative Fuels Research and Education Fund in the state treasury; declares the composition of the fund; and specifies the activities for which fund monies may be used. Authorizes the Commission to establish consumer rebate programs for purchasers of appliances and equipment fueled by LP-gas or other environmentally beneficial alternative fuels. Imposes a fee on odorized LP-gas delivered into any means of conveyance to be sold and placed into commerce. Establishes the Alternative Fuels Council as an agency of the state; makes the three Railroad Commissioners members of the council (but allows a Commissioner to designate a staff member to serve in place of that Commissioner) and provides that the chairmanship of the council rotates annually between the Commissioner of the General Land Office and the chairman of the Railroad Commission or the individuals designated by those members. Requires testing of LP-gas systems in school facilities at least every two years; requires Commission enforcement.
Tex. Nat. Res. Code Chapter 115	Provides Commission jurisdiction and authority to regulate transporters of petroleum products.
Tex. Nat. Res. Code Chapter 116	Provides Commission jurisdiction and authority to license compressed natural gas (CNG) and liquefied natural gas (LNG) activities; to regulate CNG and LNG safety; and to assess administrative penalties for violations.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 117	Provides Commission jurisdiction over all pipeline transportation of hazardous liquids or carbon dioxide and over all hazardous liquid or carbon dioxide pipeline facilities; authorizes the Commission to adopt rules and safety standards for such pipelines and to require submission to the Commission of facility response plans. Requires the Commission to adopt safety standards related to the prevention of damage to intrastate hazardous liquid or carbon dioxide pipeline facilities resulting from the movement of earth by a person in the vicinity of the facility, other than movement by tillage that does not exceed a depth of 16 inches. Requires the Commission to hear appeals about municipal assessments against pipeline facilities for the placement, construction, maintenance, repair, replacement, operation, use, relocation, or removal by an owner or operator of a hazardous liquid or carbon dioxide pipeline facility on, along, or across the public roads, highways, streets, alleys, streams, canals, or other public ways located within the city and maintained by the city.
Tex. Nat. Res. Code Chapter 118	Provides Commission authority to require, by rule, that an operator file a plan for assessment or testing of a pipeline.
Tex. Nat. Res. Code Chapter 119	Provides that the Commission shall acquire title to carbon dioxide captured by a clean coal project, and that the right, title, and interest in carbon dioxide acquired under this section are the property of the Commission, acting on behalf of the state, and must be administered and controlled by the Commission in the name of the state.The transfer of title to the state, however, does not relieve an owner or operator of a clean coal project of liability for any act or omission regarding the generation of carbon dioxide performed before the carbon dioxide was captured.
Tex. Nat. Res. Code Chapter 120 (enacted by House Bill 469, 81st Legislature; effective 9/1/09)	New Chapter 120, entitled "Verification, Monitoring, and Certification of Clean Energy Project," requires the Commission to certify whether a project meets the requirements for a clean energy project as spelled out in the statute; requires an application to the Commission for a certificate of compliance that must include a certificate from a qualified independent engineer that the project is operational and meets the required standards; and authorizes the Commission to collect a fee, set by rule at $50,000 or a greater amount if the Commission determines that is necessary to cover the agency's costs of processing an application.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 121 (enacted by Senate Bill 1387, 81st Legislature; effective 9/1/09), as Chapter 120; redesignated as Chapter 121 by Senate Bill 1303 Section 2700, (44), 82nd Legislature, effective 9/1/11.	New Chapter 120, entitled, "Ownership and Stewardship of Anthropogenic Carbon Dioxide," contains provisions declaring ownership of anthropogenic carbon dioxide. Establishes the Anthropogenic Carbon Dioxide Storage Trust Fund, a special interest-bearing fund in the state treasury, which consists of fees collected by the Commission and penalties imposed under Subchapter C-1, Chapter 27, Water Code. The fund may be used by the Commission only for specified activities associated with geologic storage facilities and associated anthropogenic carbon dioxide injection wells. Gives the Commission jurisdiction over extraction of anthropogenic carbon dioxide stored in a geologic storage facility. Requires the Commission to adopt rules allowing anthropogenic carbon dioxide stored in a geologic storage facility to be extracted for a commercial or industrial use.
Tex. Nat. Res. Code Chapter 131	Provides Commission authority to adopt rules and issue permits and orders relating to uranium exploration and surface uranium mining and reclamation. Declares the Commission to be the mining and reclamation authority for the State of Texas and to have exclusive jurisdiction for establishing reclamation requirements for mining and exploration operations in this state, except for in situ recovery processes, and states the scope and duration of the Commission's exclusive jurisdiction and responsibility for the regulation of all exploration activities. Prohibits the conduct of exploration activity unless the person holds an exploration permit issued by the Commission, which may contain provisions and conditions necessary to implement the policies of this subchapter. Requires the Commission to adopt rules governing the amendment, revocation, transfer, or suspension of an exploration permit; states the required provisions of an exploration permit.
Tex. Nat. Res. Code Chapter 134	Provides Commission authority to adopt rules and issue permits and orders as necessary to enforce provisions relating to surface coal, iron ore, and iron ore gravel exploration, mining, and reclamation; training, examination, and certification of blasters engaged in blasting for mining operations. Requires filing a reclamation bond with Commission prior to issuance of a permit for surface mining. Provides Commission authority to administer money received from abandoned mine reclamation or related purposes and to enter land for purposes of conducting reclamation under specified circumstances.
Tex. Nat. Res. Code Chapter 141	Provides Commission authority to regulate the exploration, development, and production of geothermal energy and associated resources.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Nat. Res. Code Chapter 211	Provides Commission jurisdiction over all salt dome storage of hazardous liquids and directs Commission to adopt by rules for safety standards and practices for salt dome storage of hazardous liquids.
Tex. Tax Code Sections 201.001-201.057	Provisions concerning gas severance tax.
Tex. Tax Code Sections 202.001-202.059	Provisions concerning oil severance tax.
Tex. Util. Code Chapter 101	Declares that the purpose of this subtitle [Util. Code, Title 3, "Gas Regulation," Subtitle A, "Gas Utility Regulatory Act"] is to establish a comprehensive and adequate regulatory system for gas utilities to assure rates, operations, and services that are just and reasonable to the consumers and to the utilities to protect the public interest inherent in the rates and services of gas utilities. Makes legislative finding that gas utilities are by definition monopolies in the areas they serve. As a result, the normal forces of competition that regulate prices in a free enterprise society do not operate. Public agencies regulate utility rates, operations, and services as a substitute for competition.
Tex. Util. Code Chapter 102	Declares that the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas or synthetic natural gas in areas outside a municipality and areas inside a municipality that surrenders its jurisdiction to the railroad commission under Section 103.003; and that transmits, transports, delivers, or sells natural gas or synthetic natural gas to a gas utility that distributes the gas to the public. The Commission has exclusive appellate jurisdiction to review an order or ordinance of a municipality exercising exclusive original jurisdiction as provided by this subtitle.
Tex. Util. Code Chapter 103	Provisions governing municipalities' jurisdiction and powers. Allows municipalities to surrender to the Commission their original jurisdiction over gas utilities. Directs that appeals of municipal decisions be made to the Commission.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Util. Code Chapter 104	Provisions governing gas utility rates and services; prohibiting unreasonable preferences, prejudices, or differences in rates and services; establishing procedures and standards for setting gas utility rates. Requires the Commission to approve rate for certain types of transactions if neither the gas utility nor the customer had an unfair advantage during the negotiations; the rate is substantially the same as the rate between the gas utility and at least two of those customers under the same or similar conditions of service; or competition does or did exist with another gas utility, another supplier of natural gas, or a supplier of an alternative form of energy. Authorizes gas utilities' recovery of costs of relocating a facility to accommodate construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state, or another entity having the power of eminent domain that are not reimbursed through a surcharge on gas volumes sold and transported to customers in the service area where the relocation occurred, without filing a statement of intent; Commission may deny based only on particular findings. Authorizes the Commission to review and approve an interim adjustment in a gas utility's rates to recover the cost of changes in the investment in service for gas utility services.
Tex. Util. Code Chapter 105	Provisions governing judicial review or Commission orders in gas utility rate cases; authorizes the Commission to pursue enforcement actions, seek penalties, and accept complaints related to gas utilities.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Util. Code Chapter 121	Establishes Commission jurisdiction to regulate the transportation and use of natural gas; defines "gas utility" as well as exclusions from the definition. Provides Commission jurisdiction and authority to regulate safety for intrastate natural gas pipelines and pipeline facilities. Authorizes the Commission to adopt safety standards for the transportation of gas and for gas pipeline facilities, including safety standards related to the prevention of damage to such a facility resulting from the movement of earth by a person in the vicinity of the facility, other than movement by tillage that does not exceed a depth of 16 inches. Grants authority for the Commission to adopt an inspection fee to be assessed annually against operators of natural gas distribution systems and master meter systems operators to recover the costs of administering the pipeline safety program. Contains provisions governing the Commission's enforcement remedies, including receivership and administrative penalties, and appeals of Commission decisions. Requires a permit to construct and operate a sour gas pipeline facility; establishes procedures and standards by which the Commission is authorized to issue such permits. Requires testing of natural gas piping systems in schools every two years; requires Commission enforcement.
Tex. Util. Code Chapter 122	Establishes gas utility tax; requires Commission to administer and collect the tax.
Tex. Util. Code Chapter 123	Agricultural Gas Users Act.
Tex. Util. Code Chapter 124	Provides Commission authority to regulate delivery of natural gas to dwellings through sub-meters.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Water Code Chapter 26	Section 26.121 prohibits water pollution from oil and gas waste. Section 26.131 establishes sole Commission responsibility for preventing and abating water pollution resulting from oil and gas exploration, development, production, and pipeline transportation activities and from its oil and gas waste. Sections 26.401-26.407 create the Texas Groundwater Protection Committee, establishes the requirements of the committee, including the publishing of an annual report on known groundwater contamination sites, identifies the Commission as one of the state agencies with responsibility related to the protection of groundwater, and mandates that the Commission's executive director serve as a member of the Committee.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Water Code Chapter 27	Sections 27.001-27.105 concern the regulation of injection wells. Section 27.034 provides Commission authority to adopt rules and procedures reasonably necessary for issuance of UIC permits. Section 27.035 provides Commission jurisdiction over in situ recovery of tar sands and authority to adopt rules to regulate in situ recovery of tar sands. Section 27.036 provides Commission jurisdiction over brine mining and authority to adopt rules to regulate brine mining. Enacted by Senate Bill 1387, 81st Legislature (effective 9/1/09), new Subchapter C-1 (Sections 27.041-27.050) in Chapter 27, Water Code, entitled, "Geologic Storage and Associated Injection of Anthropogenic Carbon Dioxide," gives the Commission jurisdiction over the geologic storage of carbon dioxide in, and the injection of carbon dioxide into, a reservoir that is initially or may be productive of oil, gas, or geothermal resources or a saline formation directly above or below that reservoir ("stacked storage"), with some exceptions. Grants Commission jurisdiction over a well used for carbon dioxide injection and sequestration regardless of whether the well was initially completed for that purpose or was initially completed for another purpose and is converted. States the requirements for permitting, financial assurance, monitoring, and inspection. Establishes an Anthropogenic Carbon Dioxide Storage Trust Fund to include fees established by the Commission. Requires the Commission to adopt regulations that are consistent with those of the federal Environmental Protection Agency (EPA) and to seek enforcement primacy from the EPA for the program. Requires the Commission, with the Texas Commission on Environmental Quality (TCEQ) and the University of Texas Bureau of Economic Geology (BEG), to conduct a study of, and report back to the legislature on, the appropriate agency to regulate the long-term storage of carbon dioxide into non-oil, gas, or geothermal producing geologic formations. Requires the Commission, with the Texas General Land Office (GLO) in conjunction with the TCEQ and the BEG, to develop recommendations for managing geologic storage of carbon dioxide on state-owned lands, including an assessment of storage capacity and new legal and regulatory frameworks that could be necessary based on the GLO recommendations.

Railroad Commission of Texas Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency (e.g., provides authority to licenses and regulated nursing home administrators)**
Tex. Water Code Chapter 29	Sections 29.001-29.053 provide Commission jurisdiction to regulate oil and gas waste haulers, including authority to adopt rules and issue permits.
Tex. Rev. Civ. Stat. Title 112	Governs the organization and administration of the Railroad Commission. These sections were repealed and re-enacted in the Transportation Code and Natural Resources Code by Senate Bill 1540, 81st Legislature (effective 4/1/11).
30 U.S.C. Section 1235	Authorizes states to administer AML (abandoned mine lands) program.
30 U.S.C. Section 1253	Authorizes states to assume exclusive jurisdiction over regulation of coal mining and reclamation operations.
42 U.S.C. Section 300h	Authorizes states to administer the federal underground injection control program.
42 U.S.C. Section 6926	Authorizes states to administer hazardous waste programs.
49 U.S.C. Section 60105	Authorizes certification of state pipeline safety programs for intrastate pipelines. In the event of certification, the federal Department of Transportation may not regulate intrastate natural gas or hazardous liquids pipelines.
Attorney General Opinions	
Attorney General Opinion No.	**Impact on Agency**
GA-0294 (January 19, 2005	Confirms the Commission's authority to use money in the Oil Field Cleanup Fund to plug abandoned oil and gas wells and to remediate oil and gas well sites, and to remediate commercial disposal sites to the extent a site is contaminated with oil and gas wastes or other substances or materials produced from oil and gas production, the drilling of exploratory wells, and the operation, abandonment and plugging of wells.

B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation.

Railroad Commission of Texas Exhibit 14: 82nd Legislative Session Chart		
Legislation Enacted—82nd Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 1147	W.Smith/Wentworth	This bill requires a governmental entity to provide a notice, in a form specified by the bill, on certain geospatial data products created or hosted by the governmental entity that were not produced by or under the supervision of a professional land surveyor.
HB 2067	Caligari/Seliger	The Commission must accept evaluations of oil and gas resources by P.E.s that are licensed in a state that does not prohibit similar activities in that state by a Texas P.E.
HB 2289	Crownover/Jackson	This bill removes the current statutory authority that allows a gas corporation to lay and maintain lines along a railroad or a railroad right-of-way.
HB 2663	Chisum/Seliger	This bill provides that the Railroad Commission's LP-gas rules preempt and supersede any ordinance, order, or rule adopted by a political subdivision of this state relating to any aspect or phase of the liquefied petroleum gas industry. However, a political subdivision may petition the executive director for permission to promulgate more restrictive rules and standards only if the political subdivision can prove that they enhance public safety.
HB 2694	W. Smith/Huffman	This bill moves the surface casing section of TCEQ to the RRC. RRC is required to adopt rules relating to surface casing letters for wells to be drilled, plugged, and for the underground injection control program, including geologic storage of anthropogenic carbon dioxide.
HB 3134	Crownover/Duncan	This bill provides that before the Railroad Commission (RRC) refuses to renew an operator's organization report (P-5) regarding the plugging of an inactive well, an authorized RRC employee or a person designated by the RRC for that purpose (authorized person) must determine whether the operator has failed to comply with requirements related to inactive wells in Subchapter B-1 of Chapter 89. If the authorized person determines that the P-5 would fail to qualify for renewal on that basis, then the authorized person must: notify the operator of the determination; provide the operator with a written statement of the reasons the P-5 does not qualify for renewal; and notify the operator that they have 90 days to comply with the requirements. The bill provides the operator with an opportunity to request a hearing on the determination, but requires that the operator pay the associated costs.

Railroad Commission of Texas Exhibit 14: 82nd Legislative Session Chart		
Legislation Enacted—82nd Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 3328	Keffer/Fraser	The bill requires the Commission to adopt rules relating to public disclosure of hydraulic fracturing chemicals, trade secrets relating to hydraulic fracturing chemicals, and dissemination of information in the event of an emergency.
SB 653	Hegar/Bonnen	Subjects the Railroad Commission to Sunset review again in 2013.
SB 656	Huffman/Bonnen	The bill amends various sections of Natural Resources Code, Chapter 33 to abolish the Coastal Coordination Council (Council) and transfer the Council's functions to the General Land Office and creates an advisory committee.
SB 1217	Estes/Hilderbran	Amends Utilities Code 251.155, changes the definition of an emergency as it relates to an excavator's duty to notify a notification center before excavating and creates civil and criminal penalties for the false claiming of an emergency.
SB 1478	Hegar/Crownover	The bill sets deadlines for review of surface mining permits, renewals and extensions and requires written notice to the applicant of various events in the review process.
SB 1 (1st called)	Duncan/Pitts	Art. 17 creates a general revenue dedicated oil and gas regulation and cleanup fund to be funded by surcharges on existing industry fees. The fund can be used for purposes related to the regulation of oil and gas development, including oil and gas monitoring and inspections, oil and gas remediation, and oil and gas well plugging and administration. The surcharges to be in amounts sufficient to enable the Railroad Commission (RRC) to recover the costs of performing their functions. Art. 17 also would allow for the use of pipeline safety fees for gas utility regulation.

Railroad Commission of Texas Exhibit 14: 82nd Legislative Session Chart		
Legislation Not Passed—82nd Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 173	Veasey	Change the name of the Railroad Commission to the Texas Oil and Gas Commission. Left pending in House Energy Resources.
HB 540	Turner S	Bill sought to ensure credits for carbon emissions allowances were passed through to the electric and gas customers. Left pending in State Affairs.
HB 724	Schwertner	Would have abolished the Alternative Fuels Research and Education Division program administered by the Railroad Commission of Texas. The bill was left pending in House Energy Resources.

Railroad Commission of Texas Exhibit 14: 82nd Legislative Session Chart		
Legislation Not Passed—82nd Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 849	Miller S/Fraser	Requires notice of a commercial disposal well permit application to each surface owner of record of each adjoining surface tract, county commissioners court and the groundwater conservation district. Requires publication in the newspaper that is published in closest proximity to the disposal well location. Requires surface owners who receive notice of a commercial disposal well application provide notice of the application to lessees and potential purchasers of the property.This bill failed to pass.
HB 931	Darby	The bill would have provided owners or operators of public drinking water treatment facilities with a few additional options for disposal of drinking water treatment residuals that were naturally occurring radioactive materials (NORM)This bill never received a hearing.
HB 966	Murphy	This bill would require the consideration of pension and other post employment benefits in establishing the rates of a gas utility.The bill never received a hearing.
HB 1124	Burnam	This bill would have imposed safety requirements for certain portions of pipelines in certain populous counties.This bill failed to pass.
HB 1125	Burnam	This bill would have required the RRC to do a study to determine if it was feasible to odorize natural gas transported in gathering and transmission lines located in populated areas.The bill was left pending in House Energy.
HB 1273	Workman	This bill would have made propane utilities subject to GURA (Gas Utility Regulatory Act).This bill failed due to industry opposition to economical regulation.
HB 1277	Guillen	This bill would have required an entity that sells, leases or rents excavation equipment must include a label on all excavation equipment stating as follows: "Call 8-1-1 Before Digging."The bill never received a hearing.
HB 1302	Lardon	This bill would have consolidated the functions of the Public Utility Commission of Texas and the Railroad Commission of Texas to create the Texas Energy and Communications Commission. The bill never received a hearing.
HB 1556	Burnam	This bill would have placed a prohibition on the issuance of a drilling permit for an oil or gas well that is proposed to be located within 1200 feet of a public school.This bill failed due to industry opposition.
HB 1968	Chisum/Hegar	The bill would have created the Gas Pipeline Regulatory act which is focused upon rate regulation of gas pipelines.The bill never received a hearing in either chamber.
HB 2001	Burnam	The bill would have eliminated the ability of operators to file applications with the comptroller to qualify for a severance tax reduction for high-cost gas wells after September 1, 2011. The bill never received a hearing.

Railroad Commission of Texas Exhibit 14: 82nd Legislative Session Chart		
Legislation Not Passed—82nd Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 2087	Craddick	This bill would have provided a methodology for allocating a share of production to a nonparticipating royalty interest owner in a tract that has been penetrated by a horizontal drainhole well who has not ratified a lease or pooling agreement covering the tract.This bill failed due to opposition of royalty owners.
HB 2125	Parker	This bill would have required the RRC to give priority to inspecting oil or gas wells that are located in a county with a population of 650,000 or more and in which there are more than 2,000 producing oil or gas wells.This bill was left pending in House Energy.
HB 2126	Parker	This bill would have increased the administrative penalty amount that could be imposed by the RRC to $20,000 per day for violations that occur in certain urban natural gas producing counties and allowed the amounts collected in excess of $10,000 per day to be appropriated to the RRC for certain gas well activities in those urban natural gas producing counties.The bill was left pending in House Energy.
HB 2259	Aliseda	The bill provided for payment of a road fee to the RRC with each application or materially amended application for a permit to drill, deepen, plug back, or reenter a well. The RRC must collect this road fee and remit the fee to the comptroller for deposit in the public and state roads maintenance and repair account.The bill failed to receive a hearing.
HB 2435	Deshotel/Hinojosa	The bill would encourage the railroad commission to approve natural gas utility rate adjustments based upon changes in investments or expenses or revenues.The bill failed due to opposition of attorneys representing municipalities.
HB 2611	Guillen	The bill would have established procedures for claims against unclaimed land grant mineral proceeds held by the comptroller.The bill failed to get set on the House Calendar.
HB 2885	Workman	The bill specified that a property owner's association, a municipality or county could not prohibit or restrict, except for a requirement to screen a tank, a property owner from installing an above ground LP-Gas tank on the owner's residential property if the tank size is reasonably necessary to meet the gas requirements of the residence.The bill was referred but never received a hearing in House Energy.
HB 3106	Keffer	Railroad Commission Sunset House Version. The Senate version of the bill became the lead bill.
HB 3212	Burnam	The bill would add an oil-field cleanup regulatory fee of one cent per barrel of 42 standard gallons on oil and gas waste disposed of by injection in a commercial injection well permitted by the RRC under Chapter 27, Water Code.The bill failed due to industry opposition.

Railroad Commission of Texas Exhibit 14: 82nd Legislative Session Chart		
Legislation Not Passed—82nd Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
SB 103	Davis	This bill would have required the RRC to adopt and enforce regulations regarding the installation, relocation, safety and removal of wastewater pipelines in the state.This bill failed to receive a hearing.
SB 104	Davis	The bill establishes a different set of criteria for flaring/venting of gas wells, and for RRC approval of permits to flare or vent natural gas, from a gas well in Dallas and Tarrant Counties. The bill failed to receive a hearing.
SB 105	Davis/Keffer	This bill provided that the RRC could only permit a commercial disposal in Tarrant county into the Ellenburger or deeper formations.The bill did not get set on the House Calendar in time to pass.
SB 106	Davis	This bill provided a municipality authority over placement, inspection, and maintenance of and construction materials used for gas pipelines used as gathering lines, pumps, compressors, separators, dehydration units, and tank batteries.This bill failed due to industry opposition – was referred and never received a hearing.
SB 107	Davis	The bill would have required the RRC to verify that each repair of a grade 1 leak was performed as stated in the reports that operators of gas distribution systems, regulated plastic gas gathering lines, and plastic gas transmission lines were to be required to file.This bill was referred but never received a hearing.
SB 300	Wentworth	This bill would have changed the name of the Railroad Commission of Texas to the Texas Energy Commission.The bill never received a hearing.
SB 555	Watson	This bill would have made propane utilities subject to GURA (Gas Utility Regulatory Act).This bill failed due to industry opposition to economical regulations.
SB 655	Hegar	Railroad Commission Sunset legislation.The bill failed due to industry opposition.
SB 668	Wentworth	The bill would have changed the name from the Railroad Commission of Texas to The Texas Oil and Gas Commission. The bill failed to receive a hearing.
SB 745	Davis	This bill attempted to require the Railroad Commission to adopt and enforce regulations regarding "saltwater pipelines." The bill never received a hearing.
SB 772	Davis	This bill would have required the RRC to adopt rules requiring operators to add to add tracers unique to the operator to all hydraulic fracturing fluids.This bill failed due to industry opposition – the bill never received a hearing.

Railroad Commission of Texas Exhibit 14: 82nd Legislative Session Chart		
Legislation Not Passed—82nd Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
SB 1049	Davis	This bill would have required the RRC to adopt rules requiring the owner or operator of a well on which hydraulic fracturing treatment operations have been performed or a person who has performed hydraulic fracturing treatment operations on a well to disclose to the RRC in writing information regarding the operations, following the completion of those operations. This bill never received a hearing. A similar bill that was acceptable to industry passed.
SB 1309	Hinojosa/Deshotel	The bill would encourage the railroad commission to approve natun of attorneys representing municipalities.

IX. POLICY ISSUES

Issue 1: Commission Governing Body

General Response: The Commission believes this issue was fully vetted and discussed during the last Legislative Session. The existing agency structure serves the State well. No further action is necessary, including any changes to the role of the Commission Chairman.

Issue 2: Oil and Gas Regulatory Funding Structure

General Response: The Commission believes this issue was fully vetted. It was implemented by SB 1 (First Called Session, 82nd Legislative Session). No further action is necessary.

Issue 3: Enforcement Processes

General Response: The Commission believes enforcement is a critical component of a successful regulatory process and necessary to ensure regulatory compliance. Changes to the enforcement process could improve the public's perception. The Commission believes transferring enforcement hearings to the State Office of Administrative Hearings would be ineffective.

During the fourth quarter of FY 2011, the Commission created an internal Enforcement Roundtable. The group meets every two weeks to discuss enforcement processes, technological improvements to improve transparency, potential training opportunities, and other issues identified by the Sunset Commission during the 82nd Legislature.

The Commission favors a compliance-based approach to enforcement, with safety and environmental protection as the favored outcomes of any enforcement action. A rule-based program to evaluate and rank violations is consistent with the Commission's goals.

The Commission believes the issue of transferring enforcement hearings to the State Office of Administrative Hearings was fully vetted during the last legislative Session and no further action is needed.

The Commission has an ongoing capital project to expand D-Forms, its field inspection reporting system. Once this system is deployed with a target day of the beginning of the 83rd Legislative Session, the Commission will be better able to track data trends. As access to

additional data becomes available, the Commission will publish complaint and enforcement data on the Commission's web site.

Issue 4: Propane Marketing Program

General Response: House Bill (HB) 1, 82nd Legislature (Regular Session, 2011) reduced appropriations for the AFRED propane-marketing program by fifty percent. This reduction will allow the Sunset Commission and the Legislature to observe the reductions' impact on the propane industry.

Issue 5: Interstate Pipelines

General Response: The Commission believes that amending its pipeline damage prevention rules to apply to interstate pipelines, as well as intrastate pipelines, and to enforce rule violations that affect both types of pipelines would allow for uniform enforcement throughout the State, with the potential to decrease pipeline-related damages through increased awareness and education.

Issue 6: Key Staff

General Response: Each biennium the Commission addresses its workforce issues in the *Workforce Plan* included within the *Agency Strategic Plan*. The Commission will continue to use effective recruitment strategies to address critical deficiencies in its labor force and to narrow the gaps in diversity goal attainment. The Commission has made succession planning a top priority due to projected retirements and anticipated turnover in management.

Issue 7: Alternative Energy Oversight

General Response: Just as the Commission has historically been the lead agency on oversight of traditional energy sources, the Commission should be the lead agency on alternative sources. Many of the same siting, operating, and decommissioning issues arise with any sort of energy source, and the Commission uniquely possesses the knowledge and expertise to deal with these as they arise in the future.

X. OTHER CONTACTS

A. Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent e-mail address.

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/Contact Person	**Address**	**Telephone**	**E-mail Address**
Association of Energy Service Companies Kenny Jordan	14531 FM 529, Suite 25 Houston, Texas 77095	713/781-0758	kjordan@aesc.net
Coastal Bend Group Sierra Club Pat Suter, Chair	P O Box 3512 Corpus Christi, TX 78404	361/852-7938	phsuter@stx.rr.com
Energy Security Council David Leiting	2611 FM 1960 West Suite F – 121 Houston, Texas 77068	281/587-2700	info@energysecuritycouncil.org
Environmental Defense Fund Texas Scott Anderson	44 East Avenue #304 Austin, Texas 78701	478-5161	sanderson@edf.org
Goliad County Farm Bureau P.T. Calhoun	P.O. Box 576 Goliad, TX 77963	361/648-9895	calhoun@nodial.net
Independent Producers Association of America Lee O. Fuller	1201 15th Street NW Suite 300 Washington, D.C. 20005	202/857-4722	No email address available
Lone Star Chapter Sierra Club Ken Kramer Cyrus Reed	P.O. Box 1931 Austin, Texas 78767-1931 1202 San Antonio St. Austin, Texas 78701	477-1729	lonestar.chapter@sierraclub.org reed_c@grandecom.net
National Association of Royalty Owners Candice Upton Brewer	1103 Algerita Drive San Angelo, Texas 76901	325/942-2237	texas@naro-us.org
Panhandler Producers and Royalty Owners Association H. Wayne Hughes	3131 Bell #209 Amarillo, Texas 79106	806/352-5637	pproa@pproa.org
Permian Basin Petroleum Association Ben Shepperd	415 West Wall Midland, Texas 79701	432/684-6345	ben@pbpa.info
South Texas Opposes Pollution, Inc. Elizabeth Cumberland	761 Martindale Falls Martindale, TX 78655	357-2897	ecumberland@peoplepc.com
Southwest Workers Union Laura Cushing	P O Box 83076 San Antonio, TX 78283	210/299-2666	lara@swunion.org

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/Contact Person	**Address**	**Telephone**	**E-mail Address**
Texas Alliance of Energy Producers Williiam J. Stevens	1007 East 8th St. Austin, Texas 78702	524-8076	bills@texasalliance.org
Texas Energy Reliability Council Ron Kitchens	16649 Highway 290 West Harper, Texas 78631	680-4015	Rlk32ford@aol.com
Texas Gas Association Darrell Cherry	800 w. Sam Houston PKWY S, Suite 900 Houston, Texas 77042	713/784-2121	www.texasgas.com
Texas Gas Processors Association Mark Sutton	3526 East 60th Street Tulsa, Oklahoma 74145	918/493-3872	msutton@gpaglobal.org
Texas Independent Producers and Royalty Owners Association Justin Furnace	919 Congress Avenue Suite 1000 Austin, Texas 78701	477-4452	jfurnace@tipro.org
Texas Land and Mineral Owners Association Kitty Sue Quinn	1005 Congress Avenue Suite 360 Austin, Texas 78701	479-5000	execdir@austin.rr.com
Texas Mining and Reclamation Association	100 Congress Avenue Suite 1100 Austin, Texas 78701	236-2325	Information@tmra.com
Texas Municipal League	1821 Rutherford Lane, Suite 400 Austin, Texas 78754	719-6300	
Texas Oil and Gas Association Robert L. Looney	304 West 13th St. Austin, Texas 78701	478-6631	rlooney@txoga.org
Texas Pipeline Association Pat Nugent	604 W 14th Street Austin, Texas 78701	478-2871	texaspipelineassociation @ yahoo.com
Texas Propane Gas Association Bill Van Hoy	8408 N IH 35 Austin, Texas 78753	836-8620	bvanhoy@txpropane.com
Water Research Group Kenneth Schusterheit	275 Baass Lane Victoria, TX 77905	361/578-4463	No email address available
INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS			
Ground Water Protection Council Mike Paque	13308 N. MacArthur Blvd Oklahoma City, Oklahoma 73142	405/516-4972	mpaque.gwpc.org
Interstate Mining Compact Commission Gregory Conrad	445-A Carlisle Drive Herndon, VA 20170	703/709-8654	gconrad@imcc.isa.us
Interstate Oil & Gas Compact Commission (IOGCC) Mike Smith	P. O. Box 53127 Oklahoma City, OK 73152-3127	405/525-3556	iogss@iogcc.state.ok.us

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/Contact Person	**Address**	**Telephone**	**E-mail Address**
National Association of Abandoned Mine Land Programs Steve Herbert	AML Program Department of Natural Resources RR 2 Box 129 Jasonville, Indiana 47438	812/665-2207	sherbert@dnr.in.gov
National Association of Pipeline Safety Representatives Michael Thompson, Chief, Pipeline Safety	Oregon Public Utility Commission P.O. Box 2148 Salem, OR 97309-2148	503/378-6760	michael.thompson@state.or.us
National Association of Regulatory Utility Commissioners Charles D. Gray	1101 Vermont Avenue, NW Suite 200 Washington, D.C.20005	202/898-2208	cgray@naruc.org
National Fire Protection Association Ted Lemoff	1 Battery March Park, Quincy, MA 02169	617/770-3000	tlemoff@nfpa.org
National Propane Gas Association Richard Roldan	1150 17th Street. NW, Suite 130 Washington, DC 20036	202/466-7200	rroldan@npga.org
National Regulatory Research Institute Natural Gas Research and Policy Ken Costello	8730 Georgia Ave. #201 Silver Spring MD 20910	614/532-9397	kcostello@nrri.org
Propane Council of Texas Tony Dale	104 Breakaway Road Cedar Park, Texas 78613	260-7482	tonydale@ferrellgas.com
Propane Education and Research Council Roy Willis	1140 Connecticut Avenue NW, Washington, DC 20036	202/452-8975	roy.willis@propanecouncil.org
State Review of Oil and Natural Gas Environmental Regulations, Inc. (STRONGER, Inc.) Mike Nickolaus	C/O GWPC 13308 N. MacArthur Blvd. Oklahoma City, OK 73142	405/516-4972	mnickolaus@gwpc.org
Texas Farm Bureau Ned Meister. Regulatory Activities	P.O.Box 2689 Waco, Texas 76702-2689	254/751-2457	nmeister@txfb.org
Liaisons at Other State Agencies			
Bee Ground Water Conservation District Mr. Lonnie Stewart, General Manager	P O Box 682 Beeville, TX 78104-0682	(361) 358-2244	beegcd@yahoo.com
Brush Country Groundwater Conservation District Felix Saenz, General Manager	P.O. Box 136 Falfurrias, Texas 78355	(361) 325-5093	

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/Contact Person	**Address**	**Telephone**	**E-mail Address**
Bureau of Economic Geology - University of Texas at Austin Scott Tinker Ian Duncan Bridget Scanlon Michelle Foss	University of Texas University Station Box X Austin, Texas 78713	 471-1534 471-5117 471-8242 313-9763	scott.tinker@beg.utexas.edu ian.duncan@beg.utexas.edu bridget.scanlon@beg.utexas.edu michelle.foss@begutexas.edu
Coastal Bend Bays & Estuaries Program Ray Allen	1305 N. Shoreline Blvd. Suite 205 Corpus Christi, Texas 78401	361/885-6202 361/881-5168	Info@cbbep.org
Coastal Land Advisory Board Kathy Smartt	Stephen F. Austin Building 1700 N Congress Avenue Austin, Texas 78701-1495	475-1552	kathy.smart@glo.state.tx.us
Department of Information Resources / Customer Representative Ellen Harper	300 W. 15th Ste. 1300 Austin, Texas 78701	463-4110	ellen.harper@dir.state.tx.us
Duval County Groundwater Conservation District Atlee Parr, President	P.O. Box 506 Benavides, Texas 78341	(361) 816-5368	
Evergreen Underground Water Conservation District Mike Mahoney, Manager	110 Wyoming Blvd. Pleasanton, TX 78064	(830) 569-4168	euwcd@karnesec.net
Fayette County Groundwater Conservation District David A. Van Dresar, General Manager	255 Svoboda Lane, Room 115 La Grange, Texas 78945	(979) 968-3135	david@fayettecountygroundwater.com
Galveston Bend Bays & Estuaries Program	17041 El Camino Real Suite 210 Houston, Texas 77058	281/218-6461	gbep@tceq.state.tx.us
General Land Office Minerals Leasing Robert Hatter Interagency Council on Coastal Spills Gary Pollock Coastal Resources Helen Young	Stephen F. Austin Building 1700 N. Congress Austin, Texas 78701-1495	 463-5256 475-1542 475-5720 463-5338	robert.hatter@glo.state.tx.us helen.young@glo.state.tx.us
Goliad County Ground Water Conservation District Mr. Art Dohmann, President	P O Box 562 Goliad, TX 77963	(361) 645-1716	gcgcd@goliadcogcd.org
Goliad County Ground Water Conservation District Ms. Barbara Smith, Manager	P O Box 562 Goliad, TX 77963	(361) 645-1716	bsmith@goliadcogcd.org
Governor's Office Toby Baker	1100 San Jacinto Austin, Texas 78701	463-5856	toby.baker@governor.state.tx.us

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/Contact Person	**Address**	**Telephone**	**E-mail Address**
Kenedy County Ground Water Conservation District Ashton V. Crocker, General Manager	P.O. Box 212 Sarita, TX 78385	(361) 595-7311	general_manager@kenedygcd.com
Kent Saathoff Electric Reliability Council of Texas (ERCOT)	2705 West Lake Dr Taylor, Texas 76574	248-3011 (office)	ksaathoff@ercot.com
Legislative Budget Board, Tom Lambert, Budget Analyst Richard Corbell, IT Analyst	1501 N. Congress Avenue Fifth Floor Austin, Texas 78701	936-1609 475-1905	tom.lamber@lbb.state.tx.us richard.corbell@lbb.state.tx.us
Live Oak Underground Water Conservation District Mr. Lonnie Stewart, General Manager	3460A Hwy 281 George West, TX 78022	(361) 449-1151	louwcd@yahoo.com
McMullen Ground Water Conservation District Mr. Lonnie Stewart, General Manager	P O Box 232 Tilden, TX 78022	(361) 274-3365	mcmullengcd@yahoo.com
Mina M. Dioun International Association For Energy Economics (IAEE)	Lower Colorado River Authority 3700 Lake Austin Blvd MS L200 Austin, TX 78703	(512) 473-3200 x2549	mina_dioun@yahoo.com
Office of Public Utility Counsel Danny Bivens	P.O. Box 12397 Austin, Texas 78711-2397	936-7523	danny.bivens@opc .state.tx.us
Public Utility Commission Evan Rowe	William B. Travis Building 1701 N. Congress Austin, Texas 78711	936-7026	evan.roe@puc.state.tx.us
State Auditor's Office John Young	Robert E. Johnson, Sr. Building 1501 N. Congress Ave. Austin, TX 78701 P.O. Box 12067 Austin, TX 78711-2067	936-9500	john.young@sao.state.tx.us
State Emergency Management Council W. Nim Kidd	5805 N. Lamar Box 4087 Austin, Texas 78773-0001	424-2138 424-2443	Nim.Kidd@dps.texas.gov
State Energy Conservation Office Dub Taylor	111 E. 17th St. Austin, Texas 78774	463-8352	dub.taylor@cpa.state.tx.us

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/Contact Person	**Address**	**Telephone**	**E-mail Address**
Texas Commission on Environmental Quality Bryan W. Shaw, Chairman Susan Jablonski, Director Radioative Materials Division Ben Knape, P.G. UIC Permits Team Office of Water L'Oreal Stepney, Deputy Director TERP Grant Jody Ibarguen Waster Permits Division Earl Lott, Director Water Rights Permitting and Availability Section Kellye Rila	P.O. Box 13087 Austin, Texas 78711-3087	239-5510 239-6466 239-6633 239-1321 239-4954 239-2047 239-4612	sjablons@tceq.state.tx.us bknape@tceq.state.tx.us jibargue@tceq.state.tx.us krila@tceq.state.tx.us
Texas Comptroller of Public Accounts Michael Elwell	111 E 7th Street Austin, Texas 78711	463-4000	michael.elwell@cpa.state.tx.us
Texas Department of Licensing and Regulation (TDLR) Water Well Drillers Program Lee Parham	920 Colorado Austin, Texas 78701	463-3536	cs.water.well@license.state.tx.us
Texas Department of State Health Services (DSHS) Bureau of Radiation Control Richard Ratliff Thomas Carden	P. O. Box 149347 Austin, Texas 78714-9347	834-6679 834-6688	richard.ratliff@dshs.state.tx.us thomas.carden@dshs.state.tx.us
Texas Department of Transportation Environmental Affairs Division Dianna Noble	125 E. 11th St, Bldg 118 Austin, Texas 8701-2483	416-2734	dnoble@dot.state.tx.us
Texas Groundwater Protection Committee Cary Betz	C/O TCEQ P.O. Box 13087 Austin Texas 78768-3087	239-4506	cary.betz@tceq.state.tx.us
Texas Historical Commission Chief Executive Director Mark Wolfe Archeology Division/State and Federal Review Bill Martin	1511 N. Colorado Street P.O. Box 12276 Austin, Texas 78711	463-6100 463-9857 463-5867	thc@thc.state.tx.us mark.wolfe@thc.state.tx.us bill.martin@thc.state.tx.us
Texas Parks and Wildlife Department (TPWD) Rebecca Hensley, Regional Director, Dickinson, TX Karen B. Hardin Kathy Boydston	1502 FM 517 East Dickinson, TX 77539 P.O. Box 30 Athens, Texas 75751 4200 Smith School Rd. Austin, TX 78744-3251	281/534-0108 903/676-2277 389-4800	karen.hardin@tpwd.state.tx.us kathy.boydston@tpwd.state.tx.us

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/Contact Person	**Address**	**Telephone**	**E-mail Address**
Texas State Soil and Water Conservation Board Richard Egg Lee Munz	P.O. Box 658 Temple, Texas 76503	254/773-2250	regg@tsswcb.state.tx.us lmunz@tsswcb.state.tx.us
Texas Water Development Board Surface Water Resources Division Dr. Barney Austin Groundwater Monitoring Janie Hopkins	1700 N. Congress Ave. Austin, TX 78711-3231	463-8856 936-0816 936-0841	barney.austin@twdb.state.tx.us janie.hopkins@twdb.state.tx.us

XI. ADDITIONAL INFORMATION

A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Railroad Commission of Texas Exhibit 16: Complaints Against the Agency Fiscal Years 2009 and 2010		
	FY 2009	**FY 2010**
Number of complaints received	1	3
Number of complaints resolved	1	3
Number of complaints dropped/found to be without merit	1	3
Number of complaints pending from prior years	2	1
Average time period for resolution of a complaint	356 days	9 mos, 20 days

B. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases.

Railroad Commission of Texas Exhibit 17: Purchases from HUBS				
Fiscal Year 2008				
Category	**Total $ Spent**	**Total HUB $ Spent**	**Percent**	**Statewide Goal**
Heavy Construction	$0	$0		11.9%
Building Construction	$59,644	$0	0%	26.1%
Special Trade	$112,892	$1,100	1.0%	57.2%
Professional Services	$1,346,650	$441,405	32.7%	20.0%
Other Services	$25,313,643	$3,972,213	15.6%	33.0%
Commodities	$2,580,653	$1,046,115	40.5%	12.6%
TOTAL	**$29,413,483**	**$5,460,834**	**18.5%**	
Fiscal Year 2009				
Category	**Total $ Spent**	**Total HUB $ Spent**	**Percent**	**Statewide Goal**
Heavy Construction	$0	$0		11.9%
Building Construction	$37,018	$37,018	100%	26.1%
Special Trade	$46,984	$629	1.3%	57.2%
Professional Services	$1,398,110	$470,581	33.6%	20.0%
Other Services	$23,841,475	$3,762,638	15.7%	33.0%
Commodities	$1,343,358	$204,267	15.2%	12.6%
TOTAL	**$26,666,948**	**$4,475,135**	**16.7%**	

Railroad Commission of Texas Exhibit 17: Purchases from HUBS				
Fiscal Year 2010				
Category	**Total $ Spent**	**Total HUB $ Spent**	**Percent**	**Statewide Goal**
Heavy Construction	$0	$0		11.9%
Building Construction	$79,821	$35,784	44.8%	26.1%
Special Trade	$45,449	$8,062	17.7%	57.2%
Professional Services	$507,164	$240,827	47.4%	20.0%
Other Services	$17,684,014	$2,397,961	13.5%	33.0%
Commodities	$1,998,380	$747,182	37.3%	12.6%
TOTAL	**$20,314,830**	**$3,429,818**	**16.8%**	

C. Does your agency have a HUB policy? How does your agency address performance related shortfalls related to the policy? (Texas Government Code, Sec. 2161.003; TAC Title 34, Part 1, rule 20.15b)

Yes. It is included in the RRC's Strategic Plan. In addition, the RRC has adopted by reference the statewide HUB rules in its rules TAC Title 16, Part 1, Chapter 20, Subchapter A, Division 1, Rule 20.5. The RRC reports the effectiveness of HUB participation by analyzing division performance monthly and quarterly, and communicates the results to management.

D. For agencies with contracts valued at $100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of $100,000 or more? (Texas Government Code, Sec. 2161.252; TAC Title 34, Part 1, rule 20.14)

Yes. The RRC developed a HUB subcontracting plan for the procurement of professional services, construction, and commodities in an amount equal to or greater than $100,000 where subcontracting opportunities are believed to exist.

E. For agencies with appropriations exceeding $10 million, answer the following HUB questions.

	Response / Agency Contact
1. Do you have a HUB coordinator? (Texas Government Cod, Sec 2161.062; TAC Title 34, Part 1 rule 20.26)	Yes, Tom Morgan is the agency's HUB coordinator.
2 HUB forums in which businesses are invited to deliver presentations that demonstrate they capability to do business with your agency? (Texas Government Cod, Sec 2161.062; TAC Title 34, Part 1 rule 20.27)	Yes, the Commission sponsors and participates in several HUB forums each year. Tom Morgan
3. Has your agency developed a mentor protégé program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Cod, Sec 2161.062; TAC Title 34, Part 1 rule 20.28)	Yes, the Commission designed a Mentor Protégé Program to foster long-term relationships between contractors/vendors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract. Tom Morgan

F. Fill in the chart below detailing your agency's Equal Employment Opportunity (EEO) statistics.

Railroad Commission of Texas
Exhibit 18: Equal Employment Opportunity Statistics

Fiscal Year 2010

Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Women	
		Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %
Officiasl/ Administration	44	3.57	6.6	16.07	14.2	23.21	37.3
Professional	167	6.91	8.3	13.56	13.4	37.32	53.2
Technical	167	6.04	12.4	25.00	20.2	23.38	53.8
Administrative Support	68	16.15	11.2	30.70	24.1	81.3	64.7
Service Maintenance	0	0	13.8	0	40.7	0	39.0
Skilled Craft	5	0	6.0	20.0	37.5	40.0	4.8

Fiscal Year 2009

Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Women	
		Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %
Officials/ Administration	48	3.38	9.0	13.55	23.7	20.33	38.8
Professional	171	5.96	11.7	12.34	19.9	40.36	54.5
Technical	168	5.71	17.0	23.67	27.0	22.85	55.6
Administrative Support	48	15.71	13.2	29.28	31.9	81.30	66.2
Service Maintenance	0	0	12.8	0	44.8	0	39.7
Skilled Craft	0	0	5.1	0	46.9	0	5.1

Fiscal Year 2008							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Women	
		Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %
Officials/ Administration	57	1.75	9.0	14.04	23.7	22.81	38.8
Professional	221	7.11	11.7	14.22	19.9	40.28	54.5
Technical	236	5.93	17.0	23.31	27.0	23.73	55.6
Administrative Support	146	15.07	13.2	30.14	31.9	89.04	66.2
Service Maintenance	0	0	12.8	0	44.8	0	39.7
Skilled Craft	0	0	5.1	0	46.95	0	5.1

G. Does your agency have an Equal Employment Opportunity (EEO) policy? How does your agency address performance shortfalls related to the policy?

The Railroad Commission has an EEO policy. Any performance shortcomings related to the policy are addressed as they arise specific to those unique circumstances.

XII. AGENCY COMMENTS

The FY 12–13 biennium will be a challenging and exciting period for the Railroad Commission. With a new Chairman, new Commissioners, and several new division directors, as well as upcoming organization changes, the Railroad Commission is an agency ready for more rapid, effective, and efficient responses to changing circumstances while ensuring a progressive regulatory environment.

Senate Bill (SB) 1, 82nd Legislature (First Called Session, 2011) created the Oil and Gas Regulation and Clean Up Fund and provided the authority for the Commission to implement surcharges through rule-making to provide funding for the oil and gas regulatory and clean up functions of the agency. The provisions in SB 1 implement the Sunset Commission's recommendations as set forth under Issue 2 in the Sunset Staff Report (82nd Legislature).

House Bill (HB) 1, 82nd Legislature (Regular Session, 2011) reduced appropriations for the AFRED propane marketing program by fifty percent. This reduction should allow the Sunset Commission and the Legislature, as well as Sunset Staff, to observe the impact on the propane industry of a reduced marketing program and provide valuable data as Sunset Staff recommendations found in Issue 4 may be reexamined during the review process prior to the 83rd Legislative Session.

During the fourth quarter of FY 2011, the Railroad Commission created an internal Enforcement Roundtable. The group meets every two weeks to discuss the enforcement process, technological improvements to improve transparency, potential training opportunities, and other issues identified under Issue 3 in the Sunset Staff Report (82nd Legislature). During FY 2012, the Commission will begin the rule making process to establish penalty guidelines and set penalty amounts as rule.

The Commissioners and Railroad Commission staff will be pleased to provide any additional information to assist the Sunset Commission in its review of the agency. Additionally, the agency looks forward to the opportunity to discuss Commission operations with Sunset staff as the process moves forward.

LIST OF ATTACHMENTS

ANNUAL REPORTS FY 2009–2010

INTERNAL OR EXTERNAL NEWSLETTERS FY 2009–2010

LIST OF RELATED STUDIES BY OTHER ENTITIES

U.S. Department of Energy (DOE) Secretary of Energy Advisory Board Shale Gas Production Subcommittee Ninety-Day Report (August 11, 2011)

2011 Department of the Interior (DOI) Study of Hydraulic Fracturing and Shale Gas

2011 Securities Exchange Commission (SEC) study

2011 General Accountability Office (GAO) Study

Summer 2011 Energy Institute at the University of Texas-Austin

2011 CSI Technologies DOE-funded Study

Texas A&M University (College Station, TX) - A Geomechanical Analysis of Gas Shale Fracturing and Its Containment

Texas A&M University (College Station, TX) - Diagnosis of Multiple Fracture Stimulation in Horizontal Wells by Downhole Temperature Measurement for Unconventional Oil and Gas Wells

2011 Houston Advanced Research Center (HARC) DOE-funded study– The Woodlands - HARC Technology Integration Program

EPA Study on the Potential Impacts of Hydraulic Fracturing on Drinking Water Resources

Propane and Heating Oil - Federal Oversight of the Propane Education Council and National Oilheat Research Alliance Should Be Strengthened, June 2010

PIPA reports available at:

http://primis.phmsa.dot.gov/comm/publications/PIPA/PIPA-Report-Final-20101117.pdf#pagemode=bookmarks

-

http://www.phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/PIPA%20release%20phmsa1010.pdf

PHMSA Advisory Bulletins available at:

http://www.phmsa.dot.gov/pipeline/regs/advisory-bulletin

Pipeline Safety Forum available at:

http://www.phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/National%20Pipeline%20Safety%20Forum%20Record%2004-18-2011.pdf

The State of Natural Gas Pipelines in Fort Worth, October 2010

BIOGRAPHICAL INFORMATION

MOST RECENT RULES

Available at:

http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=3&ti=16&pt=1

LEGISLATIVE APPROPRIATIONS REQUEST FY 2010–2011

ANNUAL FINANCIAL REPORT FY 2008–2010

OPERATING BUDGET DECEMBER 2009

REGIONAL MAP

PERFORMANCE REPORT FY 2010

INTERNAL AUDIT PLAN

STRATEGIC PLAN

LIST OF INTERNAL AUDIT REPORTS FY 2010–2011

Procurement Card Usage

Complaint Process

LIST OF STATE AUDITOR REPORTS FY 2010–2011

03/01/2010 #10-555 State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009

CUSTOMER SERVICE SURVEYS FY 2010

BIOGRAPHIES

CHAIRMAN ELIZABETH AMES JONES

A sixth generation Texan from San Antonio, Commissioner Elizabeth Jones was elected three times to the Texas House of Representatives before her appointment in 2005 by Governor Rick Perry to the Texas Railroad Commission. In November 2006 she was elected to serve a six-year term.

She currently serves as the Railroad Commission's representative to the Coastal Land Advisory Board, and is a member of the Interstate Oil and Gas Compact Commission (IOGCC). Commissioner Jones was appointed by the IOGCC to represent its interest in the Research Partnership to Secure Energy for America (RPSEA). A non-profit corporation, RPSEA partners with energy-related entities and research organizations to help meet the nation's need for hydrocarbon resources.

During her tenure in the Texas Legislature, Commissioner Jones was one of Texas' three appointees to the Southern States Energy Board, whose mission is to enhance economic development and to improve living conditions through innovations in energy and environmental programs and technologies.

She also served as Chairman of Budget and Oversight for the Energy Resources Committee and served on committees such as the Appropriations, Local and Consent Calendars, and Select School Finance. In addition, she successfully spearheaded efforts to establish a public umbilical cord blood center in Texas. The Texas Cord Blood Bank, located in San Antonio, will store and provide umbilical cord stem cells to treat diseases like leukemias, lymphomas, sickle cell anemia and primary immunodeficiencies.

The recipient of many awards recognizing her work ethic in the Legislature, Commissioner Jones understands how important industries regulated by the Commission are to our state's economy and to our national security. She will continue to work steadfastly to ensure the protection of our state's natural resources as well as foster the growth of a strong domestic energy industry.

Commissioner Jones graduated from the University of Texas at Austin with a B.A. degree in Journalism.

COMMISSIONER DAVID PORTER

On November 2, 2010, David J. Porter was elected to serve a six-year term as a Texas Railroad Commissioner. He won nearly sixty percent of the vote in that election.

Commissioner Porter is an associate member of the Interstate Oil and Gas Compact Commission (IOGCC), and he recently formed the Eagle Ford Taskforce, comprised of various stakeholders, to address oil and gas development in South Texas.

Before taking office, Commissioner Porter built a successful small business around his CPA practice in Midland Texas, providing accounting and tax services to oil and gas producers, royalty owners, oil field service companies and other small businesses and individuals.

Porter was born in Fort Lewis, Washington in 1956 while his father was serving in the US Army. He graduated Magna Cum Laude from Harding University in May of 1977 with a Bachelors Degree in Accounting. He passed the CPA exam on his first attempt in November of 1977 and became a Texas CPA in September 1981, the same year he moved to Midland.

David met his wife, Cheryl, while attending Harding University, and they were married in 1979. They are the proud parents of one daughter and are also the proud grandparents of a two-year old granddaughter.

COMMISSIONER BARRY T. SMITHERMAN

Barry Smitherman is a fourth generation Texan appointed by Governor Rick Perry to the Railroad Commission of Texas on Friday, July 8, 2011. His new role as a Railroad Commissioner is not his first foray as a state energy official, however.

Previously, Barry was appointed by Governor Perry to the Public Utility Commission of Texas (PUCT) on April 21, 2004. He was reappointed on September 13, 2007, and promoted to PUCT Chairman on November 14, 2007. In March 2008, Barry was appointed to the U.S. Department of Energy's Electricity Advisory Committee (EAC) by Secretary of Energy Samuel Bodman. In August 2010, he was reappointed by Secretary Steven Chu. In 2009, he received the State Leadership award from the American Wind Energy Association for the PUCT's pioneering renewable energy zone policy for proactive transmission development.

Barry is a member of the State Bar of Texas and Vice Chairman of the Governor's Advisory panel on Federal Environmental Regulation. He is also a member of the National Association of Regulatory Utility Commissioners (NARUC) Board of Directors and the Committee on Energy Resources and the Environment (ERE). In his prior role as Chairman of the PUCT, he also served as an ex officio board member of the Electric Reliability Council of Texas (ERCOT) and Vice President of the Regional State Committee (RSC) for the Southwest Power Pool (SPP).

Barry grew up in Highlands, Texas; a working class neighborhood on the east side of Houston. He graduated from Ross Sterling High School in Baytown and continued his education at Texas A&M University receiving a BBA summa cum laude. He received his J.D. from The University of Texas School of Law while working at the State Capitol for Senator Lindon Williams. Afterward he received a M.P.A. at Harvard University and was awarded the first Joel Leff Fellowship in Political Economy by the Kennedy School of Government.

For 16 years Barry was a public finance investment banker working with state and local governments throughout the South, Southwest and Midwest to build infrastructure projects such as roads, bridges, airports, water and sewer systems, schools, hospitals, and sports facilities. He held leadership positions with First Boston, Lazard Freres, JP Morgan, and Bank One where he was National Head of the Tax Exempt Securities Origination Department. During this time he helped municipalities save hundreds of millions of dollars.

Barry has also been a prosecutor with the Harris County (Houston, Texas) District Attorney's office. In 1990, Barry was a member of the American Center for International Leadership delegation to the former Soviet Union. In 1996, Barry was a delegate to the State Republican convention in San Antonio. Barry is also a former adjunct professor of public administration at the University of St. Thomas in Houston and a former member of the Boards of the Texas Public Finance Authority, and the Harris County Health Facilities Development Corporation.

He and his wife live in Austin with two of their four wonderful children. Their two oldest sons attend Texas A&M University.

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