

**RAILROAD COMMISSION OF TEXAS
FORMAL COMMISSION ACTION
AUGUST 10, 2004**

Pursuant to lawful notice, the Commission held an open meeting at 1701 N. Congress Avenue, in Room 1-111, Austin, Texas, on the 10th day of August 2004, commencing at 9:30 a.m. Chairman Victor G. Carrillo and Commissioners Charles R. Matthews and Michael L. Williams were present. Chairman Carrillo presided.

- I. The Commission observed a moment of silence in out of respect for former Commissioner Bill Murray who recently passed away.
- II. The Commission began consideration of matters falling within the Railroad Commission's Gas Services regulatory jurisdiction.
 - A. The Commission considered the motion for rehearing filed in Gas Utilities Docket No. 9400, the Statement of Intent filed by TXU Gas Company to change rates in the Company's Statewide Gas Utility System. On motion of Commissioner Matthews, seconded by Chairman Carrillo, the Commission voted (2-1) to deny the motion for rehearing. Commissioner Williams voted no.
- III. The Commission began consideration of matters falling within the Railroad Commission's Surface Mining regulatory jurisdiction.
 - A. On motion of Commissioner Williams, the Commission voted (3-0) to extend the time to consider Docket No. C2-0016-SC-32-C, the application by Northwestern Resources Co. for renewal and revision of its Permit No. 32F for a three-year term. The Commission extended the time to ensure there is sufficient time for decision following the public comment period. This action was recommended by Examiner Marcy J. Spraggins.
 - B. In consideration of Docket No. C3-0021-SC-34-B, the Commission denied the motion for rehearing filed by Danny Crump regarding the application of TXU Mining Company LP for Mine Plan Revision (M Area) Permit No. 34D, Monticello Winfield Mine. The Commission heard comments from Mr. Richard Hamala, representing Mr. Crump. The Commission also signed an Order Nunc Pro Tunc to correct an inaccurate citation to a regulatory section contained in Finding of Fact 18. This action was recommended by Examiner Marcy J. Spraggins.

- IV. The Commission began consideration of matters falling within the Railroad Commission's Oil and Gas regulatory jurisdiction.
- A. The Commission took the following action on applications appearing on the protested docket of the Oil and Gas Division:
1. In consideration of Docket No. 03-0238823, the Commission approved the application of Praxair, Inc. for a permit pursuant to Statewide Rule 97 to create, operate and maintain an underground gas storage facility, Hydrogen Storage Lease, Well No. 1, Moss Bluff Field, Liberty County, Texas. Approval was recommended by Examiner Margaret Allen.
 2. In consideration of Docket No. 7B-0236046, the enforcement action against Northcutt Production for violations of statewide rules on the McClatchey (RRC Gas ID No. 110695) Lease, Well No. 2C, Richmond (Canyon) Field, Brown County, Texas, the Commission ordered the respondent to plug the well within 30 days and to pay an administrative penalty in the amount of \$2,000. This action was recommended by Examiner Mark Helmueller.
 3. In consideration of Docket No. 7B-0236047, the enforcement action against Northcutt Production for violations of statewide rules on the McClatchey (21038) Lease, Well Nos. 1, 2, 3, 4, and 7, MEDC (Caddo) Field, Brown County, Texas, the Commission ordered the respondent to plug the wells within 30 days and to pay an administrative penalty in the amount of \$11,000. This action was recommended by Examiner Mark Helmueller.
 4. In consideration of Docket No. 10-0236241, the enforcement action against Cory Lee Meadows dba C & C Oil Producers for violations of Statewide Rules on the Haile (00820) Lease, Well Nos. 1 through 12, 14, 15 and 16 and the Christian, et al./GPC Fee Unit -E-/(01712) Lease, Well No. 1, Panhandle Hutchinson County Field, Hutchinson County, Texas, the Commission ordered C & C Oil Producers be assessed an administrative penalty in the amount of \$16,000. This action was recommended by Examiner Mark Helmueller.
 5. In consideration of Docket No. 7B-0235956, the enforcement action against Loch Energy, Inc. for violations of statewide rules on its Snyder 117 A Lease, Well No. 2 (Permit No. 0516163) and Snyder 117 B Lease, Well No. 3, (Permit No. 0517116) Leases in Callahan County, Texas, the Commission ordered Loch Energy plug the wells, bring the reserve pit area associated with drilling operations for Well No. 2 into compliance with Commission rules and pay an administrative penalty in the amount of \$6,000. This action was recommended by Examiner Mark Helmueller.

6. In consideration of Docket No. 09-0228310, the enforcement action against Mobile PetroVac, Inc. doing business as Mobil Petro Vac., Inc. and/or Richard Reynolds for violations of statewide rules on the Novak, Barbara (09139) lease, Well Nos. 2A, 3, 3A, 4, 4A and 7, Baylor County Regular Field, Baylor County, Texas, the Commission denied the motion for rehearing filed by the respondent. Denial of the motion for rehearing was recommended by Examiner Margaret Allen.
- B. The Commission took action on applications appearing on the Oil and Gas Unprotected Consent Agenda, Agreed Enforcement Orders, and Master Default Orders.
- C. Rules Notebook: Deputy General Counsel Polly McDonald
1. The Commission considered the GRIP (Gas Reliability Infrastructure Program) Rulemaking, proposed amendments to 16 Tex. Admin. Code §7.115, relating to Definitions, and proposal of new 16 Tex. Admin. Code §7.7101, relating to Interim Rate Adjustments in new Subchapter H, entitled Interim Rate Adjustments, to implement Texas Utilities Code, §104.301, Interim Adjustment for Changes in Investment, enacted by Senate Bill 1271, 78th Legislature (2003), Regular Session. On motion of Commissioner Williams, with a second by Chairman Carrillo, the Commission voted (2-1) to publish the proposed rule amendments and new rules in the Texas Register for a 30-day public comment period. Commissioner Matthews voted no. (Transcript attached.)
 2. The Commission adopted amendments to 16 Tex. Admin. Code 3.14 (relating to Plugging) and 16 Tex. Admin. Code §3.78 (relating to Financial Security Requirements) to implement universal bonding and adoption of conforming amendments to §§3.5, 3.8, 3.32, 3.37, 3.38, 3.57, 3.73, 3.86 and 3.96, relating to Application to Drill, Deepen and Reenter, or Plug Back; Water Protection; Gas Well Gas and Casinghead Gas Shall Be Utilized for Legal Purposes; Statewide Spacing Rule; Well Densities; Reclaiming Tank Bottoms, Other Hydrocarbon Wastes, and Other Waste Materials; Pipeline Connection; Cancellation of Certificate of Compliance; Severance; Horizontal Drainhole Wells; and Underground Storage of Gas in Productive or Depleted Reservoirs, respectively.
 3. The Commission adopted amendments to 16 Tex. Admin. Code §12.108, relating to Permit Fees.
- V. The Commission began consideration of matters authorized by law including the administration, budget, procedures and personnel of the following divisions as presented by the division director or other authorized personnel.

OFFICIAL MINUTES – AUGUST 10, 2004

- A. Executive Office: Executive Director Ron Kitchens and Deputy Executive Director Kathy Pyka
 - 1. The Commission considered and approved with changes the Fiscal Year 2005 Operating Budget and the Fiscal Years 2006-2007 Legislative Appropriations Request.
- B. AFRED: Director Dan Kelly
 - 1. The Commission approved nominations and appointment of members to the 2004-2005 Propane Alternative Fuels Advisory Committee.
- C. Surface Mining: Director Melvin Hodgkiss
 - 1. The Commission rejected all bids received and authorized the staff to re-bid the Galen abandoned uranium mine reclamation project.
- D. Oil and Gas: Director Rich Varela
 - 1. The Commission approved Amendment No. 1 to the Coastal Impact Assistance Program (CIAP) Contract No. 02-365N, between the Railroad Commission and the General Land Office.
 - 2. The Commission received a presentation on Statewide Rules 36 and 106 (16 Tex. Admin. Code §§3.36 and 3.106).
 - 3. The Commission approved an extended service contract, Requisition No. 455-5-0007, to solicit bids for plugging seven wells in Matagorda County, Texas, for an estimated contract value of \$183,000.
- VI. With no further business to come before the Commission at this time, the conference was adjourned at 12.05 p.m.