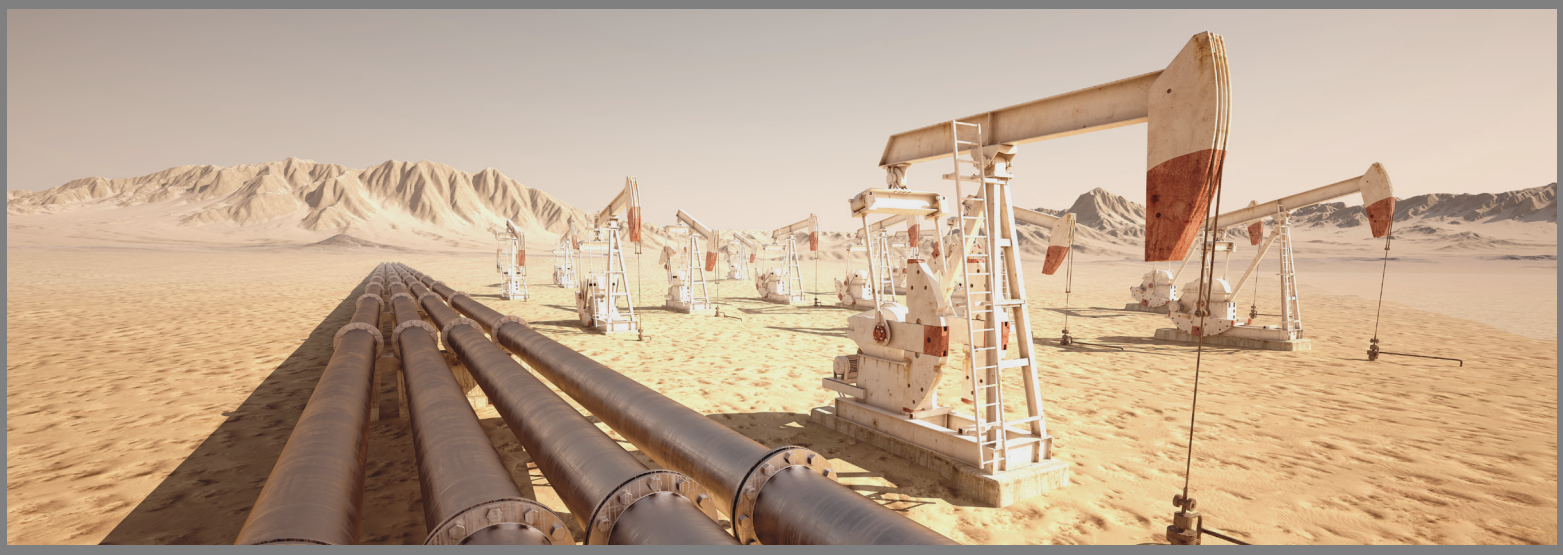
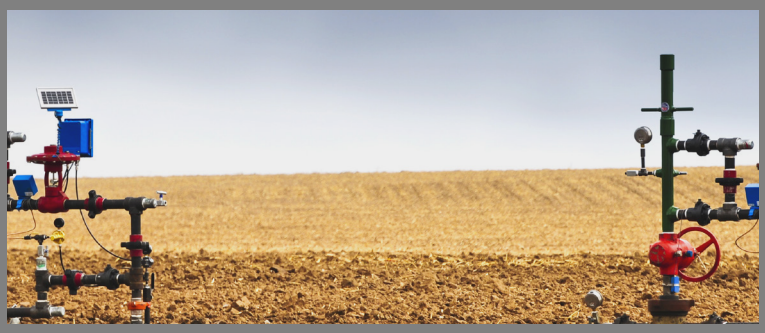
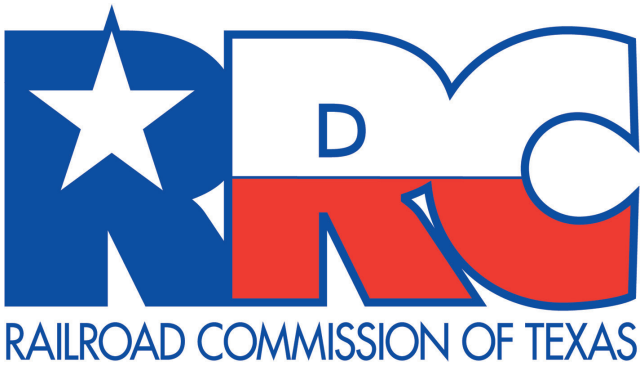
YEAR IN REVIEW





RAILROAD COMMISSION OF TEXAS 2015

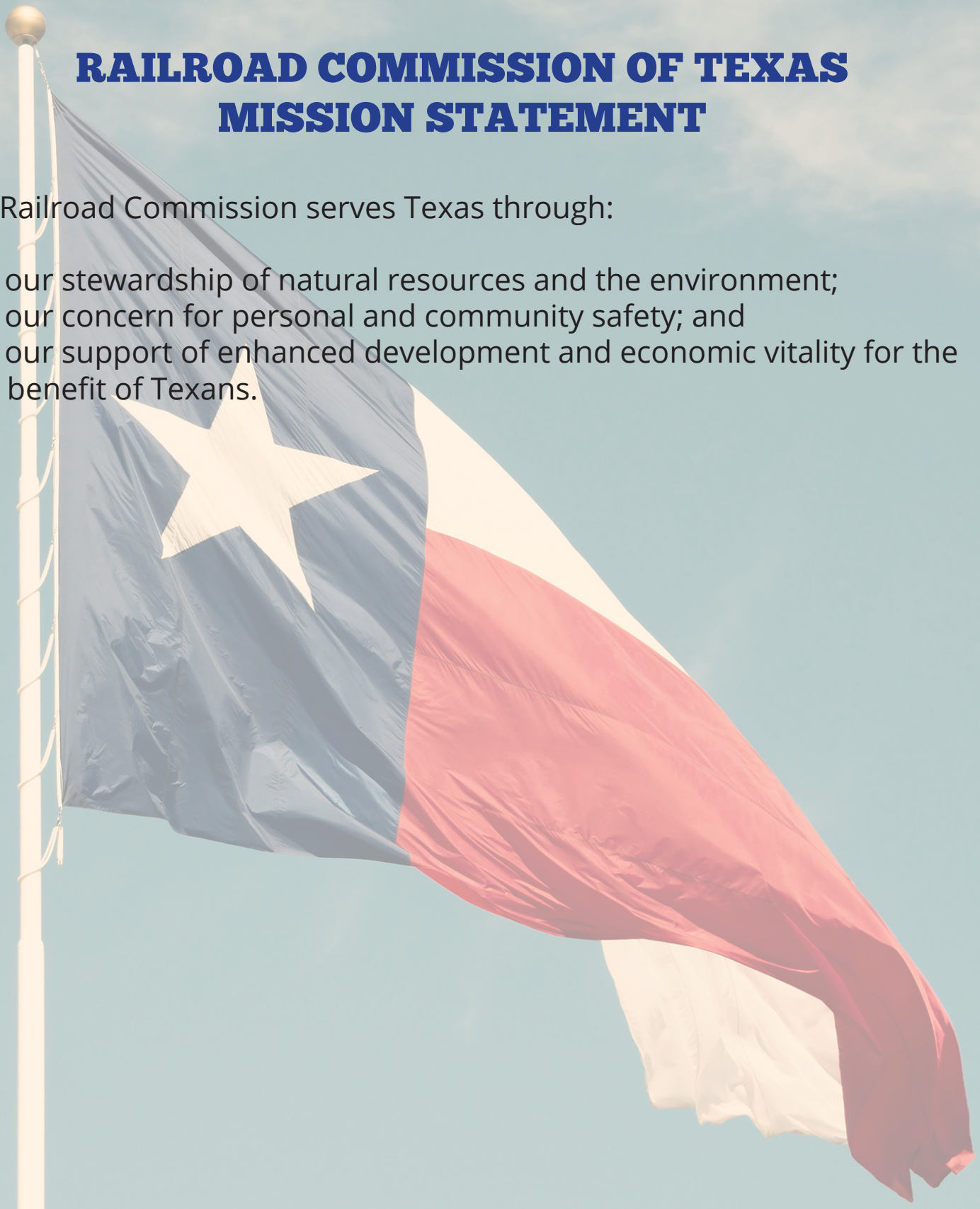


Railroad Commission of Texas
1701 N. Congress
Austin, Texas 78701
www.rrc.texas.gov

RAILROAD COMMISSION OF TEXAS MISSION STATEMENT

The Railroad Commission serves Texas through:

- 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.



YEAR IN REVIEW
2015

We are fortunate to call Texas our home.

It is a place with abundant natural resources, a thriving economy and efficient government. With 125 years of history, the commission was established to oversee the regulation of railroads. Today, as Texas' primary energy regulator with jurisdiction over oil and gas exploration and production, intrastate pipelines, alternative fuels, natural gas utilities and surface mining operations, the Commission is recognized as a global leader in energy regulation.

The Commission's highest priority remains protecting the public, our natural resources, and maintaining a fair, stable regulatory environment in which the industry can continue to employ thousands of Texans and contribute to our state's economic success. In 2015, the Commission met these priorities through vigorous implementation and enforcement of our rules and regulations.

The 2015 Year in Review reflects on the many facets of the Commission by sharing the numerous accomplishments and advances made across all divisions of the agency. Improved efficiency, increased transparency, modernized technology and robust communications have allowed the Commission to connect with a broader audience and demonstrate the strength and continuing evolution of Texas' regulatory leadership.

Innovation, technology and science will continue to drive the work of the Commission as we move into the New Year, and we remain dedicated to keeping Texan's safe while ensuring the responsible production of our natural resources.

COMMISSIONERS

David Porter
CHAIRMAN

Christi Craddick
COMMISSIONER

Ryan Sitton
COMMISSIONER

RAILROAD COMMISSION OF TEXAS

Chairman David Porter

was elected statewide by the people of Texas in November 2010 to serve a six-year term as Railroad Commissioner and was unanimously elected by his fellow commissioners to serve as Chairman in June 2015. Chairman Porter has a strong and proven record of principle-driven free market, conservative leadership for Texas.

Since taking office, Chairman Porter has been appointed to the Interstate Oil and Gas Compact Commission as the Official Representative of Texas and currently serves as Second Vice-President of the organization. He is an advisory board member for the Texas Journal of Oil, Gas, and Energy Law. He also served as the Official Representative on the Interstate Mining Compact Commission from 2011 to 2014.

Upon taking office in 2011, Porter created the Eagle Ford Shale Task Force, the first of its kind at the Texas Railroad Commission, to establish a forum that brings the community together to foster a productive and forward-looking dialogue regarding drilling activities in the Eagle Ford Shale. The Task Force is comprised of local community leaders, elected officials, industry representatives, environmental groups, and landowners. The goal of the group is to open the lines of communication between all parties involved, establish recommendations for developing the Eagle Ford Shale, and promote economic benefits locally and statewide.

In 2013, Porter launched his Texas Natural Gas Initiative: a series of statewide events that bring stakeholders together to discuss business opportunities, challenges and regulatory barriers and solutions for natural gas conversion and infrastructure – focusing largely on the transportation and exploration and production sectors.

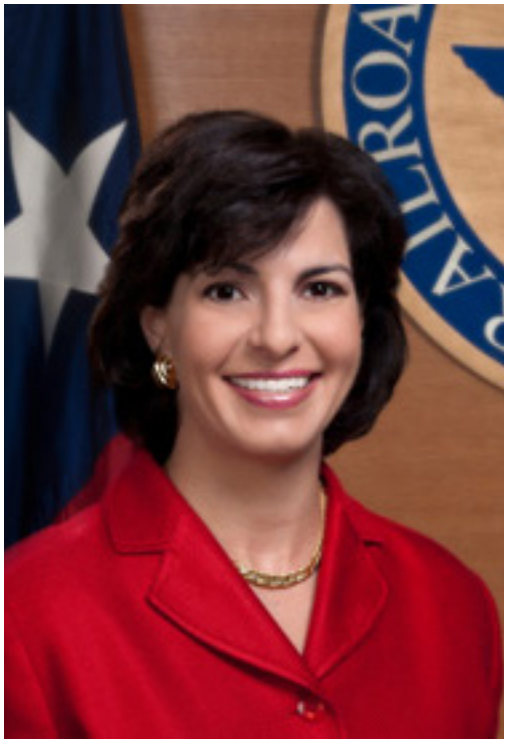
In recognition of his foresight and leadership, Porter was named "Man of the Year" by The Oil & Gas Year, Eagle Ford, Texas 2013. He has also been recognized by Shale Oil & Gas Business Magazine and Unconventional Oil & Gas Magazine for his proactive efforts to implement policies that allow industry to safely, efficiently, and economically produce the energy that is needed to support Texans and the Texas economy.

Before taking office, 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 1977 with a bachelor's degree in accounting, and passed the CPA exam later that year. He became a Texas CPA in 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 grandparents of two grandchildren.

Click to watch Chairman David Porter's 2015 Year in Review Video



Christi Craddick is in the

forefront of the newest wave of pragmatic conservatives moving into leadership roles across Texas. Raised in a strong conservative household, retained as legal counsel by prominent Texas firms, and shaped by more than a decade as a trusted political adviser, Christi has set a clear standard of integrity, self-reliance and innovation in her role as Commissioner at the Railroad Commission of Texas.

Since her tenure on the Commission began in November 2012, Craddick has pushed to maximize the effectiveness and efficiency of an energy industry that is driving the state's unparalleled economic success. In the process, she has repeatedly proven that sensible regulations, careful listening and plain talk can foster innovation that has solidified Texas leadership in the energy sector.

Making it a top priority, Christi has worked to educate the public about the oil and gas industry and its impact in Texas. She has fought against Washington's one-size-fits-all environmental policies that would kill jobs and stifle energy production growth. Christi has advocated for recycling in the oilfields, helping to drive the percentage of reclaimed water upwards, an essential achievement in a state enduring a multi-year drought.

As part of her efforts to modernize the agency, Christi has championed an Information Technology (IT) overhaul for the Commission, seeking improvements that would upgrade the Geographic Information System, increase public access to the agency's data, and speed up inspections and permitting times.

A native of Midland, Christi earned both her Bachelor's Degree as a Plan II graduate and her Doctorate of Jurisprudence from The University of Texas at Austin. During her career as an attorney, she specialized in oil and gas, water, tax issues, electric deregulation and environmental policy.

Following the example of her father and mother, Craddick has been drawn to public service and politics. As president of a grassroots advocacy firm, she took the lead on work in coalition building in the public policy arena and development and implementation of issue strategies.

Christi serves her community as an active member of organizations including the State Bar of Texas, University of Texas Liberal Arts Alumni Advisory Council, Southern States Energy Board, and Dell Children's Medical Center Foundation. Christi resides in Austin with her daughter, Catherine, and is an active member of St. Austin's Catholic Church.

Click to watch Commissioner Christi Craddick's 2015 Year in Review Video

Ryan Sitton is a native Texan

who grew up in the Irving area. He is a graduate of Texas A&M University where he earned a degree in Mechanical Engineering, and met his wife, Jennifer. Following college, Ryan went to work as an engineer in the energy industry.

In 2006 Ryan and Jennifer founded PinnacleAIS, an engineering and technology company focused on reliability and integrity programs for the oil, gas, and petrochemical industries. PinnacleAIS is focused on helping its customers ensure their equipment operates safely and reliably. Since 2006 PinnacleAIS has grown substantially, today employing more than 350 people. In 2012 and 2013, Inc. Magazine recognized PinnacleAIS as one of the top 1,500 fastest growing, privately held companies in the world. For four consecutive years, PinnacleAIS was one of the coveted Aggie 100 recipients, which celebrates and recognizes the fastest growing Aggie-owned businesses.

With over 15 years of experience in the oil, gas, and petrochemical industry, Ryan is considered a leading expert in his field. He's been an active member of several industry groups including: The Texas Alliance of Energy Producers (TAEP), American Society of Mechanical Engineers (ASME), and the American Petroleum Institute (API). Ryan has also served as an energy engineer expert in both regulatory and civil court cases.

Active in higher education, Ryan is a leader on Texas A&M's Mechanical Engineering Advisory Council, regularly working with leaders in Texas higher education to support the principles that will keep our state's institutions among the best in America.

Elected to the Railroad Commission on November 4, 2014 to a six-year term, Ryan won the general election with over 58% of the vote.

Ryan is a passionate conservative committed to putting his energy expertise to work for the people of Texas. As Railroad Commissioner, Ryan is working to make the commission more efficient and effective so Texas can lead America to energy independence. Ryan understands that the Railroad Commission exists to serve the people of Texas by keeping them safe while encouraging the responsible production of our natural resources. He also understands Texas, not the EPA or other federal agencies, should be responsible for overseeing the production of our natural resources and he is committed to fighting burdensome federal interference.

Ryan and his wife Jennifer have three children and are active members of St. Andrews Episcopal Church. A lifelong entrepreneur, Ryan enjoys developing different inventions, especially with his kids, and building all sorts of creations with the family's collection of over 100,000 Legos. He is deeply honored to serve as your Railroad Commissioner.

Click to watch Commissioner Ryan Sitton's 2015 Year in Review Video

The Oil and Gas Division regulates

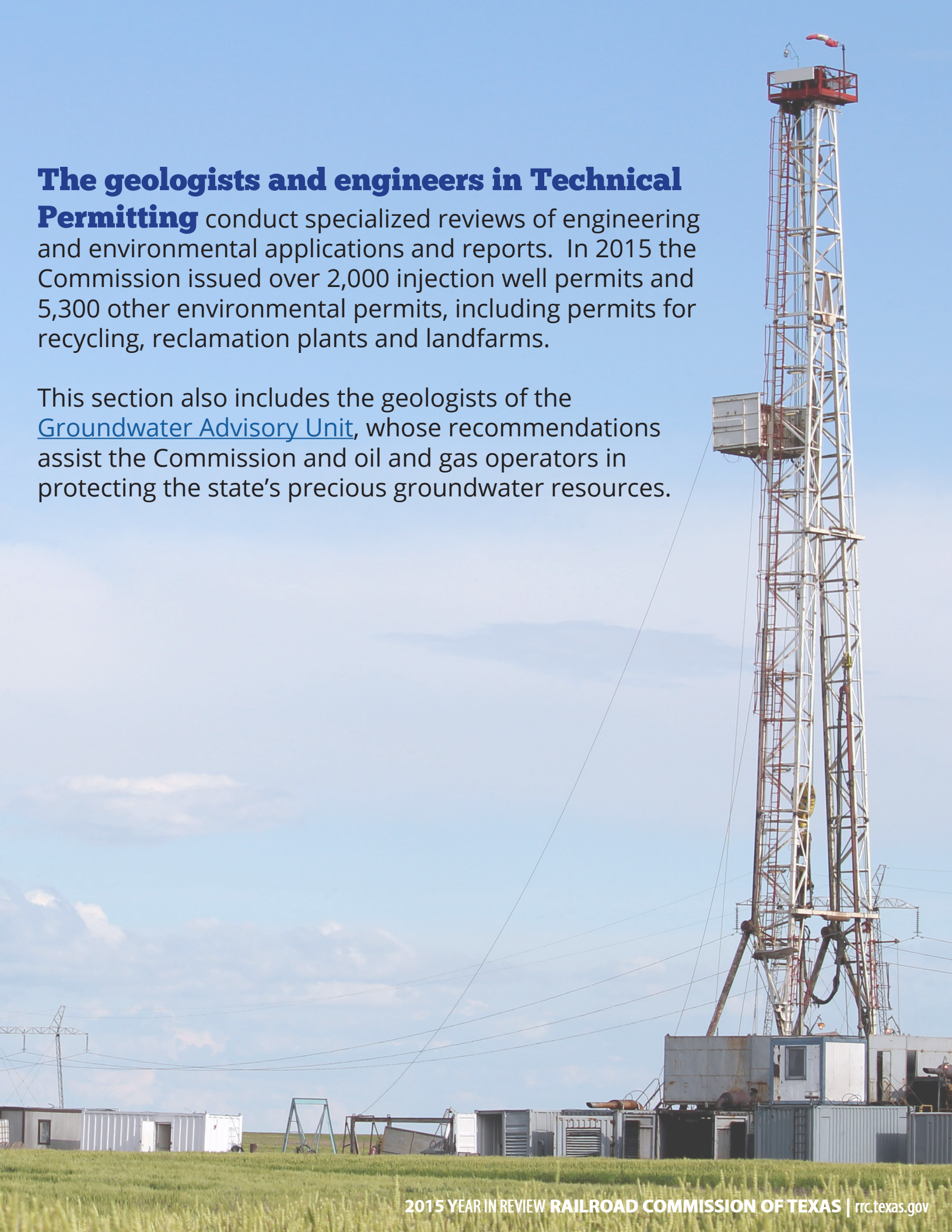
the exploration, production and transportation of oil and natural gas in Texas.

The Commission takes a comprehensive regulatory approach that uses permitting, monitoring, testing and reporting requirements, field inspections, complaint investigations, enforcement actions, site remediation and well plugging to ensure full compliance in the field.

In 2015, Texas oil production climbed to more than 2.7 million barrels of oil produced every day despite declining crude oil prices. These production levels are supported by thoughtfully crafted and carefully implemented regulatory practices at the Commission.

The Oil and Gas Division is organized into three sections: Administrative Compliance and Technical Permitting, which are both based in Austin, and Field Operations, which covers the nine district offices spread throughout Texas.

The regulatory specialists in Administrative Compliance handle a variety of industry filings. In 2015 this section managed the organization reports and financial assurance instruments for 8,724 regulated companies and processed 21,245 drilling permit applications, 29,878 well completion reports, and over 2.98 million production reports.



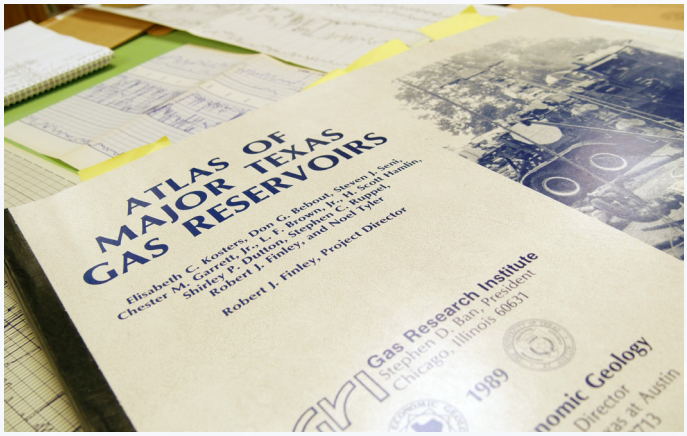
The geologists and engineers in Technical Permitting conduct specialized reviews of engineering and environmental applications and reports. In 2015 the Commission issued over 2,000 injection well permits and 5,300 other environmental permits, including permits for recycling, reclamation plants and landfarms.

This section also includes the geologists of the Groundwater Advisory Unit, whose recommendations assist the Commission and oil and gas operators in protecting the state's precious groundwater resources.

Field operations monitors more than 433,000 oil and gas production and injection wells in Texas.

The Commission's 158 inspectors work out of nine district offices, where they receive support from district engineers and geologists as well as regulatory specialists. Commission inspectors conducted over 134,000 inspections in 2015, including the investigation of 680 complaints and response to 535 emergencies. Emergency responders expressed appreciation for technical assistance provided by Commission inspectors during the rainfall that resulted in widespread flooding across oil and gas leases statewide.

Field Operations also administers the Commission's state-managed well plugging and site remediation programs. In 2015, the well plugging program plugged 692 wells and the site remediation program completed 252 cleanup actions. These programs rely upon monies collected from oil and gas operators, not general taxpayers, for deposit in the Oil and Gas Regulation and Cleanup (OGRC) Fund.



While prices are down, attendance remained strong at Commission conferences targeted to industry. Educational events in Austin and Midland attracted more than 650 industry workers from across the state.

These educational events emphasized Commission rules and regulations in place to protect the public and the state's natural resources and environment.

RRC's oil and gas intern program has provided valuable on-the-job training and college credit for 30 interns over the past five years. Through this program the Commission helps train the oil and gas industry workers of the future while benefitting from capable work help at no expense to the public.

2015 DIVISION ACTIVITIES

134,000
INSPECTIONS

2.98 MILLION
PRODUCTION REPORTS

2,000
INJECTION WELL PERMITS

21,245
DRILLING PERMIT APPLICATIONS PROCESSED

8,724
REGULATED COMPANIES

433,000
OIL AND GAS PRODUCTION AND INJECTION WELLS IN TEXAS

OVERSIGHT AND SAFETY DIVISION

The Oversight and Safety Division has responsibility for Alternative Fuels, Gas Services and Pipeline Safety, including the Texas Pipeline Damage Prevention Program.

The Commission continues to remind Texans to call 811 before digging and follow safe practices to help prevent injuries, property damage and inconvenient outages. The Commission's Damage Prevention team closed a record 11,000 incidents and participated in 22 safety education events targeted to the public, contractors, municipalities and utility personnel. For more information on the Damage Prevention program and the Call 811 program, click here.

In FY 2015, Pipeline Safety implemented changes to allow inspectors more time to concentrate on field activities while ensuring consistent application of regulatory requirements.

Photo: Pipeline Damage Prevention Demonstration, October 2015. Source: RRC

Alternative Fuels performed 16,642 inspections, issued 5,745 licenses, administered 5,536 exams and provided 303 training/continuing education courses. Gas Services conducted 139 field audits resulting in the collection of $731,473 in underpaid gas utility taxes and the identification of $4,685 in residential and commercial rate overcharges.

Click to watch the Pipeline Damage Prevention Video

The Texas Legislature established the Texas Natural Resource Code 81.0681 which requires the Commission to build awareness and educate the public on natural gas, propane and other alternative fuels.

In 2015, the alternative fuel outreach team reached more than 1,000 emergency responders, city and county officials, transportation directors, station builders, utility providers, suppliers and manufacturers through stakeholder meetings, presentations and tradeshows.

In addition, the team assisted six Texas independent school districts with state and federal grant applications totaling $7.1 million to convert school buses to natural gas and/or propane powered buses

To learn more about alternative fuel outreach, click here.

In 1975, the Texas Legislature gave the Railroad Commission jurisdiction to regulate coal and uranium surface mining.

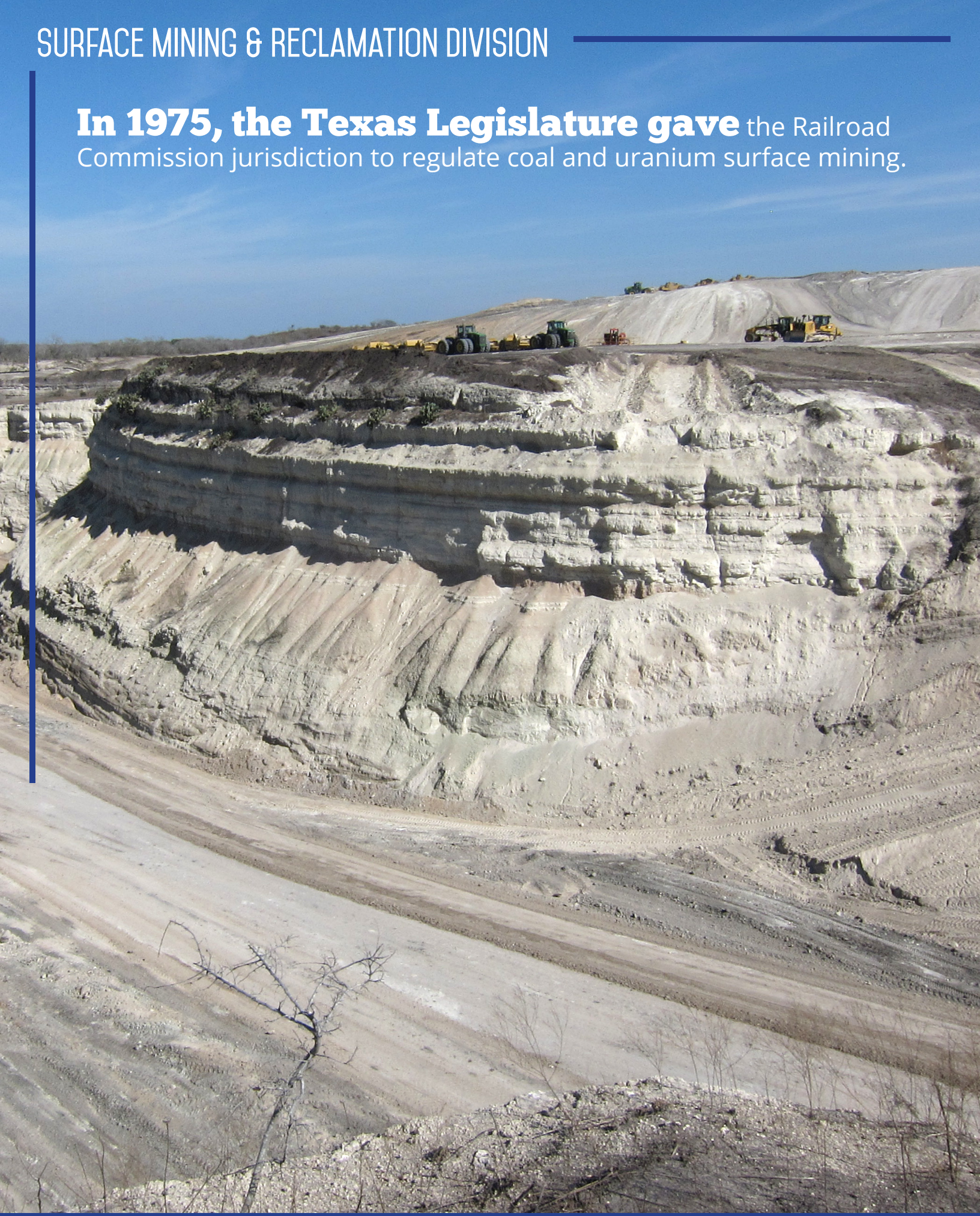


Photo: Brown Abandoned Uranium Mine Reclamation Project in Karnes County, January 2013. Source: RRC

Today, the Surface Mining and Reclamation Division (SMRD) oversees coal mining regulation and administers the Abandoned Mine Land program to reclaim and restore land and water resources and to protect the public from potential adverse effects of pre-law mining practices.

In 2015, Surface Mining and Reclamation Division inspectors conducted 490 inspections on 29 permitted mines, as well as 8 uranium exploration inspections.

Click to learn more about Mine Reclamation

The Commission awarded the 2015 Reclamation Award to Texas Westmoreland Coal Company's Jewett mine in Freestone, Leon and Limestone counties. Commissioners recognized the company for its innovative, solar-powered water well that supplies a portable irrigation system used for re-vegetation of reclaimed acreage planted with trees and shrubs.

In March 2015, the SMRD completed the Brown Abandoned Uranium Mine Reclamation Project in Karnes County. The mine, located 200 feet from a county road, was abandoned in 1974 leaving a 15 acre pit with water depth of 65 feet. Reclamation of abandoned surface mines consists of earthwork, treatment of unsuitable spoil, installation of erosion and water control structures and re-vegetation. Total completed cost for reclamation was approximately $4 million and was federally funded.

The division also began reclamation of the Stoeltje Abandoned Uranium Mine and completed reclamation of the Alcoa Area F Abandoned Lignite Mine and the Weddington North Abandoned Uranium Mine.

In Fall 2015 the RRC's Communications Division launched

several initiatives to improve and increase our capability to communicate with the public, industry and stakeholders about the activities and responsibilities of the agency.

Find us on Twitter @TxRRC

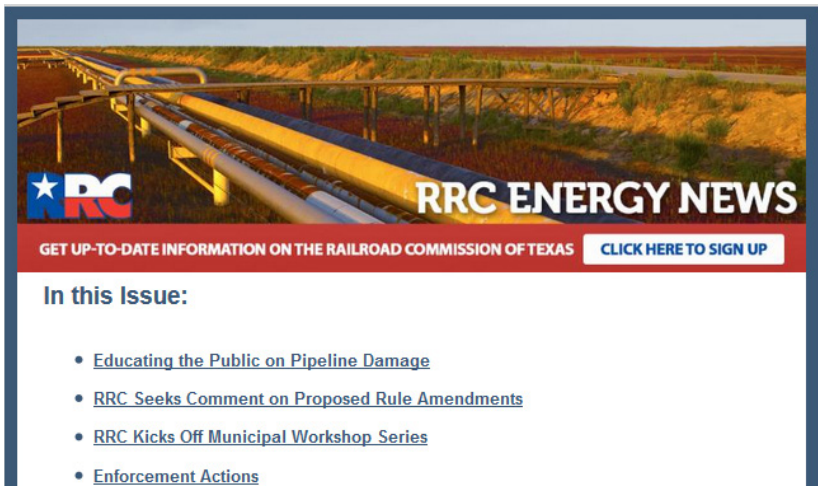
For the first time, the Commission has a robust presence in social media, through several channels. Today the public and stakeholders can connect with the Commission on Facebook, Twitter, Linkedin, Instagram, and YouTube. Through these connections, the Commission can distribute greater amounts of information about our regulatory efforts, statistics gathered and maintained by the agency, showcase activities in the field, and engage the public through the increasingly preferred use of infographics, digital photography and video.

As of December 1, 2015, the agency has made 408,193 total impressions through its social media efforts.

Find us on Facebook @railroadcommisionoftexas

Sign up for RRC Energy News

The Commission now publishes a monthly e-newsletter, RRC Energy News, available to anyone who wishes to receive it. To subscribe, click here. To date, RRC Energy News is sent to approximately 15,000 recipients.

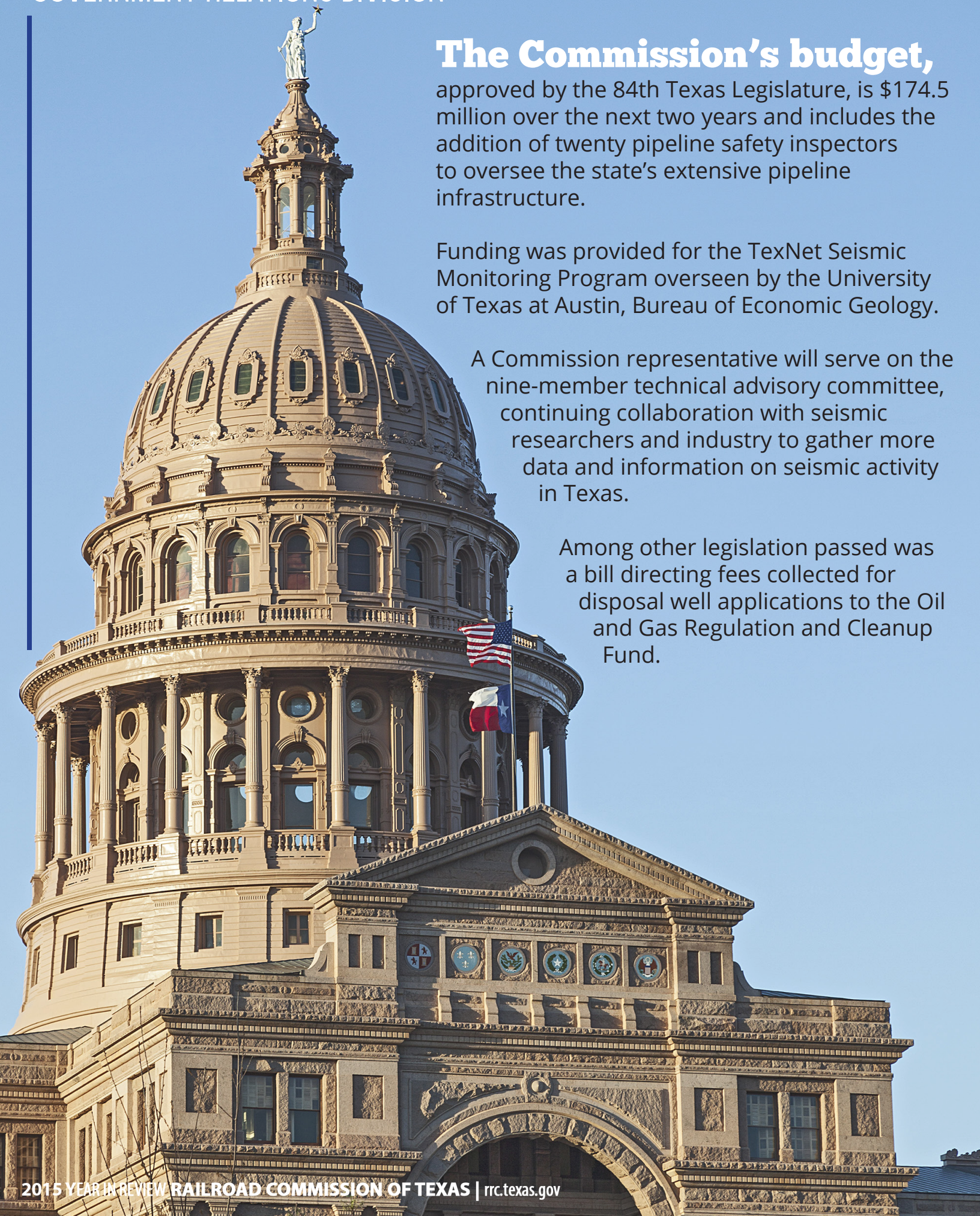


RRC Energy News includes stories about various activities of the Commission that previously had little to no outlet for sharing, allows the agency to further distribute important statistical or data-driven information and features the Commissioner's Corner.

The Communications Division also created a new press release to be distributed following every Commissioner's Conference, which announces fines and penalties levied by the Commissioners at every meeting. This release is intended to better inform the public and stakeholders of the actions taken by the Commission.

The Communications Division also took significant steps to better inform the press of the Commission's activities by rebuilding, and nearly tripling the number of recipients on our media distribution list. To receive Commission press releases, please sign up here.

Click to connect with Railroad Commission of Texas



The Commission's budget, approved by the 84th Texas Legislature, is $174.5 million over the next two years and includes the addition of twenty pipeline safety inspectors to oversee the state's extensive pipeline infrastructure.

Funding was provided for the TexNet Seismic Monitoring Program overseen by the University of Texas at Austin, Bureau of Economic Geology.

A Commission representative will serve on the nine-member technical advisory committee, continuing collaboration with seismic researchers and industry to gather more data and information on seismic activity in Texas.

Among other legislation passed was a bill directing fees collected for disposal well applications to the Oil and Gas Regulation and Cleanup Fund.

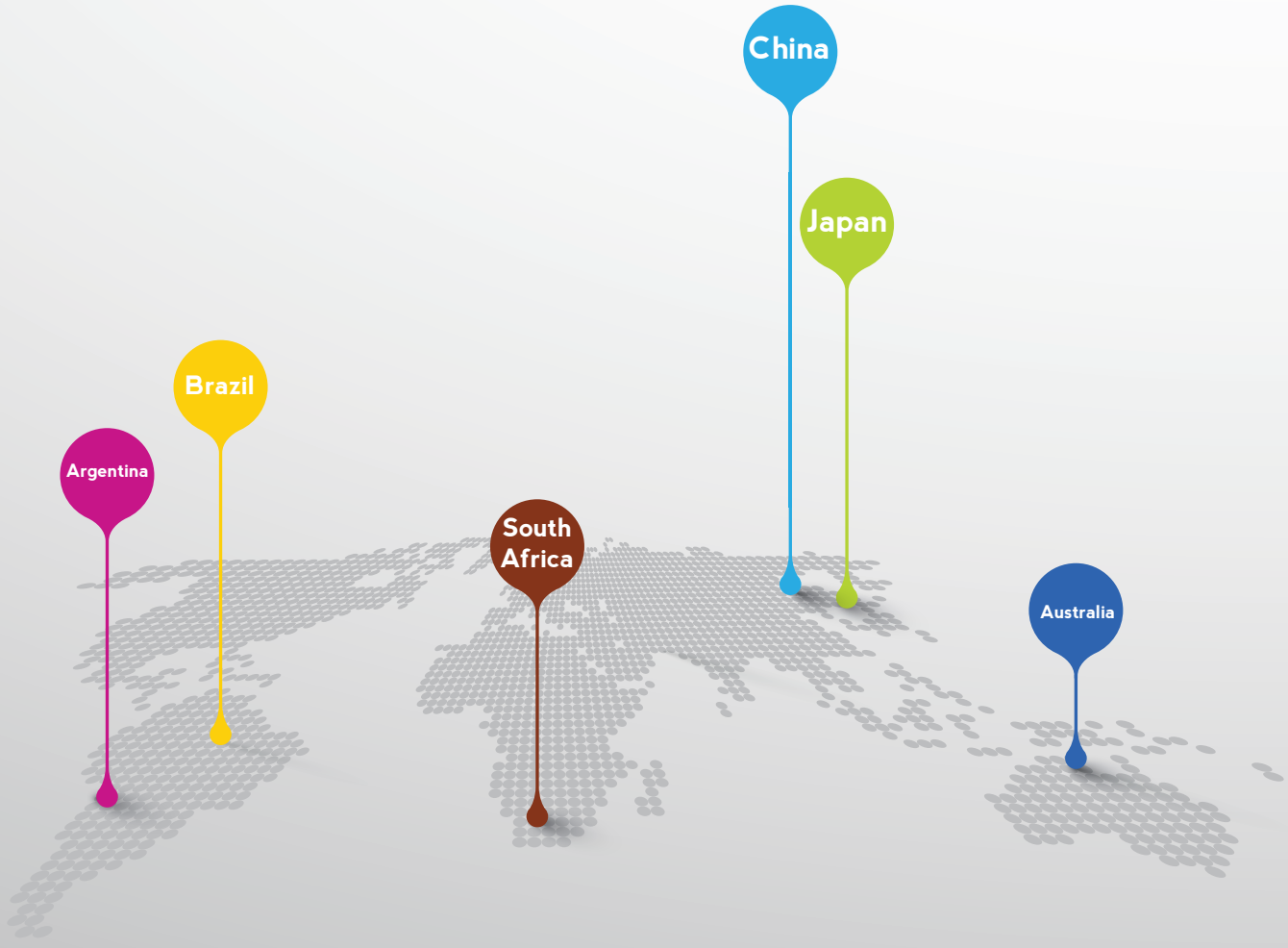
The Commission continues to make progress on its Information Technology Modernization Program.

In 2015 the Commission:

- increased efficiency in processing reports and correspondence such as groundwater protection letters;
- added an online payment option for Operator (P5) renewal fees;
- updated online payment types for alternative fuel licensing and certifications fees;
- upgraded the inspection management application for District Office staff;
- launched a new RRC Online System homepage featuring personalized interface, improved accessibility and a standards driven global template.

Over the past century the Railroad Commission has established itself as a global leader in the regulation of oil and gas exploration and production. In 2015, Commission staff met with 12 foreign delegations representing six countries including Australia, South Africa, Brazil, Argentina, Japan and China.

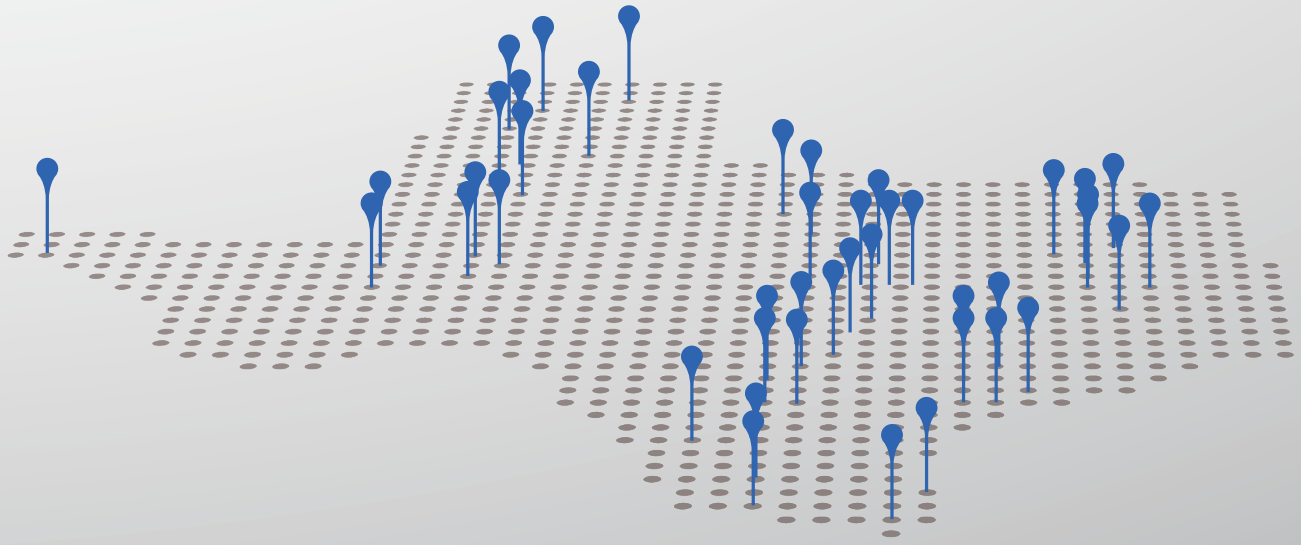
Commission staff is often invited to provide information to diverse audiences in communities large and small statewide. Over the course of the year, Commission staff participated in approximately 100 meetings statewide.



This included presentations to association groups, middle and high school students, local government officials, citizen groups, environmental groups, and institutions of higher learning.

Educational outreach events included:

- one U.S. DOT Pipeline and Hazardous Materials Safety Administration (PHMSA) safety seminar
- two National Association of Pipeline Safety Representatives (NAPSR) meetings
- two Environmental Protection Agency Region 6 Response Team meetings
- seven site remediation events
- nine workshops highlighting the Voluntary Cleanup Program/ Brownfield Grants
- 22 Pipeline Damage Prevention events
- 303 Alternative Fuels education courses



EMERGENCY #
1-844-773-0305
RAILROAD
COMMISSION
of TEXAS

The Commission strives to protect public safety.

Working in partnership with local officials and other state agencies, the Commission is ready at all times to assist with emergencies.

In 2015 Commission staff presented at the annual Texas Emergency Management and Homeland Security Conference in San Antonio for the first time. In addition, a CNG/LNG Regulatory Code Enforcement Training was held in Houston in conjunction with the Harris County Fire Marshall Office and the Greater Houston Natural Gas Vehicle Alliance to educate attendees on the Commission's regulatory code.

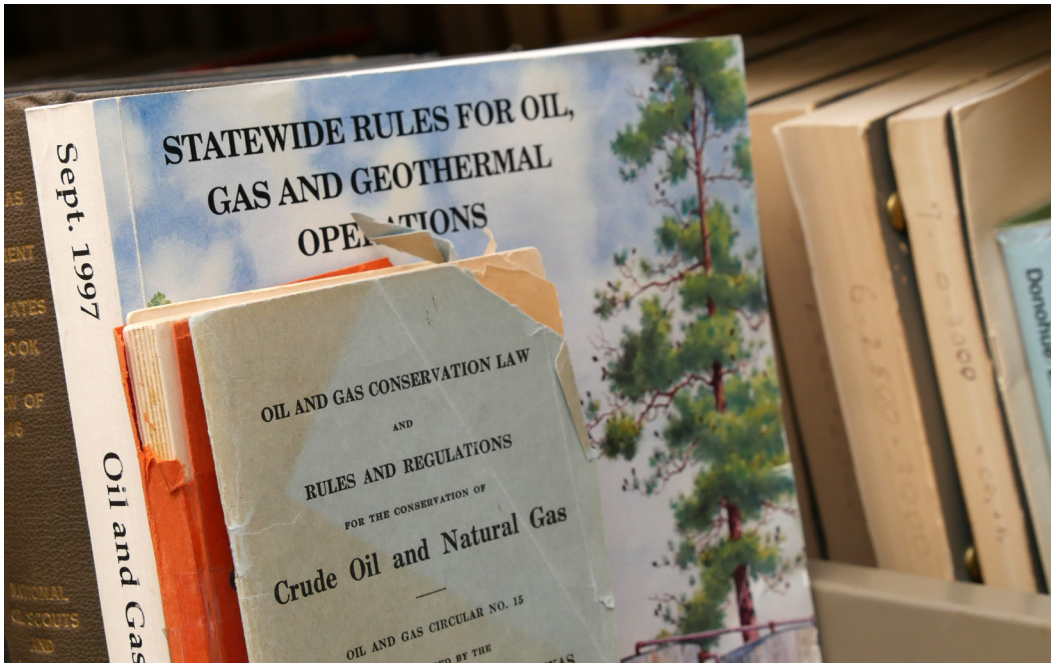
Photo: Texas Emergency Management and Homeland Security Conference in San Antonio. Source: RRC

The Commission recognizes the need to educate first responders on the characteristics of compressed natural gas (CNG) and liquefied natural gas (LNG) and best safety practices in emergency response to incidents involving alternative fuels. On October 29, 2015, the RRC hosted its first ever CNG/LNG Awareness Training in El Paso with 40 first responders from eight different agencies in attendance.

Photo: CNG/LNG Awareness Training in El Paso. Source: RRC

Commission staff is on call 24 hours a day, seven days a week to respond to emergencies related to oil and gas exploration and production, intrastate pipelines and alternative fuels, including propane. In addition to the Commission's existing emergency number, the Commission added a new toll free emergency number to improve accessibility and support in emergency situations. (All citizens are reminded of the importance of calling 911 first in any emergency situation.)

RULE AMENDMENTS



The Commission adopted several new rule amendments in 2015, as part of the agency's ongoing effort to improve efficiency and effectiveness in energy regulation.

One of the most significant rule amendments made in 2015 was a new requirement for pipeline operators wishing to operate a pipeline in Texas. Operators who claim common carrier status are now required to verify their claim with a sworn statement and documentation providing support for this classification. The revised form creates more accountability for the pipeline industry while enhancing the Commission's regulatory oversight.

The Commission also amended rules related to:

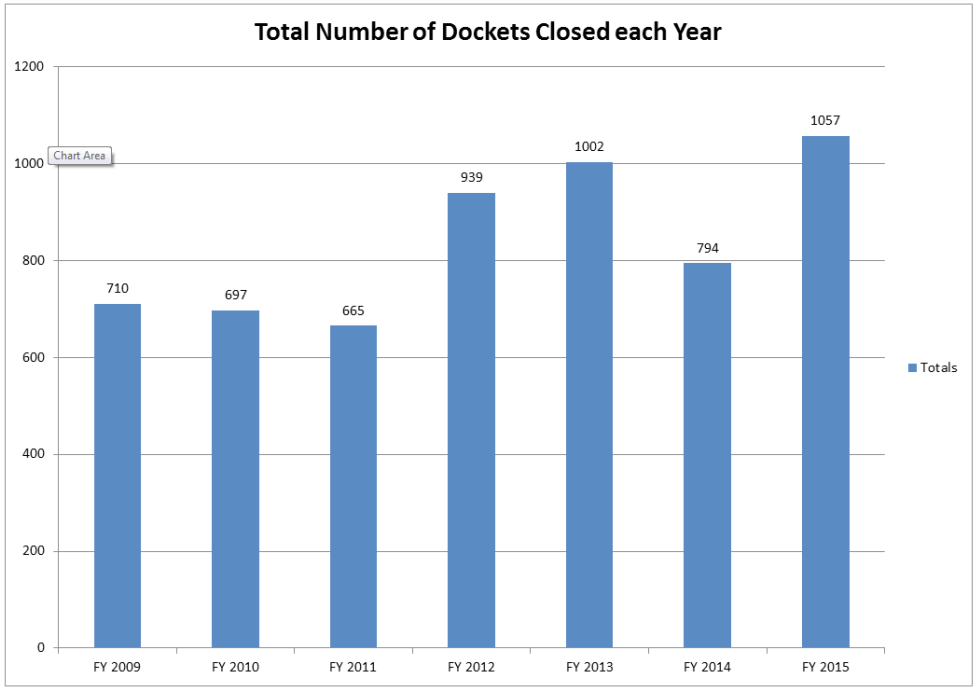
- log and completion or plugging reports
- separating devices, tanks, and surface commingling of oil
- gas to be measured and surface oil and gas

The Commission's rulemaking process follows all requirements in the Texas Register for notice and publication, including opportunities for public comment. The frequency of rulemaking varies depending on a variety of factors, and proposed rule changes include input from a wide variety of stakeholders.

Anyone can join the RRC Rules Email Service to receive email notifications of the RRC's rulemaking actions. Click here to subscribe.

When energy companies under the Commission's

jurisdiction fail to comply with rules and regulations, they are subject to the agency's hearing process.



In 2015, the Hearings Division closed a record 1,057 oil and gas dockets or administrative law cases—the highest recorded in seven years. This represents 263 more cases than were closed in the previous year.

In an effort to increase awareness of RRC's regulatory activities, enforcement actions and industry compliance rates, in September 2015, the Communications Division began issuing an enforcement press release announcing fines and penalties levied by the Commission following each Conference meeting. These press releases are archived on the Commission's website here.

Commission hearings are held before a legal examiner and an administrative law judge and can involve protested oil and gas enforcement cases; permit applications for oil and gas facilities such as disposal wells; and requests for changes in field rules or field consolidations.

The Hearings Division is responsible for scheduling, preparing recommendations on and conducting hearings concerning oil and gas, gas utilities, pipeline safety, alternative fuels safety and surface mining matters within the Commission's jurisdiction. To learn more about the hearings division, click here.

In 2015 the Hearings Division closed a record 1,057 oil and gas dockets or administrative law cases, the highest recorded in seven years.

COMMISSION ONLINE RESOURCES

www.rrc.texas.gov

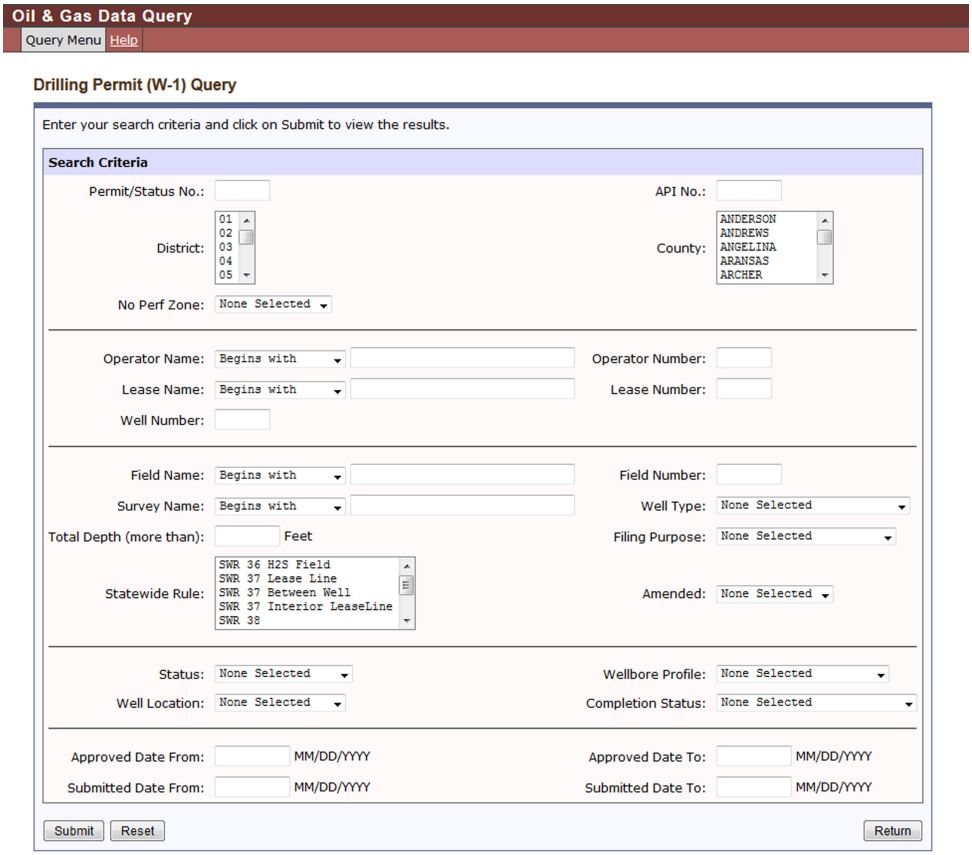
The Commission website

is an excellent resource for the general public and industry alike. More than 2 million page views were logged for the homepage in 2015.

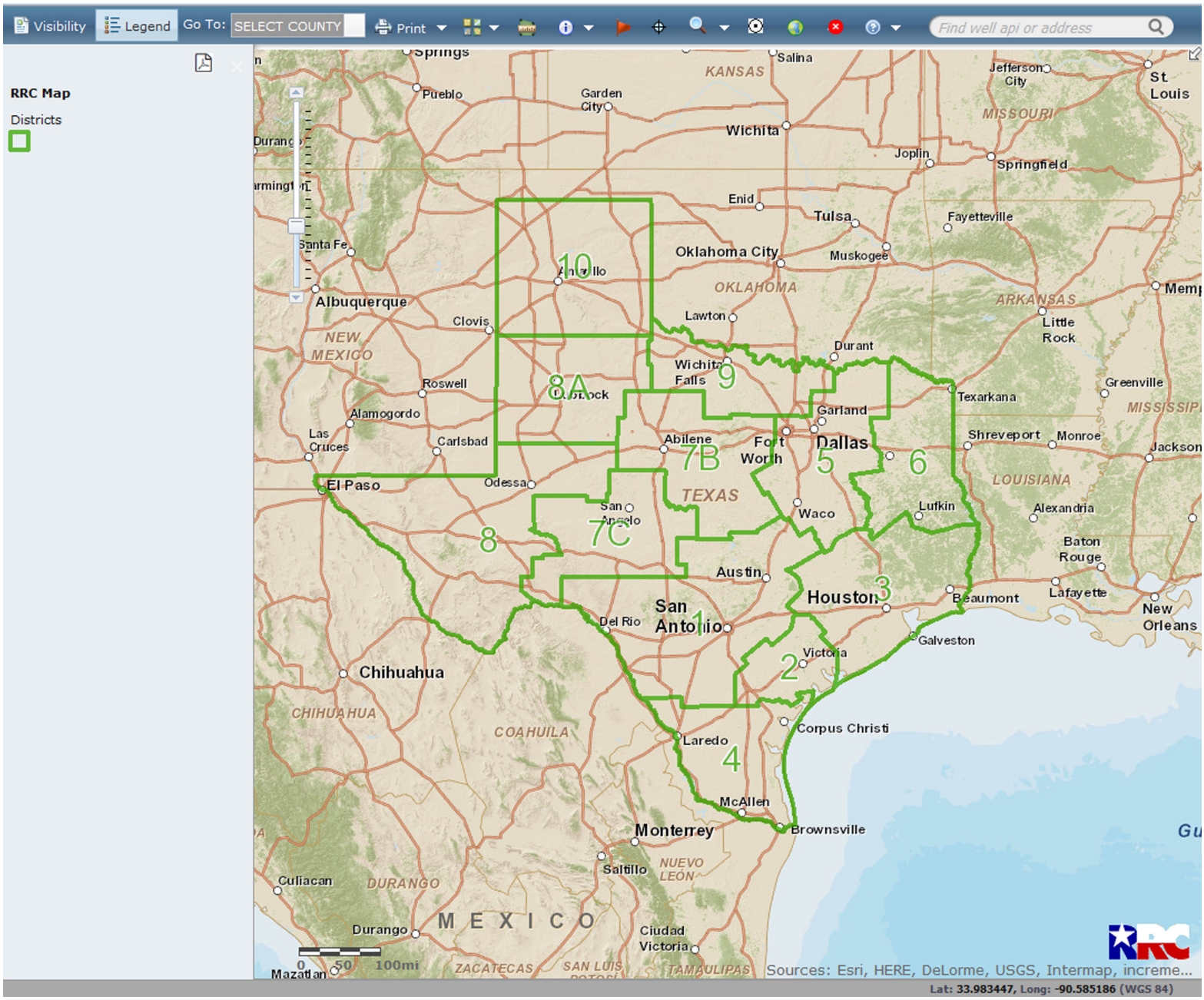
One of the most frequently used areas of the website is the Online Data Research Queries. Extensive information including oil & gas production, drilling permits, well records, gas utility, pipeline and surface coal mining information is accessible in searchable queries. Last year there were more than 1.4 million online query page views.

Another popular area of the site is the Public GIS Map Viewer with more than 600,000 page views last year. Users can view oil, gas and pipeline data including historical, current and proposed well locations. Helpful online training videos ensure ease of use.

The Commission shares information on a wide variety of topics in the Frequently Asked Questions area of the website.



Online Data Research Queries



RRC Public GIS Viewer

Some of the FAQs are targeted to the general public and include topics such as water use in oil and gas development and information on hydraulic fracturing. Others are highly technical in nature and are intended to inform the industries regulated by the Commission.

Other useful information includes:

[Contact information]
[Commission meeting dates and agendas]
[Calendar of events]
[Announcements]
[Data sets]