LEADING TEXAS ENERGY
OIL & GAS ★ COAL ★ PIPELINES

SEPTEMBER 2022

Energy News

From the Field Photo
Crescent moon over the Capital
Photo from Tim Speer

Contents

Upcoming Events

RRC Open Meeting .... October 11, 2022

VIEW OPEN MEETING WEBCASTS ▸

Commissioners Approve $136 million FY 23 Operating Budget

RRC's commissioners on Aug. 30 approved the agency's operating budget for the new fiscal year, which began on Sept. 1.

The budget for FY 23 totals $136.4 million with 1,046 full-time equivalent positions. The budget is based on the funding levels approved by Senate Bill 1 during the last legislative session in 2021.

The budget helps RRC staff continue critical work in protecting residents and the environment across Texas.

It includes $56.15 million for oil and gas well plugging and remediation efforts, $25.55 million for oil and gas monitoring and inspections, $10.19 million for pipeline safety, $11.57 million for critical infrastructure weather preparedness, $3.61 million for surface mining monitoring and inspections, $4.82 million for regulating alternative fuel resources and more.

Commissioners also amended the budget to add $25 million, which was received from the federal government this year for orphan well plugging.

RRC ADDS NEW CHIEF FINANCIAL OFFICER

The RRC gained a new chief financial officer on Sept. 1 with the addition of Pamela Darden.

She has more than 27 years of experience in state government, including time with the School for the Blind and Visually Impaired, the Texas Military Department, the Texas Youth Commission, the Texas Residential Construction Commission, the Office of the Attorney General, the Texas Education Agency and the General Land Office.

She earned a Bachelor of Business in accounting from the University of Texas and is a certified public accountant.

“I was drawn to this position at RRC because I felt it was an ideal fit for my experience in state government,” Darden said. “I saw it as an opportunity for me to continue my service to the State of Texas and to grow both personally and professionally. My goal is to continue the success of the Financial Services Division. I know I have big shoes to fill with Corey Crawford’s departure from the division, but I am excited to take on new challenges.”

Crawford remains with the RRC and is now project manager for the federal well plugging program in the Oil and Gas Division.

ADOPTION OF RULES CLEARS WAY FOR TEXAS TO APPLY FOR PRIMACY OVER CO2 INJECTION WELLS

On Aug. 30, RRC's commissioners adopted amendments to statewide carbon dioxide geologic storage rules, allowing Texas to pursue enforcement primacy from the Environmental Protection Agency for Class VI injection wells.

The need for such injection wells has increased in recent years as more and more government organizations and businesses have focused on carbon dioxide emissions.

The amendments approved by the commissioners implement House Bill 1284, which became effective in June 2021 and consolidated jurisdiction over geologic storage of carbon dioxide in the state to the RRC. Previously, statewide jurisdiction was shared with the Texas Commission on Environmental Quality.

Because the state does not yet have primacy, EPA has the final say on Class VI permits, and applicants must apply to both the RRC and EPA.

Now that commissioners adopted the necessary carbon dioxide geologic storage rules, Texas' Governor will submit the state's application for primacy after the Texas Attorney General reviews the rules and certifies that the state's statutes and regulations meet minimum federal requirements.

"The federal requirements for the Class VI program are much more complex than the requirements for the Class II oil and gas program," said Leslie Savage, RRC's Chief Geologist.

RRC's Underground Injection Control program – which currently oversees Class II injection wells that are primarily used for enhanced recovery and the disposal of water produced from oil and gas operations – has repeatedly been recognized by EPA Region 6 for its effectiveness.

As was the case with Class II wells, the federal Safe Drinking Water Act acknowledges states' knowledge of their geology and conditions and provides for delegation of enforcement primacy from the EPA to the states. Given the variety of geologic settings in which storage will be applied, the RRC is in the best position to evaluate local conditions posed by a Class VI well, including well depth, geology and hydrogeology.

Until primacy is granted, RRC staff are processing permit applications in parallel with the EPA, so when the transition occurs, it will be seamless, and operators will not have to resubmit any paperwork, Savage said.

In order to ensure that primacy is granted as soon as possible, Savage says RRC staff have been coordinating through a work group with the Ground Water Protection Council over the last two years with the EPA, North Dakota and Wyoming, which have already been granted primacy, and Louisiana, which is in the application process.

Commission staff also have been in discussions with EPA Region 6 for the past year and a half on various issues, including pre-application meetings with companies planning projects and issues that were not clear in EPA's regulations.

Class VI wells pose a different kind of challenge and require tougher standards, Savage said.

"With respect to the difference between Class II and Class VI, the greatest influence on risk is the pressure and volume," she said. "There will be a larger area of influence with Class VI, and therefore, the potential for more conduits to allow the CO2 to escape from the permitted injection interval."

As part of a Class VI permitting program, the RRC will ensure that there are no such potential conduits allowing for the release of stored carbon dioxide and will require that all wells associated with such a project are properly plugged before a closure certificate is issued. Similar to federal regulations, the RRC's Class VI rules require that closure costs include the cost of plugging all wells associated with the project.

The amount of financial assurance required to be filed under this subsection must be equal to or greater than the maximum amount necessary to perform corrective action, emergency response and remedial action, post-injection monitoring and site care and closure of the geologic storage facility at any time during the permit term in accordance with all applicable state laws, rules and orders and the permit, Savage said.

Closure costs will continually be reviewed and can be adjusted up or down, as needed.

VIEW THE ADOPTED RULES

LONESTAR: RRC MAKING PROGRESS ON NEW COMPUTING SYSTEM FOR OIL AND GAS

RRC continues to modernize and transform its computing systems as it seeks to improve efficiencies and capabilities, as well as transparency of agency data.

LONESTAR
RAILROAD COMMISSION OF TEXAS · STATE TRACKING AND REPORTING

As part of that effort, the RRC has been developing a new software system, LoneSTAR (State Tracking and Reporting), to handle the business functions of the Oil and Gas Division, by far the largest section of the agency.

LoneSTAR is being built on the Risk-Based Data Management System (RBDMS) platform, which was developed by the Groundwater Protection Council, of which Texas is a member. It will allow for online filings and tracking of regulatory Oil and Gas Division information.

The first phase of LoneSTAR is processing filings for the Form P-5, Organization Report, which operators need to operate under RRC regulations; Form W-3C, Certification of Surface Equipment Removal for an Inactive Well; and Form W-3X, Application for an Extension of Deadline for Plugging an Inactive Well. Other Oil and Gas forms and permitting processes will follow in later phases.

The first phase of LoneSTAR was launched internally in mid-January with hardcopy forms being inputted by staff into the program. A few months later, a handful of operators were given access to the system to file P-5 and W-3C forms.

“We are gearing up to enter the final phase of the implementation. This will allow all operators access to file P-5, W-3C, and W-3X forms within LoneSTAR externally,” said Jennifer Gilmore, Manager of the P-5 Financial Assurance Section.

As the agency implements LoneSTAR, it will be transitioning away from its mainframe system developed in the 1970s.

“The process to file forms with the mainframe was very antiquated,” Gilmore said. “All forms were required to be submitted in hardcopy. Any correspondence sent between staff and operators was also sent via letter/snail mail.”

LoneSTAR aims to transform that experience for operators and automatically have data directly available to staff once submitted.

Moving away from the mainframe entails a lot of work including making sure that the data rules from the mainframe are translated appropriately to the new environment.

The new system has generated a lot of interest from operators.

“We have had a high attendance in classes pertaining to the new LoneSTAR system at webinars and during the 2022 RRC Regulatory Conference in August, so I feel like that is a good sign that industry is showing interest,” Gilmore said. “The operators that we have allowed into the system early during the walk phase have provided invaluable feedback to help identify and troubleshoot issues, which was a wonderful opportunity to fine tune things from an external perspective prior to releasing to everyone.”

When it launches externally, operators will have the ability to log do the following things in LoneSTAR:

- File annual P-5 renewal forms
- Pay filing fees
- File W-3C and W-3X forms pertaining to their inactive wells
- Update pertinent information related to their P-5 (such as addresses, officer info, phone numbers, etc.)
- Track SWR15 compliance
- Request a release of their financial assurance documents
- View/Track information related to their financial assurance documents
- View Snapshots, Scanned images of hard copy documents submitted, and events related to their organization

For RRC, it simplifies access to data by keeping all information related to a company in one secure spot.

“We will no longer have to send off hardcopy forms to be microfilmed or dig through boxes for paperwork to complete open records requests,” Gilmore said. “LoneSTAR provides staff as well as industry a convenient hub to view all pertinent information related to their P-5 and inactive well compliance.”

Stay tuned for the next phase of LoneSTAR when it launches externally.

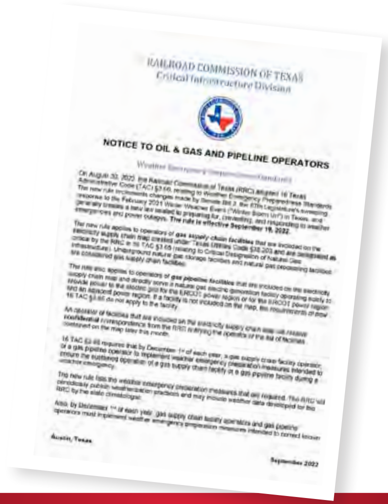
NOTICE TO OPERATORS: WEATHER EMERGENCY PREPAREDNESS STANDARDS ADOPTED

On Aug. 30, commissioners adopted 16 Texas Administrative Code (TAC) §3.66 relating to Weather Emergency Preparedness Standards.

The new rule implements changes made by Senate Bill 3, the 87th Texas Legislature's sweeping response to Winter Storm Uri and generally creates a new law related to preparing for, preventing, and responding to weather emergencies and power outages.

The new rule applies to operators of gas supply chain facilities that are included on the electricity supply chain map created under Texas Utilities Code §38.203 and are designated as critical by the RRC in 16 TAC §3.65 (relating to Critical Designation of Natural Gas Infrastructure). Underground natural gas storage facilities, natural gas processing facilities are considered gas supply chain facilities.

The rule was effective Sept. 19.



RAILROAD COMMISSION OF TEXAS
Critical Infrastructure Division

NOTICE TO OIL & GAS AND PIPELINE OPERATORS

READ THE NOTICE TO OPERATORS

Restoring Texas

RRC's Surface Mining and Reclamation Division staff work to restore natural beauty across Texas at sites where mining has stopped. These pictures are from an ongoing reclamation project at the Martin Lake Coal Mine in Panola County in East Texas.

Chairman Christian

COMMISSIONERS' CORNER

In September, Chairman Christian applauded the Comptroller's annual revenue report, highlighting the sizable tax contributions of the Texas oil and gas industry benefiting the citizens and State of Texas.

"The oil and gas industry paid around $11 billion in production taxes alone last year – not including its strong sales tax contributions – directly benefiting Texans and our livelihoods, while wind and solar cost about $4 billion a year to state ratepayers," said Chairman Christian. "Texas is blessed with a God-given abundance of oil and gas that reliably powers the world while also providing numerous monetary benefits to hardworking Texans. I will fight President Biden and his radical environmentalists who want to destroy the Texas economy and continue to support cheap, plentiful and reliable energy which benefits all Texans."

READ THE CHAIRMAN'S COMMENTS

Commissioner Craddick

COMMISSIONERS' CORNER

In September, Commissioner Christi Craddick visited with leaders at the University of Texas at San Antonio to discuss cyber security threats in the oil field, as well as workforce development initiatives aimed at strengthening our state against cyberattacks. UTSA's award winning cyber security program is one of the best in the nation and has been selected as a site to facilitate operations between local, state, and federal agencies. Protecting the state's natural resources and energy infrastructure against digital attacks is critically important and Commissioner Craddick is grateful to have this cutting-edge resource right here in Texas.

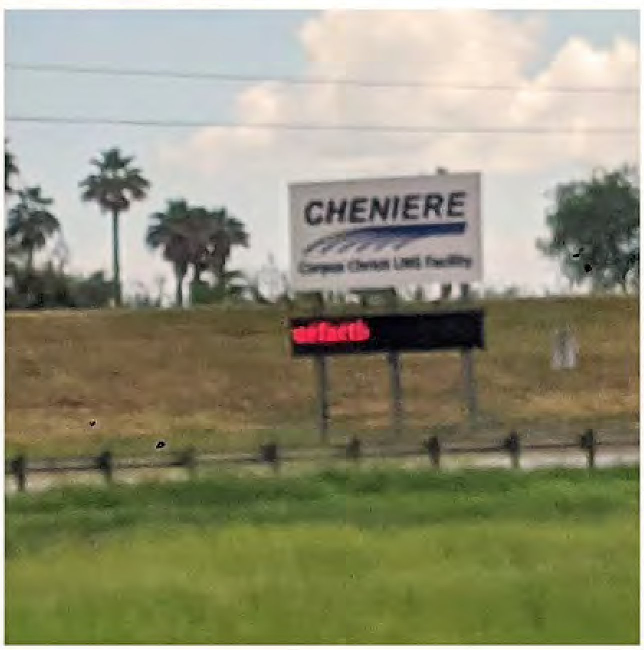
Additionally, Commissioner Craddick spoke with business leaders on the significant steps taken by the agency with regard to SB 3 and weatherization at the Texas Retailers Association Annual Forum. Alongside PUC Commissioner Will McAdams, Commissioner Craddick updated these leaders on the collaborative efforts between the two agencies, as well as the steps that the oil and gas industry will be required to take as a result of the RRC's Rule 3.66.

Commissioner Wright

COMMISSIONERS' CORNER

In September, Commissioner Wright visited the Port of Corpus Christi and toured the Cheniere LNG Export Terminal.

"The Port of Corpus Christi and the Cheniere liquefaction plant plays a crucial role in our global energy infrastructure by supplying clean Texas natural gas and petroleum products to markets around the world," Commissioner Wright said. "Over the past decade, Texas oil and natural gas production has fostered the return of American energy independence. Now, thanks to the Port of Corpus Christi and the significant infrastructure investments like the Cheniere export terminal, Texas oil and gas products can be shipped abroad to meet growing demand and provide energy security to our friends and allies across the globe."


CHENIERE
Corpus Christi LNG Facility


Cheniere Energy, Inc.
Texas Independent Producers & Royalty Owners
(TIPRO)

Oil & Gas Production Statistics

View monthly production totals of crude oil, condensate and total oil; and of gas well gas, casinghead gas, and total natural gas.

VIEW CURRENT PRODUCTION STATISTICS ▸

Enforcement Actions

The Commission has primary oversight and enforcement of the state's oil and gas industry and intrastate pipeline safety. View RRC's Latest Enforcement Actions here.

VIEW LATEST ENFORCEMENT ACTIONS ▸

Public GIS Viewer

The Public GIS Viewer allows users to view oil, gas and pipeline data in a map view.

LAUNCH THE PUBLIC GIS VIEWER ▸