RAILROAD COMMISSION OF TEXAS

SELF-EVALUATION REPORT

SUBMITTED TO THE SUNSET COMMISSION SEPTEMBER 2009

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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 fair 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, and delivery is conducted in a manner that minimizes harmful effects on the state's environment and to preserve 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 the 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 a variety of approximately 10,377 business enterprises operating over 278,929 active producing oil and gas wells as of June 30, 2009. Through its regulation the RRC protects adjacent mineral interest owners' interests and reservoirs through regulation of the spacing and density of wells, determines financial assurance, maps wells for future reference, and evaluates potential impacts to underground fresh water access ensuring that such activities do not negatively affect surface and subsurface usable quality water.

More than four 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 of natural gas utilities providing equal and fair energy access to all entities in the RRC's appellate jurisdiction within municipal boundaries and in all unincorporated areas of the state. Texas is by far the largest natural gas producing state in the nation. In 2008, over 7.6 Tcf of natural gas was produced, 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 almost one-half million 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 13,000 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.

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's safety regulations meet or exceed federal standards. The RRC's ensures that the pipeline network beneath the ground in 251 of the 254 counties 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 third party 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 individuals working in the industry, with about 2,500 dealer 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, as well as expanding operations in plugging and site cleanup of abandoned well locations. 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 has long recognized the value of its information and strategically positioned itself to continually 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.

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 abilities 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 $5.3 billion over the three-year period FY 2009-2011, providing a significant benefit to the state in periods of economic uncertainty.

Safety:

Texas has more than 270,000 miles of pipeline systems within the state, with 156,000 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 29 percent of the domestic onshore oil production, and 35 percent of the domestic onshore-marketed gas production in the U.S. According to the United States Energy Information Administration as of December 2007, Texas has remaining proven oil reserves of 5.12 billion barrels, and proven gas reserves of 72.09 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 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 FY 2009 the RRC plugged more than 30,000 wells, and has consistently increased the number and complexity of sites remediated, with 293 completed cleanups, investigations, or assessments in FY 2008.

The RRC's federally funded abandoned mine land reclamation program reclaims priority sites based on public health and safety concerns. To date, 440 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. More progress is still 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 include:

- Oil and Gas Production,
- Drilling Permits,
- Disposal/Injection Well Monitoring Report (H-10),
- 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),
- Texas Damage Reporting (100% filed online), and
- Pipeline forms (100% filed online).

In 2009 the National Historic Records and Publications Commission 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 by awarding the RRC a grant to further advance digitizing efforts. The RRC was the only non-archival institution in the nation awarded these funds.

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. Texas is unique in its regulation of natural gas utilities, as most other states regulate electric and natural gas utilities from a single regulatory body, similar to the Public Utility Commission.

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 employee positions will be vacant 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. 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. Unfortunately most of this information is in paper or microfilm records that must be copied or viewed in person. The RRC has already taken steps to assure that future records are more accessible, and some of the historical data and forms are already available via the Internet, but much remains to be done.

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.

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 key pieces of federal 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.

The proposed American Clean Energy and Security Act of 2009 (H.R. 2454), if enacted, is one piece of federal legislation that could have a significant impact on the RRC. Several parts of this 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 2008 the U.S. EPA published an Advance Notice of Proposed Rulemaking on Regulating Greenhouse Gases under the Clean Air Act (CAA). While it is not possible to evaluate the effect of this proposal on RRC programs at this time, it is likely to have an impact on oil and gas exploration and production, pipeline operations, surface coal mining, and alternative fuels, which are under the jurisdiction and regulation of the RRC.

Texas law (Senate Bill 1387, 81st Legislature, 2009 Regular Session) granting the RRC jurisdiction over carbon sequestration requires the RRC to be cognizant of and consistent with federal requirements for this activity. The RRC will have to tailor its regulations to the standards, if any, established by the Clean Energy and Security Act and the potential U.S. EPA rules promulgated pursuant to the Safe Drinking Water Act. As the Act has not yet become law, and EPA rules have not been adopted, the specific affect on the RRC cannot be stated with reasonable certainty at this time. The EPA published its proposed rules to establish a new program for regulating the injection and long-term storage of carbon dioxide (CO_2) on July 25, 2008. The rules, proposed under the Safe Drinking Water Act, identify a new category of Underground Injection Control (UIC) wells—Class VI wells—to specifically regulate the injection of CO_2 for storage and associated storage facilities.

The FY 2010 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 2010 federal budget, and current federal law directing disbursement of these funds is changed, the Texas AML Program could lose approximately $40 million over the next 12 years that would be re-directed to AML programs in other states.

In *Texas Citizens for a Safe Future & Clean Water v. Railroad Commission*, 254 S.W.3d 492 (Tex. App.-Austin 2007, pet. pending), the Austin Court of Appeals held that in an agency proceeding wherein a disposal well permit was sought, the RRC too narrowly construed the "public interest" criterion of Section 27.051(b)(1) of the Texas Water Code. Opponents of the applicant for the disposal well permit had presented evidence of their safety concerns related to increased use of area roads by trucks hauling saltwater for disposal at the proposed disposal facility. The RRC had found that use and installation of the proposed disposal well was in the public interest because the well would provide needed additional disposal capacity, and an economical means of disposal, for produced saltwater from producing wells in the rapidly expanding Barnett Shale Field area, thereby increasing recovery from the producing wells and preventing waste of hydrocarbons. The RRC had made no findings regarding the road safety concerns of those opposing the application, and in their proposal for decision the RRC's hearing examiners had commented that the RRC did not have jurisdiction to regulate truck traffic on the state's roads and highways.

In *Texas Citizens*, now pending on petition for review in the Texas Supreme Court, the Austin Court of Appeals held that the RRC had erred in confining its public interest inquiry to the beneficial impact on production of oil or gas and that the RRC should not have ignored traffic-related factors affecting the public interest. If upheld, the opinion in *Texas Citizens* may require the RRC, in disposal well cases, to entertain and consider evidence of traffic impact on road safety, and perhaps other types of public concerns, not directly implicated by the natural resources conservation laws or laws related to protection of usable quality water from pollution by oil and gas wastes. The provision of non-traditional bases for opposing disposal well applications may lead to a greater number of, and potentially more protracted, contested case hearings and require the RRC to consider a variety of public concerns that the RRC has little power to resolve.

In 2008 the U.S. Department of Justice filed a petition seeking rehearing of the decision by the Ninth Circuit Court of Appeals in *Natural Resource Defense Council v. US E.P.A.*, 526 F.3d 591 (9th Cir. 2008) which vacated the U.S. EPA's 2006 oil and gas construction storm water regulation. In its petition, the Government contends that the Court erred by overturning EPA's final rule solely because the Court found it inconsistent with EPA's prior interpretation of a provision of the Clean Water Act. The regulation effectively exempted from Clean Water Act permit requirements storm water discharges of sediment from construction activities associated with oil and gas exploration, production, processing, or treatment operations or transmission facilities unless the relevant facility had a discharge of storm water resulting in a discharge of a reportable quantity of oil or hazardous substances. This action also encouraged voluntary application of best management practices for

construction activities associated with oil and gas field activities and operations to minimize erosion and control sediment to protect surface water quality. It is unknown at this time what affect, if any, a new decision may have on RRC regulated industries.

In *Legal Environmental Assistance Foundation, Inc. v. U.S. E.P.A.*, 118 F.3d 1467 (11th Cir. 1997), the U.S. Court of Appeals for the 11th Circuit determined that hydraulic fracturing of oil and gas wells is subject to regulation under the federal Underground Injection Control (UIC) program. This holding applied only to Alabama's programs. 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. Identical bills (Fracturing Responsibility and Awareness of Chemicals Act) were introduced in both houses of the 111th Congress that would remove the clarification regarding hydraulic fracturing and clarify that EPA has authority over hydraulic fracturing. Although it is difficult to determine at this time the magnitude of the effect on the RRC's regulatory program for hydraulic fracturing under the Safe Drinking Water Act, it could be significant.

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 2008			
Key Performance Measures	**FY 2008 Target**	**FY 2008 Actual Performance**	**FY 2008 % Of Annual Target**
OUTCOME 1-1-1 Percent of Oil and Gas Wells that are Active	73.00%	74.20%	101.64%
OUTPUT 1-1-1-3 Number of Wells Monitored	364,000	375,838	103.25%
EFFICIENCY 1-1-1-2 Average Number of Wells Monitored Per Analyst	30,333	27,840	91.78%
OUTPUT 1-2-1-2 Number of Gas Utility Dockets Filed	80	77	96.25%
OUTPUT 1-2-2-1 Number of Rebate and Incentive Applications Handled	3,351	4,310	128.62%
EFFICIENCY 1-2-2-1 Administrative Costs as a Percent of AFRED Account Fee Revenue	18.60%	14.10%	75.81%
EXPLANATORY 1-2-2-1 Number of alternative-fuel vehicles in Texas	16,502	9,886	59.91%
OUTCOME 2-1-1 Average # of Pipeline Safety Violations per equivalent 100 miles of Pipe Identified Through Inspections	3.5	2.52	72.00%
OUTPUT 2-1-1-1 Number of Pipeline Safety Inspections Performed	2,300	1,840	80.00%
OUTPUT 2-1-1-2 Number of LPG/LNG/LNG Safety Inspections Performed	12,000	13,428	111.90%

Railroad Commission of Texas Exhibit 2: Key Performance Measures—Fiscal Year 2008			
Key Performance Measures	**FY 2008 Target**	**FY 2008 Actual Performance**	**FY 2008 % Of Annual Target**
EFFICIENCY 3-1-1-1 Average Number of Pipeline Field Inspections per Field Inspector	100	103.62	103.62%
OUTCOME 3-1-1 Percentage of Oil and Gas Facility Inspections that Identify Environmental Violations	18.0%	18.5%	102.78%
OUTCOME 3-2-1 Percentage of Known Orphaned Wells Plugged with the use of State-managed Funds	18.0%	13.5%	75.00%
OUTPUT 3-1-1-1 Number of Oil and Gas Facility Inspections Performed	115,000	120,866	105.10%
OUTPUT 3-1-1-3 Number of Oil and Gas Environmental Permit Applications and Reports Processed	94,000	90,494	96.27%
EFFICIENCY 3-1-1-1 Average Number of Oil and Gas Facility Inspections Performed by District Office Staff	900	949	105.44%
EXPLANATORY 3-1-1-1 Number of Oil/Gas Wells and Other Related Facilities Subject to Regulation	371,800	391,764	105.37%
OUTPUT 3-1-2-1 Number of Coal Mining Inspections Performed	485	421	86.80%
OUTPUT 3-2-1-1 Number of Abandoned Pollution Sites Investigated, Assessed or Cleaned Up w/ Use of State-managed Funds	251	293	116.73%

Railroad Commission of Texas Exhibit 2: Key Performance Measures—Fiscal Year 2008			
Key Performance Measures	**FY 2008 Target**	**FY 2008 Actual Performance**	**FY 2008 % Of Annual Target**
OUTPUT 3-2-2-1 Number of Orphaned Wells Plugged with the Use of State-Managed Funds	1,850	1,261	68.16%
OUTPUT 3-2-2-2 Total Aggregate Plugging Depth of Orphaned Wells Plugged with the Use of State-managed Funds (linear feet)	3,241,200	2,166,504	66.84%
OUTPUT 4-1-2-1 Number of Documents Provided to Customers by Information Services	938,000	1,374,713	146.56%

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 third party 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 increase 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.**

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	City
Victor G. Carrillo, Chairman	Feb. 19, 2003 to Dec. 31, 2010	Elected	Abilene, Texas
Elizabeth A. Jones, Commissioner	Feb. 9, 2005 to Dec. 31, 2012	Elected	San Antonio, Texas
Michael L. Williams, Commissioner	Jan. 4, 1999 to Dec. 31, 2014	Elected	Arlington, 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 2008? In FY 2009?

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 22 times in both fiscal year 2008 and fiscal year 2009.

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

At a minmum, 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, Deputy 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 an 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 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 serving as the means for electronic filing of many required reports. 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 Council	Members include the Land Commissioner; the presiding officer of Texas Parks and Wildlife Commission or designated member; the presiding officer of the TCEQ or a designated member; a member of the Railroad Commission appointed by that Commission; the presiding officer of the TWDB or a member of TWDB designated by the presiding officer; the presiding officer of the Texas Transportation Commission or a member of the commission designated by the presiding officer; a member of the SSWCB appointed by that board; and the director of the Texas A&M University Sea Grant Program to serve as a nonvoting member. The following members to be appointed by the governor with the advice and consent of the senate to serve a two-year term: a city or county elected official 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.	Administers 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. SB 1, 81st Legislature appropriates $137.5 million in all funds for 2010–11, with a total of 743.6 FTEs authorized for the biennium.

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

SB 1, 81st Legislature, Article VI, Rider 7. Unexpended Balance and Estimated Appropriation Authority: Oil Field Clean Up Account. Places a $10 million cap on the revenue appropriated to the OFCU fund that is collected in excess of the Comptroller's Biennial Revenue Estimate. Of the amounts received in excess of the BRE the first $1.9 million will be used to fund 21.0 FTES to reduce permitting backlogs.

SB 1, 81st Legislature, Article VI, Rider 10. Surface Mining Permits and Contingency Appropriations for Fee Increase. Provides an additional $278,041 in General Revenue and $278,401 in federal funding for permitting coal-mining facilities.

SB 1, 81st Legislature, Article VI, Rider 14. Pipeline Safety Fees. Provides an additional $1.2 million in General Revenue and $0.6 million in federal funding for 13.5 FTEs for pipeline safety and underground prevention programs.

SB 1, 81st Legislature, Article IX, Sec 17.109. Contingency Appropriation SB 1387. Provides an additional $148,852 in General Revenue to implement a program to monitor capture, injection, sequestration, or geologic storage of carbon dioxide.

SB 1, 81st Legislature, Article IX, Sec 17.34. Contingency Appropriation HB 472. Provides an additional appropriation $202,500 in the Oil Field Clean Up account to implement a program to review common carrier and operator contamination reports related to incidents near pipelines.

SB 1, 81st Legislature, Article IX, Sec 17.54. Contingency Appropriation HB 2259. Provides an additional appropriation of $699,999 in the Oil Field Clean Up account and in excess of Comptroller's Biennial Revenue Estimate an additional $1.2 million in the Oil Field Clean Up account to implement a program to facilitate the plugging inactive oil and gas wells.

C. Show your agency's expenditures by strategy.

Railroad Commission of Texas Exhibit 5: Expenditures by Strategy—Fiscal Year 2008 (Actual)		
Goal/Strategy	**Total Amount**	**Contract Expenditures Included In Total Amount**
Goal A.1.1/Energy Resource Development	$6,085,736	$1,232
Goal A.2.1/Gas Utility Compliance	$1,890,480	$1,948
Goal A.2.2/Promote LP Gas Usage	$7,470,652	$122,239
SUBTOTAL:	**$15,446,868**	**$125,419**
Goal B.1.1/Pipeline and LP Gas Safety	$5,306,113	$23,547
SUBTOTAL:	**$5,306,113**	**$23,547**
Goal C.1.1/Oil and Gas Monitor & Inspections	$13,193,035	$79,648
Goal C.1.2/Surface Mining Monitoring/Inspect	$2,749,636	$1,837
Goal C.2.1/Oil and Gas Remediation	$7,194,581	$4,891,298
Goal C.2.2/Oil and Gas Well Plugging	$22,900,806	$15,006,922
Goal C.2.3/Surface Mining Reclamation	$4,969,936	$943,136
SUBTOTAL:	**$51,007,994**	**$20,922,841**
Goal D.1.1/GIS and Well Mapping	$552,896	$18
Goal D.1.2/Public Information and Services	$2,384,604	$293,975
SUBTOTAL:	**$2,937,500**	**$293,993**
GRAND TOTAL:	**$74,698,475**	**$21,365,800**

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 2009

Object of Expense	Promote Energy Resource Development Opportunities	Ensure Fair Rates and Compliance to Rate Structures	Promote LP Gas Usage
Salaries and Wages	$5,008,624	$1,678,089	$1,591,388
Other Personnel Costs	$185,538	$42,975	$46,675
Professional Fees and Services	$361,087	$108,936	$199,715
Fuels and Lubricants	$1,938	$116	$44,591
Consumable Supplies	$21,800	$2,250	$17,986
Utilities	$735	$1,446	$19,230
Travel	$16,179	$46,979	$48,557
Rent – Building	$676	$20,203	$17,687
Rent – Machine and Other	$21,970	$8,561	$72,061
Other Operating Expense	$338,633	$44,872	$1,361,110
Capital Expenditures	$0	$0	$24,000
Total	**$5,957,180**	**$1,954,427**	**$3,443,000**

Railroad Commission of Texas
Exhibit 6: Objects of Expense by Program or Function—Fiscal Year 2009

Object of Expense	Ensure Pipeline and LPG/CNG/LNG Safety	Oil and Gas Monitoring and Inspections	Surface Mining Monitoring and Inspections
Salaries and Wages	$4,408,727	$11,366,353	$2,518,467
Other Personnel Costs	$112,136	$307,724	$65,402
Professional Fees and Services	$379,022	$769,782	$149,887
Fuels and Lubricants	$124,298	$294,275	$29,775
Consumable Supplies	$17,816	$27,615	$11,659
Utilities	$57,493	$23,750	$13,897
Travel	$199,851	$33,543	$38,234
Rent – Building	$50,523	$76,936	$274
Rent – Machine and Other	$17,481	$38,681	$27,709
Other Operating Expense	$175,787	$648,828	$220,711
Capital Expenditures	$0	$160,239	$0
Total	**$5,543,134**	**$13,747,726**	**$3,076,015**

Railroad Commission of Texas Exhibit 6: Objects of Expense by Program or Function—Fiscal Year 2009			
Object of Expense	**Oil and Gas Remediation**	**Oil and GasWell Plugging**	**Surface Mining Reclamation**
Salaries and Wages	$2,178,087	$3,857,964	$467,725
Other Personnel Costs	$57,170	$106,003	$15,054
Professional Fees and Services	$779,304	$265,592	$2,586,362
Fuels and Lubricants	$11,141	$539,956	$276
Consumable Supplies	$6,455	$24,832	$18,197
Utilities	$13,177	$54,742	$4,833
Travel	$24,254	$46,484	$20,019
Rent – Building	$29,246	$273,385	$46
Rent – Machine and Other	$9,862	$17,471	$4,137
Other Operating Expense	$3,132,802	$17,593,148	$183,314
Capital Expenditures	$0	$140,749	$0
Total	**$6,241,498**	**$22,920,326**	**$3,299,963**

Railroad Commission of Texas Exhibit 6: Objects of Expense by Program or Function—Fiscal Year 2009			
Object of Expense	**Geographic Information Systems and Well Mapping**	**Public Information and Services**	
Salaries and Wages	$496,246	$1,518,070	
Other Personnel Costs	$17,202	$42,181	
Professional Fees and Services	$36,929	$127,201	
Fuels and Lubricants	$40	$137	
Consumable Supplies	$2,009	$57,409	
Utilities	$50	$171	
Travel	$822	$12,168	
Rent – Building	$69	$13,238	
Rent – Machine and Other	$2,105	$36,772	
Other Operating Expense	$24,572	$127,686	
Capital Expenditures	$0	$0	
Total	**$580,044**	**$1,935,033**	

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 2008 (Actual)	
Source	**Amount**
General Revenue	$28,036,770
GR Dedicated—Alternative Fuels Research Account No. 101	$2,119,683
GR Dedicated—Oil Field Cleanup Account No. 145	$29,247,208
Land Reclamation Fund No. 454 (Federal Funds)	$161,907
Federal Funds	$7,956,147
Appropriated Receipts	$2,022,327
Interagency Contracts	$5,154,433
TOTAL	$74,698,475

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

Railroad Commission of Texas Exhibit 7: Sources of Revenue—Fiscal Year 2008 (Actual)				
Type of Fund	**State/Federal** Match Ratio	State Share	Federal Share	Total Funding
10.912 Environmental Quality Incentives Program	50% State 50% Federal	$75,000	$75,000	$150,000
15.250 Regulation of Surface Coal	50% State 50% Federal	$990,919	$990,919	$1,981,838
15.252 Abandoned Mine Land Reclamation	100% Federal	N/A	$4,837,369	$4,837,369
20.700 Pipeline Safety	50% State 50% Federal	$1,574,678	$1,574,678	$3,149,356
66.433 State Underground Water Source Protection	25% State 75% Federal	$156,269	$468,808	$625,077
66.717 Source Reduction Assistance	69.49% State 30.51% Federal	$116,820	$51,280	$168,100
66.817 State and Tribal Response Program	100% Federal	N/A	$120,000	$120,000
	TOTAL	**$2,913,686**	**$8,118,054**	**$11,031,740**

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

Railroad Commission of Texas
Exhibit 9: Fee Revenue—Fiscal Year 2008

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)
COBJ 3034 LPG Delivery Fees – TEX. NAT. RES. CODE ANN. Sec.113.244	$7.50 - $50	61	$2,110,412	Alternative Fuels Research and Education Account
COBJ 3035 Commercial Transportation Fees – LPG – TEX. NAT. RES. CODE ANN. 113.131	Registration fees $270. Transfer fees $100.	7,629	$1,622,600	General Revenue Fund (Unappropriated receipts)
COBJ 3045 Railroad Commission Service Fees – Certifications – TEX. REV. CIV. STAT. ANN. arts. 3922, 6447j: TEX. NAT. RES. CODE ANN. Sec 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.	105	$1,722	General Revenue Fund (Appropriated Receipts)
COBJ 3234 Gas Utility Pipeline Tax – TEX. UTIL. CODE ANN. Sec. 122.051	1/2 of 1% of the gross receipts	298	$12,586,005	General Revenue Fund (Unappropriated receipts)
COBJ 3245 Compressed Natural Gas (CNG) Training and Examinations – TEX. NAT. RES. CODE ANN. Sec 116.034	$40 for employee-level exam $70 for management-level exam	111	$7,445	General Revenue Fund (Appropriated Receipts)
COBJ 3246 Compressed Natural Gas Licenses – TEX. NAT. RES. CODE Sec. 116.031, 116.032, 116.033	$50 - $1,000	45	$9,020	General Revenue Fund (Unappropriated receipts)
COBJ 3313 Discharge Fee – TEX. NAT. RES. CODE ANN. Sec. 91.1013	$300	437	$131,100	Oil-Field Cleanup Account

Railroad Commission of Texas
Exhibit 9: Fee Revenue—Fiscal Year 2008

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)
COBJ 3313 Drilling Permit Fee – TEX. NAT. RES. CODE ANN. Sec. 85.2021	$200 up to 2000 ft. $225 btw 2001 – 4000 ft. $250 btw 4001 – 9000 ft. $300 more than 9000 ft. $200 Rule 37 & Rule 38 Exceptions	415 580 1,304 5,475 665	$348,455 $614,412 $3,149,237 $3,889,517 $1,019,983	Oil-Field Cleanup Account
COBJ 3313 Expedite Fee – TEX. NAT. RES. CODE ANN. Sec. 85.2021	$150	27,179	$4,076,796	Oil-Field Cleanup Account
COBJ 3313 Injection Fee – TEX. NAT. RES. CODE ANN. Sec. 91.1013	$200	353	$526,800	Oil-Field Cleanup Account
COBJ 3314 Oil & Gas Violations – various statutes	See table at the end of Section V.	351 28	$5,323,074 $89,475	Oil-Field Cleanup Account and General Revenue Fund (Unappropriated receipts)

Railroad Commission of Texas
Exhibit 9: Fee Revenue—Fiscal Year 2008

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)
COBJ 3329 Surface Mining Permits (Coal, Lignite, Iron) – TEX. NAT. RES. CODE ANN. Sec. 134.054, 134.055	Fee for application not less than $5,000. Renewal not less than $3,000. Fee for revision may not be less than $500.	10	$1,253,044	General Revenue Fund (Unappropriated receipts
	$150/acre – Annual fee for each acre on which the permittee actually conducted operations for the removal of coal and lignite.	Est. included in the amount above	Amount included in the amount above	
	$3.75/acre – Annual fee for each acre within a permit area covered by a reclamation bond (bond acreage fee) at the end of the calendar year.	Est. included in the amount above	Amount included in the amount above	
	$4,200 – Annual fee for each permit in effect at the end of the calendar year.	Est. included in the amount above	Amount included in the amount above	
COBJ 3717 Surface Mining Permits (Coal, Lignite, Iron) – TEX. NAT. RES. CODE ANN Sec. 134.174	Varies – Administration Penalty (Notice of Violation)	5	$22,920	General Revenue Fund (Unappropriated receipts)
COBJ 3338 Organization Report Fees – TEX. NAT. RES. CODE ANN. Sec. 91.142	$225 - $1,350	7,043	$3,461,620	Oil-Field Cleanup Account
COBJ 3339 Voluntary Cleanup Application Fees – TEX. NAT. RES. CODE ANN. Sec. 91.654	$1,000 plus additional reimbursements as needed	18	$17,240	Oil-Field Cleanup Account

Railroad Commission of Texas
Exhibit 9: Fee Revenue—Fiscal Year 2008

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)
COBJ 3369 Well Plugging Reimbursement for OFCU – TEX. NAT. RES. CODE ANN. Sec. 89.043, 89.083, 91.113	Varies	9	$19,657	Oil-Field Cleanup Account
COBJ 3373 Injection Well Regulation – TEX. WATER CODE ANN. Sec. 27.014, 27.021, 27.035, 27.0321, 27.036	$100 - $200	186	$37,500	General Revenue Fund (Unappropriated Receipts)
COBJ 3381 Oil Field Cleanup Regulatory Fee on Oil – TEX. NAT. RES. CODE ANN. Sec. 81.116	5/8th of one cent on each barrel of oil produced (42 gallons)	Estimate not available – Comptroller deposits	$2,120,501	Oil-Field Cleanup Account
COBJ 3382 Railroad Commission Rule Exceptions – TEX. NAT. RES. CODE ANN. 81.0521	$50 GR	694	$197,951	General Revenue Fund (Unappropriated Receipts)
Railroad Commission Rule Exceptions – TEX. NAT. RES. CODE ANN. 81.0521	$100 OFCU		$401,899	Oil-Field Cleanup Account
COBJ 3383 Oil Field Cleanup Regulatory Fee on Gas – TEX.NAT. RES. CODE ANN. 81.117	1/15th of one cent for each MCF of gas produced (thousand cubic feet)	Estimate not available – Comptroller deposits	$4,635,882	Oil-Field Cleanup Account
COBJ 3384 Oil and Gas Compliance Certification Reissue Fee – TEX. NAT. RES. CODE ANN. Sec. 91.707	$300 per severance or seal order	1,915	$1,484,700	Oil-Field Cleanup Account
COBJ 3393 Abandoned Well Site Equipment Disposal – TEX. NAT. RES. CODE ANN. Sec. 89.085(d), 91.115	Based on salvage value	90	$1,460,075	Oil-Field Cleanup Account

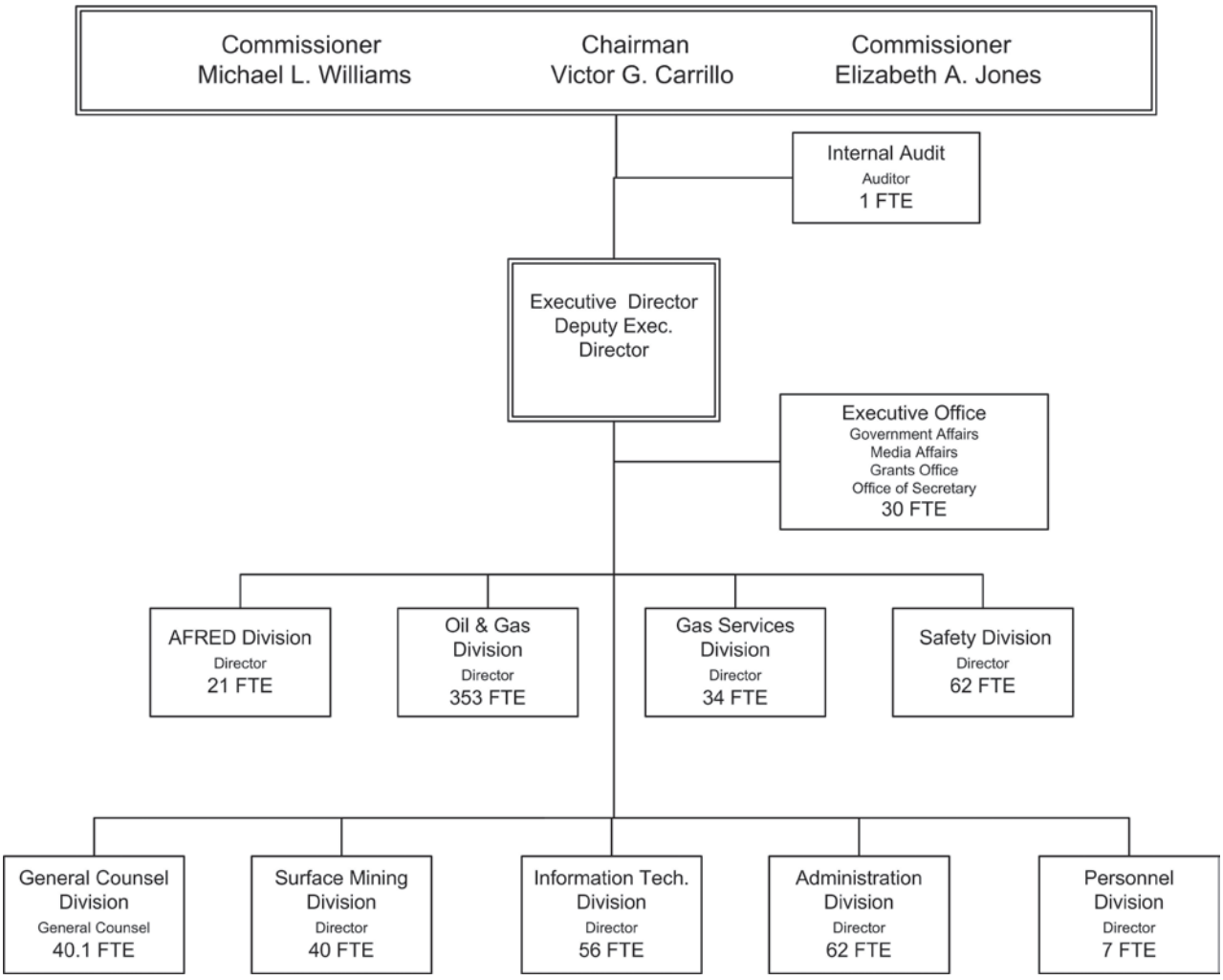
Railroad Commission of Texas
Exhibit 9: Fee Revenue—Fiscal Year 2008

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)
COBJ 3553 Pipeline Safety Fee – TEX UTIL. CODE ANN. 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.	555 est. included in the total above est. included in the total about	$2,439,813 amount included in the total above amount included in the total above	General Revenue Fund (Unappropriated Receipts)
COBJ 3592 Waste Disposal Facilities (Hazardous) – TEX. NAT. RES. CODE ANN. Sec. 91.605	Set by the Commission based on volume of waste and reasonably related to cost of implementation	888	$91,700	Oil-Field Cleanup Account
COBJ 3592 Waste Disposal Facilities (Non-Hazardous) – TEX. WATER CODE ANN. Sec. 29.015	$100	20	$85,200	Oil-Field Cleanup Account
COBJ 3719 Fees for copies of Filing of Records (Railroad Commission) – TEX. NAT. RES. CODE ANN. Sec. 89.088	Not to exceed $10 for each lease covered by the request	3,276	$668,435	General Revenue Fund (Appropriated Receipts)
COBJ 3722 Conference, Seminars, and Training Registration Fees (Other Authorized State Agencies) – General Appropriations Act, 80th Leg., Art. IX, Sec. 8.08	Varies	4,754	$791,169	General Revenue Fund (Appropriated Receipts)

COBJ 3314 Oil & Gas Violations – various statutes	
GR	Administrative or civil penalties of up to $10,000 per day or per act for violations of laws, rules, orders, permits or certificates pertaining to oil and gas well safety or pollution requirements.
GR-D 145	a. Administrative or civil penalties of up to $10,000 per day for each violation of a provision of the Natural Resources Code or any rule, order or permit relating to well plugging. Commission may seek collection of well plugging bonds or letters of credit. If the Commission plugs a well, the State has cause of action for all reasonable expenses incurred in plugging or replugging the well and the Commission shall seek reimbursement for all expenses incurred. b. A penalty of $1,000 for violation of a rule or order that does not pertain to safety or the prevention or control of pollution.
GR	Penalty for violation of §121.201 or safety standards or regulations relating to transporting oil and gas pipeline facilities of up to $10,000 a day for each violation.
GR-D 145	Penalty for violation of §§ 91.705 or 91.706 or tampering with a device placed on a well by the commission, NTE $10,000 for each violation.
GR-D 145	Fine for false applications, reports and documents and gauge tampering, NTE $10,000.
GR	Administrative and civil penalties for violations under Title 5 related to geothermal energy and associated resources (chapter 141, Natural Resources Code).
GR	Penalty against a purchaser, transporter, gatherer, shipper or seller of natural gas NTE $5,000 a day for each violation.
GR-D 145	A person who violates section 91.452 or an order of the Commission under section 91.457 of the Natural Resources Code or who fails to close a saltwater disposal pit is subject to a civil penalty of not less than $100 nor more than $10,000 for each act of violation.
GR	Penalties against oil and gas waste haulers NTE $10,000 per violation per day.
GR	Penalties for violations related to injection wells NTE $10,000 per violation per day.
GR	Penalties for violations related to sour natural gas NTE $1,000 per violation per day.

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 2008			
Headquarters, Region, or Field Office	**Location**	**Number of Budgeted FTEs, FY 2008**	**Number of Actual FTEs as of August 31, 2008**
Headquarters	Austin	420.1	404.1
Regional Offices	Abilene	28	26
	Corpus Christi	28	26
	Forth Worth	11	11
	Houston	39.5	38.5
	Kilgore	37.5	35
	Midland	41.5	40
	Pampa	20	17
	San Angelo	18.5	18.5
	San Antonio	29	29
	Wichita Falls	27	26
One employee/office	Hidalgo	1	1
	Tyler	4	4
	Sweetwater	1	1
	Total	**706.1**	**677.1**

C. What are your agency's FTE caps for fiscal years 2008–2011?

2008—706.1 FTEs
2009—706.1 FTEs
2010—743.6 FTEs
2011—743.6 FTEs

The Railroad Commission's FTE cap for the 2010–2011 biennium increased by an additional 13.5 FTEs in the Safety Division, 3.0 FTEs for Surface Mining regulation, and 21 FTEs in the Oil and Gas Division, contingent upon revenue in excess of the Comptroller's Biennial Revenue Estimate.

D. How many temporary or contract employees did you agency have as of August 31, 2008?

As of August 31, 2008, the Railroad Commission had three contract employees.

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 2008		
Program	**FTEs as of 8/31/08**	**Actual Expenditures**
Promote Energy Resource Development Opportunities	105.3	$6,085,736
Ensure Fair Rates and Compliance to Rate Structures	32.0	$1,890,480
Promote LP Gas Usage	27.3	$7,470,652
Ensure Pipeline and LPG/CNG/LNG Safety	80.6	$5,306,113
Oil and Gas Monitoring and Inspections	220.0	$13,193,035
Surface Mining Monitoring and Inspections	41.8	$2,749,636
Oil and Gas Remediation	38.4	$7,194,581
Oil and Gas Well Plugging	75.7	$22,900,806
Surface Mining Reclamation	8.0	$4,969,936
Geographic Information Systems and Well Mapping	10.6	$552,896
Public Information and Services	37.4	$2,384,604
TOTAL	**677.1**	**$74,698,475**

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	Tommie Seitz
Actual Expenditures, FY 2008	$6,085,736
Number of FTEs as of August 31, 2008	105.3

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 must be renewed annually. There are currently approximately 7,500 operators in the state.

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 permit, 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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Percent of Oil and Gas Wells that are Active	73%	74.20%	101.64%
Outcome	Percent of forms and reports filed electronically through the RRC Online System	74.0%	81.47%	110.09%
Outcome	Percent of Total US Onshore Gas Coming from Texas	35%	31.46%	89.89%
Outcome	Percent of Total US Onshore Oil Coming from Texas	29%	31.17%	107.48%
Output	Number of Wells Monitored	364,000	375,838	103.25%
Output	Number of Drilling Permit Applications Processed	22,000	27,425.00	124.66%
Output	Number of Organizations Permitted or Renewed	7,250	7,657	105.61%
Efficiency	Average Number of Cases Completed Per Examiner	100.00	100.98	198.00%
Efficiency	Average Number of Wells Monitored Per Analyst	30,333	27,840	91.78%
Explanatory	Annual calendar year production of primary energy sources of crude oil, natural gas and lignite			
	1,482,830,380	1,636,428,992	110.36%	
Explanatory	Number of Active Oil and Gas Rigs	725	834	115.03%
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	86,850,000	102,358,054	117.86%

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 2006 production from Texas oil wells averaged only 949,904 barrels per day, less than one-third of the rate produced in 1972, with approximately 148,844 active producing oil wells today.

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 brining 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), 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 278,929 active oil and gas wells, 109,371 inactive wells, and 53,000 injection and disposal wells. These wells are sited in over 29,000 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 2007 was 336,222 million barrels crude oil and 6.42 Tcf (trillion cubic feet) of gas well gas.

The RRC also regulates allied oil and gas activities, including: 1208 waste haulers, over 1200 disposal systems, 25 reclamation plants, 1945 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 2008
Energy Resource Development	General Revenue	$4,536,183
	Oil Field Cleanup Fund-GR Dedicated	$1,147,762
	Federal	$292,009
	Appropriated Receipts	$109,782

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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Mail services	$1,156	Mail delivery
Workers Assistance Program	$76	Employee Assistance Program
TOTAL	$1,232	

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 2008	$1,890,480
Number of FTEs as of August 31, 2008	32.0

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 equal and fair energy access to all entities in the Commission's appellate jurisdiction within municipal boundaries and in all unincorporated areas of the state.

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 Complain Process allows for an Alternative Dispute Resolution 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 comprises the Rate Analysis and Review function. These staff members evaluate and review certain utility transactions, such as proposes 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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Average Texas Residential Gas Price for Commission Regulated Util. as a % of National Gas Price	95%	96.87%	101.97%
Output	Number of Gas Utility Dockets Filed	80	77	96.25%
Output	Number of Field Audits Conducted	140.00	140.00	100.00%
Output	Number of Gas Utilities' Compliance, Tariff and Escalator Filings	105,000	143,029.00	136.22%
Output	# Pipeline & LP Gas Permits & Licenses Issued or Renewed	19,500	27,710.00	142.10%
Efficiency	Average Number of Field Audits Per Auditor	17.50	17.50	100.00%
Explanatory	Cost of gas included in average residential natural gas bill	8.68	9.64	111.09%

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 198 investor-owned natural gas utilities, approximately 4 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 380 entities that collectively certified approximately 870 pipeline permitted systems through the division's 'certifying-out' screening action. The program responded to over 800 public and industry inquiries and complaints in FY08. These programs serve both suppliers to and customers of gas utilities by making available information that helps determine when 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 2008
Gas Utilities Rates and Compliance	General Revenue	$1,735,434
	Alternative Fuels Research and Education—GR Dedicated	$60,000
	Appropriated Receipts	$95,046

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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Security monitoring	$59	Security monitoring service
Janitorial	$586	Janitorial service
Mail service	$64	Mail delivery service
Interagency contract with DARS	$1,239	Regional Specialist
TOTAL	$1,948	

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. Following a field audit, the auditor writes a narrative audit report to accompany their audit work papers and submits it to staff in Austin for review. 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 2007 and 2008		
	FY 2007	**FY 2008**
Total number of regulated persons	None	None
Total number of regulated entities	200	198
Total number of entities inspected	138	140
Total number of complaints received from the public	1,093	869
Total number of complaints/inquires initiated by agency	None	3
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	1,093	869
Average number of days for complaint resolution	3 to 4 days	3 to 4 days
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 Fuels Research and Education
Location/Division	Austin and Regional Locations/Alternative Fuels Research and Education Division (AFRED)
Contact Name	Dan Kelly
Actual Expenditures, FY 2008	$7,470,652
Number of FTEs as of August 31, 2008	27.3

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

The Alternative Fuels Research and Education 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 more than 200 of these buses in 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 62,000 rebates to buyers of propane water heaters and other appliances.

Since 2005, under two interagency contracts with TCEQ, the RRC was awarded and the division has issued $30 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. The division also worked with the department of Housing and Community Affairs since 1996 to help direct $15.9 million of federal energy assistance funding to 46,000 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 3,000 volunteer firefighters and emergency responders 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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Annual Percent Change in the Level of AFRED Fee Revenue	0%	-0.10%	99.90%
Output	Number of Rebate and Incentive Applications Handled	3,351	4,310	128.62%
Output	# Training Hours Provided to Texas LP-Gas Licensees and Certificate Holders	2,350	2,213	94.17%
Efficiency	Administrative Costs as a Percent of AFRED Account Fee Revenue	18.60%	14.10%	75.81%
Explanatory	Number of alternative-fuel vehicles in Texas	16,502	9,886	59.91%

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. Eighty-six 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 14 percent of the state's propane is odorized—for ease of leak detection, like natural gas—and used as a fuel for residences and commercial property (66 percent), portable cylinders (9 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 state's 483 full-service retail propane owners and managers and 14,000 industry employees. Indirectly, the division serves a much larger number of end users, including approximately 26,000 propane forklift operators, 641,000 recreational vehicle owners, 9,000 propane vehicle drivers, 383,000 residential propane consumers, 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 TERP grant program staff, a graphic designer, and four regional marketing coordinators based in Fort Worth, Houston, Sweetwater, and Weslaco. The consumer rebate program manage based in Austin, also serves as the regional marketing coordinator for central Texas.

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 marketing and public education 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 2008
Alternative Fuels and Research	General Revenue	$426,314
	Alternative Fuels Research and Education—GR Dedicated	$2,059,683
	Federal	$126,280
	Appropriated Receipts	$858,375
	Interagency Contracts	$4,000,000

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 $50 million a year, PERC offers numerous partnership opportunities in research, communications, marketing and training. RRC staff communicates regularly with PERC executives, staff, and board members. The RRC has administered several PERC research and training grants. AFRED's division director, research director, marketing director, and training director are longtime members of PERC's advisory committees for research and development, agriculture, engine fuel, and safety and training, 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 $503,000 in calendar year 2009.

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 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 and operators of propane vehicles.

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

- ❑ **the amount of those expenditures in fiscal year 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Video services	$2,850	Video services
Security monitoring	$32	Security monitoring service
Translation services	$5,163	Translation services
Shredding services	$32	Shredding confidential information
Training services	$2,457	Updating existing courses
Developer Analyst	$54,375	Developer services
Printing services	$936	Printing of monthly newsletter
Janitorial services	$312	Janitorial services
Mail service	$241	Mail delivery service
Workers Assistance Program	$52	Employees Assistance Program
Computer Programming services	$17,370	Computer Programming services
Testing services	$28,835	Testing
Spanish lessons	$4,800	Spanish lessons
Interpretation services	$688	Interpretation services
Interagency contract with DARS	$742	Regional Specialist
Misc.	$3,354	
TOTAL	$122,239	

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	Mary McDaniel
Actual Expenditures, FY 2008	$5,306,113
Number of FTEs as of August 31, 2008	80.6

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 150,000 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 25 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, and the overall rate of incident per 10,000 miles of pipe is below the national average. 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 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 44,000 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 10,700 safety violations. In addition to safety evaluations, an average of more than 45 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 caused by third parties. In the first year of its authority, the RRC received over 16,000 reports of damages in its online reporting system. With 77 percent of all of the incidents in 2007 caused by third party damage, the RRC's enforcement function will help reduce the number of incidents caused by third parties by raising awareness of the one call system laws and by providing an enforcement mechanism to help prevent repeat offenses by both operator and contract personnel.

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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Average Number of LPG/CNG/LNG Safety Violations identified per Inspection Unit	0.60	0.80	133.33%
Outcome	Average number of Pipeline Safety Violations per equivalent mile of pipe identified through Inspections	3.5	2.52	72.00%
Output	Number Pipeline and LP Gas Accident Investigations and Special Investigations	350	422.00	120.57%
Output	Number of LPG/CNG/ LNG Safety Violations Identified through Inspections	7,500	10,733.00	143.11%
Output	Number of LPG/ LNG/LNG Safety Inspections Performed	12,000	13,428.00	111.90%
Output	Number of Pipeline and LP Gas Education Programs Administered	20	19.00	95.00%

Type	Description	FY 2008 Target	FY 2008 Actual	FY 2008 % Target
Output	Number of Pipeline Safety Inspections Performed	2,300	1,840.00	80.00%
Output	Number of Pipeline Safety Violations Identified through Inspections	3,000	2,427.00	80.90%
Efficiency	Average Number of LPG/CNG/LNG Safety Inspections Per Inspector	1,155	1,379.00	119.39%
Efficiency	Average Number of Pipeline Field Inspections Per Field Inspector	100	103.62	103.62%

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 131 distribution operators, with 87 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 15,438 persons engaged in regulated activities that required registration or certification with the RRC. Further, the RRC regulated an average of

4,000 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 and many others. 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 third party damage prevention function enforces 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 2008
Pipeline and LPG/CNG/ LNG Safety	General Revenue	$3,693,167
	Federal	$1,574,678
	Appropriated Receipts	$38,268

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 only to 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 coordinates 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 their activities and to provide any information the One Call Board would like about the program's damage prevention program and third party 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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Security monitoring	$304	Security monitoring service
Janitorial services	$6,118	Janitorial services
Mail service	$306	Mail delivery service
Temporary Personnel	$7,507	Temporary employees

Type of Contract	Expended FY 2008	General Purpose
Moving services	$2,750	Moving services
Voice, data & phone switch	$3,825	Voice, data & phone switch
Workers Assistance Program	$60	Employee Assistance Program
Pest Control services	$15	Pest control services
Translation services	$662	Translation services
Misc.	$20	HHSC
Interagency contract with DARS	$1,980	Regional Specialist
TOTAL	$23,547	

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 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.**

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. There is not a well-tested enforcement program for this function.

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 2007 and 2008

	FY 2007	FY 2008
Total number of regulated persons	N/A	N/A
Total number of regulated entities	1,546	1,543
	138	140
Total number of entities inspected	437	429
Total number of complaints received from the public	65	155
Total number of complaints initiated by the agency	17	31
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	5	12
Number of jurisdictional complaints found to be without merit	0	0
Number of complaints resolved	82	186
Average number of days for complaint resolution		
Complaints resulting in disciplinary action:	N/A	N/A
• Administrative penalty		
• Reprimand		
• Probation		
• Suspension		
• Other		

Railroad Commission of Texas – LPG/CNG/LNG Safety Exhibit 12: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2007 and 2008		
	FY 2007	**FY 2008**
Total number of regulated persons	14,725	16,151
Total number of regulated entities	4,056	4,064
Total number of entities inspected	437	429
Total number of complaints received from the public	58	37
Total number of complaints initiated by the agency	N/A	N/A
Number of complaints pending from prior years	1	0
Number of complaints found to be non-jurisdictional	3	3
Number of jurisdictional complaints found to be without merit	5	4
Number of complaints resolved	57	37
Average number of days for complaint resolution	7	7
Complaints resulting in disciplinary action:	N/A	N/A
• Administrative penalty	1	4
• Reprimand	0	2
• Probation		
• Suspension		
• Other (Unlicensed/Unauthorized Activity)	8	7

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	Tommie Seitz
Actual Expenditures, FY 2008	$13,193,035
Number of FTEs as of August 31, 2008	220.0

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

The Monitoring and Inspections program assure 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, 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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Percentage of Oil and Gas Facility Inspections that Identify Environmental Violations	18%	18.50%	102.78%
Output	Number of Oil and Gas Environmental Permit Applications and Reports Processed	94,000	90,494.00	96.27%

Type	Description	FY 2008 Target	FY 2008 Actual	FY 2008 % Target
Output	Number of Oil and Gas Facility Inspections Performed	115,000	120,866.00	105.10%
Output	Number of Enforcement Referrals for Legal Action due to Oil and Gas Rule Violations	350	535.00	152.86%
Efficiency	Average Number of Oil and Gas Facility Inspections Performed by District Office Staff	900	949.00	105.44%
Explanatory	Number of Oil/ Gas Wells and Other Related Facilities Subject to Regulation	371,800	391,764	105.37%
Explanatory	Number of Statewide Rule Violations Documented	73,600	81,620	110.90%

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.

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 1,200 injection well permit applications per year and monitors status and operation of 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 58 hydrocarbon storage facilities with about 400 active wells, 24 natural gas storage reservoirs, and 80 sites with 100 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 1,700 permit applications each year and monitors the status and operation of about 4,730 permitted pits, 48 landfarms, 225 active, permitted discharges, and 31 permitted commercial disposal facilities. While the majority of oilfield waster in 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 2008
Monitoring and Inspections	General Revenue	$11,653,612
	Oil Field Cleanup Fund—GR Dedicated	$636,461
	Federal	$176,799
	Appropriated Receipts	$241,266
	Interagency Contracts	$484,897

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 waster, 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.

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 125 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.

The Memorandum of Understanding (MOU) between the RRC and the Texas Commission on Environmental Quality (TCEQ) was finalized and became effective on May 31, 1998. 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. For example, the Surface Casing Section of the TCEQ identifies fresh water depths that are used by the RRC in determining the type and depth of surface casing that must be set in a well for fresh water protection. 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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Structural Engineering services	$19,875	Engineering services
Janitorial services	$12,984	Janitorial services
Mail service	$504	Mail delivery service
Lab Analysis services	$14,681	Lab analysis services
Moving services	$6,872	Moving services
Pest Control services	$70	Pest control services
Temporary Personnel service	$9,770	Temporary employees
Workers Assistance Program	$205	Employee Assistance Program
Misc.	$332	
Interagency contract with DARS	$14,355	Regional Specialist
TOTAL	$79,648	

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 120,866 lease inspections were conducted during FY2008, of which many were necessary back checks and repeat inspections. In 2008 inspections resulted in the detection of 81,620 violations of RRC rules. To ensure proper plugging of wells, district office personnel witnessed 4,051 plugging operations in FY 2008. 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 2007 and 2008		
	FY 2007	**FY 2008**
Number of complaints pending from prior years	262	270
Number of complaints found to be non-jurisdictional. This item is not tracked because inspections are not performed.		
Number of jurisdictional complaints found to be without merit. These are complaints wherein no violations were detected during inspection.	199	215
Number of complaints resolved	773	868
Average number of days for complaint resolution		
(days)	79	72
Complaints resulting in disciplinary action:		
• Administrative penalty	41	45
• Reprimand. Notice of violation sent.	669	725
• 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 2008	$2,749,636
Number of FTEs as of August 31, 2008	41.8

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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Percent Current Surface Coal Mining Operations in Compliance	100%	100%	100.00%
Output	Number of Coal Mining Inspections Performed	485	421	86.80%
Output	Number of Coal Mining Permit Actions Processed	525	537.00	102.29%
Efficiency	Average Number of Staff Days to Process Administrative Coal Permit	60.00	52	115.38%
Efficiency	Average Staff Review Days to Process Coal Mining Permit Actions	60.00	51	117.65%
Explanatory	Number of Acres Permitted	287,000	282,795	98.53%

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 and coal mined is used as boiler fuel in the production of electricity. Since 2000 annual lignite and coal production in Texas decreased from approximately 50 million tons to 42 million tons. Two new lignite fueled power plants are scheduled to come on-line in 2009 and 2010. The lignite necessary to fuel existing and new power plants will result in an increase in annual lignite production to nearly 55 million tons per year. The continued long-term fuel commitment required for existing lignite fueled electric power generation facilities suggests that the mining industry in Texas will remain relatively stable for the foreseeable future.

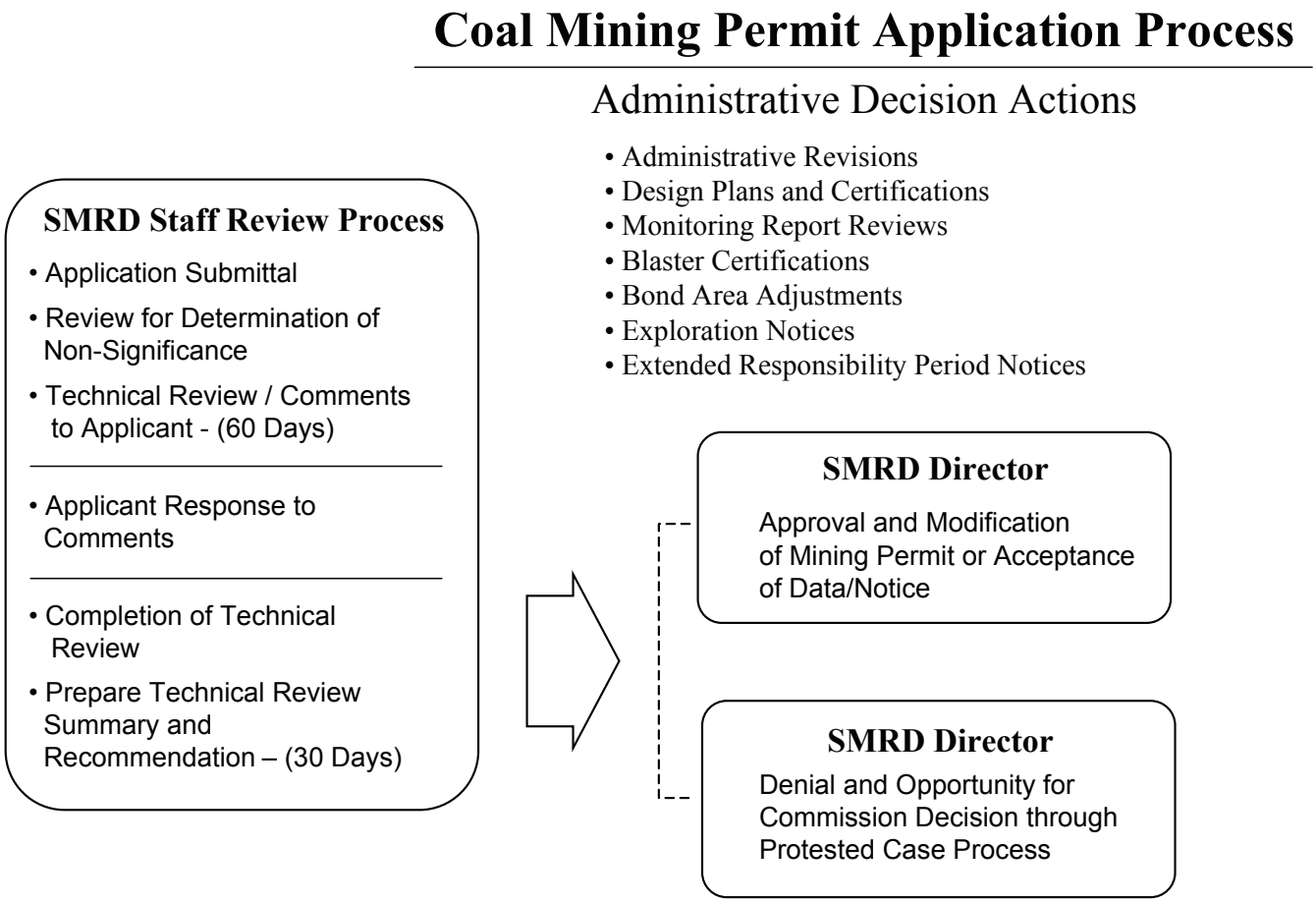
In 1980 the Surface Mining Regulation program administered 34 uranium surface mining permits issued to three major companies. Presently there are no permitted uranium surface mining areas in Texas, with the last remaining uranium surface mining permit granted full bond release in 2003. The required infrastructure 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.

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.

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.



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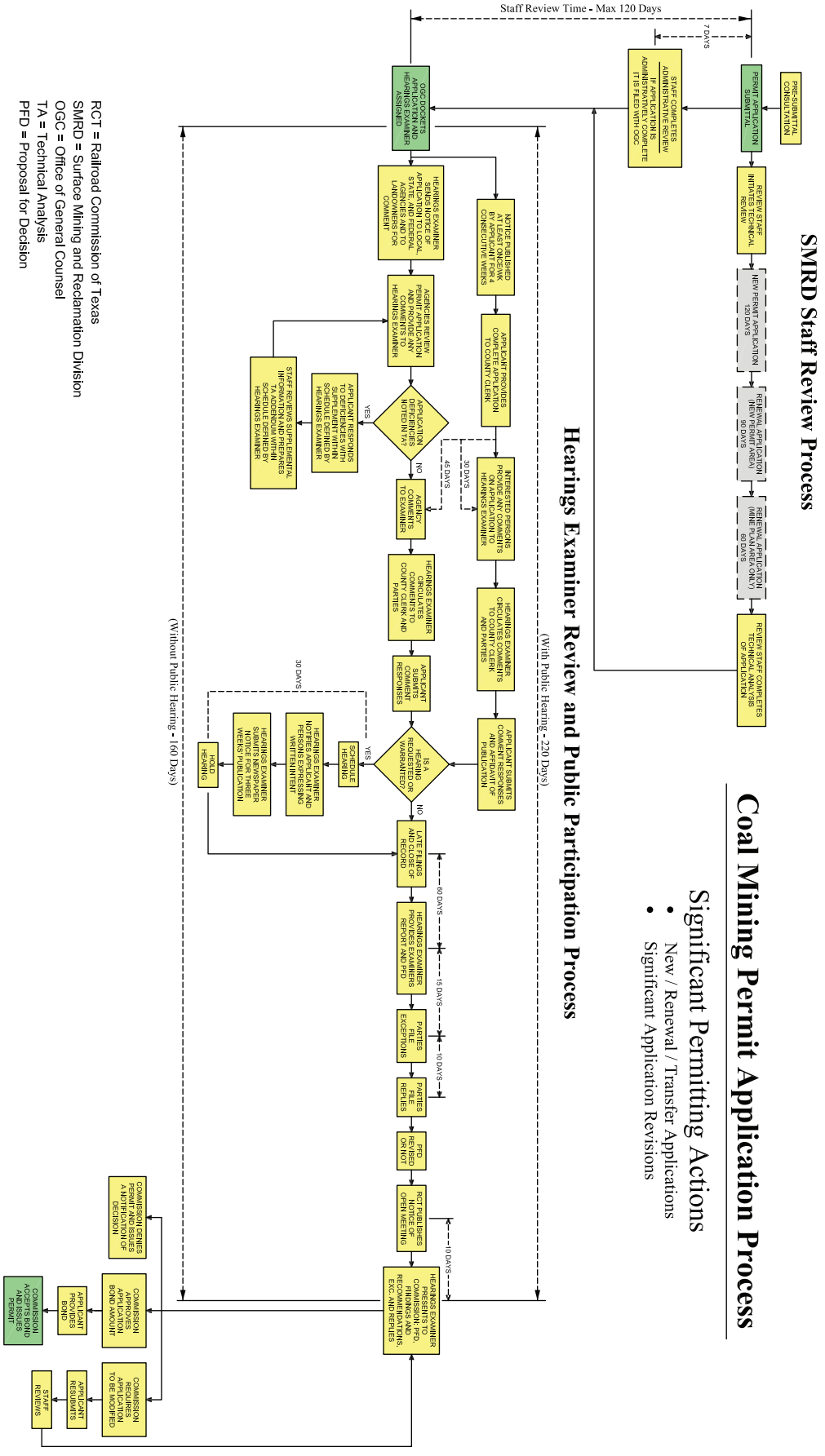

RCT = Railroad Commission of Texas
SMRD = Surface Mining and Reclamation Division
OGC = Office of General Counsel
TA = Technical Analysis
PFD = Proposal for Decision

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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 2008
Surface Mining Regulation	General Revenue	$1,758,717
	Federal	$990,919

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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Mail service	$66	Mail delivery service
Workers Assistance Program	$38	Employee Assistance Program
Radiation Monitoring	$30	Radiation monitoring
Misc.	$218	
Interagency contract with DARS	$1,485	Regional Specialist
TOTAL	$1,837	

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 24 coal-mining permits, held by 10 companies and covering approximately 285,500 acres in 17 counties.

In fiscal year 2008 almost 4,000 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 2007 and 2008		
	FY 2007	**FY 2008**
Total number of regulated persons	N/A	N/A
Total number of regulated entities (an entity is defined as a permit)	34	40
Total number of entities inspected (an entity is defined as a permit)	6	3
Total number of complaints received from the public	10	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	0	0
Number of jurisdictional complaints found to be without merit	8	2
Number of complaints resolved	10	3
Average number of days for complaint resolution	*61	44
Complaints resulting in disciplinary action:		
• Administrative penalty	1	0
• Reprimand	N/A	N/A
• Probation	N/A	N/A
• Suspension	N/A	N/A
• Other	N/A	N/A

* One complaint required 236 days to resolve as the landowner would not allow entry onto his property and did not respond to follow up requests from program staff inquiring as to whether his complaint had been resolved to his satisfaction. Average number of days for FY 2007 minus this particular inspection is 41 days.

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	Tommie Seitz
Actual Expenditures, FY 2008	$7,194,581
Number of FTEs as of August 31, 2008	38.4

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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Percent of Identified Pollution Sites Investigated, Assessed, Cleaned with State-managed Funds	12.70%	16.3%	128.35%
Output	Number of Abandoned Pollution Sites Investigated, Assessed or Cleaned Up with Use of State-managed Funds	251	293.00	116.73%
Efficiency	Average Number of Days to Complete abandoned State-managed Site Clean-ups	120	143	119.38%
Explanatory	Number of Complex Operator-initiated Cleanups Monitored and Evaluated	500	558	111.60%
Explanatory	Number of Identified Abandoned Pollution Sites that are Candidates for State Funded Cleanup	1,771	1,803	101.81%
Explanatory	Number of Voluntary Cleanup Program applicant operator initiated cleanups monitored and evaluated	43	33	76.74%

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 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, and a registered engineer) 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 2008 state-managed remediation activities included 175 routine remediation

operations; 36 emergency operations, 80 site assessment investigations, and 2 pollution abatement activities.

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 500 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 2008 there were seven new Voluntary Cleanup applications, with 33 active sites at the end of fiscal year 2008. Thirty-one 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 2008
Oil and Gas Remediation	General Revenue	$628,665
	Oil Field Cleanup Fund—GR Dedicated	$5,785,916
	Federal	$120,000
	Interagency Contracts	$660,000

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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Engineering services	$4,888,600	Oil Well Site Cleanup
Janitorial services	$1,850	Janitorial services
Mail services	$145	Mail delivery services
Workers Assistance Program	$111	Employee Assistance Program
Moving services	$357	Moving services
Pest Control services	$5	Pest Control services
Equipment repair	$95	Meter repair service
Misc.	$135	
TOTAL	$4,891,298	

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	Tommie Seitz
Actual Expenditures, FY 2008	$22,900,806
Number of FTEs as of August 31, 2008	75.7

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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Percentage of Known Orphaned Wells Plugged with the use of State-managed Funds	18.0%	13.5%	75.00%
Output	Number of Orphaned Wells Plugged with the Use of State-Managed Funds	1,850	1,261.00	68.16%
Output	Total Aggregate Plugging Depth of Orphaned Wells Plugged with the Use of State-managed Funds (linear feet)	3,241,200	2,166,504.00	66.84%
Efficiency	Average Number of Days to plug an orphaned well with use of state-managed funds	50	60	120.00%
Explanatory	Number of Known Orphaned Wells in Non-compliance w/ Commission Plugging Rule	10,700	9,323	87.13%
Explanatory	Number of Orphaned Wells Approved for Plugging			
	1,350	1,826	135.26%	
Explanatory	Number of Wells Plugged by Operators without the Use of State-managed Funds	7,000	4,730	67.57%
Explanatory	Percentage of active well operators who have more then 25% of their well inactive	42.0%	46.0%	109.52%

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 2008
Oil and Gas Well Plugging	General Revenue	$1,223,737
	Oil Field Cleanup Fund—GR Dedicated	$21,677,069

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.

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

- ❑ **the amount of those expenditures in fiscal year 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Engineering Services	$14,750,651	Oil Well Plugging/Pollution Abatement
Interpretation Services	$86	Interpretation Services
Laundry Services	$67	Laundry Services
Shredding Services	$64	Shredding of confidential information
Lab Analysis Services	$333	Lab Analysis Services
Mail delivery Services	$241	Mail delivery Services
Janitorial Services	$1,706	Janitorial Services
Workers Assistance Program	$276	Employee Assistance Program
Moving Services	$1,696	Moving Services
Pest Control Services	$10	Pest Control Services
Computer Programming Services	$238,096	Computer Programming Services
Meter Repair Service	$313	Meter Repair Service
Interagency contract with DARS	$4,950	Regional Specialist
Media Training Services	$8,000	Media Training Services
Misc.	$433	
TOTAL	$15,006,922	

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
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)	
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)	
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)	
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)	

Well Number
Total Weight
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 2008	$4,969,936
Number of FTEs as of August 31, 2008	8.0

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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Percent of Abandoned Sites on which Reclamation has been Initiated	80%	80.00%	100.00%
Output	Number of Acres of Earthwork Completed	16	33.60	210.00%
Output	Number of Acres Permanently Revegetated	108	0.00	0.00%

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 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 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, on abandoned underground hard rock mines in Brewster, Presidio, and El Paso counties, and on a large open pit at the Alcoa Sandow mine in Rockdale.

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 2008
Abandoned Mine Lands	General Revenue	$132,567
	Federal	$4,837,369

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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Erosion Control Project	$67,288	Erosion Control Project
Re-grade Project	$839,147	Re-grade Project
Mine closure	$2,500	Mine closure
Shredding services	$3,240	Shredding services
Clearing and Grubbing Project	$15,050	Clearing and Grubbing Project
Lab services	$2,950	Water samples
Application of Fertilizer	$2,342	Application of Fertilizer
Mail service	$36	Mail delivery service
Hauling service	$360	Hauling service
Construction services	$8,176	Fence building around abandoned mine
Janitorial services	$234	Janitorial services
Workers Assistance Program	$32	Employees Assistance Program
Misc.	$1,781	
TOTAL	$943,136	

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	Tommie Seitz
Actual Expenditures, FY 2008	$552,896
Number of FTEs as of August 31, 2008	10.6

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 wells.

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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Outcome	Percent of Public Requests for Research or Information Received Through Internet-Based Technology	4.0%	3.80%	95.00%
Output	Number of Reports Provided to Customers from electronic data records	2,850	2,522.00	88.49%

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 2008
Oil and Gas GIS and Well Mapping	General Revenue	$552,896

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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Mail Services	$6	Mail delivery services
Workers Assistance Program	$12	Employee Assistance Program
TOTAL	$18	

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	David Pollard
Actual Expenditures, FY 2008	$2,384,604
Number of FTEs as of August 31, 2008	37.4

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 microfiche 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 2008 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 2008 Target	FY 2008 Actual	FY 2008 % Target
Output	Number of Documents Provided to Customers by Information Services	938,000	1,374,713	146.56%
Explanatory	Number of External Hits to the RRC Website (in Thousands)	34,479	106,108	307.75%

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, approximately 90 percent of all oil and gas 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 2,400 requests for information, sells 112,000 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.

In August 2003 a reorganization of the RRC moved the Public Information and Services program to the Administration Division from the Oil and Gas Division and added the additional functions of RRC-wide subscription, publication, and electronic data set sales. Two functional areas comprise this program. 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, micrographic, 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 2008
Public Information and Services	General Revenue	$1,695,478
	Appropriated Receipts	$679,590
	Interagency Contracts	$9,536

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 Railroad 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 2008;**
- ❑ **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.**

Type of Contract	Expended FY 2008	General Purpose
Copying/Reproduction Services	$293,975	Digital Imaging Services
TOTAL	$293,975	

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 2005–2009, 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 Code Section 2305.201 (enacted by Senate Bill 184, 81st Legislature; effective 9/1/09)	New Section 2305.201, 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.
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.

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 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 Council. 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.
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.

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 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.
	Provides Commission jurisdiction and authority for regulation of sour natural gas production.
	Provides Commission jurisdiction and authority for regulation of producing oil properties.
	Provides Commission jurisdiction and authority concerning plugging of wells by operators and the Commission.
	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 120 (enacted by Senate Bill 1387, 81st Legislature; effective 9/1/09)	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: 81st Legislative Session Chart		
Legislation Enacted—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 469	Phil King/Seliger	This bill establishes incentives for the implementation of certain projects to capture and sequester in geological formations carbon dioxide that would otherwise be emitted into the atmosphere. It requires the Railroad Commission to issue "certificates of compliance" for three clean energy projects that meet certain criteria listed in the legislation.
HB 472	Hilderbran/Hinojosa	The bill reenacts the release of liability for the pipeline operator or common carrier that discovers and reports contamination, provided the person reporting was not the cause of the contamination.
HB 1731	Pitts/Ogden	This bill requires money made available for AFRED consumer rebate programs in a fiscal year, but not spent, to be carried forward and made available for rebates the next fiscal year, notwithstanding the 50 percent limit set out in 113.2435(c) (5), Natural Resources Code.
HB 1796	Chisum/Watson	This bill establishes the Texas Commission on Environmental Quality (TCEQ) to develop requirements for offshore repositories on state submerged lands for storage of anthropogenic carbon dioxide and the Texas Land Commissioner and School Land Board to administer the program. Requires the Land Commissioner to contract with the Bureau of Economic Geology at the University of Texas at Austin (BEG) to monitor the repository. Establishes a New Technology Implementation Grant program to be administered by TCEQ, with assistance, as needed, by the Railroad Commission and other state agencies. Extends until 2019 the funding for the Texas Emissions Reduction Plan (TERP). Requires the Railroad Commission, the TCEQ, and other state agencies to participate in the process of developing federal greenhouse gas reporting and registry requirements.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Enacted—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 1883	Farabee/Averitt	This bill authorizes the Commission to review a certification made by a person claiming to be exempt from utility status by virtue of the provisions in Utilities Code, Section 121.005. It provides for an informal meeting to resolve any status issues, and, if needed a notice and opportunity for a hearing into possible gas utility status. In addition, the bill amends Utilities Code, Section 121.007(a), to refine the scope of the exclusion from gas utility status of a person operating a natural gas pipeline, a liquefied natural gas pipeline, or an underground storage facility. The person is not a gas utility if the person certifies to the Railroad Commission that the person uses the pipeline or underground storage facility
HB 2259	Crownover/Duncan	This bill changes existing Commission requirements in Statewide Rule 14 related to the plugging of inactive wells by mandating surface equipment removal, and establishing seven options to obtain plugging exceptions.
HB 2572	G. Toureilles/Jackson	This bill amends provisions governing a gas corporation's use of public right-of-way for a pipeline. The bill makes clear that pipelines located in public rights-of-way must comply with Railroad Commission safety regulations. The bill also appears to express a preference that in municipal areas, pipelines use public rights-of-way in accordance with the guidelines in new subsection (c) of Utilities Code, Section 181.005.
HB 3918	Darby/Ogden	This bill amends the testing requirements for liquefied petroleum gas systems in certain school facilities by requiring a leakage test instead of a pressure test. Leakage tests shall be conducted in accordance with commission rules. Responsibility for maintaining all test results will be the responsibility of each school district rather than the responsibility of the commission. Upon request by an authorized representative of the commission, the school district shall provide the records for review.
HB 4300	Herrero/Williams	This bill removes the mandatory requirements for a tiered approach to public education and community liaison activities to an option to use one of two methods.
HB 4433	Rodriguez/Seliger	This bill provides for a severance tax exemption for any oil or gas produced from a geothermal well.
SB 184	Watson/ Chisum	This bill requires the Comptroller of Public Accounts to develop strategies by December 31, 2010, for reducing greenhouse gas emissions that will result in economic benefits, cost savings to businesses and consumers, and environmental benefits. At least one representative of the Railroad Commission to participate in any advisory committee appointed by the comptroller.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Enacted—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
SB 1387	Seliger/Crownover	This bill give jurisdiction over gives the Railroad Commission jurisdiction over the injection of carbon dioxide into formations that are or may be productive of oil or gas. The RRC would also have jurisdiction over geologic storage in a brine formation that exists above or below an oil or gas formation ("stacked storage.") Before RRC may issue a permit, the Texas Commission on Environmental Quality (TCEQ) must certify that underground fresh water supplies will not be injured by the permitted activity. Includes requirements for permitting, financial assurance, monitoring, and inspection. States that the storage operator owns the anthropogenic carbon dioxide in a geologic storage facility and authorizes RRC to regulate the withdrawal of any stored carbon dioxide. Establishes an Anthropogenic Carbon Dioxide Storage Trust Fund to include fees established by the RRC for implementation. Requires RRC to adopt regulations that are consistent with EPA's and requires that RRC seek enforcement primacy from the Environmental Protection Agency (EPA) for the program. This bill also calls for the TCEQ, RRC, 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. SB 1387 requires coordination between the RRC and TCEQ to ensure the regulation of carbon dioxide storage in Texas is being performed in an economically and environmentally sound manner. Finally, SB 1387 calls on the Texas General Land Office (GLO) in conjunction with the TCEQ, the RRC, and the BEG, to develop recommendations for managing geologic storage of CO2 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. Extends by 30 years the additional 50% severance tax rate reduction for oil produced using anthropogenic carbon dioxide in an enhanced recovery project.
SB 1540	Carona	In general, the bill repeals Title 112, Revised Statutes, and re-enacts the general provisions governing the Railroad Commission in Natural Resources Code, Chapter 81. The remaining provisions in Title 112 pertaining to state rail lines are repealed and re-enacted in several chapters in the Transportation Code
SB 1658	Averitt/Crownover	The bill increases the maximum pipeline safety inspection fee from 50 cents to one dollar.
SB 1826	Huffman/Bonnen	This bill refines the scope of the exclusion from gas utility status of a person operating a natural gas pipeline, a liquefied natural gas pipeline, or an underground storage facility used for specified activities.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 499	Orr/Wentworth	This bill would have changed the name of the Railroad Commission of Texas to the Texas Energy Commission. The bill passed the Senate but did not have the votes to get out of the House Energy Resources Committee.
HB 569	Sid Miller	This bill would have required 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. It would have required publication in the newspaper of general circulation in the county of location and publication of notice in the newspaper that is published in closest proximity to the disposal well location. It required surface owners who receive notice of a commercial disposal well application to provide notice of the application to lessees and potential purchasers of the property. This bill failed due to industry opposition to additional regulation.
HB 1194	Dukes	This bill would subject each "propane utility," as defined, to economic (rate) regulation by the Railroad Commission. Based on the bill's proposed definition of the term "propane utility," all LP-gas licensees, not just propane distribution utilities, would be subject to economic regulation under Texas Utilities Code, Chapters 101-105, just like natural gas utilities. This bill failed due to industry opposition to additional regulation. The bill as filed was too broad and included all propane licenses rather than only propane utilities.
HB 1227	Mallory Caraway	This bill would have prevented a gas utility or municipally owned utility providing service to a retail customer from disconnecting service or pursuing any other collections options for nonpayment of a balance due before the 30th day after the date on which the statement is issued. The bill was referred but never received a hearing in House State Affairs
HB 1231	Farabee	This bill would have reduced the number from three to one Railroad Commissioners. The bill was killed by a procedural action by the author.
HB 1420	Orr	This bill would make it a Class B misdemeanor if a person or his agent or employee operates a motor vehicle that is used to transport a load of O&G drill cuttings generated from a closed loop drilling waste operation and the load is not completely sealed. The bill failed in the end of session time delays.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 1526	Crownover/Hinojosa	This bill would have made it easier for certain pipelines to utilize highway right-of-way outside of municipalities, such as TxDOT rights-of-way. Two other bills similar to this bill passed. This bill failed in Senate Natural Resources with committee action pending.
HB 1533	Burnam, W. Davis	This bill would have required the RRC, upon receipt of the first application for a permit to drill a gas well at a drill site in a qualifying county, to provide notice by first class mail and, on request, electronically to: (1) the state senator and representative who represent the area in which the well is proposed to be located; (2) if the well is proposed to be located outside the corporate limits or extraterritorial jurisdiction of a municipality, the commissioners court member who represents the precinct in which the well is proposed to be located and the county judge; (3) if the well is proposed to be located in the corporate limits of a municipality, each member of the governing body of the municipality who represents the area in which the well is proposed to be located; and (4) if the well is proposed to be located in the extraterritorial jurisdiction of a municipality, each member of the governing body of the municipality.
HB 1535	Burnam	This bill would have required gas corporations to obtain a permit from the Railroad Commission of Texas before condemning property to construct certain gas pipelines. Failed due to industry opposition.
HB 1536	Burnam	This bill would have required prior RRC pipeline route approval, based upon a minimum of four proposed routes, when TUC Section 181.004 condemnation is sought in a County with population of over 1.4 million and located wholly or partly above a gas producing area with at least 2,000 drilling permits issued the previous year. Contested hearings were provided for, as well as a timeline line for approval not to exceed one year from filing. This bill failed due to opposition to additional regulation
HB 1537	Burnam	This bill provided new safety requirements for certain portions of pipelines in certain populous counties. The bill applied only to that portion of a gas pipeline that is located or proposed to be located in a Class 3 or 4 location as defined by 49 C.F.R. 192.5; and a county that is located wholly or partly above a hydrocarbon-producing geological formation in which during the preceding year the RRC issued more than 1,500 drilling permits authorizing gas wells to be completed The bill failed due to opposition to additional regulations.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 1538	Burnam	This bill would have allowed a county, or city within the county, with more than 1.4 million population and located within or atop a producing area with more than 2,000 annual drilling permits to adopt ordinances or set orders to establish and enforce safety standards. This bill failed due to opposition to additional regulations.
HB 1566	England	This bill sets out authority for municipalities to adopt ordinances to regulate the location of compressor stations as well as regulate the safety of those same facilities. The legislation was not pursued after the hearing as the bill author learned that a municipality already has the ability to regulate the location of compressor stations and safety is regulated by the RRC under the USDOT rules
HB 2254	Hancock	The bill would have prohibited the RRC (and TCEQ) from issuing a permit for a disposal well if a local government, the territory of which overlies the formation or stratum to be used for the disposal, determined that the formation or stratum was unsuited for that use because of its proximity to a water table and notified the RRC (or TCEQ, as applicable) of its determination. This prohibition would have reduced the number of disposal well applications processed by the RRC if the authority given local government was widely exercised. This bill failed due to opposition to additional regulation.
HB 2255	Hancock	The bill would have prohibited the RRC (and TCEQ) from issuing a permit for a disposal well if a local government, the territory of which overlies the formation or stratum to be used for the disposal, determined that the formation or stratum was unsuited for that use because of its proximity to a water table and notified the RRC (or TCEQ, as applicable) of its determination. This prohibition would have reduced the number of disposal well applications processed by the RRC if the authority given local government was widely exercised. This bill failed due to opposition to additional regulation.
HB 2255	Hancock	This bill would change the amount of days (from 10 to 2) allowed to flair a gas well in the Newark, East (Barnett shale) field without a rule exception from the RRC. Failed due to opposition to additional regulation.
HB 2356	Crownover	This bill would have expanded the well logs that must be filed with the RRC and would have reduced the potential period of confidentiality before logs must be filed and available to the public. The bill also expanded the range of sanctions available to RRC to enforce well log filing requirement The bill was reported from the committee on House Energy Resources but did not get set on the House Calendar due to industry opposition.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 2853	Farabee	This bill would have reduced the total amount of money that is deposited into the Oil Field Cleanup fund. It reduced by 50% the amount of the oil field cleanup regulatory fees on oil and gas paid into the Oilfield Cleanup Fund (OFCUF). It reduced by 50% the amount of the drilling permit fees going into the OFCUF. The bill failed due to opposition from the Chairman of Finance. Bill would reduce income to the OFCUF and, as a result, particularly in the current economic environment, likely reduce the number of wells that would have been plugged and the number of sites that could have been cleaned up by the RRC.
HB 3332	Merritt	This bill would have amended Chapter 202 of the Tax Code to provide a severance tax exemption for oil produced from certain low producing wells defined as a well classified as an oil well whose production during a calendar year is less than 15 barrels of oil per day. The bill required the RRC to process applications for certification of wells as low producing, and the RRC would have been required to issue the certification to the applicant and the comptroller. The bill failed due to an extraordinarily high fiscal note as a large majority of wells would have qualified for the tax exemption.
HB 3346	Farabee/Averitt	The bill included as an exercise of eminent domain the representation to a property owner that the person has the right to acquire pipeline right-of-way by the use of eminent domain. The bill would have allowed gathering lines to occupy public rights-of-way. In addition, the bill contained the provisions of SB 2236 that would exempt from the definition of "gas utility" certain electric cooperatives that provide gas storage services for hire. The Governor vetoed this bill.
HB 3402	Phil King	The purpose of this bill appeared to be to restrict the drilling of oil or gas wells based on proximity to established residences. It could have been interpreted under the most restrictive reading to require operators to provide notice to owners of buildings within 500 feet of a well to determine whether the building was an established residence, which would prohibit the issuance of a permit for the well. The Commission would have been required to change its permitting procedures and operations, and potentially conduct hearings regarding the possible prohibition. The bill failed in House Energy Resources with strong opposition from industry.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 3404	Phil King	This bill would have allowed a County to impose on oil and gas and disposal well operators a fee for road maintenance in Tarrant, Parker, Wise, Denton, Dallas, Ellis, Johnson, Shelby and (possibly) Cooke counties. Failed due to opposition from the oil and gas industry. It was referred to House Energy but never got a hearing.
HB 3410	Chisum	This bill would have provided for reimbursement of reasonable costs incurred by certain persons in relation to complaints filed with the Railroad Commission of Texas against gas utilities. The bill failed in House Energy Resources due to opposition from industry
HB 3644	Orr	This bill would have authorized county commissioners to regulate the placement and installation of gas compressor stations and natural gas wells. The bill was limited to counties with populations of more than 100,000, or located adjacent to a county where the majority of the population of 300,000 or more, and where there are more than 800 gas wells as recorded by the Railroad Commission. The commissioners could have prohibited the drilling of the well or the construction of a compressor station if it was located within a specified distance of an established residence or building. The court could have required a permit prior to the drilling or placement of the compressor station, and could have established a fee to cover the cost of issuing a permit. Anyone that violated the law would have been subject to a Class C misdemeanor. This bill failed pending action in House Energy Resources Committee due to opposition to additional regulation.
HB 3651	Merritt	This bill would have required a Railroad Commissioner to resign from the Commission before becoming a candidate for any other office. This bill failed pending action in House Energy Resources Committee
HB 3658	Corte	The bill created a pipeline safety fund by diverting some revenues from the Oil Field Cleanup Fund (OFCUF) and from general revenue. The bill failed in House Energy Resources pending action after a hearing.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 3729	Phil King	The bill would have allowed a county to regulate the horizontal or vertical location of a pipeline within a county road right-of-way, which might have conflicted with Railroad Commission pipeline safety standards regarding distance from other pipelines and depth of cover. The bill failed in the House Energy Resources Committee without receiving a hearing.
HB 3781	Shelton	The bill would require the Railroad Commission to adopt rules for certain counties to establish a communications program for resolving issues arising from urban oil and gas well drilling. The bill would have only applied to counties with a population of at least 800,000 and in which over 2,000 drilling permits were issued in a one-year period. Upon the request of such a county, the Railroad Commission would be authorized to adopt rules to provide for a communications process to resolve issues that arise from urban drilling. The bill failed pending action in House Energy Resources.
HB 3863	Keffer	This bill would have prohibited RRC (and TCEQ) from issuing any permits until after the applicant had filed with the Commission a county-approved transportation access plan for any facility site within the unincorporated area of a county. The bill passed out of County Affairs and was recommended for the Local and Uncontested Calendar but was net set on a calendar.
HB 4026	Christian	The bill very generally directed the RRC to adopt rules governing all aspects of the management and operation of a new class II injection well including the regulation of surface facilities associated with the wells. It also mandated that the RRC suspend all injection well permitting until the new rules were in place and directed that the new rules apply to all permits pending on the effective date and to all permits pending as of the effective date. The bill failed in House Energy Resources Committee due to opposition to additional regulation.
HB 4027	Christian	This proposed legislation would have required substantial and ongoing rulemaking regarding the locations for all injection wells permitted from the effective date of the act forward. The act prohibited certain locations and directed the RRC to adopt rules further restricting locations for all Class II injection wells. The bill failed in House Energy Resources Committee due to opposition to additional regulation.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
HB 4028	Christian	The bill would have required the injection well operators to "use on-site monitoring wells to monitor and analyze groundwater quality" and "conduct shallow soil tests" in accordance with TCEQ regulations. The bill failed in House Energy Resources Committee due to opposition for additional regulation.
HB 4042	Christian	The bill would have prohibited RRC (and TCEQ) from issuing any permits under Chapter 27 of the Water Code until after the applicant had filed with the Commission a county-approved transportation access plan for any site within the unincorporated area of a county. The bill failed in County Affairs Committee without receiving a hearing.
HB 4246	Keffer	This bill held the first purchaser of natural gas and/or the first gatherer of natural gas to a standard of no more than 2% lost and unaccounted for gas volume when determining the gross amount of gas purchased for severance tax purposes. The first purchaser or gatherer would have to pay the severance tax on any lost or unaccounted for gas over the 2 % level. All forms and reporting was to be prescribed by the comptroller. This bill failed pending action in House Ways and Means due to opposition by the pipeline industry.
HB 4247	Keffer/Averitt	The bill would have created a separate trust fund in the Oil Field Clean up fund to hold monies received in lieu of a bond. The bill failed at the end of session due to time constraints. There was no opposition to the bill.
HB 4441	Gonzales Toureilles	This bill would give the Railroad Commission exclusive original jurisdiction to establish standards regarding pipelines and appurtenant facilities. This bill failed due to fiscal implications as well as opposition from many local governments. It never received a hearing in House Energy Resources Committee.
HB 4654	Chisum	Required the RRC to adopt one set of model rules for counties and one set of model rules for municipalities regulating the drilling of oil and gas wells. Required counties and municipalities to only regulate by adopting those model rules unless the Commission determines, after a hearing, that different rules are required because of circumstances specific to that locale such that the public interest necessitates authorizing the conflicting provision. This bill failed pending committee action in House Energy Resources due to lack of consensus.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
SB 341	Wentworth	Would have changed the name of the Railroad Commission to the Energy Commission. The bill failed pending committee action in House Energy Resources
SB 540	Estes	The bill would have required the Railroad Commission to amend its rules to require that a permit applicant for a disposal well provide, at the time the application is filed with the Commission, a copy of the application to the groundwater conservation district (GCD) in the area where the well is to be located. The bill further requires the Commission to hold off issuance of a permit for at least 30 days after the Commission receives the application or 30 days after publication of the notice, whichever date is later. This bill failed in House Energy Resources pending committee action due to industry opposition.
SB 686	Davis/Orr	This bill would permit the location of natural gas pipelines in certain highway rights-of-way, subject to certain conditions, and could require relocation of pipeline facilities at the expense of the operator. There is an additional SECTION in the ENROLLED version that concerns subsurface access in the right-of-way for temporary water lines. The bill passed and was vetoed by the Governor.
SB 752	Davis/Hancock	This bill would have limited the formations into which disposal by commercial disposal wells may be authorized in Dallas and Tarrant Counties. The bill was on the local calendar in the House when it was withdrawn and did not have enough time during the end of session chaos to be set on another calendar.
SB 902	Davis, Hancock	This bill would have restricted flairing allowed for a gas wells in Tarrant or Dallas Counties without an exception. This bill failed due to lack of time at the end of session.
SB 1679	Hinojosa	This bill would have given a common purchaser, as defined by Section 111.081 (a)(2) of the Natural Resources Code, the right to lay and maintain a pipeline over, under, across, and along a public road or a municipal street or alley. This bill failed pending action in Senate Natural Resources. The House companion was reported from Senate Natural Resources but was never set on the intent calendar.
SB 1908	Hinojosa	This bill would have imposed perpetual liability for unplugged wells for all prior operators and imposed criminal liability with regard to power line maintenance and removal. This bill failed due to industry opposition to additional regulations.

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
SB 2170	Seliger	This bill would have reduced the total amount of money that is deposited into the Oil Field Cleanup fund. It reduced by 50% the amount of the oil field cleanup regulatory fees on oil and gas paid into the Oilfield Cleanup Fund (OFCUF). It reduced by 50% the amount of the drilling permit fees going into the OFCUF. This bill is identical to HB 2853 by Farabee, which did not pass. The bill failed due to opposition from the Chairman of Finance. Bill would reduce income to the OFCUF and, as a result, particularly in the current economic environment, likely reduce the number of wells that would have been plugged and the number of sites that could have been cleaned up by the RRC.
SB 2236	Seliger/Swindford	This bill would have exempt electric cooperatives and their subsidiaries that store natural gas underground and offer or provide gas storage services to the public for hire from status as a gas utility, public utility, common carrier, or common purchaser. This bill failed on the House Calendar when time ran out at the end of session.
SB 2355	Hinojosa	This bill created a pipeline safety fund by diverting some revenues from the Oil Field Cleanup Fund (OFCUF) and from general revenue. This bill failed pending committee action in Senate Finance.
SB 2401	Davis	This bill took the recently adopted Commission rules on leak grading, repair, and reporting and put them into a new section of Chapter 91, Natural Resources Code. The bill took only the Grade 1 portion of the RRC rule and incorporated it into the statue and then added another new section that required reporting Grade 1 leaks to the RRC and then required the Commission to verify all repairs and notify the operator and the county commissioner and city council members the results of the verification. Required the Commission to establish time frames. This bill failed due to industry opposition to additional regulations.
SB 2402	Davis	This bill would grant counties authority to regulate natural gas exploration, development and production on the basis of protecting environmental quality and encouraging orderly production of available mineral resources. Additionally, the language in proposed Section 204.910 could be interpreted to allow a county to enjoin the Commission from issuing a drilling permit for a gas well or order a drilling permit be cancelled. This bill failed to get enough votes to pass out of the Senate Natural Resources Committee

Railroad Commission of Texas Exhibit 14: 81st Legislative Session Chart		
Legislation Not Passed—81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
SB 2432	Davis	This bill exempted property owned by a political subdivision from forced pooling of mineral interests. It gave political subdivisions more control over the terms of a lease. This bill was placed on the Senate Intent Calendar—but was never brought up for a vote.
SB 2433	Davis	This bill required formal negotiation for certain pipeline operators with eminent domain authority. It allowed a municipality to regulate by ordinance the placement, inspections, construction materials, and maintenance of gas pipelines used as gathering and certain production-related facilities within their corporate boundaries. The bill failed pending action in Senate Natural Resources Committee. There was strong opposition to the bill from industry.

IX. POLICY ISSUES

ISSUE 1: CONSOLIDATE STATE ENERGY PROGRAMS AT THE RAILROAD COMMISSION

A. Brief Description of Issue

Texas is the leading energy producing state in the nation, with oil and natural gas as well as lignite, coal, and uranium counted among the state's natural resources, yet the regulation, promotion, and development of traditional energy sources and of alternative energy sources, including the commercial use of carbon dioxide (CO_2) as a commodity/energy product rather than a waste product, are scattered among various state agencies creating a discordant setting for the further development and oversight of the state's energy resources.

B. Discussion

The State Energy Conservation Office (SECO) is located with the Comptroller of Public Accounts. SECO partners with Texas consumers, businesses, educators, and local governments to reduce energy costs and maximize energy efficiency. Transferring SECO's functions to the Railroad Commission (RRC) could consolidate similar functions, and strengthen the state's ability to attract federal funds for energy conservation initiatives. Such a transfer would place energy education within the agency most responsible for its production and would allow the RRC to affect energy use from the source to the consumer. Under the present bifurcation, SECO is the state's primary liaison with the U.S. Department of Energy, yet the RRC is the primary regulator of the state's energy industries. SECO's location at the Comptroller met the needs of the state when SECO was created, but as the nation looks to alternative energy sources and seeks to promote the conservation of limited natural resources, the state's energy conservation program may better meet the changing needs of the state as one function within a single energy agency.

The General Land Office (GLO) promotes the use of natural gas as an alternative fuel for vehicular use in a program very similar to the RRC's propane promotion program, although the Commission's program for propane extends beyond its use as a vehicular fuel. Texas Emissions Reduction Plan (TERP) grants from the Texas Commission on Environmental Quality (TCEQ) fund the GLO program as natural gas vehicles improve air quality by reducing smog-forming and particulate emissions. The RRC also works closely with TCEQ to distribute clean air incentives from the TERP program to reduce NOx by replacing diesel-fueled vehicles and other equipment with propane-fueled vehicles and equipment. Transferring the GLO's program for natural gas vehicles to the RRC would consolidate the state's vehicular alternative energy programs within one agency and would create a single, highly visible program to better promote

the use of alternative fueled vehicles to improve air quality while enhancing the nation's energy security by increasing the number of alternative fueled vehicles traveling the state's roads. Such consolidation would also allow the RRC to be better positioned to acquire additional grant dollars for alternative fueled programs, such as the RRC's recently awarded $12.6 million grant from the U.S. Department of Energy for propane fueled vehicles.

Carbon dioxide (CO_2) emerged during the 81st Legislative Session as a new energy-related commodity requiring the development of a specific regulatory framework. While CO_2 is not new in a scientific sense, it is new as the scientific and regulatory communities seek to both sequester it to address climate change and find ways to commercialize its use. The RRC has extensive experience regulating the use of CO_2 for enhanced oil recovery (EOR). According to the U.S. Department of Energy, using EOR 30 to 60 percent of a reservoir's original oil can be extracted compared with only 20 to 40 percent using primary and secondary recovery techniques. This type of oil recovery operation allows for the extraction of additional resources from wells previously thought to be depleted—increasing the availability of domestic oil production and supporting the state's economy. The RRC has in place the technical experience to regulate EOR operations using CO_2. Locating the regulation of longer-term geologic sequestration of CO_2 at the RRC could allow a burgeoning industry to benefit from an existing regulatory infrastructure and technical expertise.

C. Possible Solutions and Impact

Energy encompasses a broad range of public policy and governance issues. Creating a single Texas energy agency would allow the state to better promote the responsible development of our natural resources (oil, natural gas, coal, uranium, etc.) thus enhancing domestic energy security and reducing reliance on foreign energy supplies, while at the same time protecting the environment and improving energy efficiency. Supply and demand, technological innovations, and policy changes by the federal government can cause major changes in market sensitive energy sectors. The Texas Energy Commission would be best able to holistically respond to those changes, as a change in one area is likely to affect other segments of the energy continuum in unforeseen ways. The consolidation of the state's energy programs within one agency will allow for a more rapid, effective, and efficient response to changing circumstances while ensuring a progressive regulatory environment.

ISSUE 2: FUNDING STRUCTURE OF THE RAILROAD COMMISSION

A. Brief Description of Issue

The Railroad Commission is presently funded through a combination of General Revenue, General Revenue Dedicated funds, and other sources of funds. Revising the funding structure of the agency could provide predictable and stable revenue while also increasing the flexibility of the agency to better respond to issues affecting those industriesthat are regulated by the RRC. A tri-lateral approach to funding the agency to include (1) GR and GR-Dedicated funds, (2) a fractional percentage of already-existing oil and gas severance tax revenue, and (3) other sources of funds would allow the RRC to adjust its focus as necessary and to perform more proactively by providing consistent funding streams that are not dependent on industry activity, but are flexible as economic circumstances fluctuate.

B. Discussion

Revenue for the Oil Field Cleanup Fund (OFCUF) comes from the oil and gas industry in the form of filing fees for permits and organization reports, regulatory fees on oil and gas production, financial assurance collections, sales of salvageable equipment, reimbursement for plugging and remediation costs, and administrative penalties and civil penalties. Assessing which fees appropriately belong in the OFCUF and redirecting those that do not to a new dedicated fund for the oil and gas permitting function would allow the RRC to better address the rapidly changing needs of the industries it regulates. Creating a new dedicated account also provides the opportunity to reassess the purpose of the OFCUF fund and make changes that will allow the fund to more narrowly address only contractor costs associated with oil field clean up activities, which could reduce the number of FTEs paid by the OFCUF fund.

The RRC's oversight includes pipeline operations and safety, as well as pipeline damage prevention. Pipeline safety fees and damage prevention fines are presently directed to the General Revenue Fund. The RRC could more effectively manage its pipeline safety and damage prevention functions if pipeline safety fees, administrative, civil and criminal penalties, and settlements were deposited in a dedicated account for the implementation and enforcement of the pipeline safety standards and practices, as well as to the damage prevention program to help prevent future occurrences of damage.

C. Possible Solutions and Impact

The RRC regulates dynamic industries that support the state's economy—industries that often prevent Texas from experiencing the same economic turmoil that other states may experience. As such, the RRC needs to have the financial ability to respond to changing market and economic conditions that affect the industries it regulates in a dynamic manner. Revising the RRC's funding structure will give the agency the funding sources it needs to regulate a 21st century energy economy. Funding the RRC's oil and gas regulatory activities with a small percent of existing oil and gas severance taxes, much the same way the Comptroller's management of these taxes is funded by the tax itself could be a source to replace the RRC's General Revenue appropriation. The GR-Dedicated OFCUF, a new GR-Dedicated fund to support a fee for service model for oil and gas permitting, a new GR-Dedicated fund to support pipeline safety and damage prevention, along with General Revenue and other sources of funds will create a dynamic funding structure that is able to respond proactively as change occurs, as well as provide a predictable, stable source of agency funding.

ISSUE 3: CHANGE THE NAME OF THE COMMISSION

A. Brief Description of Issue

The Railroad Commission of Texas (RRC) has primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, natural gas and hazardous liquid pipeline industry, natural gas utilities, the LP-gas industry, coal surface mining, and uranium explorations operations. The RRC also promotes the use of propane as an alternative fuel source. In 2005, the Legislature transferred the rail oversight functions of the RRC to the Texas Department of Transportation, ending a 114-year history of rail regulation at the RRC, yet because of its name the agency continues to receive inquiries about railroad issues. The agency's name was appropriate in the 19th century, but in the 21st century as Texas strives to be the leading energy producing state in the nation the agency's name generates confusion among the general public, and prevents transparent regulation of an industry vital to the state's economy.

B. Discussion

Few state agencies affect natural resource-rich areas of the state as much as the RRC, yet the agency's mission is hidden behind a name better suited to its 19th century activities. In 1891 when the Texas Legislature established the RRC, the agency was given jurisdiction over rates and operations of railroads, terminals, wharves and express companies. Today the agency regulates a 21st century energy industries in a nation striving for energy independence and energy security. While the RRC is well known among its stakeholders, it is not easily identified to others creating the appearance of a seemingly non-transparent agency charged with regulating the state's most valuable resources.

C. Possible Solutions and Impact

Changing the agency's name from the Railroad Commission of Texas to the Texas Energy Commission will promote open government, enhance regulatory transparency, and ensure greater accountability through a more visible and easily identifiable agency devoted to a progressive regulatory model that serves the state as well as the nation in the move towards greater domestic energy security.

ISSUE 4: CHANGE FROM THREE COMMISSIONERS TO ONE

A. Brief Description of Issue

In 1894, Article XVI, §30 of the Texas Constitution was amended to provide for elective six year overlapping terms for three Railroad Commissioners. At that time the Commissioners were charged with regulating "railroad, freight and passenger tariffs, to correct abuses and prevent unjust discrimination and extortion in the rates of freight and passenger tariffs on the different railroads in this state, and enforce the same by adequate penalties." Throughout its 118-year history, the RRC's mission has changed to better reflect the needs of the state, yet its structure remains rooted in the past. Changing the structure of the RRC's governing body to a single elected commissioner would allow the RRC to more efficiently and nimbly oversee the regulation of the state's energy industries.

B. Discussion

The RRC is the only state agency with three elected officials, though other state agencies do have three appointed officials. According to the House Research Organization, reducing the RRC from three Commissioners to one could streamline the decision-making process and create a more efficient and clearer policy making environment. With three Commissioners, every decision or discussion is subject to open meetings rules with a seven-day advanced posting requirement, yet it can be difficult to coordinate the schedules of three elected officials creating the potential for delays in decision making. Concentrating regulatory and administrative authority in a single commissioner, similar to the General Land Office and the Texas Department of Agriculture with their elected Commissioners or the appointed Commissioner of Insurance would increase decision making accountability as the decisions will rest with a single authority.

C. Possible Solutions and Impact

Such a change would require that a constitutional amendment be put to the voters for their approval. Contested cases and rulemaking may be addressed more efficiently with a single Commissioner. Furthermore, moving to a single Commissioner could require the creation an

alternative decision making body to replace the quasi-judicial three member body should a conflict of interest arise. Alternatively, a hybrid structure similar to that of the School Land Board, with one elected presiding officer and two appointed board members, may be an option. According to the Legislative Budget Board, changing to a single Commissioner could save the state approximately $950,000 per year or $3.8 million over four years in salaries and benefits from the offices of the two eliminated Commissioners and their staff. However, the cost savings estimate does not include any potential costs associated with additional staff that may be required by a single commissioner as that commissioner's roles and responsibilities will likely increase.

ISSUE 5: INTERSTATE DAMAGE PREVENTION ENFORCEMENT

A. Brief Description of Issue

The 79th Legislature gave the RRC the authority to enforce damage prevention laws for the movement of earth near pipelines, but the authority was limited to the intrastate pipelines under the RRC's jurisdiction. There is not a federal program to oversee damage prevention for interstate pipelines, leaving as much as 80,000 miles of pipeline in Texas without damage prevention regulatory oversight or a process to address such damages.

B. Discussion

The RRC was given enforcement authority over intrastate pipeline facilities in 2005. The authority was limited to those underground facilities under the jurisdiction of the RRC's Safety Program. Texas is home to over 240,000 miles of federal and state regulated pipelines. The legislative authority limited the enforcement program to the 160,000 miles of intrastate pipelines under the program, leaving an additional 80,000 miles of pipeline that are not addressed by the RRC's enforcement program, but are also without federal enforcement as damage prevention is limited to state enforcement only. The pipeline industry supports the RRC's enforcement of damage prevention for *all* pipelines, both inter- and intra-state pipelines. Such a change would allow for uniform enforcement throughout the state, with the potential to decrease pipeline-related damages through increased awareness and education.

C. Possible Solutions and Impact

An amendment to Texas Utilities Code Chapter 121 and Texas Natural Resources Code Chapter 117 could allow for enforcement and authority for interstate pipelines, along with the existing authority for intrastate pipelines. The largest portion of the RRC's third party damage data and enforcement activities are on the natural gas distribution systems. The federal Office of Pipeline Safety encourages state pipeline agencies to enforce state damage prevention laws on all pipelines and would support such a change.

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**
Texas Oil and Gas Association Robert L. Looney	304 West 13th St. Austin, Texas 78701	478-6631	rlooney@txoga.org
Texas Independent Producers and Royalty Owners Association Adam Haynes	919 Congress Avenue Suite 1000 Austin, Texas 78701	477-4452	ahaynes@tipro.org
Texas Alliance of Energy Producers Williiam J. Stevens	1007 East 8th St. Austin, Texas 78702	524-8076	bills@texasalliance.org
Texas Land and Mineral Owners Association Kitty Sue Quinn	1005 Congress Avenue Suite 360 Austin, Texas 78701	479-5000	execdir@austin.rr.com
Permian Basin Petroleum Association Ben Shepperd	415 West Wall Midland, Texas 79701	432/684-6345	ben@pbpa.info
Panhandler Producers and Royalty Owners Association H. Wayne Hughes	3131 Bell #209 Amarillo, Texas 79106	806/352-5637	pproa@pproa.org
East Texas Producers and Royalty Owners Association	301 E. Main Street Kilgore, Texas 75662	903/984-8005	No email address available
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
National Association of Royalty Owners Candice Upton Brewer	1103 Algerita Drive San Angelo, Texas 76901	325/942-2237	texas@naro-us.org
Environmental Defense Fund Texas Scott Anderson	44 East Avenue #304 Austin, Texas 78701	478-5161	sanderson@edf.org

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/ Contact Person	**Address**	**Telephone**	**E-mail Address**
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
Association of Energy Service Companies Kenny Jordan	14531 FM 529, Suite 250 Houston, Texas 77095	713/781-0758	kjordan@aesc.net
Energy Security Council David Leiting	2611 FM 1960 West Suite F – 121 Houston, Texas 77068	281/587-2700	info@energysecuritycouncil.org
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 Pipeline Association Pat Nugent	604 W 14th Street Austin, Texas 78701	478-2871	texaspipelineassociation@yahoo.com
Texas Mining and Reclamation Association Shannon S. Lucas	100 Congress Avenue Suite 1100 Austin, Texas 78701	236-2325	Information@tmra.com
Texas Propane Gas Association Bill Van Hoy	8408 N IH 35 Austin, Texas 78753	836-8620	bvanhoy@txpropane.com
Texas Municipal League	1821 Rutherford Lane, Suite 400 Austin, Texas 78754	719-6300	
Coastal Bend Group Sierra Club Pat Suter, Chair	P O Box 3512 Corpus Christi, TX 78404	361/852-7938	phsuter@stx.rr.com
Water Research Group Kenneth Schusterheit	275 Baass Lane Victoria, TX 77905	361/578-4463	No email address available
Southwest Workers Union Laura Cushing	P O Box 83076 San Antonio, TX 78283	210/299-2666	lara@swunion.org
South Texas Opposes Pollution, Inc. Elizabeth Cumberland	761 Martindale Falls Martindale, TX 78655	357-2897	ecumberland@peoplepc.com

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/ Contact Person	**Address**	**Telephone**	**E-mail Address**
Goliad County Farm Bureau P.T. Calhoun	P.O. Box 576 Goliad, TX 77963	361/648-9895	calhoun@nodial.net
Texas Energy Reliability Council Ron Kitchens	16649 Highway 290 West Harper, Texas 78631	680-4015	Rlk32ford@aol.com
INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS			
National Fire Protection Association Ted Lemoff	1 Battery March Park, Quincy, MA 02169	617/770-3000	tlemoff@nfpa.org
Propane Education and Research Council Roy Willis	1140 Connecticut Avenue NW, Washington, DC 20036	202/452-8975	roy.willis@propanecouncil.org
Propane Council of Texas Tony Dale	104 Breakaway Road Cedar Park, Texas 78613	260-7482	tonydale@ferrellgas.com
National Propane Gas Association Richard Roldan	1150 17th Street. NW, Suite 130 Washington, DC 20036	202/466-7200	rroldan@npga.org
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 Regulatory Research Institute Natural Gas Research and Policy Ken Costello	8730 Georgia Ave. #201 Silver Spring MD 20910	614/532-9397	kcostello@nrri.org
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
Interstate Mining Compact Commission Gregory Conrad	445-A Carlisle Drive Herndon, VA 20170	703/709-8654	gconrad@imcc.isa.us

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/ Contact Person	**Address**	**Telephone**	**E-mail Address**
Ground Water Protection Council Mike Paque	13308 N. MacArthur Blvd Oklahoma City, Oklahoma 73142	405/516-4972	mpaque.gwpc.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
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
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			
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
Governor's Office Toby Baker Andrew Keefer	1100 San Jacinto Austin, Texas 78701	463-5856 463-0298	toby.baker@governor.state.tx.us andrew.keefer@governor.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
Department of Information Resources / Customer Representative / Ellen Harper	300 W. 15th Ste. 1300 Austin, Texas 78701	463-4110	ellen.harper@dir.state.tx.us

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/ Contact Person	**Address**	**Telephone**	**E-mail Address**
General Land Office Minerals Leasing Robert Hatter Bill Farr Interagency Council on Coastal Spills Gary Pollock Coastal Resources Jodena Henneke Sol Sussman Bryce Bales	Stephen F. Austin Building 1700 N. Congress Austin, Texas 78701-1495	463-5256 475-1542 475-1502 463-5329 463-6542 463-5233 463-5039 463-4033	 robert.hatter@glo.state.tx.us bill.farr@glo.state.tx.us jodena.henneke@glo.state.tx.us sol.sussman@glo.state.tx.us bryce.bales@glo.state.tx.us
Coastal Coordination Council Tammy Brooks	Stephen F. Austin Building 1700 N Congress Avenue Austin, Texas 78701-1495	463-9212	tammy.brooks@glo.state.tx.us
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
Texas Parks and Wildlife Department (TPWD) Rebecca Hensley, Commissioner Wildlife Habitat Assessment Program 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
Public Utility Commission Evan Rowe	William B. Travis Building 1701 N. Congress Austin, Texas 78711	936-7026	evan.roe@puc.state.tx.us
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 Buddy Garcia, Chairman Susan Jablonski Radioative Materials Division Ben Knape, P.G. UIC Permits Team Water Quality Dvivision L'Oreal Stepney TERP Grant Jody Ibarguen Office of Permitting and Registration L'Oreal Stepney Water Rights Permitting and Availability Section Kellye Rila	P.O. Box 13087 Austin, Texas 78711-3087 12100 Park 35 Circle Austin, Texas 7875. P.O. Box 13087 Austin, Texas 78711	239-5515 (512)239-6466 (512)239-6633 (512)239-1321 239-4954 239-2104 239-4612	sjablons@tceq.state.tx.us bknape@tceq.state.tx.us jibargue@tceq.state.tx.us lstepney@tceq.state.tx.us krila@tceq.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
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 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

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/ Contact Person	**Address**	**Telephone**	**E-mail Address**
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
State Emergency Management Council Jack Colley	5805 N. Lamar Box 4087 Austin, Texas 78773-0001	424-2138 424-2443	jack.colley@txdps.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 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 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
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
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
Galveston Bend Bays & Estuaries Program	17041 El Camino Real Suite 210 Houston, Texas 77058	281/218-6461	gbep@tceq.state.tx.us

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/ Contact Person	**Address**	**Telephone**	**E-mail Address**
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
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
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
Bee Ground Water Conservation District Mr. Lonnie Stewart, General Manager	P O Box 682 Beeville, TX 78104-0682	(361) 358-2244	beegcd@yahoo.com
Kennedy County Ground Water Conservation District Mary Sahs, Attorney for Carls, McDonald & Dalrymple, L.L.P.	Barton Oaks Plaza 2 901 S. Mopac Expressway, Suite 500 Austin, TX 78746	(512) 472-4845	marysahs@cmcdlaw.com
Evergreen Underground Water Conservation District Mike Mahoney, Manager	110 Wyoming Blvd. Pleasanton, TX 78064	(830) 569-4168	euwcd@karnesec.net
Kent Saathoff Electric Reliability Council of Texas (ERCOT)	2705 West Lake Dr Taylor, Texas 76574	248-3011 (office)	ksaathoff@ercot.com
Danny Bivens Office of Public Utility Counsel	P.O. Box 12397 Austin, Texas 78711-2397	936-7523	danny.bivens@opc .state.tx.us

Railroad Commission of Texas Exhibit 15: Contacts			
Group or Association Name/ Contact Person	**Address**	**Telephone**	**E-mail Address**
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

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 15: Contacts		
	FY 2007	**FY 2008**
Number of complaints received	1	3
Number of complaints resolved	1	2
Number of complaints dropped/found to be without merit	0	1
Number of complaints pending from prior years	1	1
Average time period for resolution of a complaint	1.5 years	2 years

* The Commission does not have an agency-wide complaint tracking system.

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 2006				
Category	**Total $ Spent**	**Total HUB $ Spent**	**Percent**	**Statewide Goal**
Heavy Construction	$0.00	$0.00	0.0%	11.9%
Building Construction	$0.00	$0.00	0.0%	26.1%
Special Trade	$1,898	$0.00	0.0%	57.2%
Professional Services	$674,311	$357,223	53.07%	20.0%
Other Services	$18,969,177	$5,180,664	27.3%	33.0%
Commodities	$3,014,231	$688,747	22.8%	12.60%
TOTAL	**$22,659,618**	**$6,226,635**	**27.5%**	
Fiscal Year 2007				
Category	**Total $ Spent**	**Total HUB $ Spent**	**Percent**	**Statewide Goal**
Heavy Construction	$0.00	$0.00	0.0%	11.9%
Building Construction	$0.00	$0.00	0.0%	26.1%
Special Trade	$6,409	$4,500	70.2%	57.2%
Professional Services	$1,848,316	$427,260	23.1%	20.0%
Other Services	$23,352,398	$2,694,813	11.5%	33.0%
Commodities	$1,987,220	$280,343	14.1%	12.60%

Railroad Commission of Texas Exhibit 17: Purchases from HUBS				
TOTAL	**$27,194,343**	**$3,406,917**	**12.5%**	
Fiscal Year 2008				
Category	**Total $ Spent**	**Total HUB $ Spent**	**Percent**	**Statewide Goal**
Heavy Construction	$0.00	$0.00	0.0%	11.9%
Building Construction	$59,644	$0.00	0.0%	26.1%
Special Trade	$112,892	$1,100	.974%	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%	12.60%
TOTAL	$29,413,483	$5,460,834	18.5%	

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 2006

Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Women	
		Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %
Officiasl/ Administration	51	1.96	6.6	17.65	14.2	23.53	37.3
Professional	274	6.2	8.3	16.42	13.4	37.23	53.2
Technical	165	3.64	12.4	18.79	20.2	16.36	53.8
Administrative Support	161	13.66	11.2	31.68	24.1	86.96	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 2007

Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Women	
		Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %	Agency %	Civilian Labor Force %
Officials/ Administration	58	5.17	9.0	15.52	23.7	22.41	38.8
Professional	220	6.82	11.7	13.64	19.9	38.64	54.5
Technical	209	3.83	17.0	22.49	27.0	17.22	55.6
Administrative Support	161	17.39	13.2	29.19	31.9	89.44	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 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

AGENCY'S ENABLING STATUTE

ANNUAL REPORTS FY 2004–2008

INTERNAL OR EXTERNAL NEWSLETTERS FY 2007–2008

LIST OF PUBLICATIONS AND BROCHURES

Railroad Commission of Texas (brochure)
NB. all other publications describing the agency are included among other attachments.

LIST OF LEGISLATIVELY MANDATED STUDIES

The Natural Gas Pipeline Competition Study, required by the 80th Legislature in Rider 16 of the RRC Appropriation bill.

SB 1387 from the 81st Legislative session requires the TCEQ, RRC, and the University of Texas Bureau of Economic Geology to conduct a study of the appropriate agency to regulate the long-term storage of carbon dioxide into non-oil, gas, or geothermal producing geologic formations.

LIST OF INTERIM LEGISLATIVE OR INTERAGENCY STUDIES RELATING TO THE AGENCY

NB. There are no current interim legislative or interagency studies related to the Railroad Commission

LIST OF RELATED STUDIES BY OTHER ENTITIES

Publications of the Interstate Oil and Gas Compact Commission (IOGCC):

A Guide to Practical Management of Produced Water from Onshore Oil & Gas Operations in the United States (2006)

2008 Marginal Well Report

Adverse Impact Reduction Handbook

Investments in Energy Security: State Incentives to Maximize Oil and Gas Recovery (2007)

Making a Difference: A Historical Look at the IOGCC (2006)

Mature Region, Youthful Potential (2005)

Oil and Gas Policy Evaluation for Energy Security (2007)

Oil and Gas Research: An Asset (2006)

Petroleum Professionals: Blue Ribbon Task Force Follow Up Report (2007)

Policy Recommendations on Long-Term Contracting for Natural Gas Transportation, Storage Services and Liquefied Natural Gas Delivery (2005)

Protecting Our Country's Resources: The States' Case Orphaned Well Plugging Initiative (2008)

Stepping Lightly: Reducing the Environmental Footprint of Oil and Gas Production

Summary of State Statutes and Regulations for Oil and Gas Production (2007)

Untapped Potential: Offshore Oil and Gas Resources Inaccessible to Leasing (2006)

Who Will Fund America's Energy Future (2006)

CO2 Storage: A Legal and Regulatory Guide for States (2008)

U.S. Department of Energy publications:

Modern Shale Gas Development in the United States: A Primer, USDOE/NETL, GWPC, April 2009

Offsite Commercial Disposal of Oil and Gas Exploration and Production Waste- Availability, Options and Costs, Argonne National Laboratory for the USDOE/NETL, August 2006

State Oil and Natural Gas Regulations Designed to Protect Water Resources, USDOE/NETL, GWPC, May 2009

A Guide to Practical Management of Produced Water from Onshore Oil and Gas Operations in the United States, October 2006, Prepared for: U.S. Department of Energy National Petroleum Technology Office by the Interstate Oil and Gas Compact Commission and ALL Consulting

Argonne National Laboratory, "Evaluation of State and Regional Resource Needs To Manage Carbon Sequestration through Injection," for the Ground Water Protection Council, by J.A. Veil and M.G. Pruder, Environmental Science Division, June 2007.

Guidelines for the Review of State Oil, & Natural Gas Regulatory Programs," State Review of Oil and Natural Gas Environmental Regulation (STRONGER), Inc., June 2004.

GWPC, Injection Wells, An Introduction to Their Use, Operation, and Regulation, August, 2005.

GWPC, Bill Bryson, Mechanical Integrity Test Study, 2006

Natural Gas Market Centers: A 2008 Update

Status of Natural Gas Residential Choice Programs by State as of December 2008

Impact of the 2008 Hurricane Season on the Natural Gas Industry

Distribution of Natural Gas: The Final Step in the Transmission Process

2008 Texas State Energy Plan Governor's Competitiveness Council (Cmr. Williams, Chair)

Regulatory Policy of Return on Equity Navigant Consulting for the American Gas Foundation

Fundamentals, Trader Activity and Derivative Pricing U.S. Commodity Futures Trading Commission

National Regulatory Research Institute publications:

Speculation in the Natural Gas Market: What It Is and What It Isn't; When It's Good and When It's Bad

Natural Gas in a Carbon Constrained World

Revenue Decoupling for Natural Gas Utilities, National Regulatory Research Institute

Decision Making Strategies for Assessing Ratemaking Methods: The Case of Natural Gas National Action Plan for Energy Efficiency Vision for 2025: A Framework for Change U.S. Department of Energy; U.S. Environmental Protection Agency; National Association of Regulatory Utility Commissioners; multiple utilities and industry associations

2008 Natural Gas Market Review, International Energy Agency

North American Supply Assessment, Navigant Consulting, Inc. for American Clean Skies Foundation

Direct Use of Natural Gas, Implications for Power Generation, Energy Efficiency, and Carbon Emissions Black & Veatch, Inc. for the American Gas Foundation

BIOGRAPHICAL INFORMATION

MOST RECENT RULES

LEGISLATIVE APPROPRIATIONS REQUEST FY 2010–2011

ANNUAL FINANCIAL REPORT FY 2006–2008

OPERATING BUDGET FY 2008

NB. FY 2007 contained in FY 2008–2009 LAR and FY 2009 contained in FY 2010–2011 LAR

REGIONAL MAP

PERFORMANCE REPORT FY 2006–2008

RECENT STUDIES BY OUTSIDE MANAGEMENT CONSULTANTS OR ACADEMIC INSTITUTIONS

INTERNAL AUDIT PLAN

STRATEGIC PLAN

LIST OF INTERNAL AUDIT REPORTS FY 2005–2009

Financial Assurance, March 2005

Procurement Cards, April 2005

AFRED Rebate Program, August 2005

Fee Audit, September 2006

Telephone Usage, May 2007

Gasoline Credit Cards, October 2007

Drilling Permits, October 2008

Follow Up Gasoline Credit Cards, In progress

LIST OF STATE AUDITOR REPORTS FY 2005–2009

06/23/05 #05-036 An Audit Report on the Railroad Commission's Oil and Gas Migration Project

03/29/05 #05-555 State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2004

03/29/05 # 05-030 An Audit Report on Performance Measures at Five State Agencies

03/16/06 #06-555 State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2005

02/24/06 #06-704 Workforce Planning Guide

02/13/06 #06-703 A Report on State Employee Benefits as a Percent of Total Compensation

08/24/07 #07-046 An Audit Report on Inspection and Enforcement Activities in the Field Operations Section of the Railroad Commission

04/27/07 #07-555 State of Texas financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2006

03/29/07 #07-709 A Classification Compliance Review Report on the State's Attorney, Assistant Attorney General, and General Counsel Positions

04/16/08 #08-555 State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2007

04/20/09 #09-555 State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008

CUSTOMER SERVICE SURVEYS FY 2008

BIOGRAPHIES

VICTOR G. CARRILLO, CHAIRMAN

A native of Abilene, Texas, Chairman Carrillo has worked as a petroleum geophysicist, college professor, attorney and judge. Carrillo joined the Texas Railroad Commission in February 2003 when Governor Rick Perry appointed him to fill the unexpired term of Tony Garza who became U.S. Ambassador to Mexico. Carrillo currently serves as Chairman of the agency. He was also Chairman of the Governor's Texas Energy Planning Council that created a comprehensive energy plan for the State of Texas.

In November 2004, Carrillo received almost four million votes and won statewide election for Railroad Commissioner and took office for a six-year term beginning in January 2005. Chairman Carrillo is seeking re-election in 2010.

Chairman Carrillo also serves on a variety of boards such as:

- Chairman of the Outer Continental Shelf (OCS) Advisory Committee to the U.S. Secretary of the Interior, which advises the Secretary on all aspects of leasing, exploration, development and protection of OCS lands.

- Former Vice Chairman of the Interstate Oil and Gas Compact Commission (IOGCC)—a national compact of oil and gas producing states whose mission is to promote the efficient recovery of domestic oil and natural gas resources while protecting health, safety and the environment. He is Governor Perry's official representative to the IOGCC.

- America's Energy Coast (AEC) Honorary Leadership Council—comprised of leaders who educate the public about the necessity of sustainable energy production in a sound environmental landscape throughout the Gulf Coast region of the four energy-producing states of Texas, Louisiana, Mississippi, and Alabama.

- Member, Committee on Gas, of the National Association of Regulatory Utility Commissioners (NARUC). NARUC is a national association representing the public utility commissioners who regulate essential utility services, such as electricity, gas, telecommunications, water, and transportation, throughout the country.

- Board of Advisors of the *Texas Journal of Oil, Gas & Energy Law* at the University of Texas School of Law.

Much of Carrillo's education and professional experience relate to oil and gas exploration and production. He has a B.S. degree in geology from Hardin-Simmons University and a M.S. degree in geology from Baylor University. In 1988, he joined Amoco Production Company in Houston as a petroleum geophysicist where he gained experience in the full spectrum of oil and gas exploration and production activities.

From 1990–1994, while working professionally for Amoco by day, Commissioner Carrillo attended the University of Houston Law Center at night, earning his law degree in 1994 with an emphasis in environmental and oil and gas law. From 1994–96, Commissioner Carrillo worked as an energy attorney at the General Land Office where he advised the Land Commissioner on oil and gas, environmental, and general government issues.

In 1996, Victor and his family returned to Abilene, his hometown, where he served as assistant city attorney and later taught political science and legal studies at Hardin-Simmons University, his *alma mater*. He ran for and won election to the Abilene City Council, where he served until he was appointed as Taylor County Judge. In November 2002 he was elected to a four-year term as Taylor County Judge, the position he held when the governor appointed him to the Texas Railroad Commission.

The Abilene Young Lawyers' Association honored Carrillo as the Young Lawyer of the Year in 2001. In 2003, he was awarded the first Young Alumni of the Year award from Hardin-Simmons University. In May 2006, he was awarded an honorary doctorate degree from Hardin-Simmons University. Chairman Carrillo is both a Texas licensed geoscientist and attorney.

Victor and his wife, Joy, have been married 24 years and have three daughters. The family attends Redeemer Presbyterian Church in Austin.

Chairman Carrillo was named by *Hispanic Business Magazine* to its list of the 100 Most Influential Hispanics in the U.S. He is the son of a Mexican immigrant, the first in his family to have gone to college, and the highest-ranking elected Hispanic official in Texas.

COMMISSIONER ELIZABETH A. 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 Coordination Council (CCC), 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 MICHAEL L. WILLIAMS

Commissioner Williams began his tenure at the Railroad Commission in January 1999 following his appointment by then-Governor George W. Bush to fill a vacant seat. He was then elected statewide in November 2000 to complete the unexpired term. The people of Texas reelected him to a full six-year term in 2002 and then again in November 2008 to a term expiring in 2014. He chaired the Commission from September 1999 to September 2003 and again from July 2007 to February 2009. He is the first African American in Texas history to hold an executive statewide elected post.

Williams serves as Chairman of both the Governor's Competitiveness Council and the Governor's Clean Coal Technology Council. He represents the Governor and the Railroad Commission on both the Southern States Energy Board and the Interstate Mining Compact Commission. Williams also serves as the Railroad Commission's "point person" for the agency's regulatory reform and technology modernization efforts.

An advocate of alternative energy, Williams' *Breathe Easy* initiative champions the conversion of Texas public and private fleets, especially school buses, from diesel and gasoline to environmentally cleaner, cheaper and domestically produced natural gas and propane.

He is the immediate past Honorary State Chairman of Big Brothers Big Sisters of Texas. He also narrates stories for children of all ages, including the visually impaired and those with special needs. His narrations have been featured on the Chicago Lighthouse for the Blind. Williams initiated the Texas response against the tragedy in Darfur. He also has served in a volunteer capacity as the General Counsel of the Republican Party of Texas, the chairman of the Texas Juvenile Probation Commission, on the Board of Directors of the Arlington Chamber of Commerce, the Texas Public Policy Foundation, and Our Mother of Mercy Catholic School.

Previously, Williams served as general counsel to a Texas high-tech corporation from 1997–1999 and was "of Counsel" with the law firm of Haynes and Boone, L.L.P. from 1993–1996.

In 1990, President George H. W. Bush appointed Williams to be Assistant Secretary of Education for Civil Rights at the U.S. Department of Education, a position once held by U.S. Supreme Court Justice Clarence Thomas. President George H. W. Bush previously appointed Williams as Deputy Assistant Secretary for Law Enforcement at the U.S. Department of the Treasury from 1989–1990. In that capacity, he had policy oversight responsibility for the Federal Law Enforcement Training Center, the U.S. Secret Service, the U.S. Customs Service, the Bureau of Alcohol, Tobacco and Firearms and the Financial Crimes Enforcement Network.

Williams also served in the Department of Justice as Special Assistant to Attorney General Richard Thornburgh from 1988–1989. In 1988, he was awarded the Attorney General's "Special Achievement Award" for the conviction of six Ku Klux Klan members. Williams

served as a prosecutor in the Reagan Justice Department from 1984–1988. Previously, he was an assistant district attorney in his hometown of Midland, Texas.

Williams is the creator and co-sponsor of the Williams Future Innovators, a summer camp for 6th through 12th graders to inspire the next generation of scientists, technologists, engineers, and mathematicians. Williams was an adjunct professor at Texas Southern University in the School of Public Affairs and Texas Wesleyan School of Law. He is a proud alumnus of the University of Southern California, from which he obtained a bachelor's, a master's and a law degree.

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