

Staples Testimony  
Texas Sunset Commission Hearing  
Railroad Commission  
August 22, 2016

Good afternoon, I'm Todd Staples, President of the Texas Oil and Gas Association ("TXOGA"). TXOGA is a non-profit corporation representing the interests of the oil and natural gas industry in the State of Texas. The membership of TXOGA produces in excess of 90 percent of Texas' crude oil and natural gas, operates nearly 100 percent of the state's refining capacity and is responsible for the vast majority of the state's pipelines. The oil and natural gas industry not only produces the products we use every day; it also anchors our state's economy. In 2015 Texas' oil and natural gas industry paid \$13.8 billion in state and local taxes and state royalties that directly fund our schools, roads and emergency services.

I appreciate the opportunity to be before you today. We applaud the work of the Sunset Commission staff and that of the Railroad Commission to undertake this arduous and meaningful sunset process. TXOGA supports the continuation of the Railroad Commission. A strong, robust state agency to oversee the oil and natural gas industry is essential to ensure the safety and wellbeing of all Texans as well as the economic strength of our state. Good regulation promotes safety, protects the environment and grows jobs.

When you, as Sunset Commission members, are determining what recommendations to make to the legislature, TXOGA strongly urges you to consider how controversial and detrimental to the sunset process the inclusion of the Railroad Commission name change recommendation has been in the past. I say detrimental because rather than focusing on the issues that affect the day-to-day operations, the name issue – which has no merit on the operations of the agency – hijacks the process. The Railroad Commission name change should be moved out of the sunset process and should be looked at and debated in a separate piece of legislation. For the record, TXOGA is neutral on the name change.

When discussing the contested case process, it is important to keep at the forefront that the Railroad Commission is constitutionally and statutorily charged

with: promoting conservation of mineral resources; protecting surface and groundwater resources and the environment; ensuring public safety in pipeline transportation; protecting correlative rights of mineral interest owners; preventing waste of natural resources; and assuring fair and equitable services and rates by Texas intrastate utilities and pipelines. The contested case process is one of the most essential functions for the Railroad Commission to be able to carry out these duties. The Railroad Commission is the only agency that is bound to carry out all of these important duties and TXOGA disagrees with the Sunset Staff recommendation to move the hearings.

Moving contested case hearings to SOAH and away from the commission provides no enhanced consumer protections of any kind, what so ever. Furthermore, moving the hearings totally dismantles the current regulatory structure that is protecting our environment and has made Texas the best state to do business.

The contested case proceedings allow the Commission to interpret and enforce Statewide Rules, which are promulgated by the Commission. It is important to note that cases involving exceptions may be termed “contested cases,” but do not involve a protestant challenging a certain application. In those proceedings, an applicant may provide scientific evidence to support a requested exception to those rules. A technical examiner reviews scientific evidence presented by an applicant to determine if an exception is appropriate. Roughly 40% of contested case hearings do not involve a protestant.

Scientific expertise is required to evaluate the evidence. The Railroad Commission’s hearing panels consist not only of a lawyer, but also an engineer or geologist capable of understanding petroleum engineering, geologic, geophysical and land issues, which are unique to the Railroad Commission’s hearing determinations. Therefore, we believe the effectiveness, efficiency, and case law established should continue at the Railroad Commission and not be removed. Doing so would weaken the strong, science-based approach that is working and working well. Further, we support transparency, and implementing a docket management system would go a long way to bringing visibility to this process.

TXOGA also disagrees that changes need to be made to the current bonding requirements to plug abandoned wells. The Oil Field Cleanup Fund is funded by the Texas oil and natural gas industry in the form of production fees, filing fees,

enforcement actions and penalties. Absolutely no burden is placed on individual Texas taxpayers and no taxpayer dollars are used to finance the Oil Field Cleanup Fund.

There is also a misconception about what constitutes an abandoned well. The Railroad Commission refers to Delinquent Inactive Wells and of those only 1,294 are considered orphaned and are on the plugging list. Within this group, a priority list is established to immediately address wells with environmental concerns.

Additionally, I would like to comment on oil and natural gas enforcement and monitoring at the Commission. You will see in our written comments to the Sunset Commission, we agree with some of the recommendations on Recommendation 3. However, we do not agree with Recommendation 3.2 that the Commission should develop a process for issuing expedited penalties for minor violations because the Commission currently has the authority to shut down an operator for any violation. The Commission can issue an order to sever pipeline access for operators, which prohibits the operator from producing, selling hydrocarbons, or otherwise using any of the wells under the order until the violation has been corrected.

The last issue I would like to highlight before closing is TXOGA's support for Sunset Staff recommendations on improved oversight of Texas's pipeline infrastructure helping further ensure public safety.

Again, thank you for the opportunity to be before you today. The oil and natural gas industry is an important economic driver for this state and spends literally billions of dollars yearly to protect and improve the environment. A strong regulatory agency overseeing the industry is vital. The legislature should continue to give the agency the tools it needs to continue to ensure public safety. I'm happy to answer any questions.