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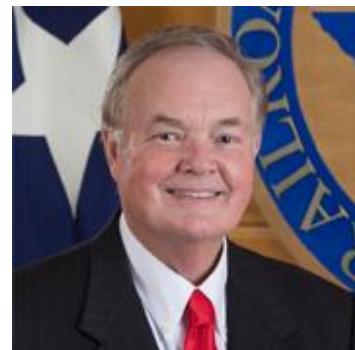
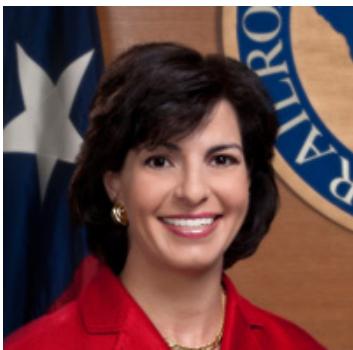


Thank you for taking time to review the incredible year we've had serving Texans at the Railroad Commission. We began 2017 by welcoming a new commissioner, then dove headlong into a successful legislative session and worked hard to prepare for, then respond to Hurricane Harvey—one of the biggest natural disasters in our state's history. This year we're wrapping up our accomplishments in this Year-In-Review newsletter. Below are just a few highlights illustrating everything RRC staff does on a daily basis to ensure safe, responsible energy production in Texas. It's been a great year, and we're already planning for a bigger, better 2018!

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Commissioners' Corner



Chairman Craddick

The past year has brought many blessings and some challenges to the Railroad Commission. It has been a great privilege to serve as your Chairman through such an important time for our state's growing energy industry.

During this spring's 85th Legislative Session, we were pleased to successfully complete the re-authorization of the Railroad Commission through the Sunset review process, which is essentially an audit of the agency. We have implemented the legislature's recommended changes to our processes, and we are thankful to continue the important work we do to ensure the safe, responsible and economically beneficial production of our energy resources for another 12 years.

We also worked with the legislature to secure funding to address our budget and Information Technology needs. Those funds are helping us hire new staff; bring more of our data online for public use; plug abandoned wells; and accelerate inspections and permitting for industry.

Along with these achievements, we deployed efficiency and cost saving initiatives for both the state and those doing business at the agency. The Oil Field Relief Initiative includes streamlining oil and gas well reporting requirements, which has allowed us to do our job better, faster and at less cost to the state.

In August, our fellow Texans along the Texas Gulf Coast, the heart of American energy production, were faced with the devastation of Hurricane Harvey. Our staff were well prepared and worked around the clock to safely assist the industry in getting our energy infrastructure back up and

Commissioner Sittton

As jobs have returned to the oil patch, commodity prices have risen and production has ramped up to record highs, 2017 has been an incredible year to serve as your Railroad Commissioner. I'm grateful for our hardworking Railroad Commission staff, their diligence in keeping up with increased oil and gas activity to ensure timely permits, and their proactive approach to anticipating industry needs. Together we worked to create an online well log filing system that has saved the Railroad Commission hundreds of man-hours and industry thousands of dollars.

Our staff truly shined during the devastation of Hurricane Harvey, working around the clock to monitor potential hazards, respond to operator concerns and even organize blood drives to assist storm victims. As a resident of Southeast Houston, I personally appreciate all the time and commitment staff put in during that difficult time.

Earlier in the year I participated with staff in Earth Day Texas, the largest Earth Day event in the world. There we launched the Railroad Commission's first 360-degree virtual reality video, giving viewers the opportunity to take a firsthand tour of a drilling rig. I also had the opportunity to interview U.S. Environmental Protection Agency Administrator Scott Pruitt about his goals as head of the EPA, and the idea that job growth and environmental protection are not mutually exclusive.

With job and economic growth in mind, I penned a letter to the U.S. Corps of Army Engineers (USACE) and travelled to Corpus Christi this summer to advocate for the Ship Channel Improvement Project, which would dredge the port and allow more million-barrel

Commissioner Christian

It's been a great first year at the Railroad Commission of Texas. I began my term with the great honor of being sworn-in as your 50th Railroad Commissioner.

Following my swearing-in, my staff and I got to work. During the 85th Regular Session, I met with over 60 lawmakers in both chambers and from both political parties urging them to provide the Commission with the stability and resources to do its job regulating the fossil fuels industry in Texas. In the end, the Legislature passed the commission's Sunset Bill reauthorizing the agency until 2029 and increased our biennial budget 47 percent, including monies appropriated from the Economic Stabilization Fund. Those additional funds are being used to plug more abandoned oil wells and hire more pipeline inspectors to ensure the safe production and transportation of oil and gas in our great state.

After the end of the legislative session, I began visiting commission district offices across the state. So far, I have visited five district offices - Midland, Kilgore, Houston, Corpus Christi and Abilene. As we move towards the New Year, I will continue making my way to each of our offices and thanking staff for all the hard work they do on a daily basis ensuring the safe production of oil and natural gas.

Traditionally, in addition to their official duties, Commissioners focus on a project or issue of importance to ensuring the enhanced development and economic vitality for the benefit of Texans. For my project, I launched an education and workforce development initiative to ensure our state has a qualified, trained workforce as we move towards the next energy boom. In December, our office will host our second meeting with stakeholders in

running for Texas and the rest of the country. I am very proud of the work we did to support the people of our state during this critical time.

Looking ahead, there is still much work to do. The Railroad Commission will continue to grow with our state's fast-paced, ever-changing energy industry. I am excited to begin work with the National Petroleum Council, an advisory board to the U.S. Secretary of Energy. On the Council, I will help assist in the development of our energy infrastructure and ensure Texas has a role in emerging technologies such as carbon capture and storage.

In 2018, we look forward to greater collaboration with Texans and the energy industry to build on the success we have already achieved.

supertankers to load American crude oil and transport it around the world. Working together with Corpus Christi Mayor Joe McComb, Aug. 16 was declared

Port of Corpus Christi Energy Day and brought national awareness to the project. One month later, the USACE signed a Project Partnership Agreement with the Port - now the only piece missing is funding. I plan to continue assisting the Port in any way I can until this project is completed.

I expect the industry to remain strong in 2018, and with a clear vision for the year, I look forward to continuing to serve as your Railroad Commissioner.

the education community, government agencies, and the oil and gas industry to find solutions to the labor shortage in the industry.

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Division Accomplishments

Fiscal Year 2017



Oversight and Safety

- Issued/renewed over 19,000 alternative fuels licenses and certifications
- Conducted 3,600 pipeline safety evaluations
- Assessed over \$4.5 million in pipeline damage penalties

Oil and Gas

- Plugged 918 wells with fees paid by operators
- 5,000+ orphan wells inspected and prioritized
- 98,000+ wells inspected
- 218 site remediation cleanups

Surface Mining and Reclamation

- 422 inspections on lignite mines
- Reclaimed 16 acres with Abandoned Mine Land (AML) reclamation program
- Planted 16 acres of permanent vegetation
- 17 abandoned underground mines closed

Oilfield Relief Initiative

- Eliminated seven obsolete forms
- Streamlined drilling permit application process
- Launched online well log filing
- Adjusted criteria to return inactive wells to production status



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RRC Under the Dome in 2017

Thanks to the 85th Texas Legislature, RRC will remain on the job for another 12 years protecting public safety and the environment as it regulates the Texas energy industry. Gov. Greg Abbott signed the Railroad Commission's Sunset Bill, House Bill 1818 (HB 1818) into law May 22, reauthorizing the agency until Sept. 1, 2029. The bill was sponsored by Rep. Larry Gonzales and Sen. Van Taylor.

The bill provides the RRC with the authority to assess pipeline safety fees to support its pipeline safety regulatory program. RRC held a workshop Nov. 28 to accept comments on how a fee may be structured before staff proposes a draft rule on the fee in early 2018. Additional comments are being accepted until noon, Jan. 2, 2018. See details [here](#). HB 1818 also gives the Commission jurisdiction over damage prevention for interstate pipelines that cross state boundaries. Previously, RRC only had jurisdiction over damage prevention on intrastate pipelines-those that begin and end within the state.



The Sunset Legislation mandates RRC publish an annual oil and gas monitoring report. RRC will develop and publish this report on its website by July 1 each fiscal year.

The Legislature's FY 2018-2019 budget includes increased funding for RRC to strengthen the agency's inspection and enforcement capabilities, as well as increase transparency for the public. Senate Bill 1 (General Appropriations Bill) provides RRC with \$256.1 million in funding for the 2018-19 biennium. This total includes \$3 million and seven Full Time Equivalents (FTEs) to establish an inspection/enforcement tracking and reporting system and to implement online filing of well plugging forms. Another \$8.7 million was appropriated to enhance pipeline safety inspections. RRC also will be allowed to keep approximately \$39.6 million in bi-annual revenue from the Gas Utility Pipeline Tax for operational stability. Previously this tax was collected by RRC and then deposited into the state's General Revenue fund. The bill includes a \$38.2 million first-time ever appropriation by the Texas Legislature from the Economic Stabilization Fund to plug abandoned oil and gas well wells.

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RRC Announces New Seismologist, Dr. Aaron Velasco

In August, the Railroad Commission announced Dr. Aaron Velasco will serve the agency as RRC seismologist. Dr. Velasco is a professor of Geological Sciences and Director of Interdisciplinary Initiatives at the University of Texas - El Paso. He will continue to work in his capacity as an educator and researcher at UTEP.

"The Railroad Commission is considered a global leader in energy regulation, and I'm honored and humbled to serve my fellow Texans and this historic agency as RRC seismologist," Dr. Velasco said. "I share the agency's mission to protect public safety and the environment, and I will do that by putting my years of experience and research in seismology and understanding to work for Texas."

As RRC's seismologist, Dr. Velasco serves on the Governor's Technical Advisory Committee for the TexNet Seismic Monitoring Program. This program created a statewide array of permanent seismometers to gather more precise data on seismic activity. Dr. Velasco also works with RRC staff in reviewing disposal well permit applications in areas of historic seismicity to ensure proper requirements are in place to prevent or minimize the potential for induced seismic activity. Additionally, Dr. Velasco serves in an advisory capacity to RRC on issues and policy related to seismicity and energy production in Texas.



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Successful RRC Technology Upgrades

In 2017, RRC provided operators with the ability to file electronic well log submissions and streamlined the reapplication process for expired drilling permits. The new electronic filing system is expected to save operators about \$362,000 a year and staff time and resources. The Commission also anticipates saving \$105,000 and almost 4,000 hours of staff time by eliminating the need for agency personnel to receive paper copies of well logs and then convert the paper to electronic files. The Commission also reduced costs by digitizing the oil and gas schedules and posting them to the Commission website, rather than mailing printed copies to operators.

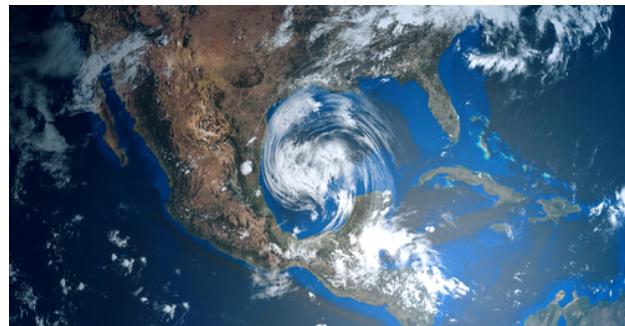


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All Hands on Deck-RRC Responds to Hurricane Harvey

The largest hurricane to hit the U.S. mainland in more than a decade spurred RRC into action. Before and after Hurricane Harvey slammed into the Texas coast with 130 mph winds Aug. 25, RRC staff were ready.

Just as RRC staff worked to prepare their homes and property, they worked to protect the agency's equipment and property, which suffered minimal damage. Their work paid off. RRC facilities suffered minimal damage and field staff immediately got to work responding to incidents and getting the industry up and running.



Because of Hurricane Harvey's track and staff readiness, RRC's Houston and Corpus district offices closed early in the wake of the storm. On Aug. 28, the Corpus office was open for business with staff responding to reports of storm-related impacts. The Houston office remained closed until Sept. 1 due to Hurricane Harvey's impact on the city. In all, RRC staff responded to, or received reports of 33 incidents.

In Austin, 14 RRC employees logged 354 hours at the Texas Department of Emergency Management's (TDEM) State Operation's Center (SOC). RRC staff manned the SOC 24/7 from Aug. 24 until Sept. 3 assisting with the response to the storm. Before Harvey's landfall, RRC sent a notice to oil and gas, pipeline and surface mining operators to secure their equipment and personnel to prevent or minimize damage. The notice also stressed to operators RRC rules requiring they report any spills into water to the Commission. The Commission encouraged the public to call its 24-hour, toll-free emergency line, 1-844-773-0305 to report a pipeline, or oil and gas related release.

RRC Commissioners and staff came to the aid of their coworkers, donating \$1,150 in gift cards and \$2,234 in cash to 26 employees in the impacted region who suffered storm damage.

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RRC Assesses More than \$11 Million in Fines

RRC Enforcement Fines

\$4.1 million for Damage Penalties
\$3.9 million for Master Default Orders
\$2.7 million for Master Agreed Orders
+\$337 thousand in protested dockets

= \$11,077,280 IN FINES

for calendar year 2017

*By comparison, RRC assessed
\$8.6 million in fines for 2016*

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RRC On the Road

For nearly a century, the Railroad Commission been regulating oil and gas exploration and production. Today, we're widely considered a global leader in energy regulation, sharing our expertise across the state and around the world.

In Fiscal Year 2017, Commission staff traveled to 28 cities and four other states to participate in more than 70 outreach events. Audiences included students at Science, Technology, Engineering and Math (STEM) Schools, university researchers, municipal leaders, emergency responders, groundwater districts, citizen groups, environmental organizations and industry representatives.

This past year Commission staff also provided information to eight foreign delegations representing Argentina, Canada, China, Japan and Mexico.

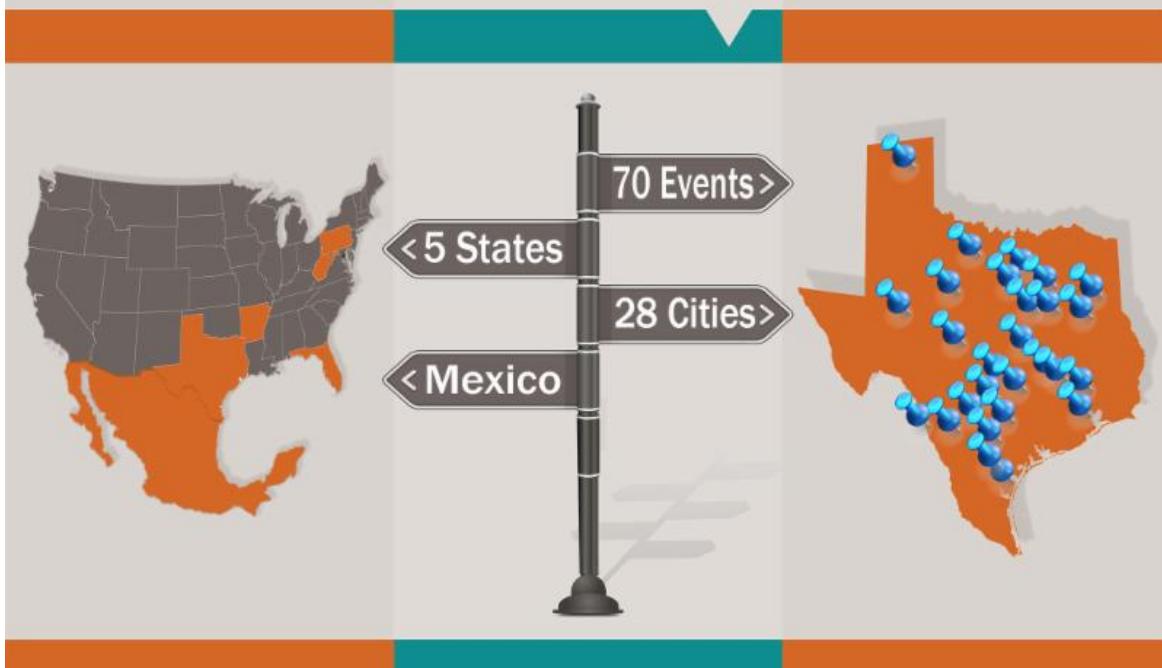
The Commission welcomes invitations to speak and works to accommodate as many opportunities as our staff and resources allow. Organizations interested in requesting a Railroad Commission staff speaker should contact the External Affairs division at Communications@rrc.texas.gov.





Places We've Been

2017



Safety First at the Railroad Commission

Safety is always first for the Railroad Commission, and once again staff took this message to the Texas Emergency Management Conference, leading workshops on spill response and remediation, hydrogen sulfide incidents, pipeline safety and Geographic Information System mapping capabilities. The conference attracted more than 2,500 elected officials, first responders, emergency managers and decision makers from across Texas.



RRC inspectors also participated in a safety orientation developed by operators who make up the South Texas Energy Economic Roundtable in the Eagle Ford Shale. The goal was to effectively streamline safety procedures for RRC inspectors working in the field and is discussed [here](#).

Throughout 2017, RRC staff presented information to Texas Department of Public Safety Local Emergency Planning Committee meetings in Brazos, Ellis, La Salle and McMullin counties. These events allow RRC staff to network with the emergency response community and build relationships to ensure effective responses during emergency situations. If you would like RRC to present to your local emergency planning committee, please contact Gaye McElwain at gaye.mcelwain@rrc.texas.gov.

RRC's Pipeline Damage Prevention Program Highlighted Across Texas

Call Before You Dig isn't just a slogan; it's Texas law. To spread the word, RRC staff took part in 20 pipeline damage prevention events across Texas reaching an estimated 2,500 attendees including contractors, excavators, plumbers and pipeline operators. Statistics show 10 percent of pipeline damage incidents result from fence building, another 16 percent from building construction. Other events we were part of included the Texas811 Damage Prevention Summit, the largest gathering of industry professionals dedicated to excavation safety and damage prevention in Texas, and the Sunbelt Builders Show™, one of the largest building industry events in North America. More information on pipeline damage prevention can be found on RRC's website [here](#).



Railroad Commission Helps Cities Clean Up Brownfields

In 2017, Railroad Commission staff increased efforts to educate communities about the Brownfields Response Program, a federal grant program that provides cities, local governments and organizations with the resources and expertise necessary to clean up and redevelop abandoned oil and gas sites through a brownfield grant from the U.S. Environmental Protection Agency.

Events included:

Texas Municipal League's Annual Conference - one of the nation's largest gatherings of local government leaders such as mayors, council members and city managers-the conference attracts more than 3,000 delegates from 300 cities.

Texas Economic Development Council's Annual Conference - the conference focused on economic growth and strategies to promote a positive business climate. RRC's Brownfields Response Program supports redevelopment projects that result in long-term beneficial use by communities.

Texas Rural Challenge - the Challenge is committed to building rural communities that are sustainable and prosperous, attracting investment and creating quality jobs. RRC's Brownfields Response Program is a tool available to communities to achieve those goals.



Along with the BRP, RRC programs include the Voluntary Cleanup Program, the State Managed Cleanup Program and the Operator Cleanup Program. Details on all can be found [here](#).

RRC Connecting with Texans

Because the energy industry impacts Texans every day, the Railroad Commission wants the public to understand our regulatory role and to know how our work affects all Texans. Participation in events that attract large and diverse audiences is one way the Commission achieves that goal.

In April, the Railroad Commission's dedication to environmental protection was on full display at the nation's largest Earth Day celebration in Dallas. Commissioner Ryan Sitton led RRC's participation with several talks about the RRC's role regulating the safe, responsible production of our state's natural resources.

The three-day event attracts approximately 130,000 people each year, and RRC employees engaged with attendees, providing information and promoting RRC's first virtual reality video. The video takes viewers on a tour of an Eagle Ford drilling rig. Take the tour [here](#).



RRC participated in Energy Day in Houston, a free family festival showcasing exhibits focused on science, technology, engineering and mathematics. The event drew an estimated 30,000 attendees, and featured nearly 70 interactive

demonstrations and exhibits intended to teach students and their families about various forms of energy, along with efficiency and conservation.



Commissioner Sitton with RRC staff at Earth Day event in Dallas.

At the San Antonio Cattle Raisers Convention and Expo, RRC provided information to Texas ranchers and land owners about topics ranging from pipeline safety and abandoned wells. Ranchers also learned how to use RRC's GIS Public Map Viewer to find wells on their properties. The map viewer can be found with other RRC's online research queries [here](#).

If you would like RRC to participate in your event, please submit a request [here](#).

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Data Center



ENFORCEMENT ACTIONS



[View](#) monthly production totals of crude oil, condensate and total oil; and of gas well gas, casinghead gas, and total natural gas.

The Commission has primary oversight and enforcement of the state's oil and gas industry and intrastate pipeline safety. View the Master Agreed Orders [here](#).



The Public GIS Viewer allows users to view oil, gas and pipeline data in a map view. To launch the Public GIS Viewer, click [here](#).

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Upcoming Events

Jan. 23, 2018

Open Meeting

Austin, Tx

For more RRC events, please see the [calendar](#). To view open meeting webcasts, click [here](#).

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