



**Texas Independent Producers and Royalty Owners Association**

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919 Congress, Suite 1000, Austin, Texas 78701, (512) 477-4452, fax (512) 476-8070

May 13, 2016

The Honorable Larry Gonzales  
Chairman, Sunset Advisory Commission  
P.O. Box 2910  
Austin, Texas 78768-2910

The Honorable Van Taylor  
Vice Chairman, Sunset Advisory Commission  
P.O. Box 12068 – Capitol Station  
Austin, Texas 78711

RE: Texas Independent Producers and Royalty Owners Association response to Sunset Staff  
Report on the Railroad Commission of Texas

Dear Chairmen:

The Texas Independent Producers and Royalty Owners Association (TIPRO) is an oil and gas trade association representing of over 3,000 members statewide, the vast majority of which are small independent oil and natural gas producers. TIPRO also represents most of the large publicly-traded independent producers operating in the state as well as royalty owners across Texas. Our diverse membership offers a unique perspective that we trust will prove valuable as you tackle the difficult task of appropriately addressing the Sunset Review of the Texas Railroad Commission during the 85<sup>th</sup> Legislative Session. We appreciate the opportunity to provide comments on the Sunset Staff Report.

TIPRO strongly supports the work of the Texas Railroad Commission and highly recommends the agency be continued. Our state is fortunate to be home to an abundant supply of natural resources and for over a century, Texans have enjoyed a well-established history of the development of these resources. The oil and gas industry is a vital part of Texas' economy, collectively supporting hundreds of thousands of jobs and contributing revenue to the local, state and federal government. This would not be possible without the Railroad Commission's leadership and continued recognition of and appropriate response to an industry that continues to rapidly evolve.

The members of TIPRO applaud the Sunset Advisory Commission staff for providing such a comprehensive review of the Railroad Commission. While we support the continued evaluation of agency efficiencies, we would like to emphasize that some of the recommended changes are already in place at the agency, or are working to be implemented at this time. We look forward to continuing the dialogue on these recommendations as collectively we all work to continue to protect the citizens of Texas while preserving the development of our state's natural resources.

Please let us know should you have any questions and thank you for your consideration of our comments.

Sincerely,

Ed Longanecker  
Cc: Ken Levine, Executive Director, Sunset Advisory Commission



**TIPRO Responses to Sunset Advisory Commission Recommendations for Railroad Commission**

<b>Number</b>	<b>Recommendation</b>	<b>TIPRO Response and Notes</b>
1	Continue the Railroad Commission of Texas for 12 Years with a Name That Reflects the Agency's Important Functions.	TIPRO is in support of continuing the agency.  TIPRO has no position on changing the name of the agency.
2	Contested Hearings and Gas Utility Oversight Are Not Core Commission Functions and Should Be Transferred to Other Agencies to Promote Efficiency, Effectiveness, Transparency, and Fairness.	
2.1	Require use of the State Office of Administrative Hearings for contested gas utility cases.	TIPRO is opposed to moving hearings to SOAH. As is mentioned below, we believe the Railroad Commission has a well-established process for handling hearings via their Docket Services and Hearings Division. Further, a previous transition of gas utility cases to SOAH proved to provide no appreciable benefits to the process.
2.2	Require the Railroad Commission to use the State Office of Administrative Hearings for all other contested case hearings.	TIPRO is opposed to moving hearings to SOAH. Our membership values the vast in-house expertise of the technical and legal examiners and other employees in the Hearings Division of the RRC. Further, we do not agree that moving hearings to SOAH would make the process any more efficient. TIPRO believes the RRC has an effective, well-established hearings process that ensures fairness to all parties.
2.3	Transfer gas utility regulation from the Railroad Commission to the Public Utility Commission	TIPRO is opposed to transferring gas utility regulation from RRC to PUC. Our membership believes that the RRC has a proven track record of adequately and efficiently handling gas utility regulation through the expertise of their staff. Further, our membership sees no benefit in bifurcating the safety and economic processes of gas utility regulation.



3	Oil and Gas Monitoring and Enforcement Need Improvements to Effectively Ensure Public Safety and Environmental Protection.	
3.1	Require the Railroad Commission to develop a strategic plan for the Oil and Gas Division that tracks and measures the effectiveness of monitoring and enforcement.	TIPRO has no position on 3.1.
3.2	Require the Railroad Commission to develop in rule a process for issuing expedited penalties for minor violations.	TIPRO opposes 3.2. TIPRO believes the RRC’s process for tracking and resolving minor violations is working appropriately. The Commission seeks compliance by threat of pipeline severance. A 10 year tracking history records compliance is achieved at a rate of over 60% by threat only, and an additional 32% compliance immediately upon severance. A fine mechanism is not needed for minor violations and most of these minor violations are currently resolved in an expedited manner via email or phone call.
3.3	Direct the Railroad Commission to accurately track and report the number of oil and gas violations annually.	TIPRO opposes 3.3. TIPRO believes this recommendation is redundant of existing RRC procedures. The RRC currently systematically tracks and reports the number of oil and gas violations quarterly and annually. As the Railroad Commission website mentions, “Rider 11 of the Railroad Commission of Texas’ Appropriations Act (84 <sup>th</sup> Legislative Session) requires the Commission to publish a quarterly report about Oil and Gas enforcement data on its website.”
3.4	Direct the Railroad Commission to systematically track major violations.	TIPRO opposes 3.4. TIPRO believes that the RRC already systematically and efficiently tracks major violations.
3.5	Direct the Railroad Commission to develop a definition of repeat violations in rule and report the number of repeat violations on its website.	TIPRO has concerns with 3.5 as written and would like to note that we believe repeat violations should involve only major violations.
3.6	Direct the Railroad Commission to audit a sample of oil and natural gas production reports and transportation reports.	TIPRO supports 3.6.



3.7	Direct the Railroad Commission to develop a policy to require production reports to be filed electronically.	TIPRO supports 3.7 as long as the operator's identity and confidential data are protected.
3.8	Direct the Railroad Commission to expand its risk matrix for oil and gas inspections.	TIPRO is inclined to support 3.8, depending on how the matrix is modified.
4	Insufficient and Inequitable Statutory Bonding Requirements Contribute to the Large Backlog of Abandoned Wells.	
4.1	Amend blanket bond requirements in statute to better reflect risk and increase equitability.	TIPRO opposes 4.1. TIPRO believes the current statutory bonding requirements are meant to be utilized as a component in financing the plugging of orphaned wells in the care of the state. These financial assurances are part of a larger system in place at the RRC to ensure operators remediate their sites, plug abandoned wells and that the RRC has resources to use should the responsibility of plugging be left to the RRC. TIPRO does not believe a change in bonding requirements is necessary.
5	Improved Oversight of Texas' Pipeline Infrastructure Would Help Further Ensure Public Safety.	
5.1	Authorize the Railroad Commission to enforce damage prevention requirements for interstate pipelines.	TIPRO has no position on 5.1.
5.2	Authorize the Railroad Commission to create a pipeline permit fee.	TIPRO has no position on 5.2.
5.3	Modify language in the General Appropriations Act to further ensure that the Railroad Commission collects, and is appropriated back, fee amounts to offset the costs of administering its Pipeline Safety program, including administration costs.	TIPRO has no position on 5.3
6	The Railroad Commission's Contracting Procedures Are Improving, but Continued Attention Is Needed.	
6.1	Direct the Railroad Commission to centralize all contract administration functions by September 1, 2016.	TIPRO has no position on 6.1.



6.2	Direct the Railroad Commission to implement and keep updated contracting best practices as outlined by recent legislation and the comptroller.	TIPRO has no position on 6.2.
6.3	Direct the Railroad Commission's executive director to report quarterly to the commissioners at their open meetings regarding the status of contracting improvements.	TIPRO has no position on 6.3.
7	The Railroad Commission's Statute Does Not Reflect Standard Elements of Sunset Reviews.	
7.1	Apply the Sunset across-the-board recommendation regarding alternative dispute resolution to the Railroad Commission.	TIPRO has no position on 7.1.
7.2	Allow the Oil and Gas Regulation and Cleanup Fund Advisory Committee to expire.	TIPRO has no position on 7.2.
7.3	Continue requiring the Railroad Commission to submit its report on the Oil and Gas Regulation and Cleanup Fund to the Legislature.	TIPRO supports 7.3. Our membership finds the information within the quarterly report on the Oil and Gas Regulation and Cleanup Fund to be of value to the RRC and to the state.