

RAILROAD COMMISSION OF TEXAS

DAVID PORTER, *CHAIRMAN*
CHRISTI CRADDICK, *COMMISSIONER*
RYAN SITTON, *COMMISSIONER*

INTERNAL
OIL AND GAS DIVISION
SANTOS GONZALES JR., P.E.,
ASSISTANT DIRECTOR, FIELD OPERATIONS

MEMORANDUM

August 9, 2016

MEMORANDUM TO: Chairman David Porter
Commissioner Christi Craddick
Commissioner Ryan Sitton


FROM: Santos Gonzales, Jr., P.E.
Assistant Director, Field Operations

SUBJECT: Field Operations Section
Monthly Report of State-funded Well Plugging Activities
July 2016, FY 2016

Attached is the monthly report titled "State-funded Well Plugging Activities" for the Field Operations Section of the Oil and Gas Division. This report contains the following:

1. Monthly and cumulative performance measure summaries of the state-funded well plugging activities of this Section.
2. Summary graphs of wells plugged, cost of wells plugged, number of salvage operations, and salvage proceeds.
3. A list of state-funded plugging contracts in excess of \$100,000 where the original encumbered amount has been exceeded by 10% or more. The contracts will be carried on this report until completed.

SG:th
Attachments


Santos Gonzales, Jr., P.E.
Assistant Director, Oil & Gas Division

cc: Kimberly Corley, Executive Director
Wei Wang, Chief Financial Officer
Lori Wrotenbery, Director, Oil & Gas Division
David Cooney, Director, Office of General Counsel-Enforcement
Paul Delaney, Internal Auditor
Stacie Fowler, Director, Governmental Affairs
Ramona Nye, Media Affairs
Tina Beck, Analyst, Legislative Budget Board
Craig Bean, Policy Advisor, Office of the Governor
District Directors (via email)

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
Field Operations Section
Monthly State-Funded Plugging Activities
July 2016

Outcome Measure: Percentage of Known Orphaned Wells Plugged with the Use of State Funds (State-Funded Plugging/Orphaned Wells).

| | |
|--------------------------|-------|
| July | 0.85% |
| Fiscal Year-to-date | 4.49% |
| Performance Measure Goal | 6 % |

Output Measure: Number of Orphaned Wells Plugged with the Use of State Funds.

| | |
|--------------------------|-----|
| July | 79 |
| Fiscal Year-to-date | 418 |
| Performance Measure Goal | 875 |

Output Measure: Total Aggregate Plugging Depth of Wells Plugged with the Use of State Funds.

| | |
|--------------------------|-----------|
| July | 147,932 |
| Fiscal Year-to-date | 780,458 |
| Performance Measure Goal | 1,671,250 |

Efficiency Measure: Average Number of Days to complete a State-Funded Well Plugging.

| | |
|--------------------------|--------------------------|
| | From Contract Award Date |
| July | 43 |
| Fiscal Year-to-date | 47 |
| Performance Measure Goal | 75 |

Explanatory Measure: Number of Orphaned Wells Approved for Plugging with the Use of State Funds.

| | |
|--------------------------|-----|
| July | 20 |
| Fiscal Year-to-date | 776 |
| Performance Measure Goal | 800 |

Explanatory Measure: Number of Known Orphaned Wells in Non-compliance with the Commission's Plugging Rule.

| | |
|--------------------------|----------------|
| | Orphaned wells |
| July | 9,312 |
| Performance Measure Goal | 9,000 |

Explanatory Measure: Number of Wells Plugged, by Operators, Without the Use of State Funds.

| | |
|--------------------------|-------|
| June | 787 |
| Fiscal Year-to-date | 8,087 |
| Performance Measure Goal | 5,200 |

Explanatory measure: Percentage of Active Well Operators Who Have More Than 25% of Their Wells Inactive.

| | |
|--------------------------|-----|
| July | 41% |
| Performance Measure Goal | 42% |

Explanatory measure: Numbered shut-in/inactive wells.

| | |
|--------------------------|---------|
| July | 115,875 |
| Performance Measure Goal | 110,000 |

RAILROAD COMMISSION OF TEXAS
Oil Field Cleanup

Monthly State-Funded Plugging, Pollution Abatement and Salvage Activities
Commissioners Report
07/01/2016 to 07/31/2016

State-Funded Plugging Activities

| | |
|--|------------------|
| Number of wells approved for plugging this month | 20 |
| Estimated cost of approvals | \$ 218,300.00 |
| Number of wells approved for this fiscal year | 776 |
| Number of approved wells remaining to plug | 1265 |
| Estimated cost to plug remaining approvals | \$ 28,205,283.59 |
| Number of pluggings completed this month | 79 |
| Total cost to plug wells completed this month | \$ 775,223.99 |
| Number of pluggings completed this fiscal year | 418 |
| Cost of pluggings completed this fiscal year | \$ 6,976,025.39 |

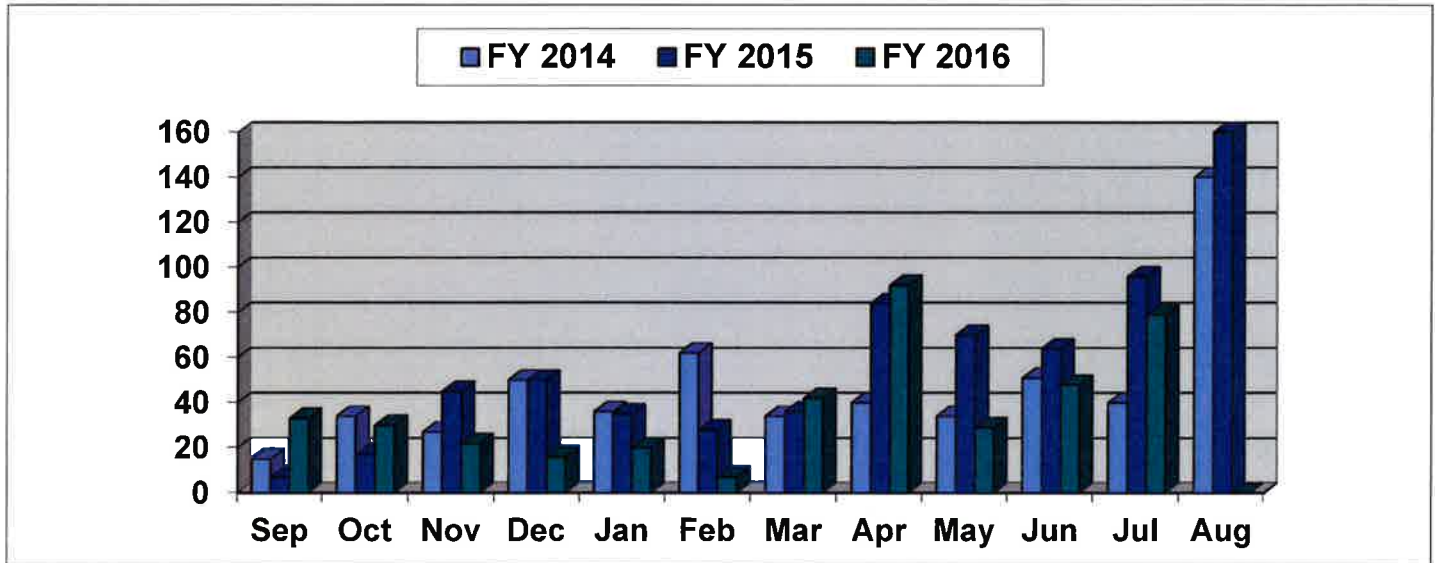
Pollution Abatement Activities

| | |
|--|---------------|
| Number of pollution abatements approved this month | 1 |
| Estimated cost of approvals | \$ 4,965.00 |
| Number of pollution abatements approved for this fiscal year | 46 |
| Number of pollution abatements remaining | 46 |
| Estimated cost to pollution abatements remaining | \$ 143,307.50 |
| Number of pollution abatements completed this month | 6 |
| Total cost of pollution abatements completed this month | \$ 8,439.87 |
| Number of pollution abatements completed this fiscal year | 33 |
| Cost of pollution abatements completed this fiscal year | \$ 78,283.09 |

Salvage Activities

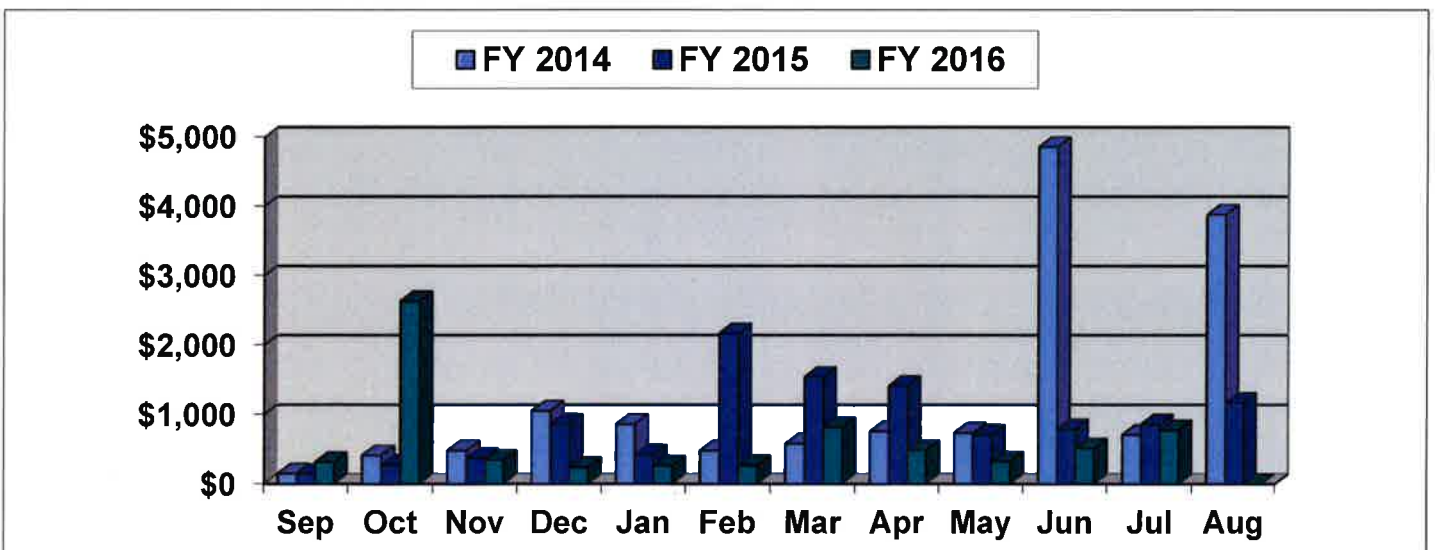
| | |
|---|---------------|
| Number of salvage activities completed this month | 0 |
| Total proceeds received this month | \$ 0.00 |
| Number of salvage activities completed this fiscal year | 108 |
| Total proceeds received this year | \$ 273,305.63 |

State-funded Well Plugging Program Monthly Wells Plugged July 2016



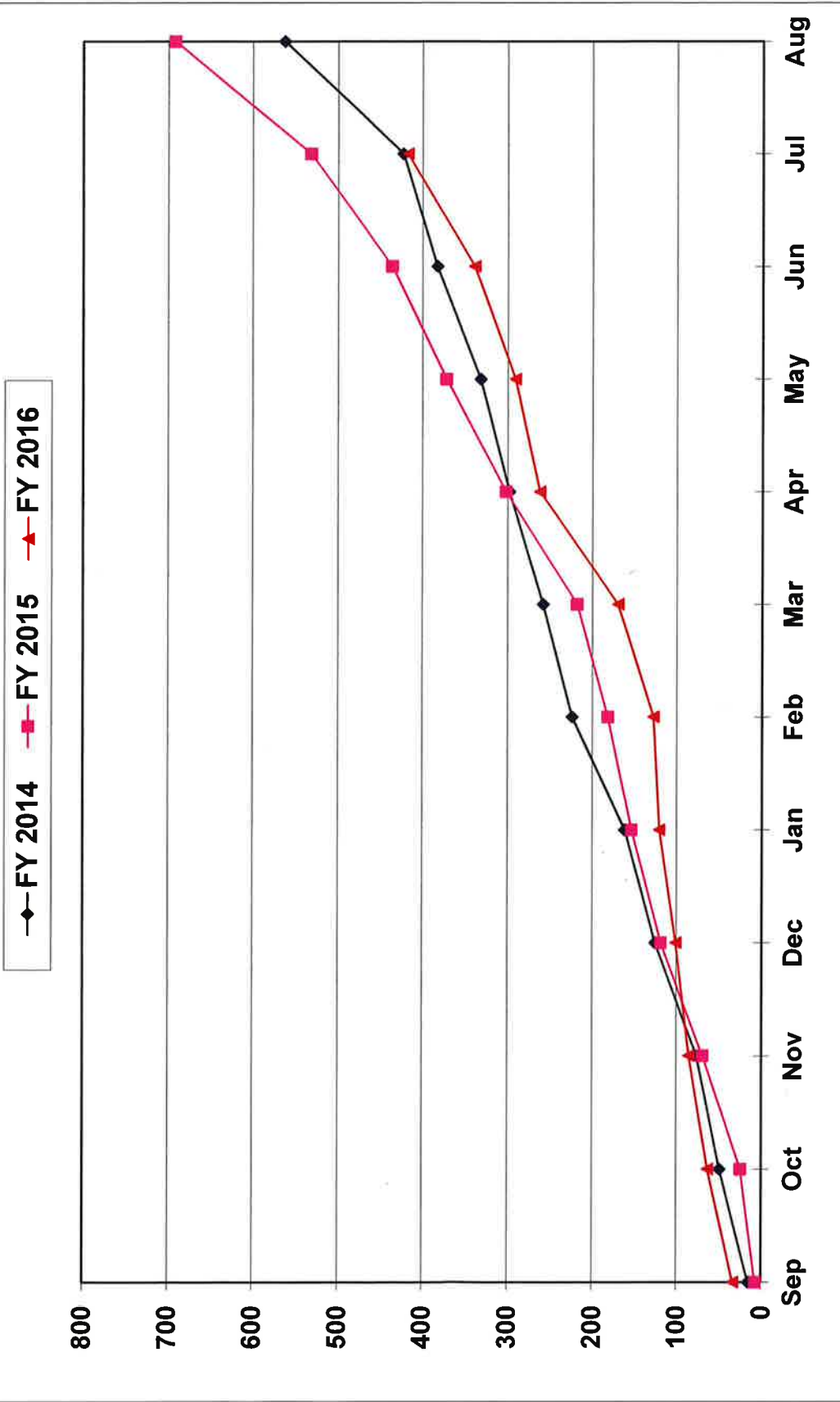
| | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Tot |
|---------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| FY 2014 | 15 | 34 | 27 | 50 | 36 | 62 | 34 | 40 | 34 | 51 | 40 | 140 | 563 |
| FY 2015 | 7 | 17 | 45 | 50 | 35 | 28 | 36 | 84 | 70 | 64 | 96 | 160 | 692 |
| FY 2016 | 33 | 30 | 22 | 16 | 20 | 7 | 42 | 92 | 29 | 48 | 79 | 0 | 418 |

State-funded Well Plugging Program Monthly Cost of Wells Plugged July 2016

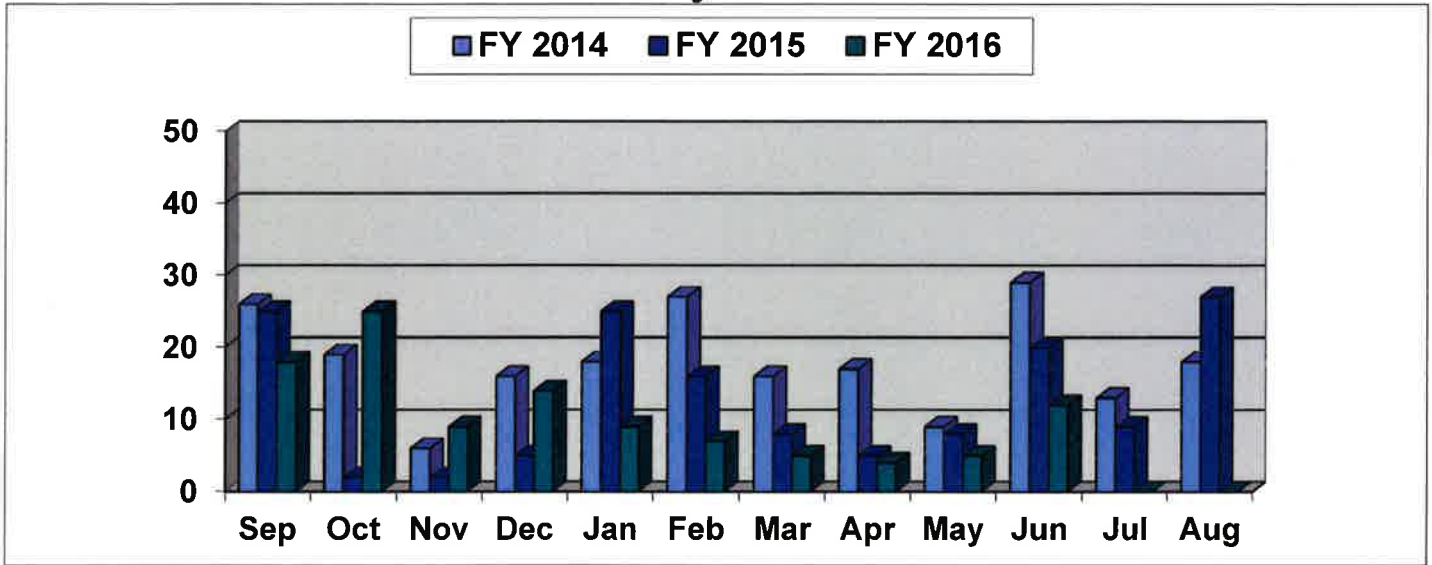


| \$M | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Tot |
|---------|-------|---------|-------|---------|-------|---------|---------|---------|-------|---------|-------|---------|----------|
| FY 2014 | \$151 | \$412 | \$483 | \$1,052 | \$860 | \$481 | \$581 | \$758 | \$735 | \$4,856 | \$710 | \$3,880 | \$14,959 |
| FY 2015 | \$146 | \$277 | \$374 | \$866 | \$422 | \$2,169 | \$1,538 | \$1,411 | \$709 | \$789 | \$860 | \$1,170 | \$10,731 |
| FY 2016 | \$314 | \$2,633 | \$348 | \$240 | \$264 | \$266 | \$814 | \$488 | \$322 | \$511 | \$775 | \$0 | \$6,975 |

State-funded Well Plugging Program Cumulative Wells Plugged July 2016

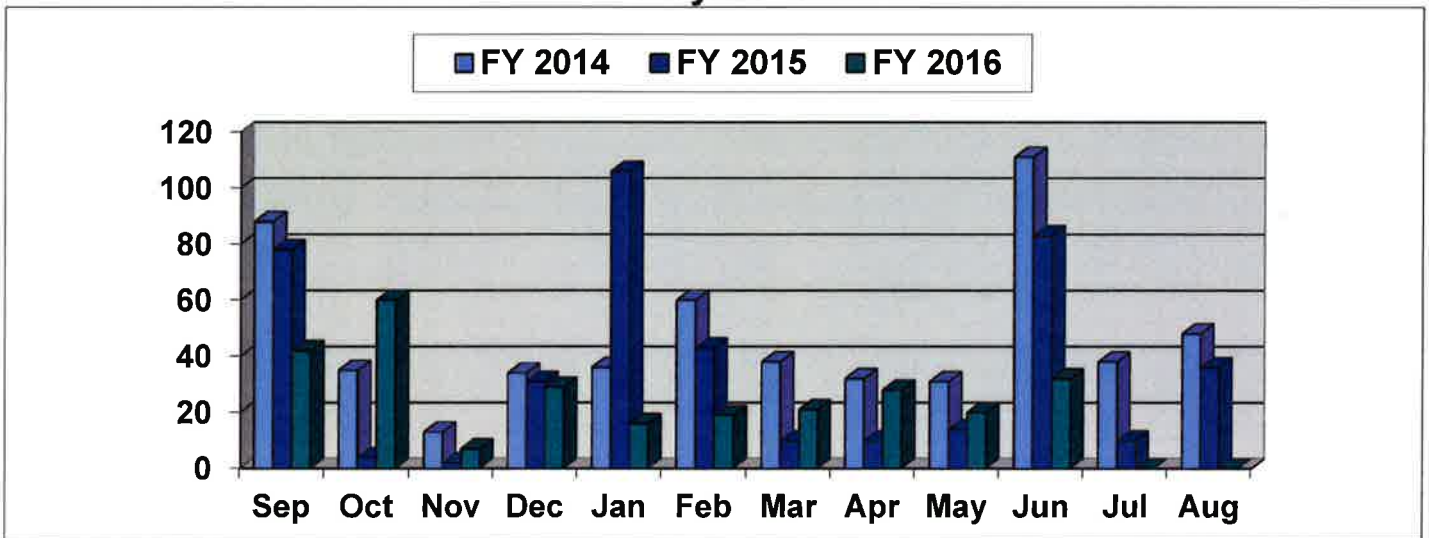


State-funded Well Plugging Program Monthly Salvage Operations July 2016



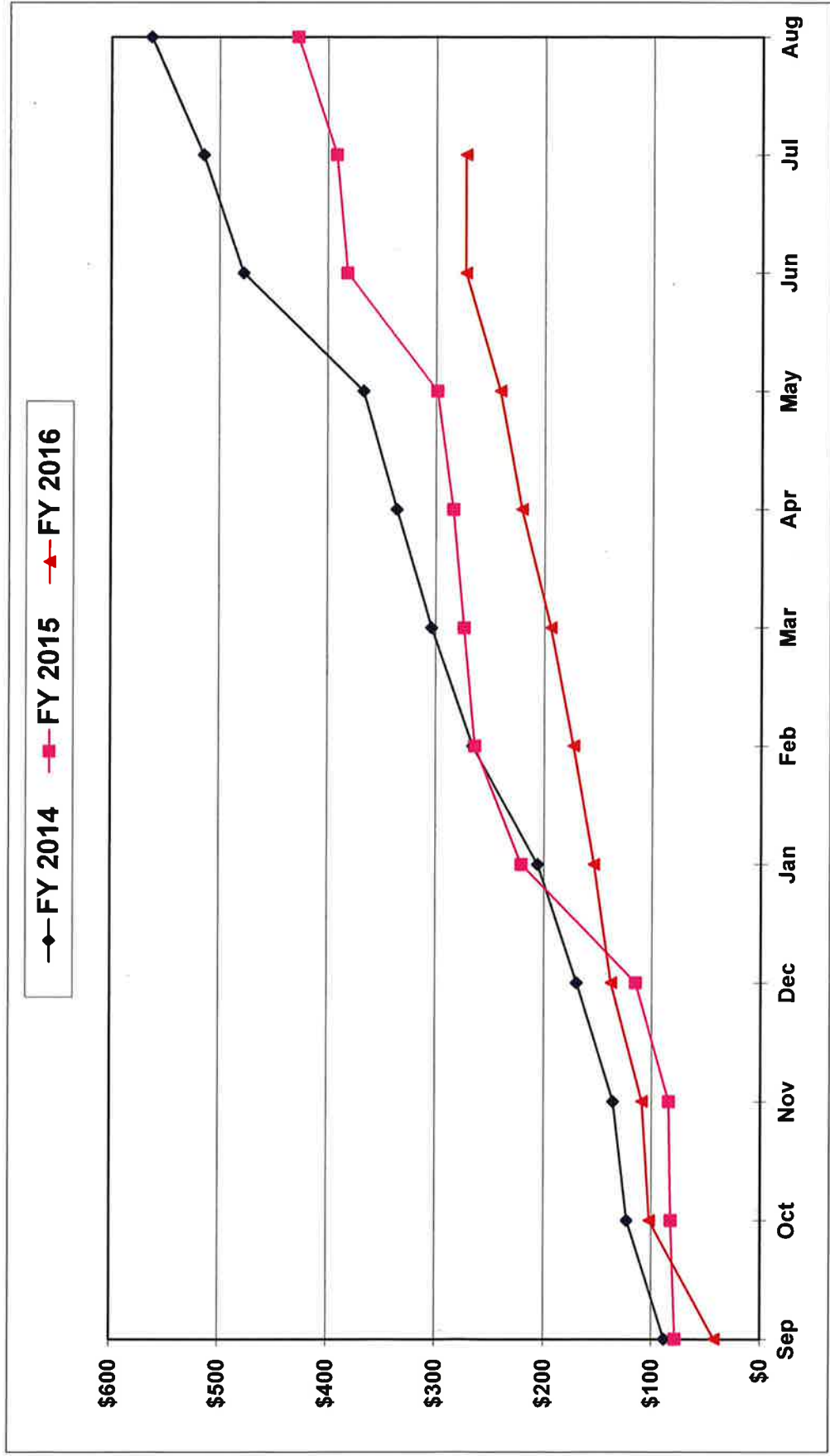
| | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Tot |
|---------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| FY 2014 | 26 | 19 | 6 | 16 | 18 | 27 | 16 | 17 | 9 | 29 | 13 | 18 | 214 |
| FY 2015 | 25 | 2 | 2 | 5 | 25 | 16 | 8 | 5 | 8 | 20 | 9 | 27 | 152 |
| FY 2016 | 18 | 25 | 9 | 14 | 9 | 7 | 5 | 4 | 5 | 12 | 0 | 0 | 108 |

State-funded Well Plugging Program Monthly Salvage Proceeds July 2016



| \$M | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Tot |
|---------|------|------|------|------|-------|------|------|------|------|-------|------|------|-------|
| FY 2014 | \$88 | \$35 | \$13 | \$34 | \$36 | \$60 | \$38 | \$32 | \$31 | \$111 | \$38 | \$48 | \$564 |
| FY 2015 | \$78 | \$4 | \$2 | \$31 | \$106 | \$43 | \$10 | \$10 | \$14 | \$83 | \$10 | \$36 | \$427 |
| FY 2016 | \$42 | \$60 | \$7 | \$29 | \$16 | \$19 | \$21 | \$28 | \$20 | \$32 | \$0 | \$0 | \$274 |

State-funded Well Plugging Program Cumulative Salvage Proceeds July 2016



| \$M | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
|---------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| FY 2014 | \$88 | \$123 | \$136 | \$170 | \$206 | \$266 | \$304 | \$336 | \$367 | \$478 | \$515 | \$563 |
| FY 2015 | \$78 | \$82 | \$84 | \$115 | \$221 | \$264 | \$274 | \$284 | \$299 | \$382 | \$392 | \$428 |
| FY 2016 | \$42 | \$102 | \$109 | \$138 | \$154 | \$173 | \$194 | \$221 | \$241 | \$273 | \$273 | \$273 |

RAILROAD COMMISSION OF TEXAS
Oil Field Cleanup
Fiscal Year State-funded Plugging Summary
07/31/2016

Run Date: August 02, 2016

| Fiscal Year | Pluggings Approved | Pluggings Completed | Plugging Cost |
|--------------------|---------------------------|----------------------------|--------------------------|
| 1984 | 421 | 177 | \$ 1,112,197.81 |
| 1985 | 474 | 392 | \$ 2,028,121.62 |
| 1986 | 533 | 714 | \$ 2,583,271.00 |
| 1987 | 709 | 703 | \$ 2,106,546.67 |
| 1988 | 830 | 627 | \$ 2,162,255.30 |
| 1989 | 844 | 578 | \$ 2,028,764.38 |
| 1990 | 1004 | 432 | \$ 1,993,128.18 |
| 1991 | 667 | 455 | \$ 2,157,121.78 |
| 1992 | 2412 | 1324 | \$ 5,692,878.50 |
| 1993 | 1171 | 1404 | \$ 6,680,547.97 |
| 1994 | 1106 | 1325 | \$ 6,003,267.26 |
| 1995 | 1381 | 1364 | \$ 6,110,031.51 |
| 1996 | 1286 | 1366 | \$ 5,259,382.52 |
| 1997 | 2156 | 1577 | \$ 7,077,979.66 |
| 1998 | 1854 | 1604 | \$ 8,456,131.53 |
| 1999 | 1318 | 1126 | \$ 4,481,066.50 |
| 2000 | 1693 | 1335 | \$ 5,134,842.14 |
| 2001 | 1612 | 1417 | \$ 6,686,357.01 |
| 2002 | 1659 | 1464 | \$ 8,011,659.30 |
| 2003 | 1469 | 1635 | \$ 7,211,207.33 |
| 2004 | 1701 | 1525 | \$ 7,398,237.94 |
| 2005 | 2168 | 1710 | \$ 11,360,931.62 |
| 2006 | 1815 | 1824 | \$ 10,736,521.32 |
| 2007 | 1707 | 1536 | \$ 18,537,524.65 |
| 2008 | 1826 | 1261 | \$ 14,736,187.15 |
| 2009 | 1557 | 1460 | \$ 16,700,337.18 |
| 2010 | 1216 | 1182 | \$ 10,504,966.23 |
| 2011 | 977 | 802 | \$ 9,233,659.43 |
| 2012 | 761 | 764 | \$ 12,309,476.92 |
| 2013 | 841 | 778 | \$ 20,893,009.98 |
| 2014 | 626 | 563 | \$ 14,959,243.65 |
| 2015 | 736 | 692 | \$ 10,731,174.12 |
| 2016 | 776 | 418 | \$ 6,976,025.39 |
| Totals | 41306 | 35534 | \$ 258,054,053.55 |

RAILROAD COMMISSION OF TEXAS
Oil Field Cleanup
Fiscal Year Summary for Pollution Abatements
07/31/2016

Run Date: August 02, 2016

| Fiscal Year | PAs Approved | PAs Completed | PAs Cost |
|--------------------|---------------------|----------------------|------------------------|
| 1984 | | | |
| 1985 | 21 | 14 | \$ 3,563.32 |
| 1986 | 22 | 25 | \$ 34,817.01 |
| 1987 | 42 | 31 | \$ 25,702.15 |
| 1988 | 46 | 37 | \$ 17,519.39 |
| 1989 | 95 | 72 | \$ 23,521.25 |
| 1990 | 78 | 65 | \$ 28,222.43 |
| 1991 | 146 | 124 | \$ 72,631.81 |
| 1992 | 129 | 127 | \$ 71,268.54 |
| 1993 | 160 | 124 | \$ 46,586.49 |
| 1994 | 97 | 84 | \$ 43,771.43 |
| 1995 | 86 | 68 | \$ 29,567.34 |
| 1996 | 124 | 100 | \$ 47,895.29 |
| 1997 | 137 | 73 | \$ 38,268.97 |
| 1998 | 174 | 148 | \$ 92,235.78 |
| 1999 | 136 | 157 | \$ 70,854.70 |
| 2000 | 151 | 79 | \$ 359,441.08 |
| 2001 | 115 | 61 | \$ 116,091.54 |
| 2002 | 125 | 85 | \$ 146,095.87 |
| 2003 | 117 | 223 | \$ 161,975.21 |
| 2004 | 125 | 170 | \$ 135,450.45 |
| 2005 | 93 | 121 | \$ 415,879.04 |
| 2006 | 135 | 75 | \$ 72,209.86 |
| 2007 | 83 | 54 | \$ 546,481.92 |
| 2008 | 140 | 123 | \$ 224,762.50 |
| 2009 | 92 | 58 | \$ 147,553.92 |
| 2010 | 103 | 167 | \$ 234,020.62 |
| 2011 | 62 | 59 | \$ 119,330.15 |
| 2012 | 53 | 43 | \$ 456,770.84 |
| 2013 | 56 | 56 | \$ 405,929.13 |
| 2014 | 47 | 42 | \$ 150,412.10 |
| 2015 | 54 | 82 | \$ 227,302.24 |
| 2016 | 41 | 36 | \$ 78,283.09 |
| Totals | 3085 | 2783 | \$ 4,644,415.46 |

Oil and Gas Division
 Field Operations Section
 State-Funded Plugging
 Contracts Exceeding \$100,000
 Original Encumbered Amount Exceeded by 10% or More
 July 2016, FY 16

| District | Requisition # | Contractor | Original Encumbrance | Current Encumbrance | \$ Increase | % Increase | Remarks |
|----------|---------------|--------------------------------|------------------------------|------------------------------|-----------------------------|------------------|---|
| 1/2 | 455-15-0703 | Seeker | \$196,415.00 | \$286,415.00 | \$90,000.00 | 45.82% | Added Ten (10) wells to contract. |
| | 455-16-0647 | Newman Operating Company | \$134,125.00 | \$254,125.00 | \$120,000.00 | 89.47% | Increase contract value, downhole problems |
| | 455-16-0144 | Newman Operating Company | \$284,345.00 | \$330,000.00 | \$456,550.00 | 16.06% | Increase contract value, downhole problems |
| | 455-16-0646 | Newman Operating Company | \$163,820.00 | \$219,820.00 | \$56,000.00 | 34.18% | Increase contract value, downhole problems |
| 3 | 455-15-0878 | ALD Services | \$83,116.00 | \$231,616.00 | \$148,500.00 | 178.67% | Added three (3) wells, downhole problems on two (2). |
| | 455-16-0228 | Delta Seaboard | \$172,842.00 | \$196,842.00 | \$24,000.00 | 13.89% | Add One (1) leaking well |
| | 455- | | | | \$0.00 | | |
| | 455- | | | | \$0.00 | | |
| 4 | 455-15-0951 | Newman Operating Company | \$224,875.00 | \$580,973.39 | \$356,098.39 | 158.35% | Add thirteen wells, poor WH conditions and downhole problems. |
| | 455-15-1094 | Newman Operating Company | \$150,585.00 | \$225,000.00 | \$74,415.00 | 49.42% | Emergency Plugging Operations. |
| | 455- | | | | \$0.00 | | |
| | 455- | | | | \$0.00 | | |
| 5/6 | 455- | | | | \$0.00 | | |
| | 455- | | | | \$0.00 | | |
| | 455- | | | | \$0.00 | | |
| | 455-16-0907 | Signal Well Service Dockery | \$275,780.00 \$143,840.00 | \$425,780.00 \$163,840.00 | \$150,000.00 \$20,000.00 | 54.39% 13.90% | Poor WH conditions and downhole problems. Add leaking well to contract |
| | 455- | | | | \$0.00 | | |
| 7B | 455-15-0882 | Quail Well Service, Inc. | \$309,645.00 | \$460,000.00 | \$150,355.00 | 48.56% | Poor WH conditions and downhole problems. |
| | 455-15-0914 | Quail Well Service, Inc. | \$277,240.00 | \$337,240.00 | \$60,000.00 | 21.64% | Poor WH conditions and downhole problems. |
| | 455-16-0471 | Quail Well Service, Inc. | \$111,490.00 | \$131,490.00 | \$20,000.00 | 17.94% | Poor WH conditions and downhole problems. |
| | 455-16-0357 | 2 W Petroleum | \$138,069.01 | \$153,069.01 | \$15,000.00 | 10.86% | Poor WH conditions and downhole problems. |
| 7C | 455-16-0771 | Quail Well Service, Inc. | \$166,620.00 | \$216,620.00 | \$50,000.00 | 30.01% | Add four (4) wells to contract. |
| | 455- | | | | \$0.00 | | |
| | 455- | | | | \$0.00 | | |
| 8/8A | 455-16-0117 | Basic Energy Services, LP | \$247,035.00 | \$297,035.00 | \$50,000.00 | 20.24% | Poor WH conditions and downhole problems. |
| | 455-16-0116 | Maverick Well Pluggers | \$311,258.10 | \$352,258.10 | \$41,000.00 | 13.17% | Add one leaking wells to existing contract |
| | 455- | | | | \$0.00 | | |
| 9 | 455- | | | | \$0.00 | | |
| | 455- | | | | \$0.00 | | |
| 10 | 455- | | | | \$0.00 | | |
| | 455- | | | | \$0.00 | | |