

# RAILROAD COMMISSION OF TEXAS

CHRISTI CRADDICK, *CHAIRMAN*  
RYAN SITTON, *COMMISSIONER*  
WAYNE CHRISTIAN, *COMMISSIONER*

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

## MEMORANDUM

January 10, 2017

**MEMORANDUM TO:** Chairman Christi Craddick  
Commissioner Ryan Sitton  
Commissioner Wayne Christian

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

**SUBJECT:** Field Operations Section  
Monthly Report of State-funded Well Plugging Activities  
December 2016, FY 2017

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  
December 2016

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

|                          |       |
|--------------------------|-------|
| December                 | 0.30% |
| Fiscal Year-to-date      | 0.99% |
| Performance Measure Goal | 6 %   |

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

|                          |     |
|--------------------------|-----|
| December                 | 26  |
| Fiscal Year-to-date      | 86  |
| Performance Measure Goal | 875 |

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

|                          |           |
|--------------------------|-----------|
| December                 | 55,246    |
| Fiscal Year-to-date      | 215,298   |
| Performance Measure Goal | 1,671,250 |

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

|                          |                          |
|--------------------------|--------------------------|
|                          | From Contract Award Date |
| December                 | 74                       |
| Fiscal Year-to-date      | 53                       |
| Performance Measure Goal | 75                       |

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

|                          |     |
|--------------------------|-----|
| December                 | 71  |
| Fiscal Year-to-date      | 212 |
| Performance Measure Goal | 800 |

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

|                          |                |
|--------------------------|----------------|
|                          | Orphaned wells |
| December                 | 8,665          |
| Performance Measure Goal | 9,000          |

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

|                          |       |
|--------------------------|-------|
| December                 | 580   |
| Fiscal Year-to-date      | 2,474 |
| Performance Measure Goal | 5,200 |

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

|                          |     |
|--------------------------|-----|
| December                 | 47% |
| Performance Measure Goal | 42% |

Explanatory measure: Numbered shut-in/inactive wells.

|                          |         |
|--------------------------|---------|
| December                 | 128,068 |
| Performance Measure Goal | 110,000 |

**RAILROAD COMMISSION OF TEXAS**  
**Oil Field Cleanup**

**Monthly State-Funded Plugging, Pollution Abatement and Salvage Activities**  
**Commissioners Report**  
**12/01/2016 to 12/31/2016**

**State-Funded Plugging Activities**

|  |                  |
|--|------------------|
| Number of wells approved for plugging this month | 71               |
| Estimated cost of approvals                      | \$ 1,079,500.00  |
| Number of wells approved for this fiscal year    | 212              |
| Number of approved wells remaining to plug       | 1270             |
| Estimated cost to plug remaining approvals       | \$ 28,227,796.09 |
| Number of pluggings completed this month         | 26               |
| Total cost to plug wells completed this month    | \$ 234,596.50    |
| Number of pluggings completed this fiscal year   | 86               |
| Cost of pluggings completed this fiscal year     | \$ 1,258,560.53  |

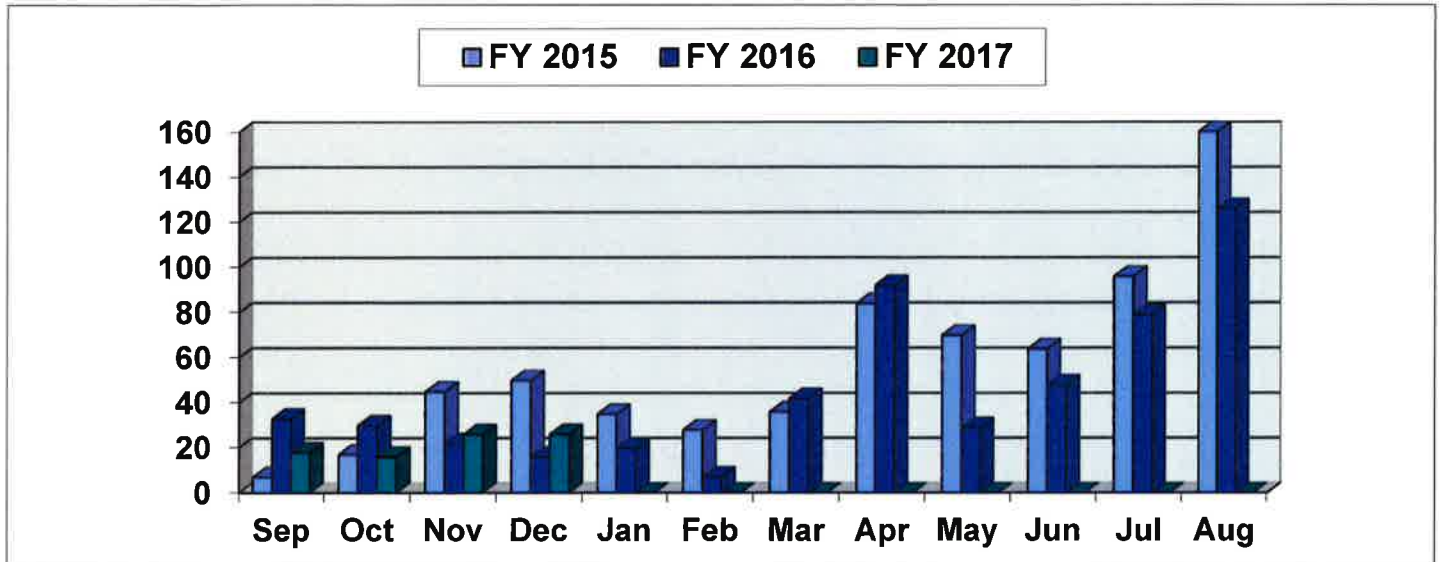
**Pollution Abatement Activities**

|  |               |
|--|---------------|
| Number of pollution abatements approved this month           | 2             |
| Estimated cost of approvals                                  | \$ 10,000.00  |
| Number of pollution abatements approved for this fiscal year | 19            |
| Number of pollution abatements remaining                     | 53            |
| Estimated cost to pollution abatements remaining             | \$ 153,280.00 |
| Number of pollution abatements completed this month          | 2             |
| Total cost of pollution abatements completed this month      | \$ 8,751.70   |
| Number of pollution abatements completed this fiscal year    | 10            |
| Cost of pollution abatements completed this fiscal year      | \$ 196,249.06 |

**Salvage Activities**

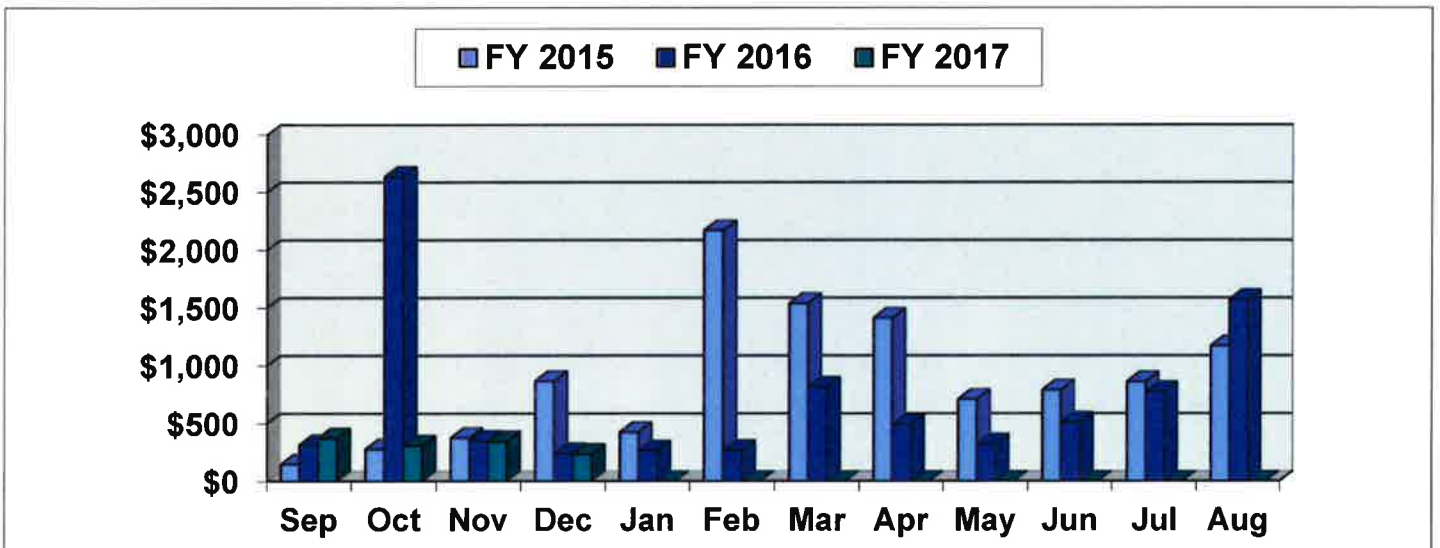
|   |              |
|---|--------------|
| Number of salvage activities completed this month       | 0            |
| Total proceeds received this month                      | \$ 0.00      |
| Number of salvage activities completed this fiscal year | 47           |
| Total proceeds received this year                       | \$ 59,421.28 |

## State-funded Well Plugging Program Monthly Wells Plugged December 2016



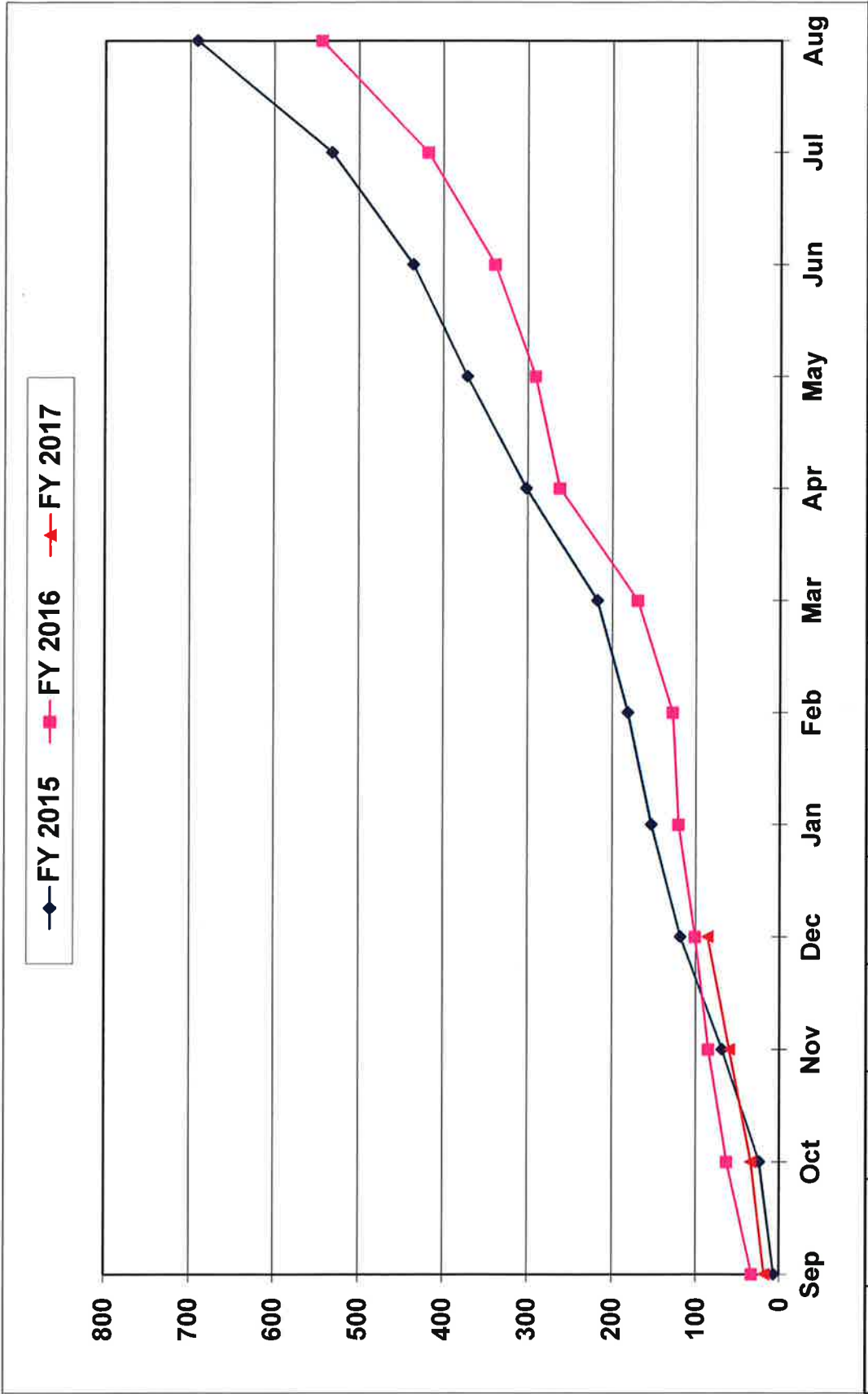
|         | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Tot |
|---------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| FY 2015 | 7   | 17  | 45  | 50  | 35  | 28  | 36  | 84  | 70  | 64  | 96  | 160 | 692 |
| FY 2016 | 33  | 30  | 22  | 16  | 20  | 7   | 42  | 92  | 29  | 48  | 79  | 126 | 544 |
| FY 2017 | 18  | 16  | 26  | 26  | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 86  |

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



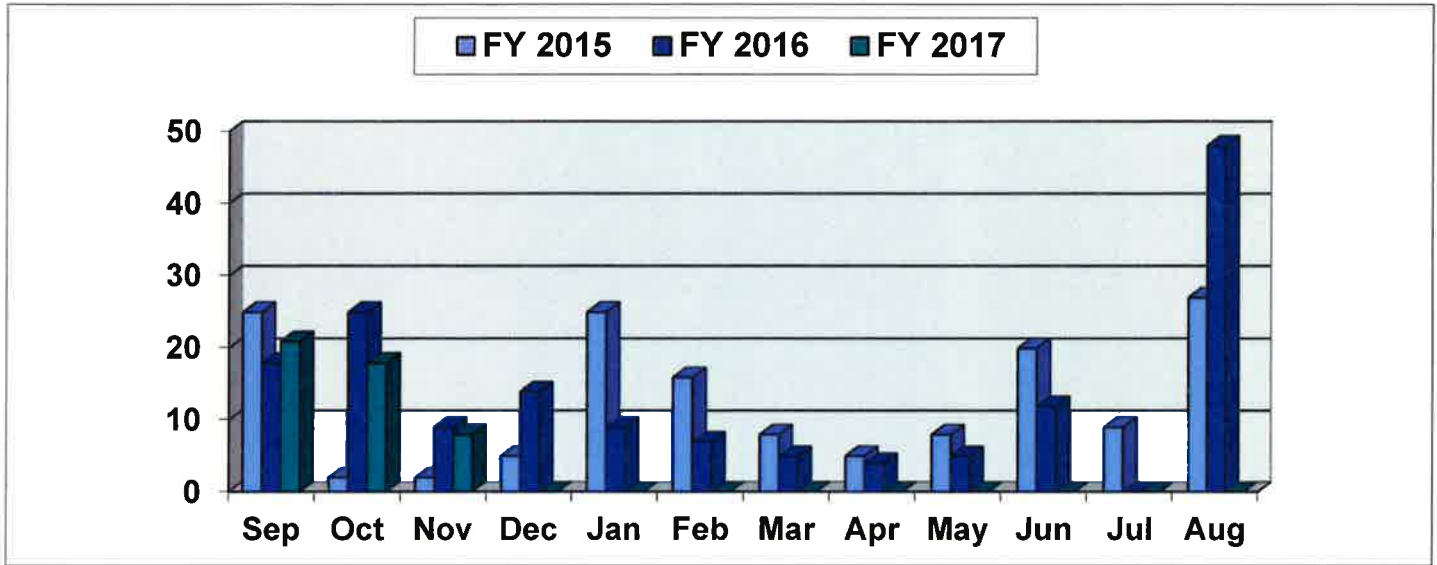
| \$M     | Sep   | Oct     | Nov   | Dec   | Jan   | Feb     | Mar     | Apr     | May   | Jun   | Jul   | Aug     | Tot      |
|---------|-------|---------|-------|-------|-------|---------|---------|---------|-------|-------|-------|---------|----------|
| FY 2015 | \$146 | \$277   | \$374 | \$866 | \$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 | \$1,571 | \$8,546  |
| FY 2017 | \$372 | \$308   | \$344 | \$235 | \$0   | \$0     | \$0     | \$0     | \$0   | \$0   | \$0   | \$0     | \$1,259  |

# State-funded Well Plugging Program Cumulative Wells Plugged December 2016



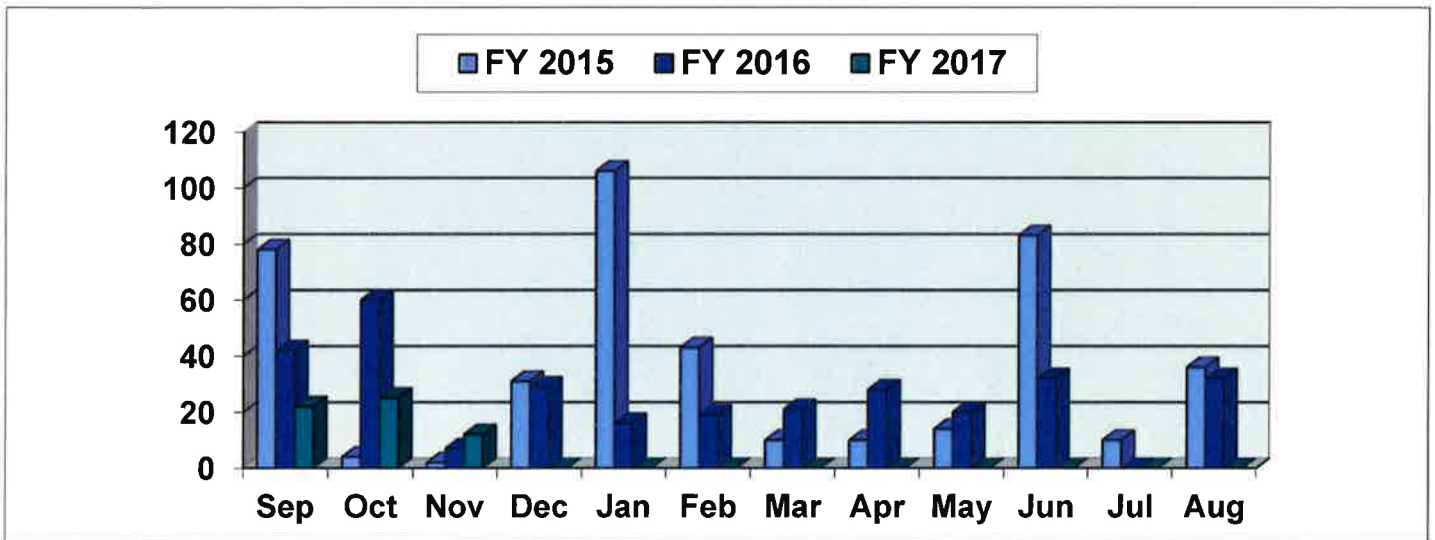
|         | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
|---------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| FY 2015 | 7   | 24  | 69  | 119 | 154 | 182 | 218 | 302 | 372 | 436 | 532 | 692 |
| FY 2016 | 33  | 63  | 85  | 101 | 121 | 128 | 170 | 262 | 291 | 339 | 418 | 544 |
| FY 2017 | 18  | 34  | 60  | 86  |     |     |     |     |     |     |     |     |

## State-funded Well Plugging Program Monthly Salvage Operations December 2016



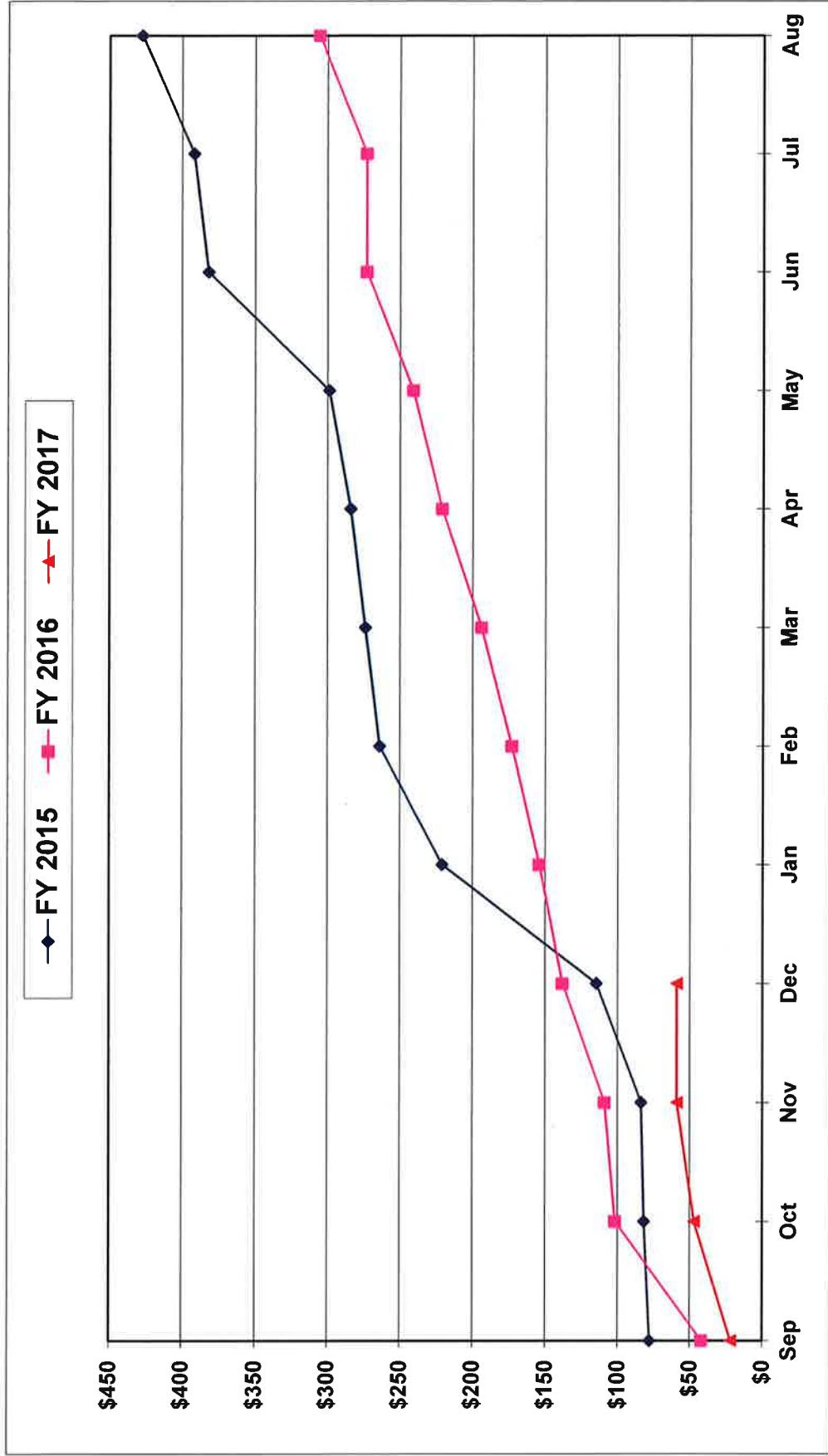
|         | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Tot |
|---------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| FY 2015 | 25  | 2   | 2   | 5   | 25  | 16  | 8   | 5   | 8   | 20  | 9   | 27  | 152 |
| FY 2016 | 18  | 25  | 9   | 14  | 9   | 7   | 5   | 4   | 5   | 12  | 0   | 48  | 156 |
| FY 2017 | 21  | 18  | 8   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 47  |

## State-funded Well Plugging Program Monthly Salvage Proceeds December 2016



| \$M     | Sep  | Oct  | Nov  | Dec  | Jan   | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  | Tot   |
|---------|------|------|------|------|-------|------|------|------|------|------|------|------|-------|
| 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  | \$32 | \$306 |
| FY 2017 | \$22 | \$25 | \$12 | \$0  | \$0   | \$0  | \$0  | \$0  | \$0  | \$0  | \$0  | \$0  | \$59  |

# State-funded Well Plugging Program Cumulative Salvage Proceeds December 2016



| \$M     | Sep  | Oct   | Nov   | Dec   | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   |
|---------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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 | \$306 |
| FY 2017 | \$22 | \$47  | \$59  | \$59  |       |       |       |       |       |       |       |       |

**RAILROAD COMMISSION OF TEXAS**  
**Oil Field Cleanup**  
**Fiscal Year State-funded Plugging Summary**  
**12/31/2016**

Run Date: January 05, 2017

| <b>Fiscal Year</b> | <b>Pluggings Approved</b> | <b>Pluggings Completed</b> | <b>Plugging Cost</b>     |
|--------------------|---------------------------|----------------------------|--------------------------|
| 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               | 840                       | 778                        | \$ 20,893,009.98         |
| 2014               | 626                       | 563                        | \$ 14,959,243.65         |
| 2015               | 736                       | 692                        | \$ 10,731,174.12         |
| 2016               | 811                       | 544                        | \$ 8,546,936.52          |
| 2017               | 212                       | 86                         | \$ 1,258,560.53          |
| <b>Totals</b>      | <b>41552</b>              | <b>35746</b>               | <b>\$ 260,883,525.21</b> |



**RAILROAD COMMISSION OF TEXAS**  
**Oil Field Cleanup**  
**Fiscal Year Summary for Pollution Abatements**  
**12/31/2016**

Run Date: January 05, 2017

| <b>Fiscal Year</b> | <b>PAs Approved</b> | <b>PAs Completed</b> | <b>PAs Cost</b>        |
|--------------------|---------------------|----------------------|------------------------|
| 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               | 54                  | 43                   | \$ 456,770.84          |
| 2013               | 56                  | 57                   | \$ 407,575.65          |
| 2014               | 47                  | 42                   | \$ 150,412.10          |
| 2015               | 54                  | 82                   | \$ 227,302.24          |
| 2016               | 43                  | 39                   | \$ 82,313.69           |
| 2017               | 18                  | 10                   | \$ 196,249.06          |
| <b>Totals</b>      | <b>3106</b>         | <b>2797</b>          | <b>\$ 4,846,341.64</b> |

Oil and Gas Division  
 Field Operations Section  
 State-Funded Plugging  
 Contracts Exceeding \$100,000  
 Original Encumbered Amount Exceeded by 10% or More  
 December 2016, FY 17

| District | Requisition # | Contractor               | Original Encumbrance | Current Encumbrance | \$ Increase  | % Increase | Remarks  |
|----------|---------------|--------------------------|----------------------|---------------------|--------------|------------|--|
| 1/2      | 455-16-0908   | Newman Operating Company | \$112,340.00         | \$234,340.00        | \$346,680.00 | 108.60%    | Add ten (10) wells to existing contract.                   |
|          | 455-          |                          |                      |                     | \$0.00       | #DIV/0!    |  |
| 3        | 455-16-0163   | Delta Seaboard           | \$228,522.00         | \$456,522.00        | \$228,000.00 | 99.77%     | Add ten (10) wells to existing contract.                   |
|          | 455-          |                          |                      |                     | \$0.00       | #DIV/0!    |  |
| 4        | 455-16-1004   | Newman Operating Company | \$200,885.00         | \$544,000.00        | \$145,850.00 | 170.80%    | Add nineteen (19) wells to existing contract.              |
|          | 455-          |                          |                      |                     | \$0.00       | #DIV/0!    |  |
| 5/6      | 455-16-0906   | Topcat Well Service      | \$108,896.00         | \$428,096.00        | \$319,200.00 | 293.12%    | Add eleven (11) wells to existing contract.                |
|          | 455-16-0050   | Topcat Well Service      | \$198,398.00         | \$278,398.00        | \$48,000.00  | 40.32%     | Increase contract value to, downhole problems encountered. |
| 7B       | 455-          |                          |                      |                     | \$0.00       | #DIV/0!    |  |
|          | 455-          |                          |                      |                     |              | #DIV/0!    |  |
| 7C       | 455-16-0771   | Quail Well Service, Inc. | \$216,620.00         | \$287,620.00        | \$71,000.00  | 32.78%     | Add four (4) wells to contract.                            |
|          | 455-          |                          |                      |                     | \$0.00       |            |  |
| 8/8A     | 455-          |                          |                      |                     | \$0.00       |            |  |
|          | 455-          |                          |                      |                     | \$0.00       | #DIV/0!    |  |
| 9        | 455-17-0289   | SPH Development          | \$71,225.00          | \$288,225.00        | \$217,000.00 | 304.67%    | Add thirty-three wells to existing contract.               |
|          | 455-          |                          |                      |                     | \$0.00       |            |  |
| 10       | 455-          |                          |                      |                     | \$0.00       |            |  |
|          | 455-          |                          |                      |                     | \$0.00       |            |  |