

RAILROAD COMMISSION OF TEXAS



Oil Field Cleanup Program Annual Report

FISCAL YEAR 2018

RYAN SITTON
Commissioner

CHRISTI CRADDICK
Chairman

WAYNE CHRISTIAN
Commissioner





RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

January 23, 2019

Dear Members of the 86th Legislature:

The Railroad Commission of Texas is pleased to present its *FY 2018 Annual Report on the Oil Field Cleanup Program* for your review. This report describes the Commission's progress toward plugging and remediating abandoned well sites across Texas. State statute requires that the Commission submit this report to the Legislature on an annual basis.

The Railroad Commission formally adopted this report in an open meeting held on January 23, 2019.

The Railroad Commission remains committed to the success of the Oil Field Cleanup Program and to the protection of the state's land and water resources through activities funded by the Oil and Gas Regulation and Cleanup Fund. This report is posted on the Commission's website; however, should you have any questions about the material presented, please contact Jeremy Mazur, Director of Government Relations, at (512) 463-7086, or Cynthia Meyer, Government Relations, at (512) 463-6714. Thank you for the opportunity to share detail about the Railroad Commission's oil field clean-up activities and your continued interest in the Commission.

Sincerely,

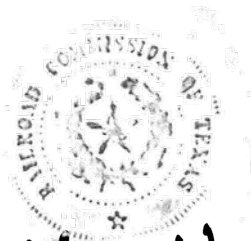
Handwritten signature of Christi Craddick in black ink.

Christi Craddick
Chairman

Handwritten signature of Ryan Sitton in black ink.

Ryan Sitton
Commissioner

Attest:



Handwritten signature of Kathy Way in black ink.

Secretary

Handwritten signature of Wayne Christian in black ink.

Wayne Christian
Commissioner

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EXECUTIVE SUMMARY

The Railroad Commission (RRC) is deeply committed to protecting the environment and natural resources of this state. One of the most important ways the RRC achieves this is through the restoration of land used in energy production to a safe, productive condition. Although most oil and gas wells that are no longer productive are plugged by responsible operators, the RRC administers Texas' Oil Field Cleanup Program to plug abandoned wells. First established in 1984, RRC's Oil Field Cleanup Program has plugged over 35,000 abandoned wells across Texas.

Section 81.069, Natural Resources Code, requires that the Railroad Commission submit to the Legislature and make available to the public this report reviewing the activities of Oil and Gas Regulation Cleanup Fund (OGRC). The OGRC funds the plugging and remediation activities of the Oil Field Cleanup Program. Key highlights within the Commission's FY 2018 report are as follows:

- In FY 2018 RRC exceeded each of its performance goals relating to well plugging and site remediation. The agency achieved 139% of its target performance for well plugging, 121% of its target for abandoned site investigation and clean up, and 108% of its target for surface location remediation.
- As of August 2018, there were 6,285 abandoned, orphaned wells in Texas.
- Between September 2017 and August 2018, RRC's Oil Field Cleanup Program physically plugged 1,440 abandoned wells. This represents an increase in the number of wells plugged when compared to previous fiscal years.
- RRC's well plugging expenditures totaled \$23.4 million for fiscal year 2018.
- The number of inactive wells not in compliance with RRC rules has decreased over the past 15 years. In fiscal year 2003, there were 24,202 non-compliant wells. By August 2018 that number was reduced to 13,710 wells.
- During fiscal year 2018 RRC identified 2,159 abandoned oilfield sites as candidates for state-managed remediation. RRC conducted 228 cleanup activities on those sites, including 23 emergency operations.

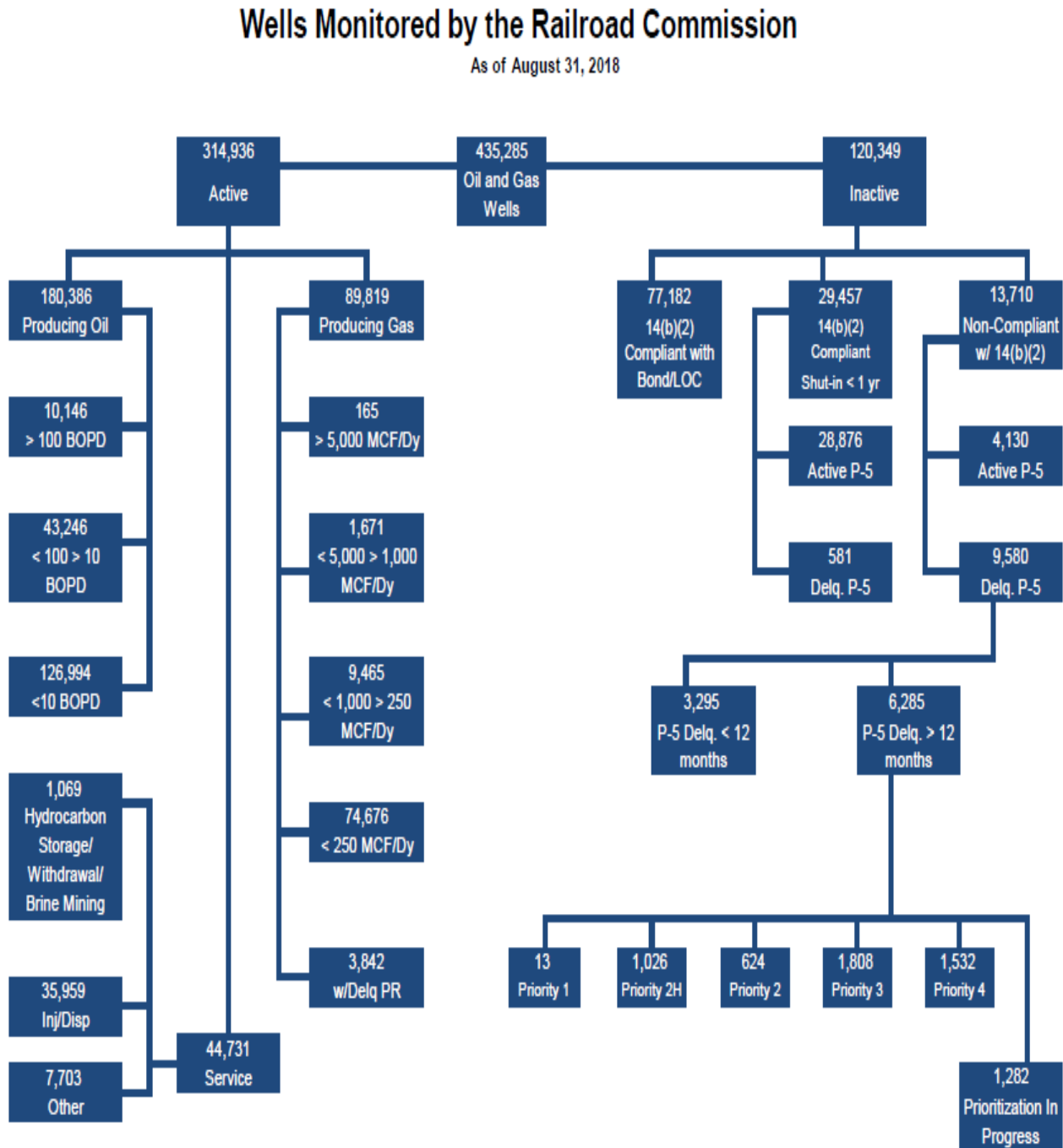
BACKGROUND

As of August 2018, the Commission tracked 435,285 wells. Inactive, shut-in oil and gas wells accounted for 27.6 percent of the total well population or 120,349 wells. Of those shut-in wells, 29,457 had been shut-in less than 12 months and were compliant with the Commission's plugging rule, 16 Texas Administrative Code §3.14(b)(2) [Statewide Rule 14(b)(2)] and 77,182 were inactive wells that were shut-in for more than 12 months, but belonged to operators that have an active Organization Report (Form P-5) on file with the Commission and have filed the required financial assurance, a bond or letter of credit, and qualified for a 14(b)(2) plugging extension. The remaining 13,710 wells were inactive wells that were in violation of the Commission's plugging rule, of which, 4,130 wells belonged to operators with an active Form P-5 on file with the Commission and 6,285 wells belonged to operators with a delinquent Form P-5. For purposes of this report, the Commission defines these 6,285 wells as orphaned wells.¹ Wells monitored by the Commission as of August 31, 2018, are shown in Figure 1.

The operators of record plug most of the compliant inactive wells and some of the non-compliant inactive wells as required by Commission rules and regulations. However, some currently compliant and many of the orphaned wells eventually require plugging by the Commission with OGRC funds and/or other state and federal funds.

¹ Beginning September 2016, the Commission modified the definition of "orphaned well" to mean those inactive wells in violation of 16 Texas Administrative Code §3.14(b)(2) [Statewide Rule 14(b)(2)] that had a delinquent P-5 for longer than 12 months.

Figure 1: Wells monitored by the Railroad Commission



The number of orphaned wells is a dynamic number that changes daily, as wells move into and out of compliance. The Commission attempts to capture this dynamic with a monthly count of the orphaned well population and depicts these changes during fiscal year 2018 in Table 2, while Table 3 depicts this dynamic on an annual basis beginning with fiscal year 2005 (September 1, 2004). Table 1 defines the categories in those tables that follow.

The data in Table 2 illustrate that the number of orphaned wells increased by 598 in fiscal year 2018, but decreased by 7,555 wells since September 2004 as noted in Table 3. Over this period the characteristics of the orphaned well population changed. A total of 1,612 wells (Plugged, Returned to Active Status, Operator Change, P-5 renewal, Other) were removed from the fiscal year 2018 beginning inventory, while 2,210 new wells were added to the population of orphaned wells throughout the fiscal year (Table 2). Since the beginning of fiscal year 2005, 23,820 orphaned wells were removed from the inventory, while 16,265 new orphaned wells were added to the inventory (Table 3). One of the Commission's regulatory goals is to eliminate the threat of pollution posed by orphaned unplugged wells and to minimize the number of orphaned wells requiring plugging with OGRC funds, or other state and federal funds. Figure 2 illustrates the decline in the orphaned well count through fiscal year 2010, and the gradual increase from 2010 to 2018.

Table 1: Definitions

Plugged	Plugged and abandoned
Returned to Active Status	Active producing or service well
Operator Change	P-4 Operator Change was filed and approved. An operator change will not be approved unless the new operator has sufficient bond amount on file to cover the new wells and has an active P-5.
P-5 Renewal	The operator of record renews their P-5.
Other Reasons	Supporting documentation filed to correct shut-in date, well activity, etc.
Originally a Delq P5 > 12 Months	The P-5 for the operator of these wells had originally been shown delinquent for more than 12 months but data now reflects the delinquent date is less than 12 months. (The last P-5 filed date was revised and is now delinquent less than 12 months.)
Originally Delq P5 < 12 Months	The P-5 for the operator of these wells had originally been shown delinquent for less than 12 months but data now reflects the delinquent date is greater than 12 months
Wells Added to Population	Wells not considered orphaned at the end of the previous month but are considered orphaned at the close of this month.

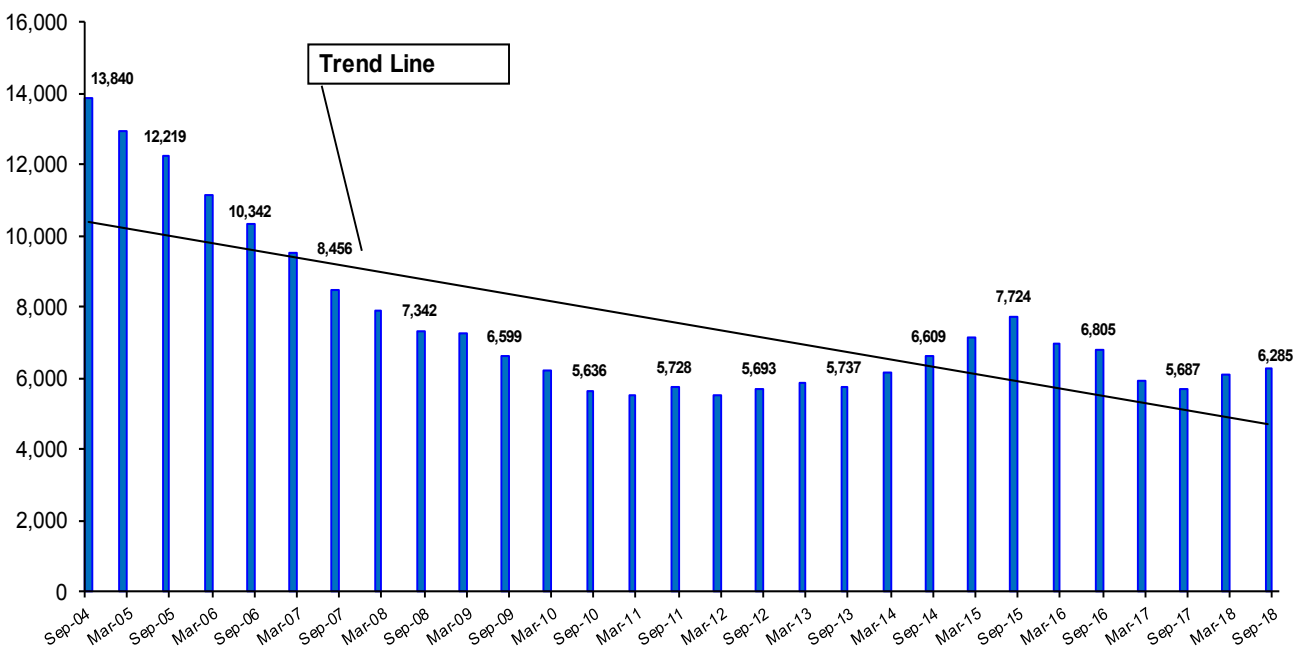
Table 2: Change to orphaned well population FY 18

Month of activity	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Totals
Beginning Population (from previous month)	5,687	5,712	5,736	5,797	6,079	6,226	6,115	6,195	6,169	6,560	6,494	6,375	5,687
Plugged	(59)	(67)	(106)	(82)	(10)	(171)	(176)	(102)	(104)	(127)	(131)	(119)	(1,254)
Returned to Active Status	(1)	(2)	0	(1)	0	0	0	0	0	0	0	(4)	(8)
Operator Change	(14)	(17)	(11)	(9)	(24)	(7)	(32)	(14)	(26)	(32)	(57)	(30)	(273)
P-5 Renewal	0	0	(3)	0	0	(19)	0	(41)	0	(7)	0	(7)	(77)
Other Reasons	0	0	0	0	0	0	0	0	0	0	0	0	0
Originally Delq P5 > 12 months	0	0	0	0	0	0	0	0	0	0	0	0	0
Originally Delq P5 < 12 months	99	108	152	348	178	70	268	123	477	89	12	63	1,987
Wells Added to Population	0	2	29	26	3	16	20	8	44	11	57	7	223
Ending Population	5,712	5,736	5,797	6,079	6,226	6,115	6,195	6,169	6,560	6,494	6,375	6,285	6,285

Table 3: Change to orphaned well population FY 05 – FY 18

Fiscal year	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Beginning Population (from previous FY)	13,840	12,219	10,342	8,456	7,342	6,599	5,636	5,728	5,693	5,737	6,609	7,724	6,805	5,687	13,840
Plugged	(1,650)	(1,755)	(1,487)	(1,085)	(1,278)	(1,139)	(317)	(878)	(197)	(200)	(287)	(1,957)	(2,417)	(1,254)	(15,901)
Returned to Active Status	(32)	(28)	(9)	(13)	(6)	(5)	(3)	(1)	(7)	(3)	(93)	(12)	(9)	(8)	(229)
Operator Change	(1,013)	(758)	(477)	(360)	(359)	(214)	(114)	(183)	(230)	(169)	(229)	(188)	(310)	(273)	(4,877)
P-5 Renewal	(107)	(143)	(128)	(33)	(42)	(84)	(56)	(395)	(59)	(8)	(43)	(162)	(101)	(77)	(1,438)
Other Reasons	(12)	(8)	(3)	(6)	(2)	(6)	(13)	0	(1)	0	(73)	(1)	(5)	0	(130)
Originally Delq P5 > 12 months	(10)	(1)	0	0	0	0	(1)	(14)	0	(1)	0	(1,213)	(5)	0	(1,245)
Originally Delq P5 < 12 months	1,022	682	112	318	902	443	501	1,030	494	1,177	1,715	2,472	1,601	1,987	14,456
Wells Added to Population	181	134	106	65	42	42	95	406	44	76	125	142	128	223	1,809
Ending Population	12,219	10,342	8,456	7,342	6,599	5,636	5,728	5,693	5,737	6,609	7,724	6,805	5,687	6,285	6,285

Figure 2: Orphaned well population September 2004–August 2018



OGRC Fund revenue is derived primarily from regulatory and permitting fees paid by the oil and gas industry; but significant revenue is also contributed from certain enforcement penalties, reimbursements, proceeds from the sale of equipment and hydrocarbons salvaged from well plugging and site remediation operations. Additionally, the Commission seeks other funding sources from state and federal agencies to supplement the activities of the Oil Field Cleanup Program. Although the OGRC Fund finances most of the Oil Field Cleanup Program activities, several site remediations documented in this report were funded with federal monies under Subtitle C of Brownfields Revitalization Act and Section 319 of the Clean Water Act Non-Point Source grant.

Oil Field Cleanup Program Data

The following information on the Oil Field Cleanup Program is reported annually as required by §81.069, Natural Resources Code.

1. Performance Goals for the Oil and Gas Regulation and Cleanup Fund.

Through the legislative appropriations request process, the Commission established performance goals for fiscal year 2019 as detailed in Table 4 .

Table 4: Fiscal Year 2018 Performance Goals

Measure	Performance Target	Actual Performance	Percent of Target Achieved
Number of orphaned wells to be plugged with state-managed funds	979	1,364	139.33%
Number of abandoned sites to be investigated, assessed, or cleaned up with state funds	188	228	121.28%
Number of surface locations to be remediated	2,000	2,159	107.95%

2. Number of Orphaned Wells Plugged with State-Managed Funds, by District:

In fiscal year 2018, the Commission plugged and closed files on 1,364 wells with OGRC and Economic Stabilization funds. The total number of wells plugged represents those wells that were physically plugged, invoiced by the plugging contractor, and approved for payment through August 31, 2018. A total of 1,440 wells were physically plugged during fiscal year 2018, of which as noted above 1,364 were invoiced and paid. Figure 3 illustrates the numbers of wells plugged by district during fiscal year 2018 and Figure 4 shows the number of wells plugged by fiscal year since the inception of the current Oil Field Cleanup Program, September 1, 1991.

During fiscal year 2018, the Commission's well plugging expenditures totaled \$23,393,101. The average cost per well was \$17,150, which was \$4,444 more than the fiscal year 2017 average cost per well of \$12,706.

The Commission has approximately 180 well servicing companies with a P-5 Organization Report identified as an "Approved Plugger" that are authorized to plug wells in Texas. However, due to the level of plugging activity in the oil and gas industry, competition for well plugging contractors severely limits the number of plugging contractors that bid on Commission contracts. During fiscal year 2018, the Commission awarded twenty-seven (27) contracts to twenty-one (21) well plugging contractors.

Figure 3: Wells plugged and paid FY 2018

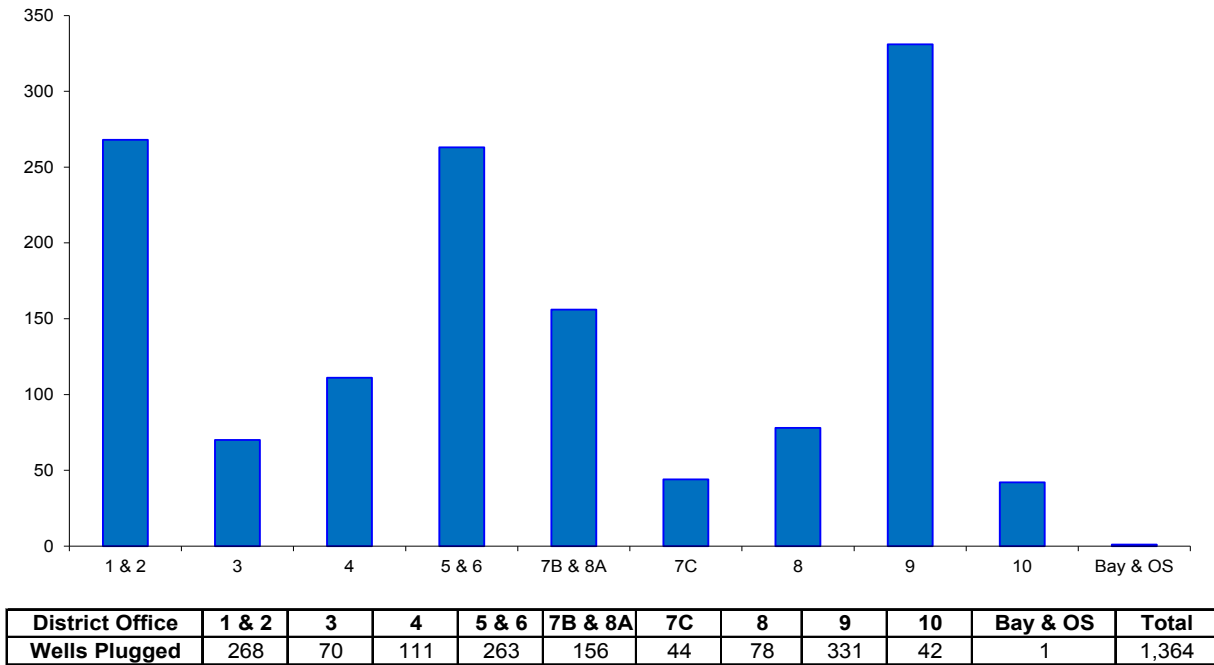
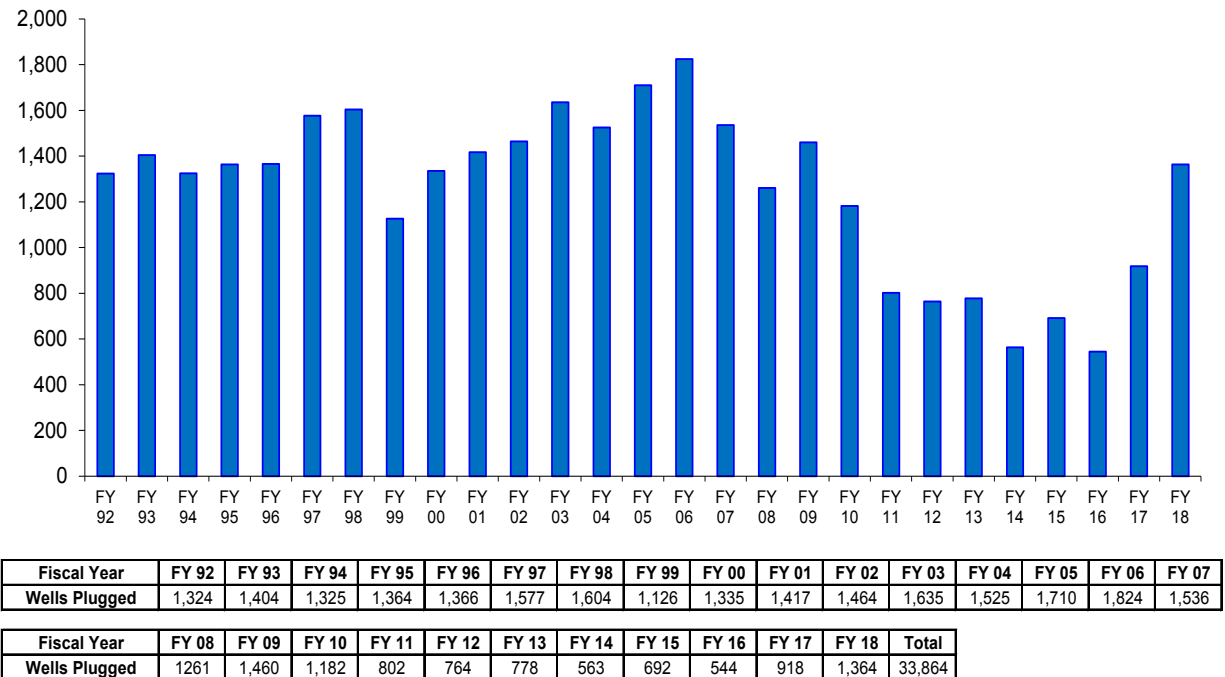


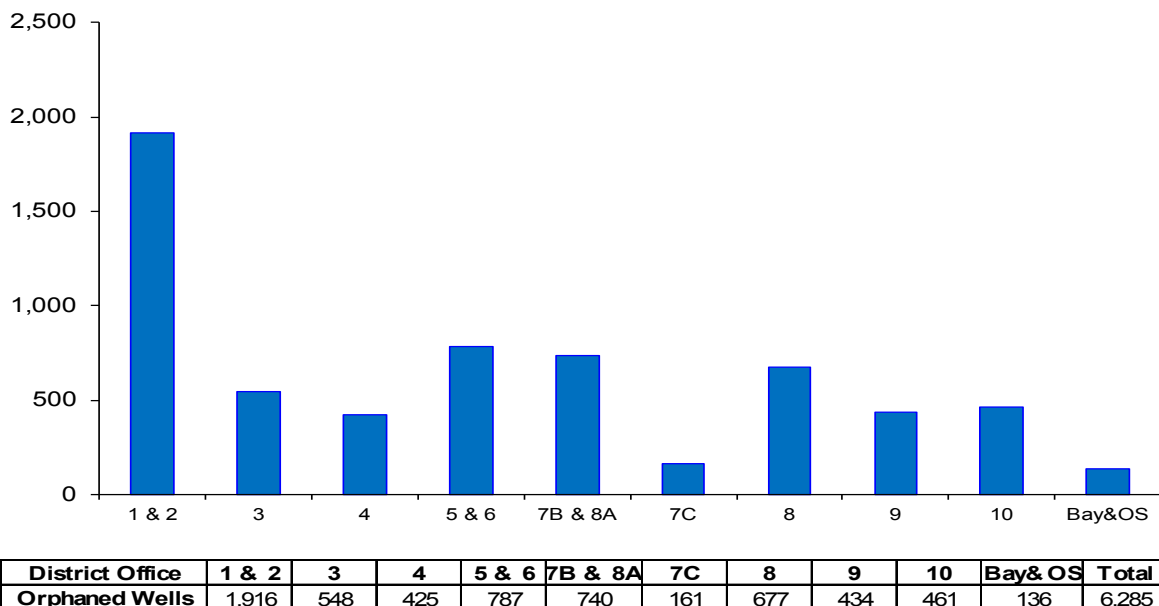
Figure 4: Wells plugged FY 92 – FY 18



3. Number of Wells Orphaned, by District:

As of August 2018, the number of abandoned, orphaned wells was 6,285. The Commission defines these wells as orphaned wells because they have been inactive for at least 12 months or more and the responsible operator's Organization Report has been delinquent for longer than twelve (12) months. The number of orphaned wells is a subset of the number of known inactive wells not currently in compliance with the Commission's plugging rule that is referenced in Section III of this report and illustrated in Figure 1. Figure 5, below, illustrates the number of orphaned wells by district at the end of August 2018.

Figure 5: Orphaned wells by district, FY 2018



In addition to the 6,285 orphaned wells, there are also an unknown number of old, unidentified wells in Texas, which have no records. As these wells are located, the Commission initiates plugging operations in accordance with the well plugging priority system, which is based on the threat the well poses to the environment and public safety. In fiscal year 2018, sixty-seven (67) previously unidentified abandoned wells were plugged with OGRC and Economic Stabilization funds, which accounted for 5 percent of all wells plugged and files closed by the Commission in fiscal year 2018.

4. Number of Inactive Wells Not Currently in Compliance with Commission Rules, by District:

The number of known inactive wells not in compliance with Commission rules as of August 2018 totals 13,710. The number represents wells that remain shut-in beyond the initial 12-month shut-in period authorized by Commission 16 Texas Administrative Code §3.14(b)(2) [Statewide Rule 14(b)(2)] and do not have a plugging extension, regardless of whether the operator's Organization Report is active or delinquent. Wells that are shut-in for less than 12 months are deemed compliant inactive wells. Wells may remain inactive beyond the initial 12-month period and are eligible for plugging extensions if the operator has the required financial assurance on file with the Commission, and the wells are in compliance with all Commission rules and regulations. Figure 6 shows the number of non-compliant wells by district at the end of August 2018. Figure 7 shows the number of non-compliant wells in August, at the end of each fiscal year since 1992. Like orphaned wells (subset of the inactive non-compliant wells), the number of inactive non-

compliant wells is a dynamic number that changes daily, as wells move into and out of compliance.

Figure 6: Non-compliant wells FY 2018

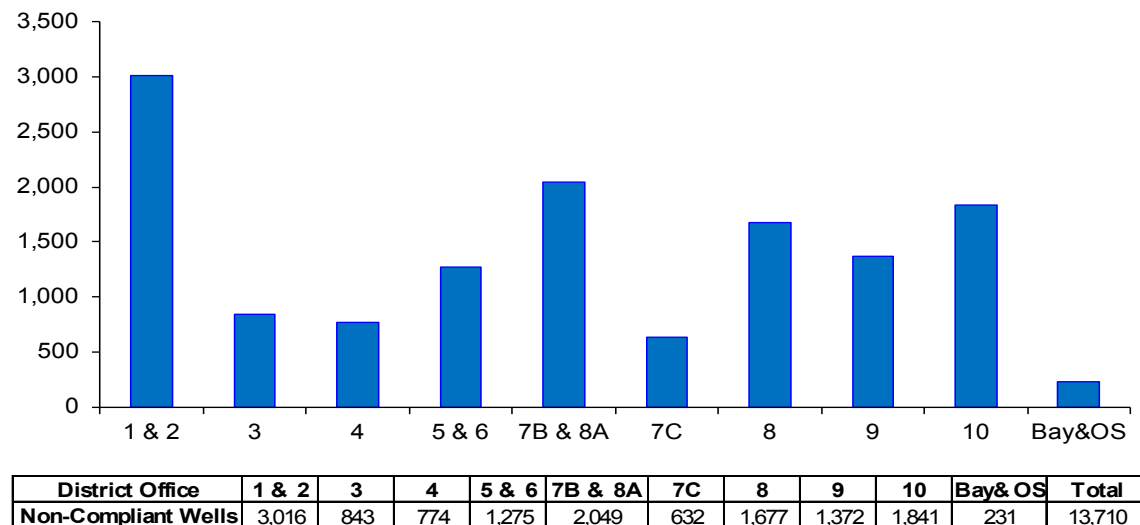
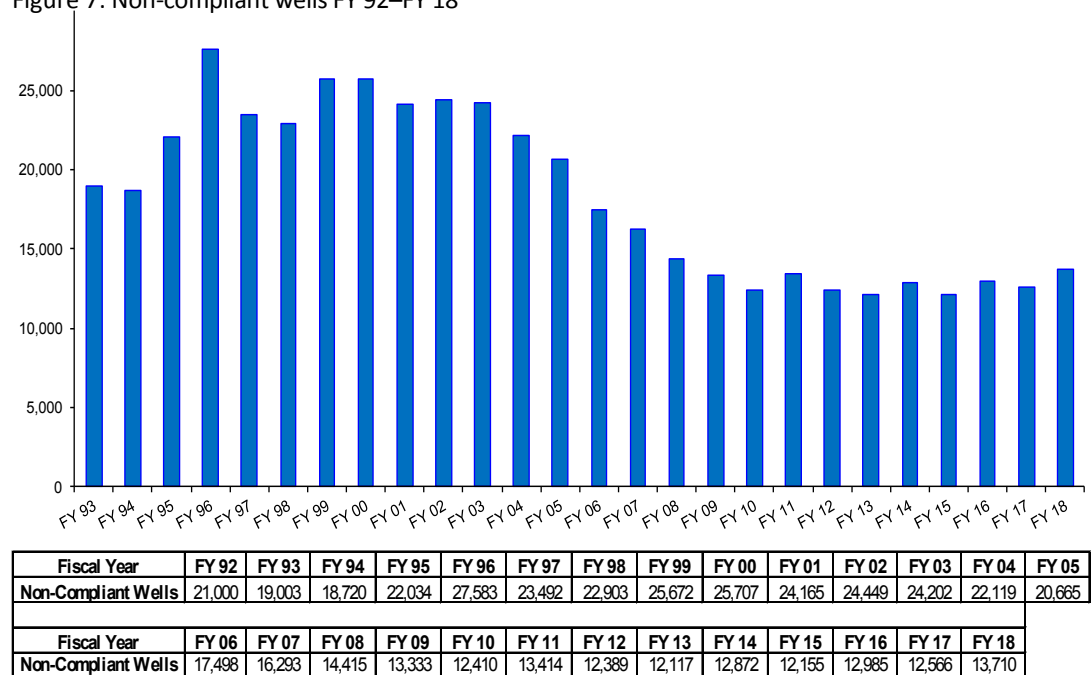


Figure 7: Non-compliant wells FY 92–FY 18

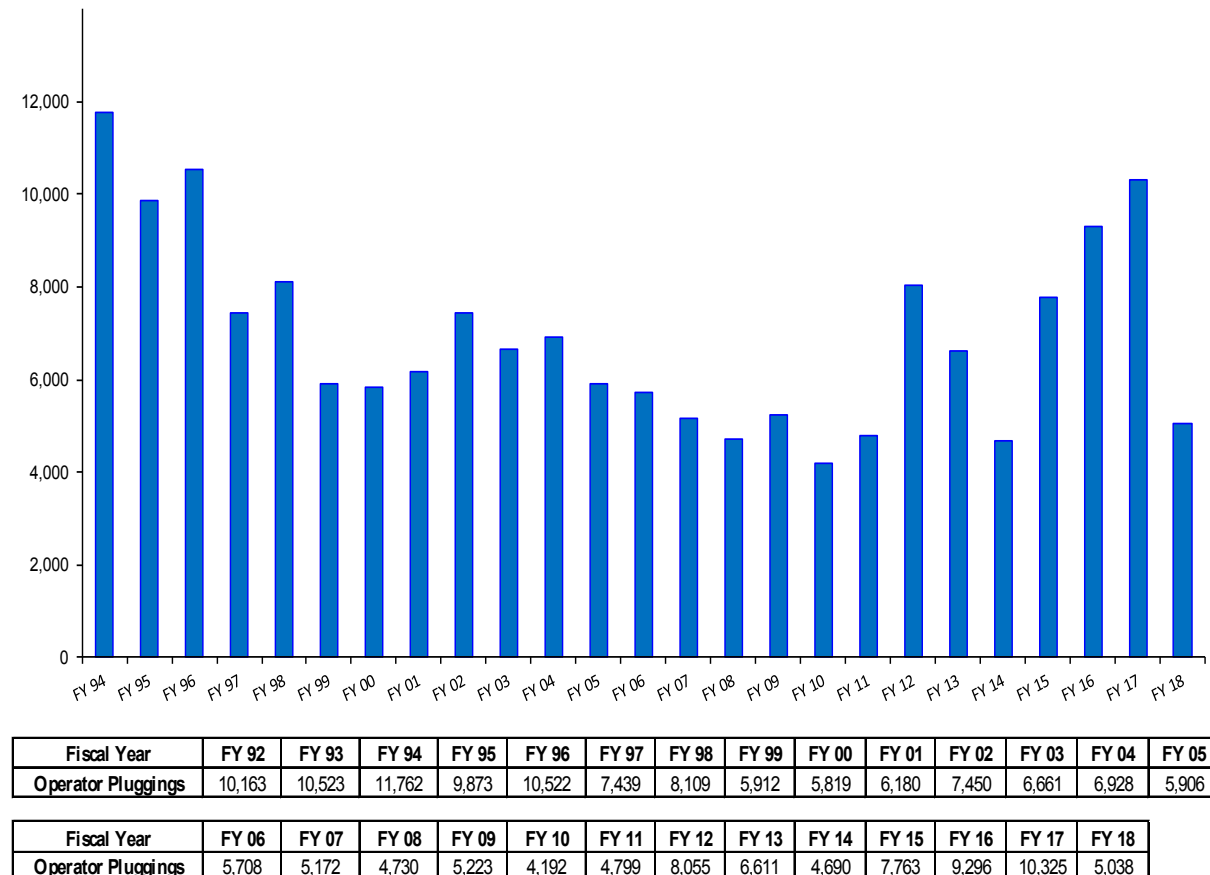


The operators of these wells are required by Commission rules to plug wells at their expense upon cessation of production but may be eligible for plugging extensions if they have the required financial assurance on file with the Commission and the wells are in compliance with all other rules and regulations. The operators may also be subject to enforcement action if violations are not corrected and the wells are not brought into compliance with Commission rules and regulations in a timely manner. If the Commission plugs these wells with monies from the OGRC Fund or from other state or federal funds,

the Office of the Attorney General may initiate legal action against the responsible operator for collection of the plugging costs and may assess civil penalties.

The Commission and industry have plugged between 4,000 and 12,000 wells per year since fiscal year 1992 (Figure 4 and Figure 8), with operators plugging the majority of all wells plugged each year. In fiscal year 2018, 5,038 wells (80 percent of all wells plugged) were plugged by the operators of record, without the use of OGRC funds. Figure 8 depicts the number of wells plugged by operators since fiscal year 1992.

Figure 8: Operator plugging FY 92–FY 18



The number of non-compliant wells has decreased over the last fifteen years (Figure 7). In fiscal year 2006, the number of known non-compliant inactive wells dropped below 18,000 for the first time since fiscal year 1994. Since a peak of 25,707 wells in fiscal year 2000, the number has declined to 13,710 in fiscal year 2018, a drop of 51 percent. It is important to note that the orphaned well count is a subset of the non-compliant well count.

The decrease in the number of non-compliant wells can be attributed to several factors including the following: (1) the provisions of SB 310 (72nd Legislature, 1991) required universal bonding for all oil and gas operators effective September 1, 2004; and (2) HB 2259 (81st Legislature, 2009), as amended by HB 3134 (82nd Legislature, 2011), established new requirements for surface cleanup operations and well plugging extensions related to an operator's inactive well inventory.

5. Status of Enforcement Proceedings, by District:

The following information represents wells, in violation of the Commission's plugging rule, which have been referred to the Office of General Counsel--Enforcement Section and/or the Office of the Attorney General (AG) and currently are in various stages of enforcement. Table 5 displays the information by district and Table 6 by fiscal year from fiscal year 2013 to fiscal year 2018.

Table 5: Enforcement proceedings by district

ENFORCEMENT PROCEEDINGS	1/2	3	4	5/6	7B/8A	7C	8	9	10	Total
STATUS										
1. Awaiting RRC review	3	2	8	12	69	0	2	37	10	143
2. Awaiting Hearing	51	1	7	0	6	0	2	99	10	176
3. Awaiting Final Order	35	27	9	18	40	3	16	54	20	222
4. Final Order Served/Awaiting AG referral	0	0	0	0	0	0	0	0	0	0
5. Wells Referred to AG	25	14	17	41	169	21	23	159	110	579
Total Wells Still in Violation	114	44	41	71	284	24	43	349	150	1120
TIME PERIOD										
6. In Enforcement < 2yrs	88	29	21	29	112	2	20	165	40	506
7. In Enforcement > 2yrs & < 5yrs	1	1	2	0	3	1	0	22	0	30
8. In Enforcement > 5yrs	0	0	1	1	0	0	0	3	0	5
Total Wells Still in Enforcement	89	30	24	30	115	3	20	190	40	541

Table 6: Enforcement proceeding by fiscal year

ENFORCEMENT PROCEEDINGS	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
STATUS						
1. Awaiting RRC review	600	335	554	234	268	143
2. Awaiting Hearing	461	647	235	734	175	176
3. Awaiting Final Order	166	155	348	186	424	222
4. Final Order Served/Awaiting AG referral	0	0	0	0	0	0
5. Wells Referred to AG	16	155	236	322	605	579
Total Wells Still in Violation	1,373	1,292	1,373	1,476	1,472	1,120
TIME PERIOD						
6. In Enforcement < 2yrs	915	812	767	916	352	506
7. In Enforcement > 2yrs & < 5yrs	286	259	285	199	509	30
8. In Enforcement > 5yrs	26	66	85	39	6	5
Total Wells Still in Enforcement	1,227	1,137	1,137	1,154	867	541
PENALTIES & REIMBURSEMENTS						
9. Administrative Penalties Assessed by RRC	\$1,287,699	\$2,364,805	\$3,250,243	\$3,190,119	\$5,047,149	\$6,138,500
TOTAL PENALTIES AND REIM. PAID TO RRC & AG	\$3,173,698	\$4,907,028	\$3,586,384	\$3,538,099	\$2,935,985	\$3,925,198

6. Number of Surface Locations Remediated, by District:

During the year, 2,159 abandoned oilfield sites were identified as candidates for state-managed remediation. Additional abandoned sites are identified each year through routine activities such as lease inspections, complaint investigations, state-managed plugging operations, or spill responses.

During fiscal year 2018, the Commission conducted 228 cleanup activities. This includes all remediation activities invoiced by contractors that were approved and processed by the Commission before August 31, 2018. State-managed remediation activities included the following:

- 173 routine remediation operations,
- 23 emergency operations,
- 30 site assessment investigations, and
- 2 pollution abatement activities

Figure 9 depicts these 228 activities by district for fiscal year 2018 and Figure 10 shows sites cleaned up, assessed, or investigated by fiscal year since the inception of the program in September 1991.

Figure 9: Remediation Activities FY 2018

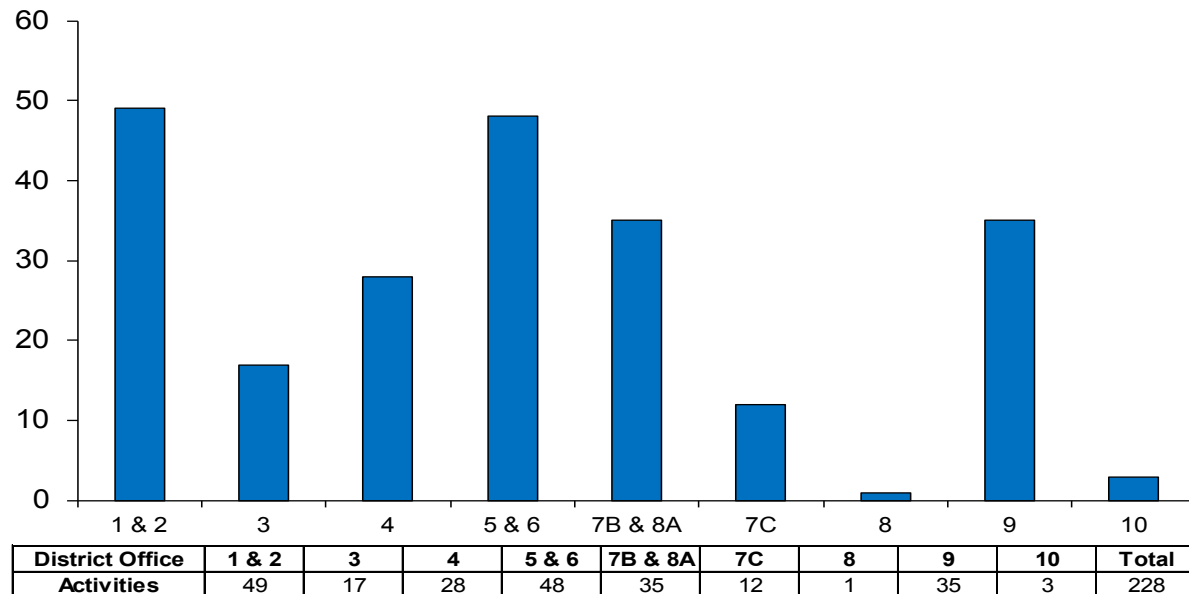
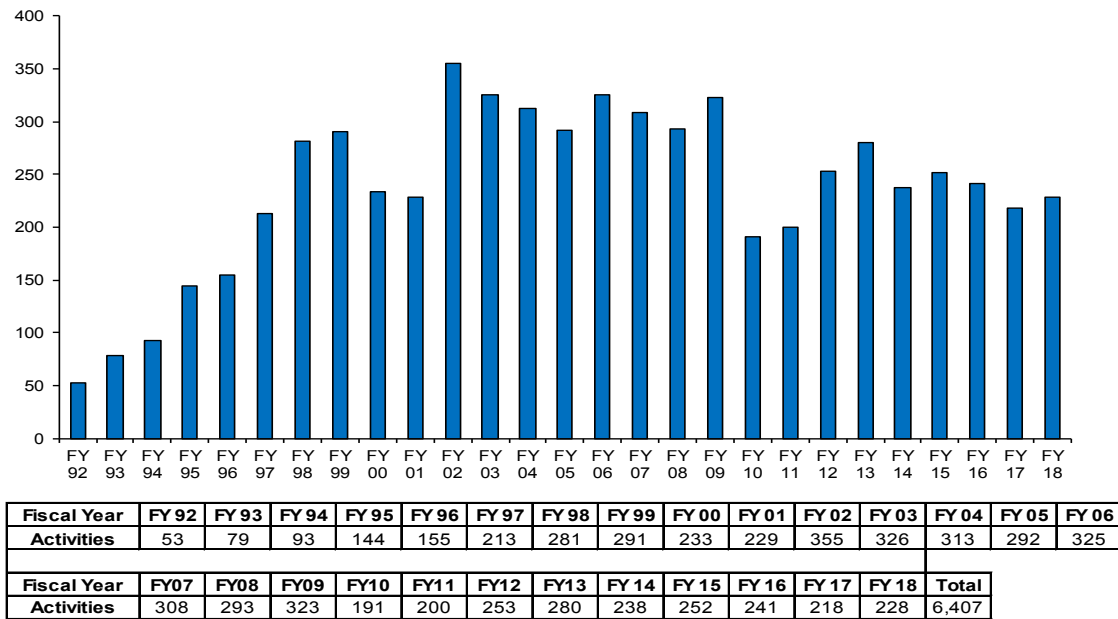


Figure 10: Remediation Activities FY 92–FY 17



Similarly, to the well plugging priority system, the abandoned oilfield sites are prioritized based on the present or potential future impact to the environment and public safety. With larger sites, the challenge is often determining if the source of pollution is natural or man-made, which potential operator is responsible, how to evaluate the site, and which remedial method is appropriate for the situation.

The Commission utilizes environmental engineering contracts to help address complex sites. In addition to producing detailed assessment reports, the environmental contractors develop alternative remedial recommendations and anticipated costs.

7. Oil and Gas Regulation and Cleanup Fund Expenditures for Oil Field Cleanup Activities:

Table 7: 2018 Oilfield Cleanup Report: Well Plugging and Site Remediation Expenditures*

Category	Expenditures	Encumbrances	Total
Salaries and Wages	4,342,096.14	-	4,342,096.14
Payroll-Related Benefits	1,325,445.52	-	1,325,445.52
Payroll-Related Benefits (Self)	65,824.01	-	65,824.01
Professional Fees	579,170.41	-	579,170.41
Motor Vehicles	202,276.42	-	202,276.42
Well Plugging / Site Remediation Contracts	27,351,817.02	270,482.08	27,622,299.10
Training	12,088.14	-	12,088.14
Travel	15,335.14	-	15,335.14
Other Operating	301,041.63	23,606.07	301,041.63
Postage	9,898.46	-	9,898.46
Capital	36,300.00	-	36,300.00
GRAND TOTAL	34,241,292.89	294,088.15	34,535,381.04

*All FY 2018 OGRC expenditures for Well Plugging and Site Remediation strategy excluding include indirect costs. Expenditure data current as of December 3, 2018.

- PRC and PRC Self are employee benefit costs for the agency.

- Includes expenditures for Site Remediation, architectural and other contracted services.

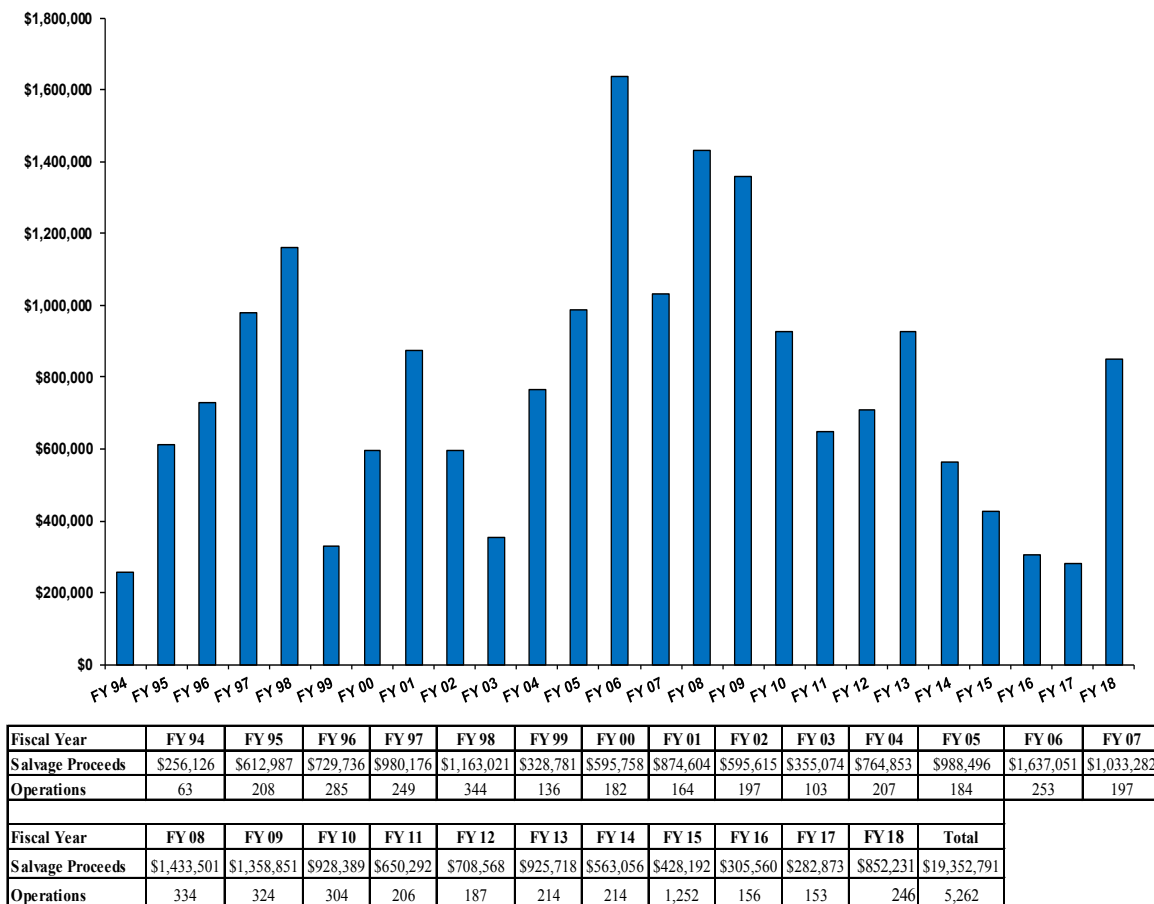
A. Revenue from Salvage Operations:

The Commission continues to benefit from the sale of salvageable equipment and hydrocarbons recovered from wells/leases plugged and sites remediated with OGRC funds. In fiscal year 2018, the Commission derived \$852,231 from the sale of salvageable equipment and hydrocarbons on 246 salvage operations and deposited these proceeds in the OGRC Fund. The record for the sale of salvage was set in fiscal year 2006 with proceeds of \$1,637,051.

HB 2705 (73rd Legislature, 1993), which became effective January 1, 1994, streamlined the requirements and facilitated the process by which the Commission is able to sell salvageable equipment and hydrocarbons from wells plugged or sites remediated with OGRC funds. While the bill eased the requirements to sell salvage, it continued to provide due process protection for interested or affected parties. Potential claimants of salvage proceeds have an indefinite period in which to file a claim against the OGRC Fund for the proceeds from the sale of salvageable equipment and/or hydrocarbons. Additionally, HB 2613 (78th Legislature, 2003) clearly established the Commission's ability to also sell stored hydrocarbons from abandoned sites remediated by the Commission.

Since the inception of the salvage program, the proceeds from the sale of salvageable equipment and hydrocarbons have totaled \$19,352,791 from 5,262 salvage operations. Figure 11 illustrates the salvage proceeds from the sale of equipment and hydrocarbons from fiscal year 1994 to the present.

Figure 11: Salvage Proceeds FY 94–FY 18



8. Orphaned Well Plugging Prioritization Methodology:

The Commission uses a priority methodology to rank wells for plugging to ensure that those wells posing the greatest threat to public safety and the environment are plugged first. The priority system includes four factors relating to the threat a wellbore poses to public safety and the environment:

1. Well Completion;
2. Wellbore Conditions;
3. Well Location with respect to sensitive areas; and
4. Unique Environmental, Safety, or Economic Concern.

Within each factor are multiple subfactors with an assigned a weight dependent on its potential to affect human health and the environment, as shown in Table 8: Well Plugging Priority System. The sum of all factors provides a total weight, which determines a well's plugging priority. Wells receive a priority of 1, 2H, 2, 3, or 4, where 1 is the highest priority. The priority system assigns leaking wells the highest priority (an automatic priority 1) and assigns an automatic priority 2 if the well fails a fluid level test.

Table 8: Well Plugging Priority System

	FACTOR	Weight
1	Well Completion	
A	Unknown (no well records)	15
B	No surface casing or set above base of deepest usable quality water	10
C	Additional casing string not adequately cemented to isolate usable quality water	5
D	Injection or Disposal Well	10
E	Well penetrates salt/corrosive water bearing formation or abnormally pressured formation	5
F	Well in H2S Field	5
G	Age: Well drilled \geq 25 years ago	5
	Total: (40 points max)	
2	Wellbore Conditions	
A	Well is pressured up at the surface (tubing or prod casing)	10
B	Bradenhead pressure exists *	5
	Auto 2H if UQW not protected and fluid at BH is not UQW	
C	Measured fluid level	
D	Fluid level at or above the base of deepest usable quality water.	50
E	Fluid level less than 250' below base of deepest usable quality water (NA if 2D applies)	15
F	MIT Failure	5
G	H-15 (MIT) never performed or test > 5 years old (NA if F applies)	3
H	Inadequate wellhead control/integrity	5
	Total: (75 points max)	
3	Well location with respect to sensitive areas:	
A	H2S well with Public area ROE** Automatic Priority 2H	
B	In Marine Environment	10
C	Within 100' or river, lake, creek, or domestic use fresh water well (NA if B applies)	5
D	Between 100' and 1/4 mile of river, lake, creek, or domestic use fresh water well (NA if C applies)	3
E	Located within agricultural area.	2
F	Well located in known sensitive wildlife area.	3
G	Well located within city or town site limits.	10
	Total (20 points max)	
4	Unique environmental, Safety, or Economic Concern	
A	Adjacent to active water flood or disposal well at or above completion interval.	5
B	Logistics (poor roads, encroaching public, etc.)	5
C	Well contains junk.	5
D	P-5 Delinquent > 5 years	5
E	Other (attach explanation)	1-20
	Total: (20 points max)	

Total Weight

Priority 1 = Leaking Well [based upon definition]
Priority 2H = Higher Risk well [based on definition and/or total weight of 75+]
Priority 2 = Total Weight of 50-75
Priority 3 = Total Weight of 25-49
Priority 4 = Total Weight < 25

*BH pressure is sustained.

**2H if public areas could be impacted based on 16 Texas Administrative Code §3.36 [Statewide Rule 36] definition. Undetected/continuous leak possible.

Table 9 shows the number of wells plugged with OGRC funds by priority during fiscal year 2018 and between fiscal years 1992 and 2018. In September 2001, the Commission implemented the High Risk Well Testing Program, established by SB 310 (77th Legislature, 2001) and began concentrating its well plugging efforts on priority 1 and 2 wells. This continued through fiscal year 2018.

Table 9: Number of wells plugged by priority

	Fiscal Year 2017	Fiscal Years 1992 – 2017
Priority 1	8	3,509
Priority 2H	349	5,281
Priority 2	282	10,771
Priority 3	245	7,482
Priority 4	34	3,806
Priority 5*	0	1,651
Total	918	32,500

*No longer used (Priority 5 category eliminated in fiscal year 2001)

9. Number of Sites Successfully Remediated Under the Voluntary Cleanup Program, by District:

SB 310 (77th Legislature, 2001) amended Texas Natural Resources Code, Chapter 91, by adding new Subchapter O, specifically authorizing the Commission to establish a Voluntary Cleanup Program (VCP) that is self-funded through the collection of application and oversight fees and that these fees be deposited to the OGRC fund. Railroad Commission rules regarding the VCP were adopted in June 2002 (16 TAC, Chapter 4, Subchapter D). The purpose of the VCP is to provide an incentive to lenders, developers, owners, and operators to remediate soil and water that have been environmentally impacted by activities over which the Commission exercises jurisdiction. The program removes the liability to the lenders, developers, owners, and operators who did not cause or contribute to contamination by offering a release of liability. In return for the release of liability, the State offsets oversight costs through the collection of fees, reduces the need for state-managed cleanup activities, and expedites the return of contaminated properties into productive use.

SB 310 structured the VCP in a sequential fashion: 1) an application (with application fee of \$1,000) and acceptance process, 2) agreement execution process, 3) cleanup with Commission oversight process, and finally 4) issuance of a VCP Certificate of Completion. The Commission oversight includes review of work plans and reports to ensure the protection of human health and the environment.

SB 1 (82nd Legislature, 2011) amended 16 Texas Administrative Code §3.78 [Statewide Rule 78] as it applies to certain fees charged by the commission's Oil and Gas Division. Under Rule 78 amended, a \$1,500 surcharge is required with VCP applications submitted as of May 1, 2012.

In fiscal year 2018 there were 6 new VCP applications. As of August 31, 2018, there were 43 active VCP sites. Since program inception in the summer of fiscal year 2002, 73 sites have been cleaned up and certificates of completion issued.

10. Operator Clean-up Program:

Another important function of the Commission's Oil Field Cleanup Program is the management of the Operator Cleanup Program (OCP). Operator cleanups are complex assessment and remediation activities conducted by a responsible operator, usually at environmentally sensitive sites. The OCP program ensures that pollution in sensitive areas as defined in 16 Texas Administrative Code §3.91 [Statewide Rule 91] is addressed promptly and adequately. Oversight of OCP activities is managed by the Site Remediation section staff in Austin headquarters and District Office (DO) staff. Most of the projects are long-term remediation projects that require specialized skills to review and manage.

Importantly, environmental cleanups in this program are funded by the responsible operator. As a result, prompt review and action by the Commission may keep some of these projects from becoming state-managed projects that would need OGRC funding. While these projects do not impose actual cleanup costs to the OGRC Fund, they do require considerable staff resources, from the time they are discovered through the issuance of a "no-further-action" letter of employees who are paid out of the fund. These projects involve frequent sampling, reporting, and evaluation to ensure final cleanup is protective of the public health, safety and the environment.

Mergers, divestitures and acquisitions existing of oil field properties, involving environmental assessments for asset valuation, have also contributed to the increasing number of projects for the Operator Cleanup Program.

As of August 31, 2018, the Commission was overseeing approximately 510 complex operator cleanups. Figure 12 illustrates the number of sites in the Operator Cleanup program since 1998 as of the close of each fiscal year.

Figure 12: Operator Cleanup Program Active Sites

