

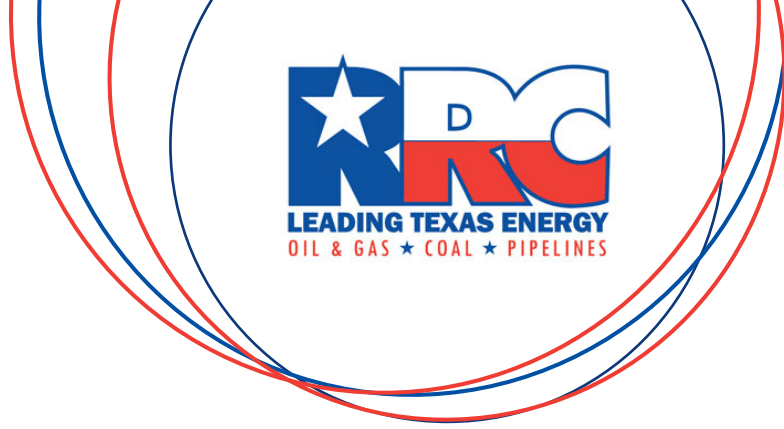


JULY 2022

Energy News



From the Field Photo
Texas Pumpjack - Brown County
Photo from Justin Golson



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Upcoming Events

RRC Open MeetingAugust 30, 2022

[VIEW OPEN MEETING WEBCASTS ▶](#)

RRC IMPROVES WATER RECYCLING PROGRAM PERMITTING

Changes Allow Operators to Apply Districtwide Rather Than Only Single Site

The Railroad Commission is doing its part to help the state save water resources.

The agency oversees a water recycling program that lets permitted oil and gas operators recycle domestic wastewater or wastewater produced by mobile drinking water treatment systems.

Now, the agency has improved upon its permitting processes to help oil and gas operators avoid unnecessary paperwork, giving them the option to apply for a district-wide permit. The new process provides operators with the opportunity to take advantage of water recycling at multiple oil and gas well sites in an RRC district rather than applying for a separate permit for each location.

Operators can either use the treated water down hole or apply it to the surface. Allowable uses of such water recycling include the making of cement, for creating hydraulic fracturing fluid, dust suppression and controlled irrigation.

Under the location-specific program, operators can use up to 5,000 gallons of treated wastewater for up to 60 days at each site. There were 733 such permits in 2021, saving the state (using the permitted volumes) an estimated 165 million gallons or so of water.

The new district-wide permit will be good for one year and have the same limit of 5,000 gallons of treated wastewater at each oil and gas pad.

“Developing oil and gas wells requires water,” said Paul Dubois, Assistant Director of Technical Permitting. “Water recycling allows operators to be more efficient in their use of this vital resource, especially with a growing need for the state to produce more oil and gas. Our new permitting process gives operators the flexibility to use our program at multiple sites without having to repeatedly submit the same paperwork over and over.”

For more information on the permitting change, see the notice to operators at <https://www.rrc.texas.gov/media/tz5jmqf4/07-2022-nto-domestic-wastewater-program-changes.pdf>.

[READ THE NOTICE TO OPERATORS](#)



RAILROAD COMMISSION COMPLETES LEGISLATIVE GOAL FOR WELL PLUGGING TWO MONTHS EARLY

RRC Program Has Exceeded Target for Six Years Running

RRC’s Orphan Well Plugging

Fiscal Year	Legislative Goal to Plug	Actual Number Plugged
2017	875	918
2018	979	1,374
2019	979	1,710
2020	1,400	1,477
2021	1,400	1,453
2022	1,000	1,057 (as of July 13)

It’s safe to say that RRC’s State Managed Plugging Program is a well-oiled machine.

The program that manages the plugging of orphaned oil and gas wells throughout the state is so efficient, it frequently meets legislative targets early and plugs additional wells, demonstrating an ability to squeeze the most out of limited funding. In fact, the program has exceeded its legislative goal for the sixth year in a row in June, a full two months early.

As of July 13, the State Managed Plugging Program completed the plugging of 1,057 wells for Fiscal Year 2022, which ends on Aug. 31. The legislative goal for the fiscal year was to plug 1,000 wells.

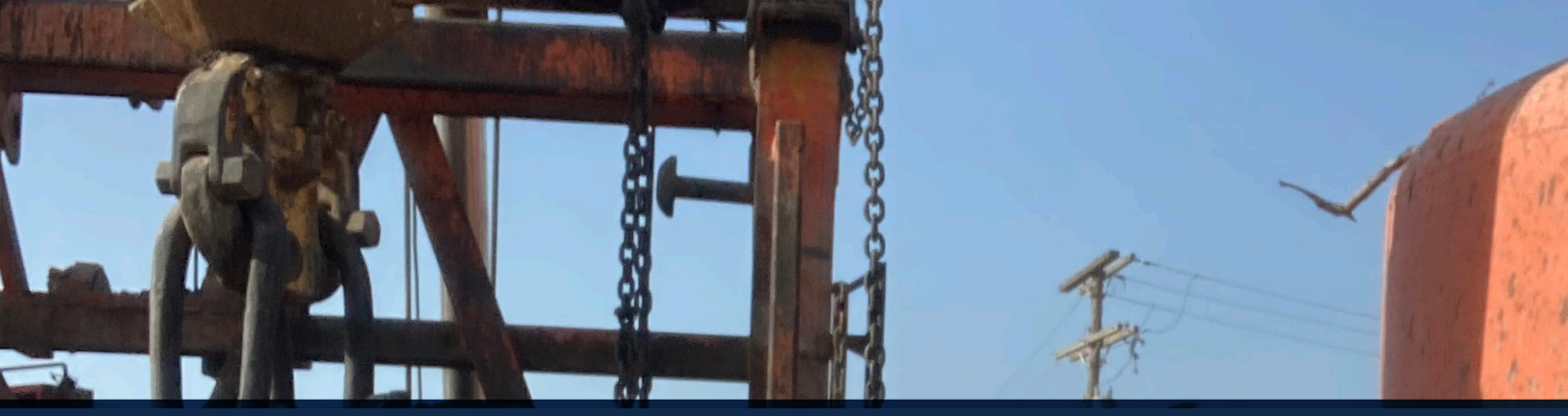
“The plugging program is critical to our commitment of protecting public safety and the environment,” said Clay Woodul, RRC Assistant Director of the Oil and Gas Division for Field Operations. “I am very proud of the work our plugging staff have put into these projects. We are fortunate to have such experience and expertise as part of our team.”

The program has also been recognized nationally, having earned an award from the Interstate Oil and Gas Compact Commission in November for the plugging of 11 orphaned wells in the Padre Island National Seashore near Corpus Christi early last year.





RRC Inspector John Whitsitt, the lead plugger for the Wichita Falls District, poses in front of an orphaned well in Archer County being plugged by RRC's State Managed Plugging Program



Keith May, the Project Manager for the State Managed Plugging Program, says the success of program starts in the district offices across the state, which house teams of plugging staff.

“Lead pluggers in the district offices oversee the building of their plugging workplans to hit their demanding goals,” he said. “Plugging inspectors are on site for every State Managed Plugging Program job to ensure procedures are followed and operations are done safely and at the best value to the state. Staff in Austin meticulously verifies all invoicing is done correctly and within bounds of the contracts.”

May notes that the program is able to plug more orphaned wells than the legislative goal because of fiduciary discipline.

“The continued refinement in our business and contracting processes has alleviated a lot of the administrative burden on staff,” he noted.

May states that the program has had numerous challenges in meeting its legislative goal this fiscal year, including rising inflation, labor shortages as pressure from the pandemic has eased and an unusually large number of high-pressure wells that developed leaks, which were complex and costly to plug.

There will also be additional funding, apart from state funding, that is expected to start arriving in October.

On Jan. 31, the Department of Interior announced the availability of \$1.15 billion. As part of that, Texas was authorized a \$25 million initial grant and \$82.56 million in Phase I formula funds. The DOI is currently processing applications before distributing any funds.

The \$25 million will allow the RRC to plug about 1,000 wells.

That program will be accounted for separately from the State Managed Plugging Program, which is funded through oil and gas industry revenue, including, but not limited to, well plugging reimbursements, fees and financial securities paid by the industry.

“Federal funding will have different requirements, so we will be issuing work orders (packets of wells to be plugged) to our contractors specifying what funding source will be used,” May said. “Tracking it based on work order will let us account for the differences.”

A major benefit of the State Managed Plugging Program and the soon-to-be-available federal funding is that they provide work to skilled contractors, which is especially important during periods of economic downturn in the oil and gas industry, such as the first two years of the COVID-19 pandemic.

The State Managed Plugging Program’s goal for fiscal year 2023 is to plug another 1,000 wells.

[VIEW THE PLUGGING MONTHLY REPORTS](#)



Inspector Dennis Wheeler, out of RRC's San Angelo District, oversees a well plugging operation

DRILLING PERMITS CONTINUE TREND OF SIGNIFICANT GROWTH OVER LAST YEAR

Drilling permits granted by the Railroad Commission have been up significantly so far this year.

Compared to the same months in 2021, new original drilling permits have been up between 29% and 60% so far this year. In June of this year, the RRC granted 1,146 new original drilling permits, up from 739 in June 2021 or 55%.

Compared to June 2020, which only had 262 new original drilling permits, this month is up by 337%.

“I think that the reason we are seeing an increase in drilling permits is the fact that the price of oil is so high,” said Lorenzo Garza, RRC Deputy Assistant Director for Administrative Compliance in the Oil and Gas Division.

Much of that can be attributed to demand. When the COVID-19 pandemic struck beginning in March 2020, demand for oil, especially, went down because a significant number of people were working from home and not travelling. This year, people are returning to normal activities.

Since February, pressure on oil and gas prices has also increased following global boycotts in response to Russia’s invasion of Ukraine.

“With the increase in the price of oil, we are seeing some operators filing for recompletion permits to recomplete and downhole commingle production in older fieldwide units that they operate,” Garza said. “We are seeing operators permitting in the Spraberry (TA) multiple wells to target the Middle Spraberry, Lower Spraberry, Wolfcamp A, and Wolfcamp B formations.”

In May and June 2022, original recompletion permits were at 93 and 117 respectively, which were up from 75 in May 2021 and 84 in June 2021.

The increase in total permits being issued also includes staff approval of applications that do not need special notifications within three business days.

Among the various items they look for, drilling permit staff ensure geographic location on applications is correct, that the field being applied for is reasonable, if bottom hole information is correct, if well pooling information is correct (if needed), and they compare this information against the plat used in support of the application.

“We have been keeping up with the permits by releasing enhancements to the system that allow us, as well as operators, to file for exactly what they want,” Garza said. “So that if an exception to [Statewide Rule 40](#) (on acreage assignment for pooled development and proration units) is required, they can apply for it, and if no exception is required, they don’t need to provide to us with depth severance information.”

Notices for some drilling permits are needed to protect the interests of mineral owners, such as exceptions for [Statewide Rule 37 on well spacing](#) and [Statewide Rule 38 on well densities](#).

Original New Drilling Permits (Last Two Years)

	2022	2021	Percent Increase
January	820	512	60%
February	836	606	38%
March	1,176	798	47%
April	946	732	29%
May	963	631	53%
June	1,146	739	55%

Effect of Pandemic (Started in March 2020) on Original New Drilling Permits

	2020	2019	Percent Decrease
March	671	1,005	-33%
April	416	802	-48%
May	208	931	-78%
June	262	905	-71%
July	286	836	-66%
August	377	865	-56%
September	371	733	-49%
October	329	895	-63%
November	321	882	-64%
December	434	743	-42%

“If a notice is sent out for an exception, it will take 21 days at a minimum before the application can be approved,” he said. “This allows for any unleased mineral interest owners the chance to protest.”

The quick turnaround on RRC issuing permits is necessary to keep up with the demand and to ease rising inflation, which is has been attributed to high fuel costs, the result of high oil and gas prices.

“It is important to review the applications quickly so that operators can begin operations,” Garza said.

“With the state with the most operating rigs, we need to be able to let operators take advantage of openings in drilling schedules when they arise.”

While new original drilling permits are up significantly this year over the last couple of years, they are still below earlier booms, such as 2,741 new original drilling permits in October 2014, which is more than double of what was granted by the RRC this month. [Records dating back to 2009 can be found on this page.](#)





COMMISSIONERS APPROVE CHANGES TO MONTHLY REPORT FOR GAS PROCESSING PLANTS

RRC's commissioners approved on June 28 approved revisions to Form R-3, Monthly Report for Gas Processing Plants and its instructions.

The changes will not be effective until Sept. 1.

Paul Dubois, RRC Assistant Director of Technical Permitting, noted the changes are part of the “agency’s ongoing effort to improve operating efficiencies.”

“The proposed changes will provide greater clarification on filing requirements, including physical plant location and a Commission-supplied plant ID, thereby providing a common identifier among associated plant units,” he said during the Commissioners’ Conference.

The revisions did not require a public comment period.

The revised form will be uploaded to the RRC’s Oil & Gas forms webpage:

[VIEW THE OIL & GAS FORMS PAGE](#)



AMENDMENTS TO LP-GAS SAFETY RULES ADOPTED

On June 28, commissioners adopted amendments to LP-gas safety rules as required by legislation.

Most of the amendments to Chapter 9 of 16 Texas Administrative Code Chapter 9 became effective on July 18.

The amended and new rules were adopted to incorporate provisions of Senate Bill 1582 and SB 1668, both enacted by the 87th Texas Legislature and to make other updates.

SB 1582 amended Natural Resources Code §113.087 and §113.088 to allow required license examination to be performed by a proctoring service.

SB 1668 added Natural Resources Code §113.0955 to require the RRC to waive its Dispenser Operation certification requirements for an individual who completes training and examination consistent with the guidelines established by the Propane Education and Research Council.

[READ THE NOTICE TO OPERATORS](#)



Chairman Christian

COMMISSIONERS' CORNER



In June, Chairman Christian put out a press release celebrating the U.S. Supreme Court's decision (*West Virginia, et al. v. Environmental Protection Agency (EPA)*) on the Environmental Protection Agency's (EPA) federal overreach with the Clean Air Act.

"SCOTUS is on a roll and continues to get it right – defending the Constitution, protecting states' rights and ensuring Americans don't answer to unelected bureaucrats," said Chairman Christian. "Today's decision is a win for good government, American energy producers and for hardworking taxpayers who simply need cheap, plentiful and reliable energy."

[\(Read the Clean Air Act press release here\)](#)

In July, the Chairman also released a statement applauding the Texas oil and gas industry following the Texas Comptroller of Public Accounts' announcement of record-breaking tax revenues from the industry.

"Despite President Biden's delusional desire to transition away from fossil fuels, Comptroller Hegar's announcement reinforces the fact that oil and gas literally fuels every facet of our lives from energy to food and beyond," said Railroad Commission Chairman Wayne Christian.

[\(Read the Tax Contribution press release here\)](#)

Lastly, Chairman Christian sent a letter to the Biden Administration's SEC opposing their proposed new rules requiring companies to disclose greenhouse gas emissions, detailed climate-related data and additional "climate risks."

"This climate disclosure proposal is a federal overreach that will further cloud energy investments, shutter small businesses, and cement the values of fringe environmental extremists into our society and government," said Christian. "As a licensed Investment Advisor Representative, I have grave concerns about the impact this will have on families, retirees and oil and gas businesses, as well as the cost of energy paid by consumers."

[READ ABOUT THE CHAIRMAN'S LETTER TO BIDEN](#)



Commissioner Craddick

COMMISSIONERS' CORNER



In July, Commissioner Craddick spent time reviewing feedback from interested parties and meeting with stakeholders on the Railroad Commission's Rule 3.66. Ensuring that the Commission enacts a strong rule that meets the needs of all Texans is Commissioner Craddick's first priority. As we move through the process, she looks forward to continuing to collect feedback and review comments as they are received, as well as working with agency staff to craft a rule that provides regulatory certainty to operators in Texas.





Commissioner Wright

COMMISSIONERS' CORNER

In July, Commissioner Wright took time to learn more about how several states, including Oklahoma, Ohio, and Kansas, have implemented programs dedicated to educating citizens about the importance of the oil and gas industry to their local economy and everyday life.

“Educating our students and the public about domestic energy production and the positive contributions of the oil and gas industry in the State of Texas has never been more important,” Commissioner Wright said. “I am always looking for new and innovative approaches when it comes to educating the public and was pleased to learn more about how other states have approached this important issue.”



Oil & Gas Production Statistics

View monthly production totals of crude oil, condensate and total oil; and of gas well gas, casinghead gas, and total natural gas.

[VIEW CURRENT PRODUCTION STATISTICS ▶](#)

Enforcement Actions

The Commission has primary oversight and enforcement of the state's oil and gas industry and intrastate pipeline safety. View RRC's Latest Enforcement Actions here.

[VIEW LATEST ENFORCEMENT ACTIONS ▶](#)

Public GIS Viewer

The Public GIS Viewer allows users to view oil, gas and pipeline data in a map view.

[LAUNCH THE PUBLIC GIS VIEWER ▶](#)