

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

September 20, 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
August 2017, 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.

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Attachments


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

cc: 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
August 2017

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

August	2.23%
Fiscal Year-to-date	10.48%
Performance Measure Goal	6 %

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

August	195
Fiscal Year-to-date	918
Performance Measure Goal	875

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

August	468,103
Fiscal Year-to-date	1,912,054
Performance Measure Goal	1,671,250

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

	From Contract Award Date
August	37
Fiscal Year-to-date	42
Performance Measure Goal	75

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

August	126
Fiscal Year-to-date	1,103
Performance Measure Goal	800

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

	Orphaned wells
August	8,759
Performance Measure Goal	9,000

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

August	400
Fiscal Year-to-date	10,325
Performance Measure Goal	5,200

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

August	41%
Performance Measure Goal	42%

Explanatory measure: Numbered shut-in/inactive wells.

August	117,203
Performance Measure Goal	110,000

RAILROAD COMMISSION OF TEXAS
Oil Field Cleanup

Monthly State-Funded Plugging, Pollution Abatement and Salvage Activities
Commissioners Report
08/01/2017 to 08/31/2017

State-Funded Plugging Activities

Number of wells approved for plugging this month	126
Estimated cost of approvals	\$ 1,288,900.00
Number of wells approved for this fiscal year	1103
Number of approved wells remaining to plug	1268
Estimated cost to plug remaining approvals	\$ 28,587,041.09
Number of pluggings completed this month	195
Total cost to plug wells completed this month	\$ 2,626,080.16
Number of pluggings completed this fiscal year	918
Cost of pluggings completed this fiscal year	\$ 11,663,682.73

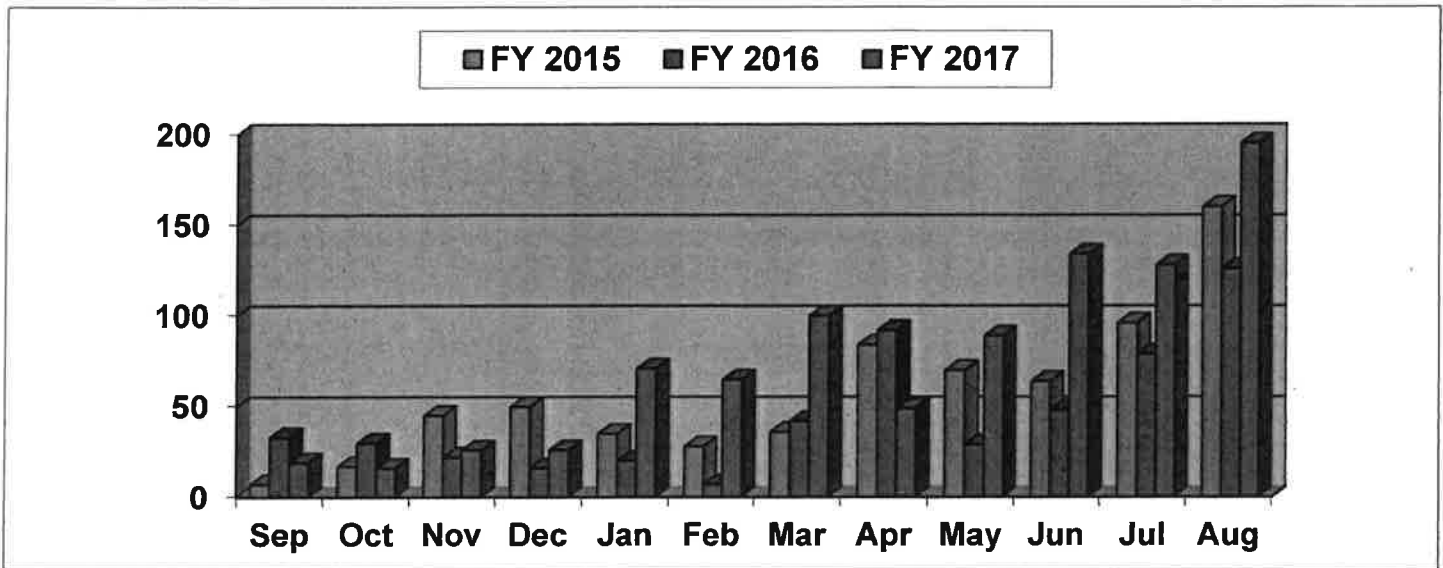
Pollution Abatement Activities

Number of pollution abatements approved this month	1
Estimated cost of approvals	\$ 5,000.00
Number of pollution abatements approved for this fiscal year	49
Number of pollution abatements remaining	53
Estimated cost to pollution abatements remaining	\$ 139,780.00
Number of pollution abatements completed this month	5
Total cost of pollution abatements completed this month	\$ 900,037.41
Number of pollution abatements completed this fiscal year	37
Cost of pollution abatements completed this fiscal year	\$ 1,273,304.44

Salvage Activities

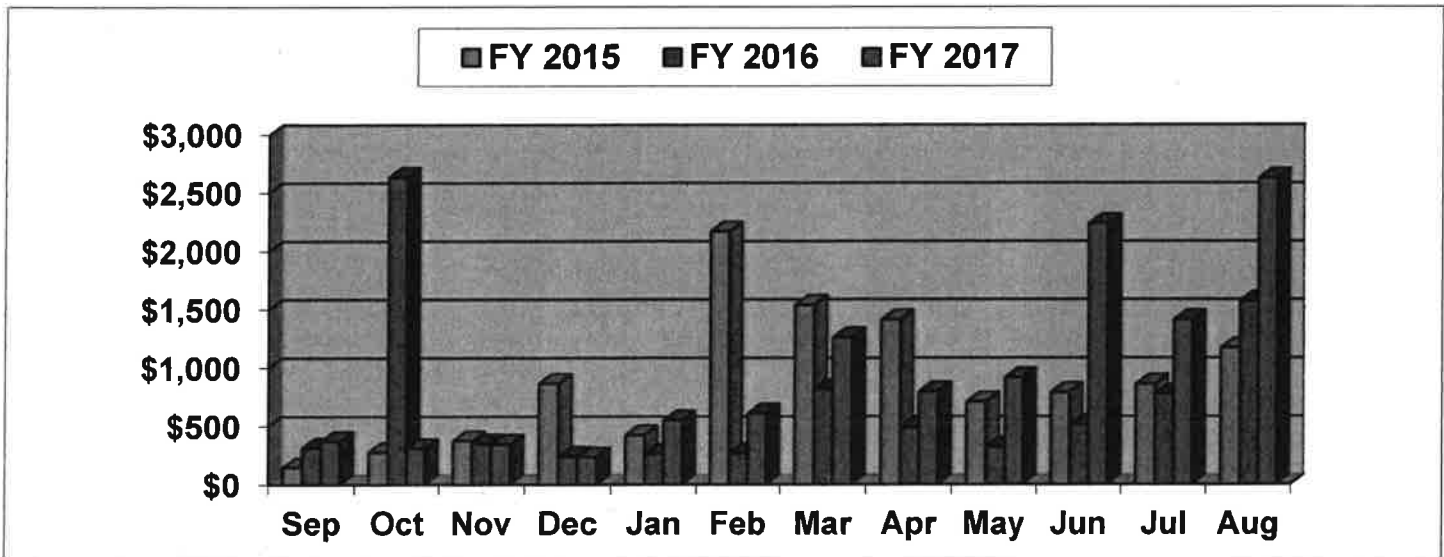
Number of salvage activities completed this month	43
Total proceeds received this month	\$ 100,917.00
Number of salvage activities completed this fiscal year	153
Total proceeds received this year	\$ 282,873.15

State-funded Well Plugging Program Monthly Wells Plugged August 2017



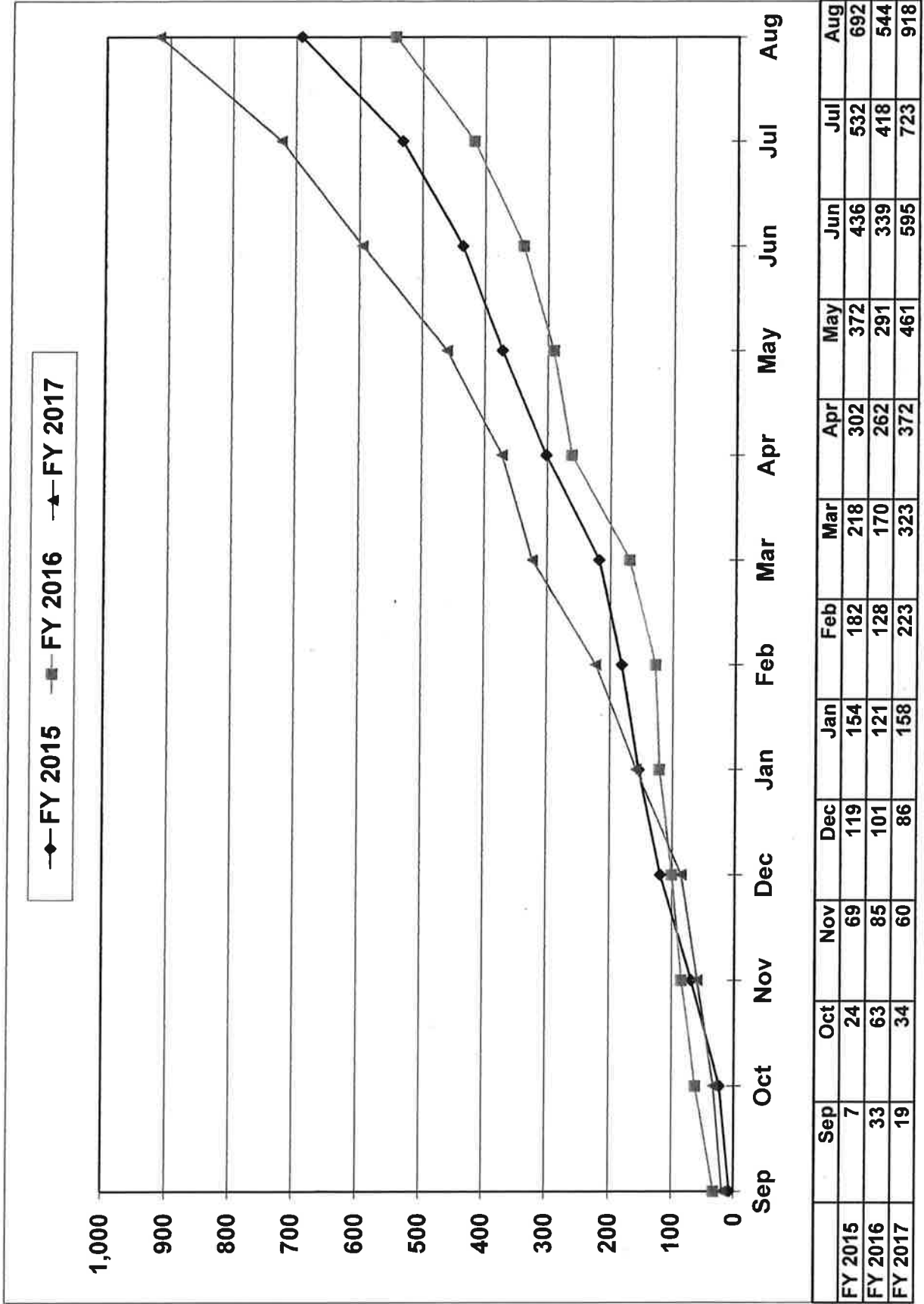
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Tot
FY 2015	7	17	45	50	35	28	36	84	70	64	96	160	692
FY 2016	33	30	22	16	20	7	42	92	29	48	79	126	544
FY 2017	19	16	26	26	71	65	100	49	89	134	128	195	918

State-funded Well Plugging Program Monthly Cost of Wells Plugged August 2017

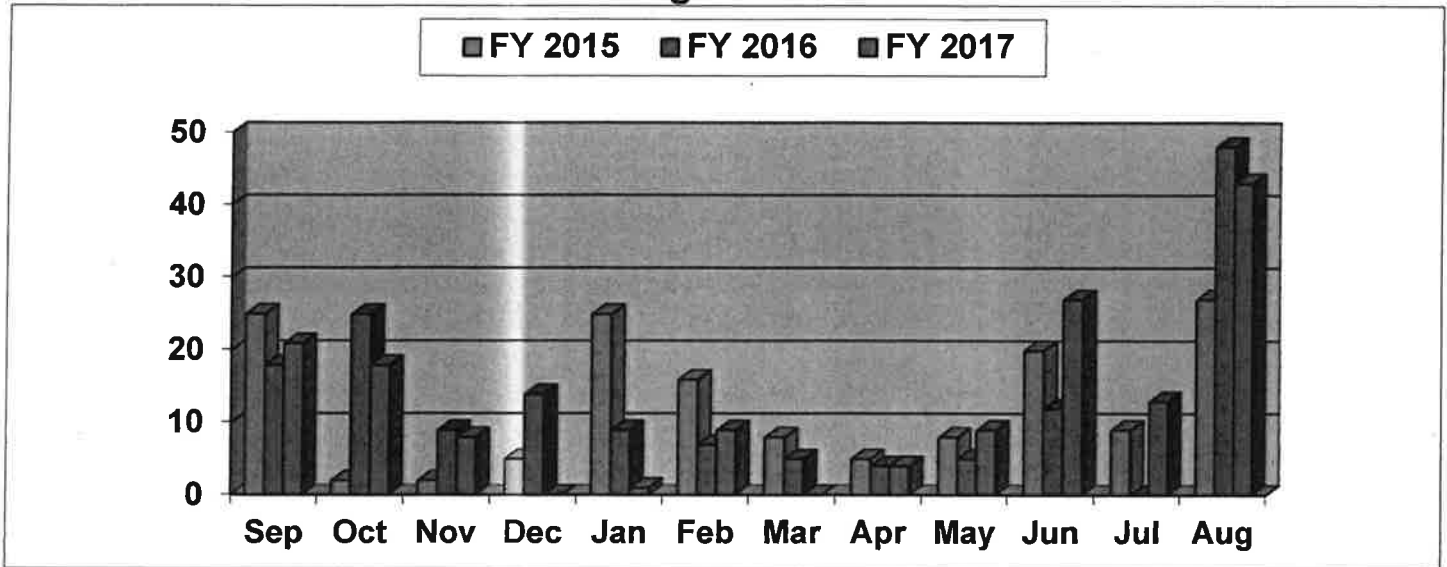


\$M	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Tot
FY 2015	\$146	\$277	\$374	\$866	\$422	\$2,169	\$1,538	\$1,411	\$709	\$789	\$860	\$1,170	\$10,731
FY 2016	\$314	\$2,633	\$348	\$240	\$264	\$266	\$814	\$488	\$322	\$511	\$775	\$1,571	\$8,546
FY 2017	\$372	\$308	\$344	\$235	\$550	\$609	\$1,260	\$796	\$916	\$2,236	\$1,412	\$2,626	\$11,664

State-funded Well Plugging Program Cumulative Wells Plugged August 2017

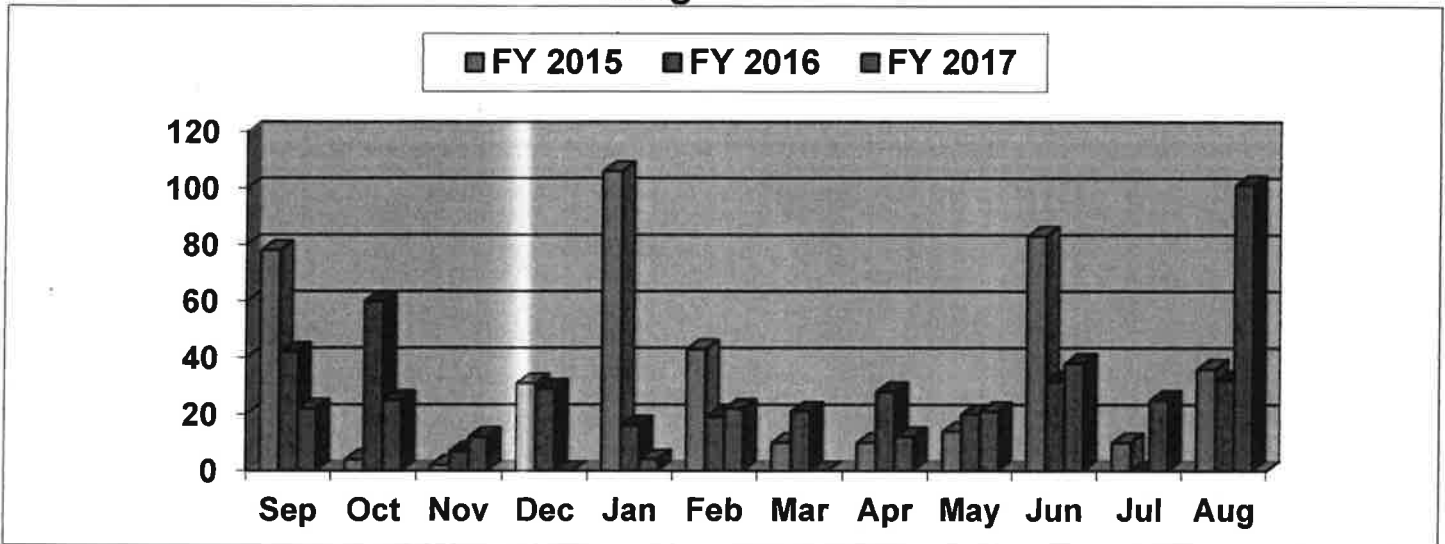


**State-funded Well Plugging Program
Monthly Salvage Operations
August 2017**



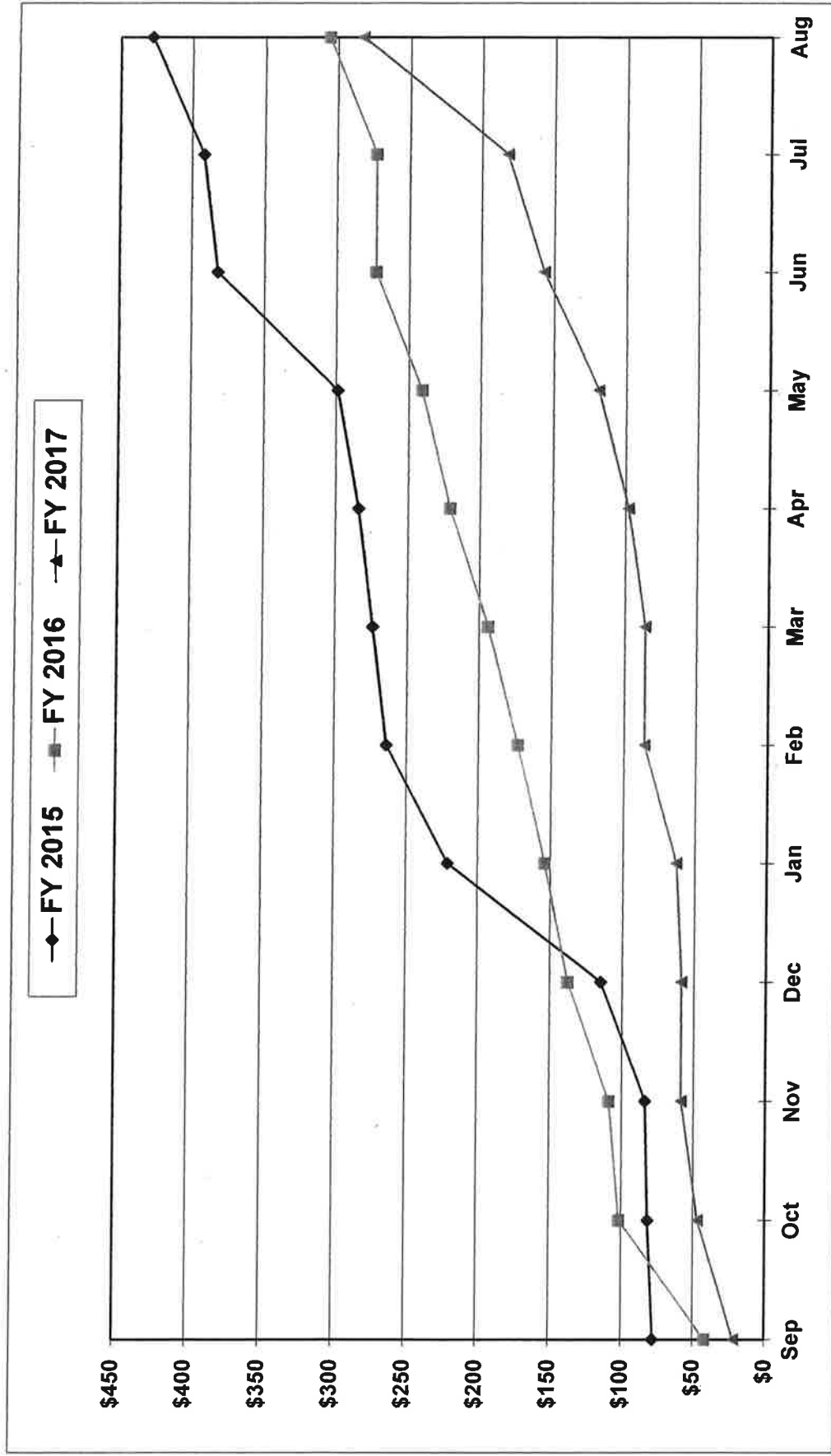
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Tot
FY 2015	25	2	2	5	25	16	8	5	8	20	9	27	152
FY 2016	18	25	9	14	9	7	5	4	5	12	0	48	156
FY 2017	21	18	8	0	1	9	0	4	9	27	13	43	153

**State-funded Well Plugging Program
Monthly Salvage Proceeds
August 2017**



\$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	\$4	\$22	\$0	\$12	\$21	\$38	\$25	\$101	\$282

State-funded Well Plugging Program Cumulative Salvage Proceeds August 2017



\$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	\$63	\$86	\$86	\$98	\$119	\$157	\$182	\$283

Oil and Gas Division
Field Operations Section
State-Funded Plugging
Contracts Exceeding \$100,000
Original Encumbered Amount Exceeded by 10% or More
August 2017, FY 17

District	Requisition #	Contractor	Original Encumbrance	Current Encumbrance	\$ Increase	% Increase	Remarks
1/2	455-16-0908	Newman Operating Company	\$112,340.00	\$360,340.00	\$40,000.00	220.76%	Increase contract value to, downhole problems encountered.
	455-16-1035	Newman Operating Company	\$158,975.00	\$178,975.00	\$20,000.00	12.58%	Increase contract value to, downhole problems encountered.
	455-17-9018	Airco Well Service, LLC	\$250,000.00	\$500,000.00	\$250,000.00	100.00%	Encumber addition funds to continue plugging operations. Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
3	455-17-9001	Newman Operating Company	\$400,000.00	\$900,000.00	\$500,000.00	125.00%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
	455-16-0163	Delta Seaboard	\$228,522.00	\$456,522.00	\$228,000.00	99.77%	Add ten (10) wells to existing contract. \$0.00
4	455-16-1004	Newman Operating Company	\$200,885.00	\$644,000.00	\$100,000.00	220.58%	Increase contract value to, downhole problems encountered. Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
	455-17-9003	Newman Operating Company	\$500,000.00	\$1,000,000.00	\$500,000.00	100.00%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
5/6	455-16-0906	Topcat Well Service	\$108,896.00	\$528,096.00	\$50,000.00	384.95%	Add one (1) well to existing contract.
	455-16-0050	Topcat Well Service	\$198,398.00	\$368,398.00	\$10,000.00	85.69%	Increase contract value to, downhole problems encountered. Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
7B	455-17-9004	Topcat Well Service	\$500,000.00	\$1,300,000.00	\$800,000.00	160.00%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
	455-16-0903	Mash Oilfield Services	\$84,320.00	\$176,320.00	\$92,000.00	109.11%	Adding eight (8) wells to the existing contract.
	455-16-8010	2W Petroleum	\$30,000.00	\$110,000.00	\$110,000.00	266.67%	Emergency Well Plug in Dist 7B
	455-16-1028	Hay Creek Investments	\$99,310.00	\$154,310.00	\$55,000.00	55.38%	Adding eleven (11) wells to existing contract. Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
7C	455-17-9007	2W Petroleum	\$300,000.00	\$600,000.00	\$300,000.00	100.00%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
	455-17-9006	Hay Creek Investments	\$300,000.00	\$500,000.00	\$200,000.00	66.67%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
	455-16-0771	Quail Well Service, Inc.	\$216,620.00	\$287,620.00	\$71,000.00	32.78%	Add four (4) wells to contract. Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
8/8A	455-17-9008	Quail Well Service, Inc.	\$350,000.00	\$500,000.00	\$150.00	42.86%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
	455-17-8016	Etech Environmental & Safety	\$30,000.00	\$870,000.00	\$90,000.00	2800.00%	Emergency Well Plug in Dist 08
	455-17-8019	TODPAT 6	\$40,000.00	\$690,000.00	\$690,000.00	1625.00%	Emergency Well Plug in Dist 08
	455-17-8042	TODPAT 6	\$50,000.00	\$150,000.00	\$100,000.00	200.00%	Emergency Well Plug in Dist 08 Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
9	455-17-9009	Quail Well Services	\$350,000.00	\$650,000.00	\$300,000.00	85.71%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
	455-17-0289	SPH Development	\$71,225.00	\$347,925.00	\$119,700.00	388.49%	Add thirty-three wells to existing contract.
	455-16-0911	Moore Energy	\$125,062.00	\$507,762.00	\$112,700.00	306.01%	Add Twenty-one (21) to existing contract. Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
455-17-9012	Marda Inc.	\$200,000.00	\$400,000.00	\$200,000.00	100.00%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.	
	455-17-9013	Mash Oilfield Services, LP	\$200,000.00	\$400,000.00	\$200,000.00	100.00%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.
455-17-9014	SPH Development	\$200,000.00	\$500,000.00	\$300,000.00	150.00%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.	
	455-17-9015	Holman Well Service, LLC	\$500,000.00	\$1,000,000.00	\$500,000.00	100.00%	Amended Not to Exceed Amount to continue plugging operations through the end of the fiscal year.