



**IOGCC – May 2015
International Committee**

**Aging Infrastructure:
Phase 1 – Inactive/Idle Wells**

Railroad Commission - Overview



- Created in 1891
- Oil & Gas Regulatory Authority since 1919
- 13 Regulatory Districts for Oil & Gas

- Three Elected Commissioners
 - Six year staggered terms

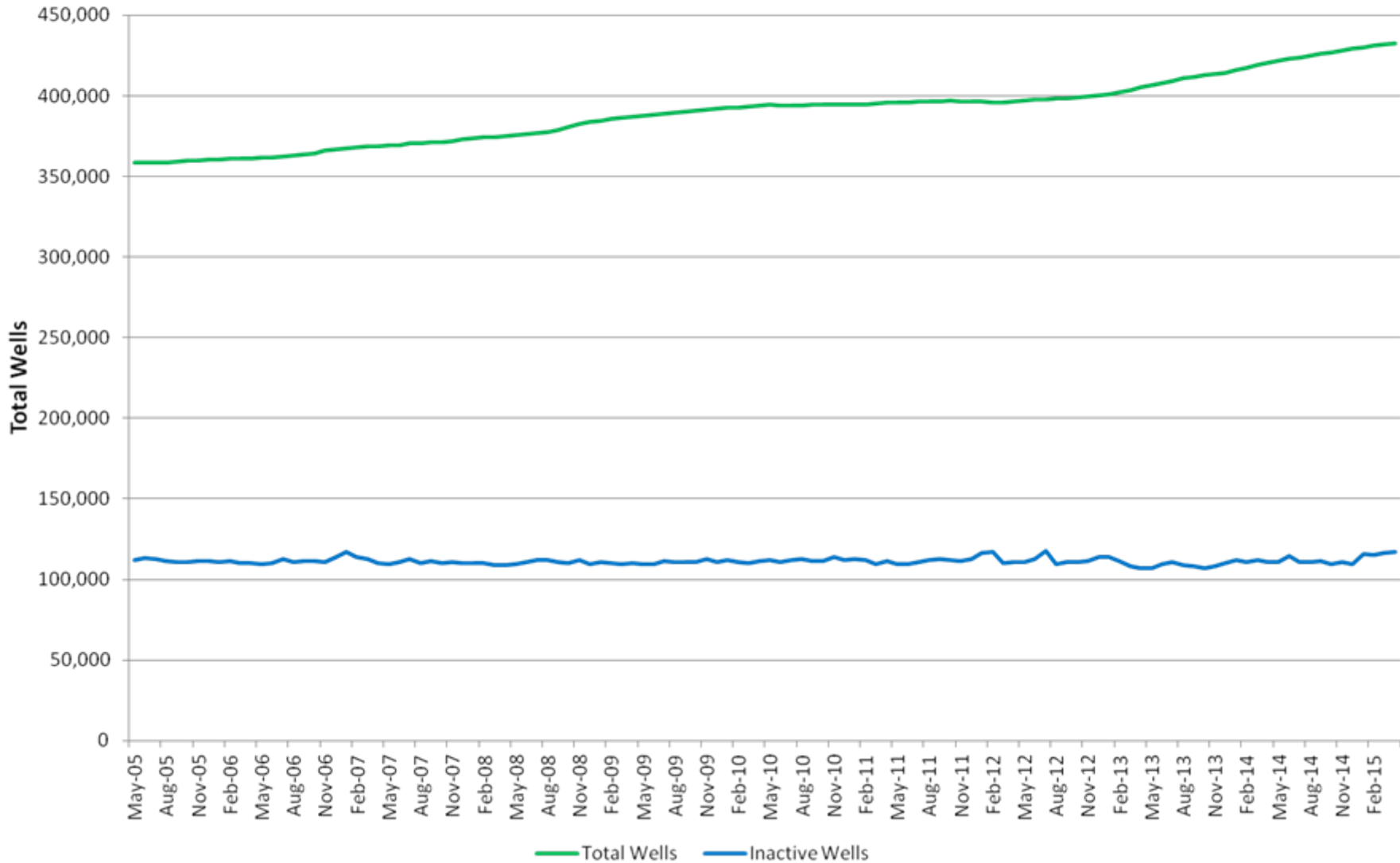
DISCLAIMER – I'm not an authorized to give opinions or positions for any commissioner nor for the agency as a whole; any opinions expressed are my own.

Railroad Commission - Overview



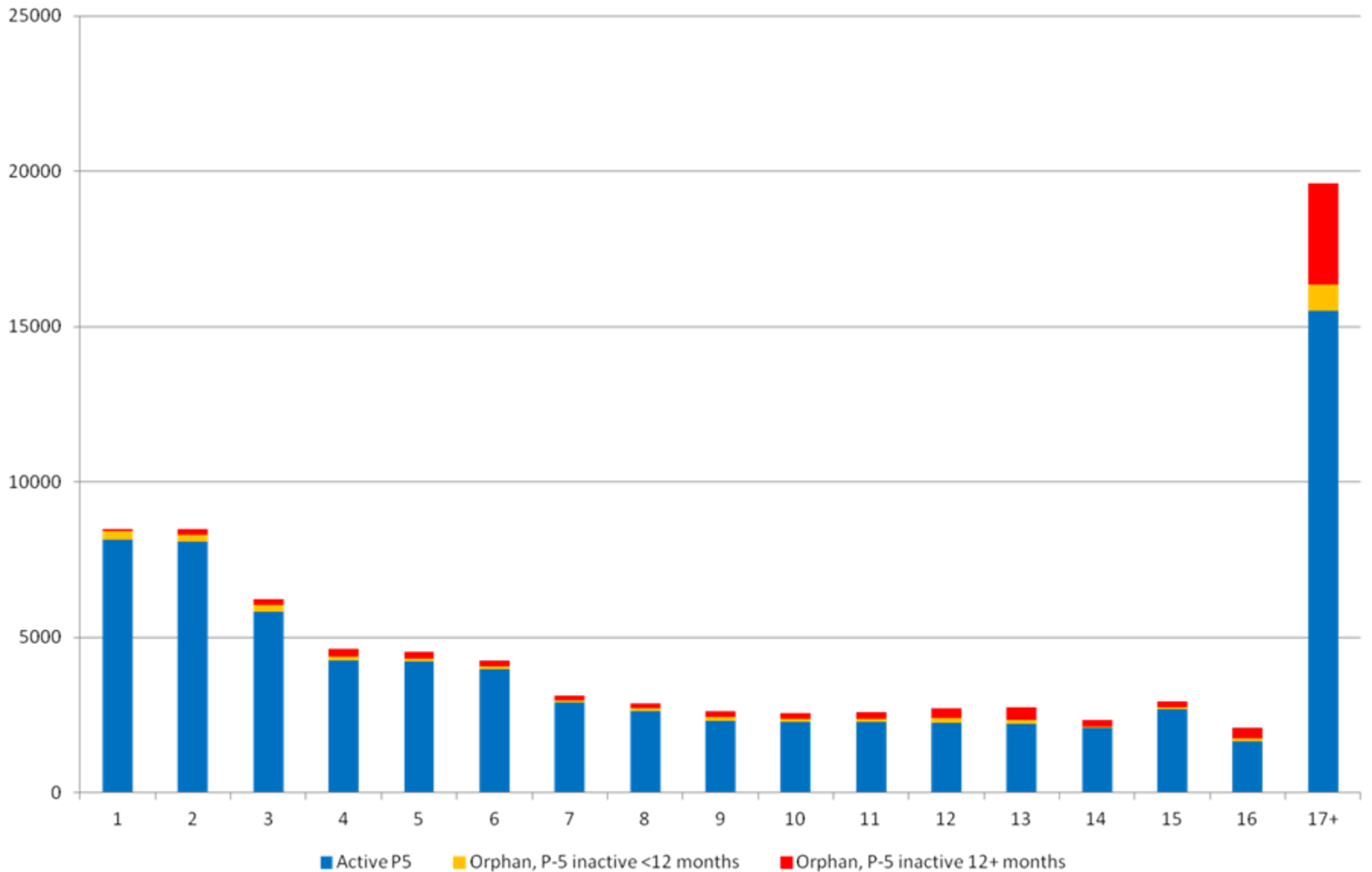
- Authority as given by Texas Legislature.
- Regulate operatorship, not ownership.
Limited authority to attach liabilities to mineral owners.

Texas Well Counts Total and Inactive 05/2005 to 04/2015

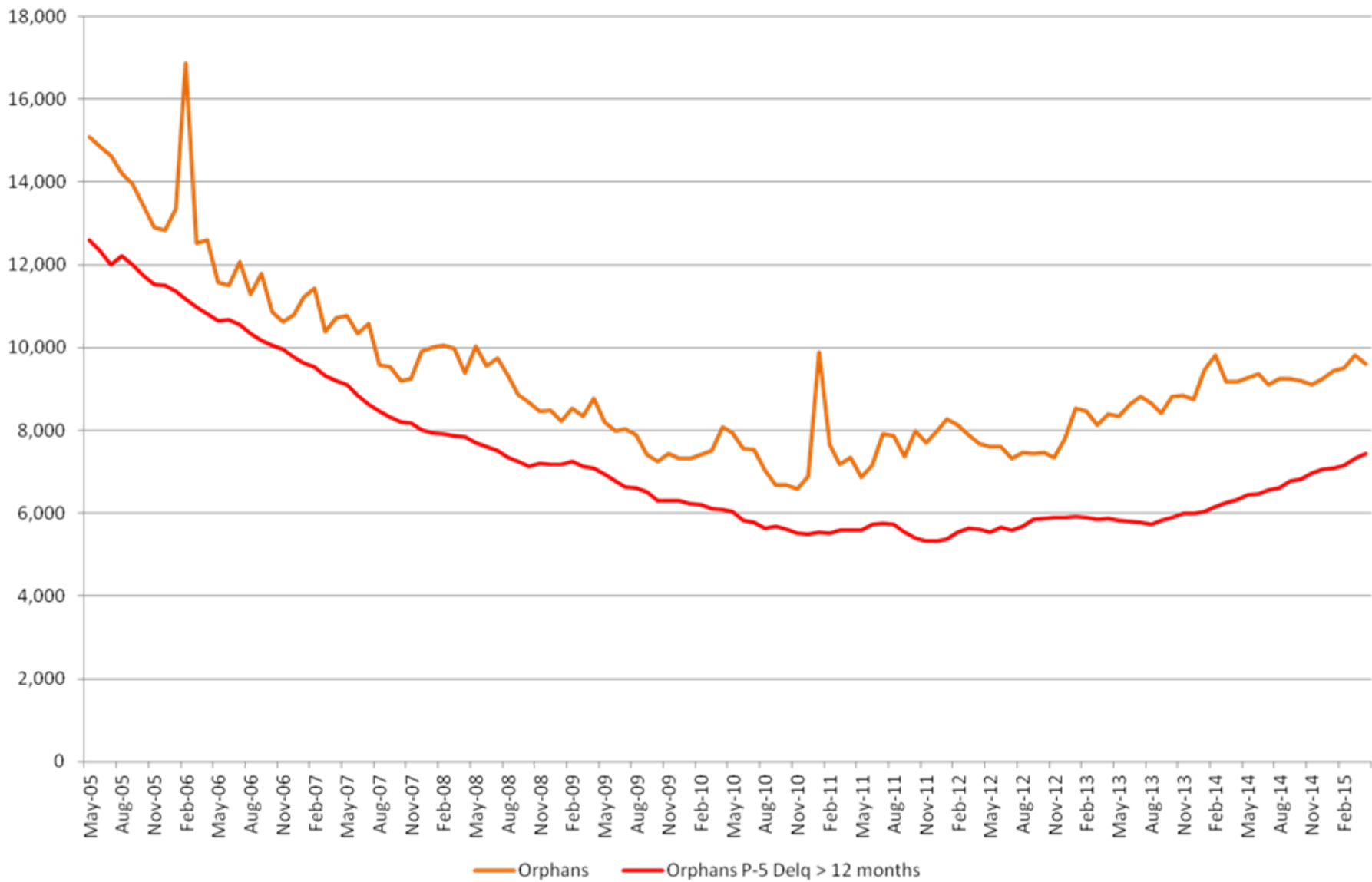


Inactive wells

Breakdown by "orphan" status



Texas Orphan Well Counts, 05/2005 - 04/2015



Inactive Well Plugging Liability



- “Cost Calculation” – per foot costs by district times depth of well
- As of 4/30/2015:
 - 9,612 “Orphan Wells”
 - \$97,483,896.73 est. plugging cost
 - 2,325 P-5s inactive <12 months, \$24,985,100.73
 - 7,287 P-5s inactive 12+ months, \$72,498,796.00
 - 69,457 inactive but not orphans
 - \$1,256,280,621.58 est. plugging cost

Issues and Approaches



- Funding Sources
 - Oil & Gas Regulation & Cleanup Fee
 - Permit and regulatory fees, collections, etc., fund plugging and cleanup of abandoned wells and sites
 - Surcharge funds division operations
- Keeping liability on operators
 - P-5 Financial Security Programs
 - Statutory levels

Issues and Approaches



- Well integrity for aging wellbores
 - H-15 well testing program
 - for operators if P-5 active
 - Required for 25-year-old wellbores
 - Optional for younger wellbores
 - Performed by RRC if P-5 not active
 - Rule 13 amendments
 - Require isolation of corrosive zones rather than solely productive ones, in addition to water zones

Issues and Approaches



- Inactive Well Requirements (Rule 15)
 - Surface clean-up requirements based on length of well inactivity
 - 1 year - Disconnection of electricity
 - 5 years – purging of production fluids
 - 10 years – removal of surface equipment (except wellhead control and identifying signage).
 - W-3X Application form
 - Operator must do something beyond existing requirements
 - Intent is that operator must consider its inactive wells
 - One common option encourages plugging/producing.

Issues and Approaches



- Inactive Well Requirements (Rule 15)
 - Inactive wells must be maintained in compliance with all RRC rules and orders before operator can complete renewal of its Organization Report



Questions?

Tim Poe, Assistant Director
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