



TIPRO TARGET

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Calendar

>> September 14

TIPRO/IPAA Leaders in Industry Luncheon, featuring John Walker, chairman and CEO of Enervest Management, 11:30 a.m., Houston Petroleum Club.

>> September 20

TIPRO/IPAA Leaders in Industry Luncheon, featuring Walker; Phil Rykhoek, chief financial officer, Denbury Resources; and Ronald T. Evans, senior vice president of reservoir engineering, Denbury Resources, 11:30 a.m., Dallas Petroleum Club. For more information, call (972) 860-1118.

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RRC budget includes \$13 million for well plugging

■ Commissioners approve salary increase for pipeline safety inspectors to keep pace with OPS.

The Texas Railroad Commission's \$63.6 million budget for 2005-06 includes a pay raise for pipeline safety inspectors and \$13 million for an aggressive well-plugging campaign.

At an Aug. 23 conference, Chairman **Victor Carrillo** and commissioners **Michael Williams** and **Elizabeth Ames Jones** trimmed departmental spending agencywide and created two new oil and gas field inspector positions. The positions will be located in the Abilene and Wichita Falls district offices.

Commissioners also decided to temporarily hold open three pipeline safety positions to increase salaries for all pipeline safety inspectors. The commission has been hemorrhaging pipeline inspectors to the federal Office of Pipeline Safety, where salaries are higher, Carrillo said.

"I view this as a very important issue, one we need to deal with over the long-term," he said. "Inspections will be slowed down if we don't address this issue."

In addition to the high turnover rate within the Pipeline Safety Division, the Oil and Gas Division is struggling to fill five field inspector positions, which Carrillo characterized as a significant number of vacancies.

The commission also approved slightly more than \$368,000 to purchase 21 vehicles next year.

WELL PLUGGING, REMEDIATION

The Texas Railroad Commission expects to plug a record number of abandoned wells in 2005-06, as it did in 2004-05.

The commission has targeted 1,937 wells for plugging at a cost of \$13.1 million. The commission will plug 1,817 wells using the Oil Field Cleanup Fund and 120 wells using a pass-through federal grant administered by the Texas Commission on Environmental Quality.

Direct, non-contractual operating costs for the plugging program comprise 21 percent of the

total, a decrease from 27 percent in 2002, when cleanup fund rules were last revised. Non-contractual administrative costs make up 11 percent of the plugging and remediation budget, down from 16 percent in 2002.

The new budget, approved on a 3-0 vote, also includes \$4 million for well-site remediation and \$750,000 for a program that promotes well-plugging by the private sector.

This fiscal year, the commission will oversee 307 well-site remediation projects for \$4 million, using Oilfield Cleanup Funds for 301 of them and federal/TCEQ funds for six.

The ratio of well plugging to remediation is 80:20. The ratio is similar to requirements found in House Bill 2984 carried by Energy Resources Committee Chairman **Buddy West** (R-Odessa) during the 79th legislative session. HB 2984 was a legislative recommendation of the Oilfield Cleanup Fund Committee. TIPRO is represented on the Cleanup Fund Committee by board member **Rusty Howell**. Other TIPRO members on the Oilfield Cleanup Fund Advisory Committee include board member **Jack Miller**, explorer **Kirk Edwards**, **Mike Elyea**, **Julie Moore** and **Doug Robison**.

Oil and Gas Division Director **Richard Varela** provided commissioners with an update of the FY '05 well-plugging program, saying that 1,730 wells were plugged at a cost of \$12 million.

"That's the most wells we've ever plugged in one year," Varela said after the conference. "So, next year, if we plug 1,937, that will also be another record."

Varela told commissioners that the FY '06 well-plugging program will be fairly aggressive. Costs will be higher with the addition of expensive plugging projects in Districts 3 and 8 and in bay areas of the Texas Gulf Coast, he said.

After voting on the budget as a whole, Jones said increasing pipeline inspectors' pay and adding new field inspector positions were "two very noteworthy achievements."

"I think it's a great budget," Jones said.

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With over 2,400 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small mom and pop companies, the largest publicly traded independents, and large and small mineral estates and trusts.

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TIPRO to be involved in rulemaking for well-plugging insurance

Sometime this fall, the three-member commission is expected to begin the process of writing the rules for House Bill 380, which authorizes well-plugging insurance as an alternate form of financial assurance.

All oil and gas producers and operators must obtain a bond, a letter of credit or, now, well-plugging insurance to drill in Texas.

HB 380 is one of 13 bills enacted by the Legislature that affect the energy industry. Of those 13, five are relevant to producers and royalty owners. Including HB 380, they are:

>> HB 484, which requires operators to file electric logs or file a request for log confidentiality within 90 days of well completion.

>> HB 2161, which provides tax incentives to operators to bring orphaned wells back into production and reimburses certain well-plugging costs borne by the surface owner or operator.

>> HB 2201, which gives the commission jurisdiction over carbon dioxide injection from low-emissions coal-fired power plants into petroleum reservoirs.

>> Senate Bill 1130, which requires operators of pipelines to report soil or water contamination to the commission and authorizes the commission to collect soil or water samples.

The commission has identified well-plugging and carbon-

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dioxide injection rulemaking as top priorities. HB 380 and 2201 rulemaking may begin as early as September.

The commission will seek the input of TIPRO and other stakeholders, after which it will propose its rules and publish them in the Texas Register. The public will be able to comment on the rules. The commission will then review those comments and make changes in response to comments. If the changes are incidental, the commission will adopt the rules. If they are substantive, the commission must repeat the rulemaking process beginning with a proposal of a rule.

TIPRO will publish summaries and the text of proposed rulemakings as they become available.

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