



By Robert Osborne

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EDITOR'S NOTE: The following is testimony presented by Alliance Chairman Bob Osborne to the Sunset Committee on Aug. 22 in Austin.

Stability is a key component to the success of any business, including the oil and gas industry. It is well known that oil and gas prices have been anything but stable.

We believe that the continuation of the Railroad Commission in its current form will add to the stability of the industry and prevent counterproductive federal overreach.

We believe our State policy makers should adopt a bill clean of controversial issues that have derailed the reauthorization of the Railroad Commission twice previously. If members of the Legislature want to propose controversial changes, those changes should be proposed in separate legislation.

We oppose changes which result in increased regulation and costs to industry.

Stability is key! A stable regulator with effective regulations is part of that stability. Continuation for the RRC is vital to maintaining that stability and continuity. The RRC has more than a century of historical performance. This is not just good for the industry but is also imperative for the health and safety of our citizens and the preservation of our environment.

Against increased penalties! The Alliance supports efforts to effectively monitor oil and gas activities for environment protection and to prevent waste. However, we believe current programs aimed to correct minor violations to ensure compliance do work. We oppose increased penalties for minor violations and any changes at the expense of small producers.

Against changes in bonding requirements! Not only are the increases and proposed changes not justified – but the Sunset recommendation fails to recognize history of bonding and that bonding is but one form of remedy the Railroad Commission has to deal with the issue of inactive wells. Actually, producers are allowed to put up a bond, letter of credit, or cash deposit to cover their financial obligations. Letters of credit from banks are the used more frequently than the other two options.

The changes suggested could easily have unintended consequences. In this fragile business environment, the recommendations to dramatically increase the bonding level to certain operators by 50% - 250% may not be achievable by the banks, underwriters or operators. This action could precipitate the abandonment of more wells as these operators are unable to meet the new enhanced and unnecessary financial burdens.

The RRC has a priority system of plugging orphaned wells that works. If a well is leaking or in an environmentally sensitive area, it is plugged. Wells which have future economic value, or do not impose a risk may be held in inventory until plugging is appropriate. The same remains true for remediation sites.

Since the inception of the Oilfield Cleanup Fund in 1984, the RRC has plugged more than 35,000 wells at a cost of \$250,000,000 of industry monies gathered from taxes, fees and performance bonds. It does not come from General Revenue. This has not been nor will be taxpayer monies.

In conclusion, I urge you to adopt legislation reauthorizing the Railroad Commission in its current form, and let's deal with the other controversial issues in separate legislation.