

TRRC Abandoned Well and Plugging Program and Regulatory Problems Arising from Fluctuating Oil & Gas Prices

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13th Annual Ryder Scott Reserves Conference

Houston, Texas September 21, 2017

Disclaimer

The views expressed in this presentation are those of David J. Porter and not those of Ryder Scott, the Texas Railroad Commission, or my consulting clients.

Inactive Well Plugging Extensions

- **Rule 14: Plugging operations on each dry or inactive well shall be commenced within a period of one year after drilling or operations cease... unless the Commission or its delegate approves a plugging extension under Rule 15.**

Inactive Well Extension Requirements

- **Operator has a current organization report.**
- **Well in compliance with RRC rules and orders.**
- **Operator has a good faith claim to continuing right to operate the well.**

For Inactive Land Wells (Bay/Offshore wells are excluded):

- **Completion of required surface equipment cleanup/removal and certification on Form W-3C**
- **Application for plugging extension and qualification on Form W-3X**

Application for Plugging Extension

- **Operator of an inactive land well must apply for a plugging extension by filing Form W-3X.**
- **Operator must qualify for an extension under one of several options.**
 - **Three “Blanket” options**
 - **Five “Individual Well” options**

Cost Calculation

“Cost Calculation”: Estimated plugging cost based on the average per-foot cost, by district, for state funded plugging operations in the previous fiscal year. Multiply that per-foot cost times the well depth according to Commission records.

<http://www.rrc.state.tx.us/compliance/hb2259/HB2259-CostCalculation.pdf>

Slide text courtesy of the Texas Railroad Commission

Application for Plugging Extension

“Blanket” options:

- **10% plugged/restored**
- **Blanket additional financial security**
- **If publicly traded, secured creditor status.**

Application for Plugging Extension

“Individual Well” options:

- **Abeyance of Plugging Report covering the inactive well plus \$250 fee.**
- **EOR Project status (if eligible)**
- **H-15 well test (if eligible) plus \$125 fee**
- **Additional financial security**
- **Escrow deposit (10% of “Cost Calculation”)**

Things that can happen to Orphaned Wells

- **Plugged or brought back to production by current operator**
- **Brought back to production by a new operator**
- **Surface owner can plug well**
- **Railroad Commission plugs well**

Money RRC spent plugging Orphan Wells

Fiscal Year	Wells Plugged	Cost of Plugging (Millions)	Avg. Cost per Well
2013	778	\$20.9	\$26,900
2014	563	\$15	\$26,600
2015	692	\$10.7	\$15,500
2016	544	\$8.5	\$15,700
2017*	223	\$2.4	\$10,800

**For FY17 there are actual figures for 6 months. Total budget for plugging cost is \$14.4 million for the year.*

Sources of Money used by RRC to fund orphan well plugging

- **Recovered from responsible party**
- **Recovered from salvaged equipment**
- **Recovered from performance bonds, letters of credit, and cash deposits**
- **Taxes and fees paid by industry and public**

Charge to Operator

- **Amount of performance bond, letter of credit, or cash deposit required from operators of oil and gas wells:**

0 to 10 wells	\$25,000
11 to 99 wells	\$50,000
100 wells or More	\$250,000

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