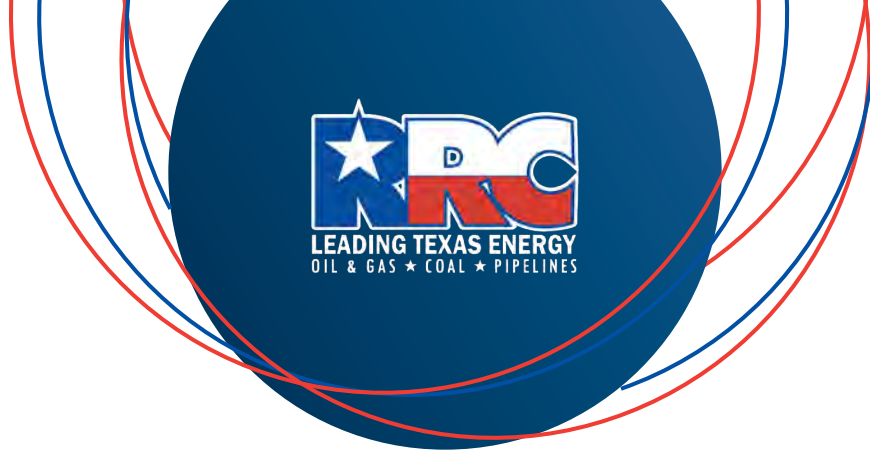




March 2021

Energy News

From the Field Photo
Harris County
Photo by Jody Laib



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Upcoming Events

RRC Open Meeting

April 13, 2021

Online

[VIEW MORE RRC EVENTS ▶](#)

[VIEW OPEN MEETING WEBCASTS ▶](#)

Apply for ERCOT's Critical Load Designation to Help Prevent Future Power Outages

The RRC is requesting operators in areas of its jurisdiction review ERCOT's updated application for Critical Load Serving Electric Generation and Cogeneration, which has deadlines for summer and winter peaks, and apply as appropriate.

The critical load designations are an electricity regulation process over which the RRC does not have jurisdiction to authorize designations. Do your part to help ensure electricity providers grant critical energy producing facilities priority status and help prevent power outages.



ERCOT'S CRITICAL LOAD DESIGNATION FORM



RRC Celebrating **130** YEARS Serving Vital Roles for Texans



Since its inception on April 3, 1891, the Railroad Commission of Texas has had the critical role of protecting the interests of the public.

Before the actions that created Texas' oldest state agency, railroads wielded tremendous power, controlling the flow of goods and setting their own rates. The Railroad Commission was given oversight of railroad operations and rates and brought much-needed stability and predictability to the industry.

Its first three commissioners were appointed by the governor, but after 1894, the RRC's commissioners have been elected to overlapping six-year terms.

The coming of the railroad would be followed by a great rush for oil. In 1901, there was the famous discovery of oil at Spindletop near Beaumont. The well was so productive that it produced more than the world's entire demand in 1902.

The well and those that followed it gradually brought into focus the need for responsible stewardship of this valuable resource. The rapid development of oil rigs would also bring to the forefront the need for protection of public safety and the environment from the volatile compound.

In 1917, using the same justification as with the railroads as a common carrier, the RRC's duties were expanded with the Texas Legislature's Pipeline Petroleum Law, giving it oversight of pipelines. That was followed with the Oil and Gas Conservation Law in 1919.

RRC's first oil and gas rule in 1919 concerned the establishment of minimum distances between wells to protect field pressure and correlative rights.

In 1920, RRC was given authority over the regulation of natural gas utilities, including oversight of rates.





The tragic [1937 explosion of the New London School](#) near Tyler, which had used wellhead gas from oil wells to heat the school, spurred more concerns about public safety, especially of students. The incident killed nearly 300 students and teachers.

The [Legislature that year](#) gave RRC authority to require the odorization of natural gas and liquefied petroleum gases and to adopt rules and regulations for gas storage containers and transportation of such containers.

The tragic explosion ultimately resulted in the state adopting some of the more stringent alternative fuel training and certification requirements in the country.

The agency would later gain responsibility for the regulation of surface mining of coal and uranium in the state.

Over the years, the agency's duties have been finetuned, as the needs of Texans have changed, including the relinquishing the last of its rail functions in 2005 to the Texas Department of Transportation.

Today, as the RRC celebrates its 130-year history, it has more than 800 employees spread across the state. The agency has adapted to the times leveraging technology on multiple projects to streamline functions that benefit operators and staff. And we have also used online resources to increase transparency and allow the public to easily view important information maintained at the RRC.

The agency will keep pushing forward with more initiatives, but one thing will always be central to the RRC as long as it exists: Its commissioners and employees will fiercely defend the public's interests.

photo courtesy of the Spindletop Museum, Beaumont, TX

[WATCH VIDEO ABOUT WHAT RRC DOES](#)

RRC's Longest-Tenured Employee Not Stopping Anytime Soon

Luther “Nick” Nichols has been involved with the oil and gas industry as long as he can remember.

By the time the Louisiana native turned 15, he had moved 50 times, living in mobile camps as his father pursued oilfield work.

As an adult, he also worked in the business, holding a variety of jobs before being spotted by the Railroad Commission's Pampa district director at the time, John Rogers. Nichols was employed by Natural Gas Pipeline Co. and was trimming trees on the side when Rogers stopped by and encouraged him to apply for a position. Rogers also wrote him a letter of recommendation.

“I love this job. I'm just as excited about it today as I was in 1975,” said Nichols, 76, who is the agency's longest tenured employee and is the lead inspector in Wichita Falls. “There have been times I wished there wasn't a weekend.”

Laughing, he added, “Of course, there are times I wished the weekend wouldn't end.”

He likes working for the Railroad Commission so much that his plans of retiring after 45 years of service fell by the wayside. He's thinking about hanging up his hat when he reaches 50, but, really, he's just taking it year to year, enjoying his time in the field and with his coworkers.

His only significant break from the oil and gas industry came during a period of service in the Army and a tour in Vietnam during the war. He was a gunner on a rescue helicopter.

“I didn't think I'd make it another month,” he said of how dangerous his job in the military was before he got out.

Before RRC hired him and assigned him the job of inspector in Wichita Falls, he was bringing home \$600 every two weeks as a pipeline worker. RRC would pay him about \$300.

He was 30 years old, married, and had three children. It wasn't easy. He says, perhaps only half kidding, that he worried his wife would divorce him for taking a job that slashed his salary by so much.

It was much more than just the pay.

“It was something that fit me. I believed in what we were doing,” Nichols said. “I loved the Railroad Commission right away.”

He wanted to be the best employee he could be. He spent time after work at home to continue writing his inspection reports. He also worked part-time jobs to bring in extra money.

Nichols has seen the agency move from being mostly paper-based to relying on digital tools, such as laptops and cell phones. Before cell phones, when he would travel afar to remote sites for his inspections, his supervisors would not be able to contact him again until he returned to the office.

The way the agency got around this limitation was to have inspectors call collect via payphones back to their district offices twice a day. If the office rejected the call, the inspector would know his or her supervisor did not have any additional instructions.

Among the big issues for the Commission during Nichols' time of service was a change in how orphan wells were plugged. During his early years with the agency,





when an orphan well needed to be plugged, an RRC representative would ask for assistance from the major producers in the area, and they would collectively chip in to plug such wells.

In 1984, RRC created the State Managed Plugging Program, which was funded by industry fees.

Eventually, Nichols became interested in other opportunities at the RRC and heard about a program that employed criminal investigators at the agency. The only problem was that RRC's Theft Division only hired people with peace officer commissions and did not provide such training to its own employees.

That did not deter Nichols who paid for his own way to attend peace officer training in the evenings. In order to maintain his commission, he had to work 16 hours every month as a deputy.

While the agency would later pay for employees to earn peace officer commissions, Nichols says that the problem with hiring professional police officers to handle oilfield corruption cases was that most lacked an understanding about the technical aspects of rig operations and the ways in which a dishonest operator might try to deceive them.

Nichols was hired by the Theft Division in 1985 and not only worked cases from the oilfields but also on one from within his district office with the well plugging program and how bids were handled and the quality of work performed.

The case resulted in an employee getting fired and changes to improve the program. An aide for one of RRC's commissioners even contacted Nichols to ask for his input on any changes that the well plugging program needed.

While the Theft Division was disbanded in 1993, Nichols continued to work with a criminal investigation unit at the agency.

His biggest case was his last. He worked with the Texas Rangers for two years on an investigation in Wilbarger County. It resulted in five people being sent to prison in 2007.

Since then, he has worked as lead inspector, helping the Wichita Falls district director interview and manage the field inspectors.

Nichols says the agency has come a long way since he was hired, especially when it comes to investing in the professionalism of its employees. The Commission now provides Boots on the Ground training for new inspectors and other training, as needed.

When he started, he had to buy the equipment he used as an inspector.

"Now, if you need, you ask for it," Nichols said.

Pay is much better at the agency, but it still can't compete with what the oil and gas companies offer.

But if you believe in the importance of public service, no amount of money will convince dedicated workers like Nichols to leave their posts.



From 18 to Management, RRC Provides Opportunities for Advancement for

The Railroad Commission not only hired **Tim Poe** when he was just 18, it has given him numerous opportunities to advance over the course of his career, which has only been with the agency.

He was hired as a clerk in September 1981 in the agency's Drilling Permits Section. He rose to the position of assistant director in the Oil and Gas Division before retiring in 2016.

"Sadly, when I started, I was just a little clerk in a deep silo," Poe said. "I did not pay attention to bigger picture issues. When you are down in the trenches, you are in a silo. When you rise to other positions, you begin to see the bigger picture."

For him, being employed in several lower-level jobs at the agency first would ultimately make him a better manager when he had that opportunity.

Poe, who was rehired by RRC three months after his retirement, has cut back to half-time hours since November 2020. He is now a program specialist in the Legal Enforcement Section.

His primary work involves assisting with IT projects as the agency works to modernize its systems. He worked extensively on the

development of the CASES portal – which stands for Case Administration Service Electronic System – that launched in March of 2020.

CASES allows those with legal cases at the RRC to file all of their paperwork electronically and make any payments online. It also allows the public to view case files, improving transparency.

Among the challenges that the RRC faces as it tries to update its computing systems is that much of the work at the agency has long been based in the antiquated and limited Mainframe. The technical challenges for the agency's IT professionals are immense, but there is another, lesser-known issue with switching systems, Poe said.

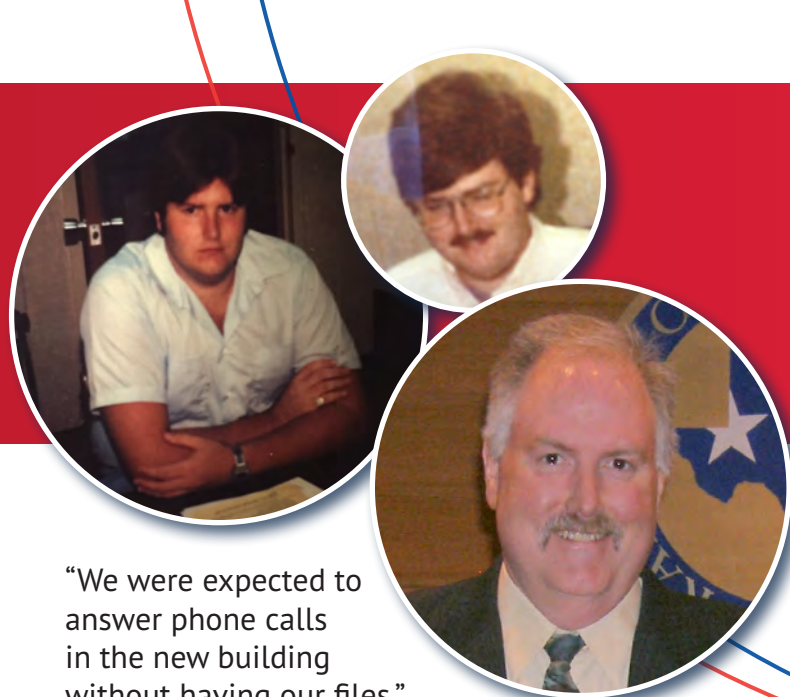
The Mainframe, which has been around since the late 1970s, allowed the automation of various tasks at the agency.

"Computerization has enabled the agency to do far more with far less," Poe said.

No longer did agency staff need to figure out by hand how to prorate an oil or gas field, which allows each operator on it to receive an equitable share of its resources.



Career Employee



The Mainframe had been performing this task for so long that no one was left at the agency who still remembered how to manually calculate the proration of a field.

Poe and Joe Stasulli, the deputy assistant director over the Well Compliance Section, had to study the proration formula to figure out what the program in the Mainframe was doing and how to replicate it.

One of the big changes experienced by the agency while Poe was assistant director over the P-5 program was requirements for financial assurance for oil and gas wells, which took effect in 2004, providing the agency with resources to call upon to clean up and plug abandoned sites, if the need arose.

Even though industry was given years of notice, it did not prevent years of angry calls to the RRC and lawsuits, Poe said.

Another challenging time was the move of the Railroad Commission's headquarters from South I-35 in Austin to near the Capitol in the William B. Travis Building in 1986.

"We were expected to answer phone calls in the new building without having our files," said Poe, who noted that movers would not deliver their things until a week after they were at their new desks. "We just figured out a way to get our files over there. We got dollies and pushed our stuff into the flow of material being moved. It wasn't organized."

Not only did the agency become more reliant on the Mainframe during Poe's time with the agency, he also saw the coming of the desktop computer as a tool for every agency employee.

"Some people who refused to use new technology found themselves replaced," Poe said, saying he knew of an attorney who would type emails to his secretary so she could print them out for him. "We are streamlined. We are automated. The costs to move backwards are too high; we have no choice but to go forward."



Texas Railroad Commission Oil & Gas Division 1985



In Response to Winter Storm, RRC Working to Help Legislature with Potential Solutions

The Railroad Commission is working with and supporting the Texas Legislature, other state agencies, and industry in order to generate meaningful solutions to the challenges incurred during February's severe winter storm.

In response to the recent hearings in both the House of Representatives and the Senate, Chairman Christi Craddick offered several tangible and responsible recommendations to legislators. Understanding that electricity is the best winterization tool, the proposals discussed include:

- Formalize the Texas Energy Reliability Council (TERC) – TERC is comprised of members from the RRC, the Electric Reliability Council of Texas (ERCOT), the Public Utility Commission, and members of the natural gas industry. Strengthening this group through statute would allow these key stakeholders to improve communication and ensure emergency preparedness.
- Convene an RRC administrative hearing to consider and update curtailment priorities – The RRC took proactive actions and issued an energy order to elevate human needs customers to a high priority prior to Winter Storm Uri. The current curtailment priorities for natural gas transport and sale were established in 1972, and an updated order is timely.
- Ensure that critical oil and gas infrastructure is appropriately registered with ERCOT and electric utilities – Ensuring that electricity providers grant these critical energy producing facilities priority status is crucial to preventing power outages in the future.
- Require natural gas-fired electric generators to secure firm gas transportation capacity and adequate natural gas supply – Thorough examination of these contracting procedures is key to understanding the limitations experienced by these power plants. The state should explore all additional storage options and contracting methods for these facilities.

“This agency is uniquely positioned to leverage the best practices utilized by both the industries we regulate and the regulatory strategies we employ to be part of the solution in the wake of Winter Storm Uri,” said Chairman Craddick. “I am committed to working with my colleagues here at the Commission and at the Capitol to develop meaningful solutions that protect all Texans moving forward.”

“Texas cannot afford to come within minutes of total electric grid system failure ever again,” said Commissioner Wayne Christian. “It is important for state agencies and the industries we regulate to be proactive in our communication and coordination with one another to ensure our constituents have access to reliable energy when they need it most.”

“Identifying and monitoring critical infrastructure prior to extreme weather events is a crucial part of our path forward,” said Commissioner Jim Wright. “This along with increased communication through TERC will ensure we are able to plan and prepare for weather events much better in the future. I look forward to working with my colleagues and staff at the Commission to implement these and other measures as we learn and move forward from winter storm Uri.”

RRC Hosts Pipeline Safety, Permitting and Damage Prevention Webinar

The Railroad Commission hosted a free webinar entitled Pipeline Safety, Permitting and Damage Prevention on March 9 to inform and train energy industry representatives about their responsibilities under the agency's jurisdiction to ensure that the pipelines in Texas' pipeline infrastructure are designed, constructed, operated, and maintained safely. The webinar had 485 attendees.

The webinar covered a variety of topics, including:

- Recent Chapter 8 Rule Changes and General Pipeline Safety Updates
- Pipeline Damage Prevention Requirement
- Form T-4, Application for Permit to Operate a Pipeline in Texas
- Form PS-48, New Construction Report
- Pipeline Mapping

[PIPELINE SAFETY WEBINAR DETAILS](#)

RRC Adopts Revised and New CNG and LNG License and License Renewal and Container Manufacturer Registration Forms

The Railroad Commission recently adopted revisions to Compressed Natural Gas Form 1001, Application for CNG License or License Renewal and Liquefied Natural Gas Form 2001, Application for LNG License or License Renewal. The form revisions are related to recent amendments to Texas Natural Resources Code Chapter 116 and 16 Texas Administrative Code Chapters 13 and 14, respectively, that went into effect February 15, 2021. The revised form assists applicants with the initial licensing process and assists current licensees with the renewal process.

In addition, the RRC has adopted new forms for manufacturers of CNG and LNG containers to register with the agency. The form was created as a result of recent amendments to Texas Natural Resources Code Chapter 116, which require container manufacturers to register with the RRC instead of being licensed. Recent changes to 16 TAC Chapters 13 and 14, that went into effect February 15, 2021, included the adoption of CNG Form 1001M, Application for CNG Container Manufacturer Registration and LNG Form 2001M, Application for LNG Container Manufacturer Registration. The new forms allow applicants for initial registration to complete the process with guidance and assists current manufacturer registrants with the renewal process.

The revised and new forms are available for download from the RRC website.

[VISIT ALTERNATIVE FUELS FORMS](#)

Digging It?



Call **811**, So You Don't Need to Call 911

With the coming of April and the urge to be productive around the house, including planting new plants and outdoor home improvement projects, that is why April also marks National Safe Digging Month. With almost half a million miles of active pipelines underground in Texas, everyone from homeowners to contractors are reminded to call 811 before digging. Doing this marks the lines and helps prevent injuries, property damage and inconvenient outages.

In 2020, 27 percent of all pipeline incidents, were caused by people digging with hand tools, such as shovels, and landscaping. Whether you're planting a tree or shrub or installing a deck or pool, make a call to 811, so you don't have to call 911.

The call to 811 is free and must be made at least two business days before digging. The One-Call Center then notifies underground facility operators, including pipelines. Locators are sent to a proposed digging site to mark underground pipelines and utilities with flags, spray paint or both.

In past years, RRC's Pipeline Damage Prevention Program staff reinforced the "Call Before You Dig" message by conducting pipeline damage prevention educational programs with operators across the state, but since the pandemic, such outreach has been done virtually, including through RRC-hosted webinars to educate excavators.

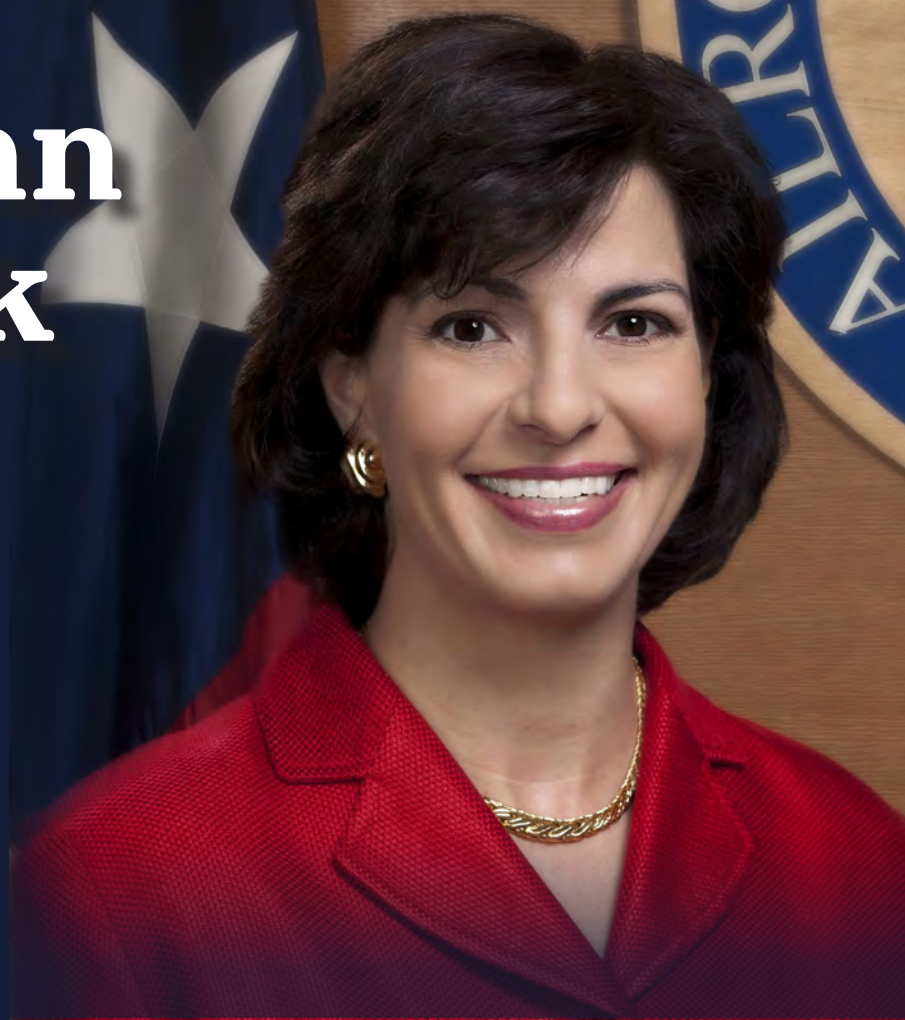
Failure to call 811 before digging or incorrectly marking a pipeline is a violation of RRC rules and can result in fines up to \$200,000 per day per violation. If a pipeline is damaged during excavation, a responsible party is required by RRC rules to call 811 to report the damage and 911 if there is a release of product and to also submit a Texas Damage Report Form to the RRC within 30 days of the incident. Failure to properly report pipeline excavation damage can lead to fines.

You can call RRC's Damage Prevention Program at 512-475-0512. More information can be found on the RRC's website.

PIPELINE DAMAGE PREVENTION PROGRAM

Chairman Craddick

COMMISSIONERS' CORNER



This month, Chairman Craddick has continued to work with the Texas Legislature to ensure meaningful and responsible solutions to last month's winter storm. These proposals include formalizing the Texas Energy Reliability Council, mapping Texas' critical natural gas infrastructure with ERCOT's electric grid, reevaluating the practice of interruptible contracts and natural gas fired power plants, and updating the 1972 natural gas curtailment order. This agency is uniquely positioned to serve as a valuable asset in the conversation surrounding potential solutions, and Chairman Craddick will continue to work with the legislature on these important matters.

Additionally, Chairman Craddick testified before the U.S. House of Representatives Energy & Commerce Subcommittee on Oversight & Investigation to explain the role of the Railroad Commission in the power supply chain and discuss the important steps that our state can take to prevent problems in the future.

Commissioner Christian

COMMISSIONERS' CORNER



Last week, Commissioner Wayne Christian was featured in the Wall Street Journal in an op-ed titled, *“Texas’ blackouts blew in on the wind.”*

Excerpt: “Ratepayers and taxpayers don’t have unlimited funds to invest in energy infrastructure. One choice always comes at the expense of another. The problem with wind and solar power is that investment in unreliable renewable sources has displaced investment in electricity generation from reliable energy sources. Worse, these investment decisions weren’t made voluntarily by individuals in the free market. They were forced on Texans by politicians in Washington.

Texas can’t afford to come within minutes of total system failure ever again, and the only way to ensure it never happens is to reverse policy choices that have tilted the state’s energy mix in favor of inefficient and unreliable sources. The mix needs to be rebalanced, with an emphasis on cheap, plentiful and reliable sources such as natural gas, coal and nuclear.”

[READ MORE HERE](#)



Commissioner Wright

COMMISSIONERS' CORNER

In March, Commissioner Wright spent several days in the Permian Basin visiting with operators as they work to incorporate new technologies into their field operations to recycle water, reduce flaring and capture emissions. These tours allow the industry to show Commissioner Wright and staff how these new technologies are used in the field and for the Commissioner to evaluate what, if any, changes in RRC policy need to be made to accommodate the use of new technology. Commissioner Wright is committed to supporting the efforts of industries to reduce emissions and freshwater use. His goal is to allow these new technologies to work, while making sure the processes are effectively regulated and safe for both people and the planet.





Oil & Gas Production Statistics

View monthly production totals of crude oil, condensate and total oil; and of gas well gas, casinghead gas, and total natural gas.

[VIEW PRODUCTION STATISTICS ▶](#)

Enforcement Actions

The Commission has primary oversight and enforcement of the state's oil and gas industry and intrastate pipeline safety. View RRC's Latest Enforcement Actions here.

[VIEW ENFORCEMENT ACTIONS ▶](#)

Public GIS Viewer

The Public GIS Viewer allows users to view oil, gas and pipeline data in a map view.

[LAUNCH THE PUBLIC GIS VIEWER ▶](#)