



RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION
October 23, 2013

Mr. Phil Wilson
Executive Director
Texas Department of Transportation
125 East 11th Street
Austin, TX 78701

RE: Senate Bill 1747: Injected Oil and Gas Waste Volume Data and Methodology

Dear Mr. Wilson:

The methodology provided herein and accompanying data is provided to the Texas Department of Transportation (TxDOT) pursuant to Senate Bill 1747 (83rd Legislature, Regular Session, 2013), which added new Texas Transportation Code, Chapter 256, Subchapter C, §§256.101 – 256.106, creating a transportation infrastructure fund and directing TxDOT to administer a grant program from the fund to provide funding to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production.

Transportation Code, Section 256.103(b)(4) requires that 10 percent of the funds distributed under the grant program be distributed by TxDOT according to the volume of oil and gas waste injected, determined by the ratio of the volume of oil and gas waste injected in the preceding fiscal year in a county to the total volume of oil and gas waste injected in the state in that fiscal year, “as determined by the Railroad Commission of Texas” (RRC). RRC has determined that the data attached to this letter represents the volume of oil and gas waste injected for each county for FY 2013, and the total volume of oil and gas waste injected for the state for FY 2013; and as such, RRC is providing this data to TxDOT for the purpose of calculating allocations among counties for the grant program. Below is a description of the methodology used by RRC to provide the attached data.

Methodology

Under Section 256.103(b)(4), a portion of the grant allocation is to be based on “the volume of oil and gas waste injected, determined by the ratio of the volume of oil and gas waste injected in the preceding fiscal year in the county...to the total volume of oil and gas waste injected in the state in that fiscal year, as determined by the Railroad Commission of Texas.” Due to data collection methods for injection volumes, the last full fiscal year for which injection volumes are

available is FY 2012. Railroad Commission staff have determined the volume of oil and gas waste injected in FY 2013 for each county, the total volume statewide, as well as the corresponding ratios using the following methodology. (NB: Data used in this analysis is current as of October 11, 2013.)

- 1) Staff determines that the following purposes of injection constitute injection of waste:
 - a. Disposal into a nonproductive zone (W-14)
 - b. Disposal into a productive zone (H-1)
 - c. Other (Salt water disposal not falling within another category)
 - d. Secondary or tertiary recovery (injection well), if the fluid involved is:
 - i. Brackish Water
 - ii. Fracture Water Flow Back
 - iii. Salt Water
- 2) For all H-10 reports covering the period from 9/1/2011 through 8/31/2012, for injection activity described in Step 1, determine the volume injected and the county.
- 3) Sum the volumes injected within each county to determine the FY 2012 county volume for that county.
- 4) Determine the number of wells with injection permits in each county as of August 31, 2012 to determine the 2012 UIC wells for that county.
- 5) Divide the FY 2012 county volume by the 2012 UIC wells for that county to determine the FY 2012 average volume per well in that county.
- 6) Determine the number of wells with injection permits in each county as of August 31, 2013 to determine the 2013 UIC wells for that county.
- 7) Multiply the FY 2012 average volume per well determined in Step 5 times the 2013 UIC wells for that county to determine the “volume of oil and gas waste injected in the preceding fiscal year in the county.”
- 8) Sum the county volumes obtained in Step 7 for each county to determine the “total volume of oil and gas waste injected in the state in that fiscal year.”
- 9) Divide the figure determined for a county in Step 7 by the total figure determined in Step 8 to obtain the ratio.

The data derived using this methodology is set forth in the spreadsheet attached hereto. Should you have any questions regarding this information, please do not hesitate to contact Tim Poe by telephone at (512) 463-2655 or by e-mail at Tim.Poe@rrc.state.tx.us.

Sincerely,



Gil Bujano
Director, Oil & Gas Division

GB: cms

Attachment (1): 2013 Waste Disposal Volumes by County

cc: Milton Rister, Executive Director
Lindil C. Fowler, Jr., General Counsel
Stacie Fowler, Government Relations



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OIL AND GAS DIVISION
October 23, 2013

Mr. Phil Wilson
Executive Director
Texas Department of Transportation
125 East 11th Street
Austin, TX 78701

RE: Senate Bill 1747: Well Completions Data and Methodology

Dear Mr. Wilson:

The methodology provided herein and accompanying data is provided to the Texas Department of Transportation (TxDOT) pursuant to Senate Bill 1747 (83rd Legislature, Regular Session, 2013), which added new Texas Transportation Code, Chapter 256, Subchapter C, §§256.101 – 256.106, creating a transportation infrastructure fund and directing TxDOT to administer a grant program from the fund to provide funding to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production.

Transportation Code, Section 256.103(b)(3) requires that 50 percent of the funds distributed under the grant program be distributed by TxDOT according to well completions, determined by the ratio of well completions in the preceding fiscal year in a county to the total number of well completions in the state in that fiscal year, "as determined by the Railroad Commission of Texas" (RRC). RRC has determined that the data attached to this letter represents the number of well completions for each county for FY 2013, and the total number of well completions for the state for FY 2013; and as such, RRC is providing this data to TxDOT for the purpose of calculating allocations among counties for the grant program. Below is a description of the methodology used by RRC to provide the attached data.

Methodology

Under Section 256.103(b)(3), a portion of the grant allocation is to be based on "the ratio of well completions in the preceding fiscal year in the county...to the total number of well completions in the state in that fiscal year, as determined by the Railroad Commission of Texas." Railroad Commission staff have determined the number of well completions in FY 2013 for each county, the total number of well completions statewide, as well as the corresponding ratios by utilizing

the following methodology. (NB: Data used in this analysis is current as of September 12, 2013.)

- 1) Identify all completion packets filed with the Commission between 9/1/2012 and 8/31/2013. (A "packet" is a group of forms collectively referred to as a completion report, filed through the RRC's online filing system.)
- 2) Exclude packets filed for UIC purposes.
- 3) Exclude duplicate packets filed on the same wellbore. (Recall that operators must file a "well record" packet within 30 days of drilling, followed by an "initial potential" packet once the well is ready to produce.)
- 4) Count the packets within each county to determine the "well completions in the preceding fiscal year in the county."
- 5) Sum the county counts obtained in Step 4 for each county to determine the "total number of well completions in the state in that fiscal year."
- 6) Divide the figure determined for a county in Step 4 by the total figure determined in step 5 to obtain the ratio.

The data derived using this methodology is set forth in the spreadsheet attached hereto. Should you have any questions regarding this information, please do not hesitate to contact Tim Poe by telephone at (512) 463-2655 or by e-mail at Tim.Poe@rrc.state.tx.us

Sincerely,



Gil Bujano
Director, Oil & Gas Division

GB: cms

Attachment (1): 2013 Completion Reports Submitted by County

cc: Milton Rister, Executive Director
Lindil C. Fowler, Jr., General Counsel
Stacie Fowler, Government Relations