

# **RAILROAD COMMISSION OF TEXAS: THE BASICS AND BRIEF UPDATES**

**48<sup>TH</sup> ANNUAL ERNEST E. SMITH OIL, GAS AND MINERAL LAW INSTITUTE AND FUNDAMENTALS**

**RYAN M. LAMMERT**

**UHL, FITZSIMONS, BURTON, WOLFF, & RANGEL, PLLC**

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## **THE BASICS AND BRIEF UPDATES**

- A Brief History of the RRC
  - RRC Jurisdiction, Adoption of Rules, and Powers
  - Organization
  - The Statewide Rules (or at least some of them)
  - Brief Updates Along the Way
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## A BRIEF HISTORY

- Constitution of 1876, Texas' sixth constitution
  - Declared railroads to be common carriers; authorized Legislature to enact regulatory laws
  - Authorized actions against railroad abuses, including bribery and monopolization of market power
  - 1891; Governor James "Big Jim" Hogg elected, partially on the basis to better regulate rails and control prices
  - April 3, 1891, Railroad Commission of Texas created pursuant to the "Hogg Laws"
    - Texas' first regulatory agency; regulated railroad, terminals, wharves, etc. (i.e., common carriers)
    - 3 Commissioners appointed: Hon. William McLean, John Reagan, and Lafayette Foster (TAMU President, 1898)
  - 1894; legislation passed for the election of Commissioners
    - Overlapping 6-year terms; scheme survives through present

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## A BRIEF HISTORY

- Early 20<sup>th</sup> century
  - Oil and gas exploration increasing (Spindletop, January 10, 1901)
    - As oil and gas activity increases, so does supporting infrastructure, including pipelines
  - 1917 Pipeline Petroleum Law; deemed pipelines as "common carriers," so RRC jurisdiction
  - 1919 Oil and Gas Conservation Law in response to overproduction, congested oilfield
    - Phenomenon known as "tragedy of the commons"
    - Commission adopts first "spacing rule" (i.e., Statewide Rule 37)
- Mid-20<sup>th</sup> century; RRC continues to finetune oil and gas regulatory framework, all the while ceding railroad regulation to TXDOT
- 2005; Commission formally transfers jurisdiction of "Rail Division" to TXDOT; last connection to railroads
- Present; no formal nexus with its namesake "Railroad," Legislative attempts to rename have failed
- Current Commissioners: Chairman Wayne Christian, Commissioner Christi Craddick, and Commissioner Jim Wright



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## JURISDICTION AND ADOPTION OF RULES

- Derived from Texas Natural Resources Code and Texas Water Code
  - “The Commission has jurisdiction over *all*”
    - Common carrier pipelines
    - Oil and gas wells
    - *Persons owning or operating* pipelines
    - *Persons owning or engaged in drilling or operating* oil or gas wells
      - Also, non-operating interest owners – TNRC 89.012 (non-operating working interest owner duty to P&A)
- Fairly comprehensive, but what exactly does that mean? [takes deep breath]

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## JURISDICTION AND ADOPTION OF RULES

- “Operations within the jurisdiction of the Commission include, *but are not limited to*”
  - drilling, operating, or producing any oil, gas, geothermal resource, brine mining injection, fluid injection, or oil and gas waste disposal well;
  - transporting, reclaiming, treating, processing, or refining crude oil, gas and products, or geothermal resources and associated minerals;
  - discharging, storing, handling, transporting, reclaiming, or disposing of oil and gas waste, including hauling salt water for hire by any method other than pipeline;
  - operating gasoline plants, natural gas or natural gas liquids processing plants, pressure maintenance or repressurizing plants, or recycling plants;
  - recovering skim oil from a salt water disposal site;
  - nominating crude oil;
  - operating a directional survey company;
  - cleaning a reserve pit;
  - operating a pipeline;
  - operating as a cementer approved for plugging wells, operating as a cementer cementing casing strings or liners, or operating a well service company performing well stimulation activities, including hydraulic fracturing; or
  - operating an underground hydrocarbon or natural gas storage facility.
- Texas Water Code – Class II disposal/injection wells

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