

The Council of Regulatory Officials
Special Meeting:
Contracting Practices for Regulators
Roundtable

Wednesday, February 16, 2022
12:00 PM – 1:30 PM CT



Program Moderator:

Dave Hardie, Chair, IOGCC Council of
Regulatory Officials

For technical support during this
webinar contact Kaitlyn Smith at

Kaitlyn.smith@iogcc.state.ok.us



Case Studies:

Alberta, Lars DePauw, Executive Director, Orphan Well Association

Colorado, Eric Nickell, Buyer, Orphan Well Program, COGCC

Kansas, Ryan Hoffman, Director, Kansas Corporation Commission

Michigan, Adam Wygant, Director and State Geologist
Oil, Gas, and Minerals Division Department of Environment,
Great Lakes Energy.

Oklahoma, Brad Ice, Field Operations Manager
Oklahoma Corporation Commission

Texas, Patrick Shelton, Attorney, and Jesse Herrera,
Contract Administration Manager, Railroad Commission of Texas

Orphan Well Association



**Orphan Well
Association**

**IOGCC Roundtable
February 16, 2022**

The Alberta Orphan Well Association (OWA)

- **OWA manages all work on Orphan properties in Alberta (100% Working Interest only)**
- **The OWA is a delegated authority of the Alberta Energy Regulator**
 - But isn't a government organization
- **Mandate of the organization:**
 - Safe and ***efficient*** closure of sites
- **Procurement practices are meant to be fair and inclusive but do not follow requirements similar to government organizations**
 - They are at the discretion of the OWA to maximize our efficiency

The Alberta Orphan Well Association (OWA)

- **OWA has received two interest free loans (not grants) - \$535 million (CAN)**
 - Province of Alberta
 - \$335 million total (2017 and 2020 amendment)
 - Government of Canada
 - \$200 million (2020)
- **AER issues an annual levy on all producers in Alberta (transferred to OWA)**
 - \$70 million (2021)
- **Annual Expenditures and work completed:**

	2019/20	2020/21	2021/22 (budget)
Expenditures	\$114mm	\$172mm	\$218mm
Wells Abandoned	982	1,922	2,000
Sites Reclaimed	380	1,144	1,700

Structure for OWA

- **Field work is conducted using “Area Based Closure” focus to maximize efficiencies**
- **OWA Staff – 30 individuals (project managers). OWA oversees work of Prime Contractors**
- **OWA contracts all field work to ~25 Prime Contractors**
 - Also used ~1,500 subcontractors in last 5 years
- **Procurement of subcontractors is conducted by Prime Contractors and approved by OWA**
 - Have tried multiple alternative ideas to improve efficiencies
- **OWA has contracts with our Prime Contractors only but pays Subcontractors directly**
 - No mark-up of invoices

Contracting Practices for Regulators Roundtable

High Performance Procurement and Contracting for Orphaned Well Work

for IOGCC's Roundtable on Contracting Practices

Feb 16, 2022



COLORADO
Oil & Gas Conservation
Commission
Department of Natural Resources

Eric Nickell
Buyer, Orphaned Well Program

Agenda

- Shed Paper (e.g., Contract Documents)
- Decentralize Bid Work
- Your Questions



Contracting Orphaned Well Projects

- Colorado requirements for \$150K and larger contracts
 - Three signatures minimum
 - ◆ One from State Oil and Gas Regulator
 - ◆ One from Contractor
 - ◆ One from State Government Controller
 - Executed (signed) project bonds
 - ◆ Performance
 - ◆ Labor and materials



Solution: Document Signing Software

- Contract turnaround time
 - Uses email addresses and contract page views
 - Signing available on all devices, from any location
 - Contract routing timeframe decreased from 21-35 days to 0.5-10 days
- Wet ink contract routing expense
 - Staff time no longer dedicated to shipping docs overnight
 - Shipping fees of 2 x ~\$12 reduced to ~\$4 per DocuSign e-contract



Benefit to Orphaned Well Program

- Contractors mob to field ~3 weeks sooner on projects governed by contracts
- Contract reissuance rate now below 5%
 - Most common error is replacing a specific Contractor signatory with another name
- Program completes more projects each year
 - Appropriations are more fully spent
- Additional efficiency if project bonds go to 100% digital signatures



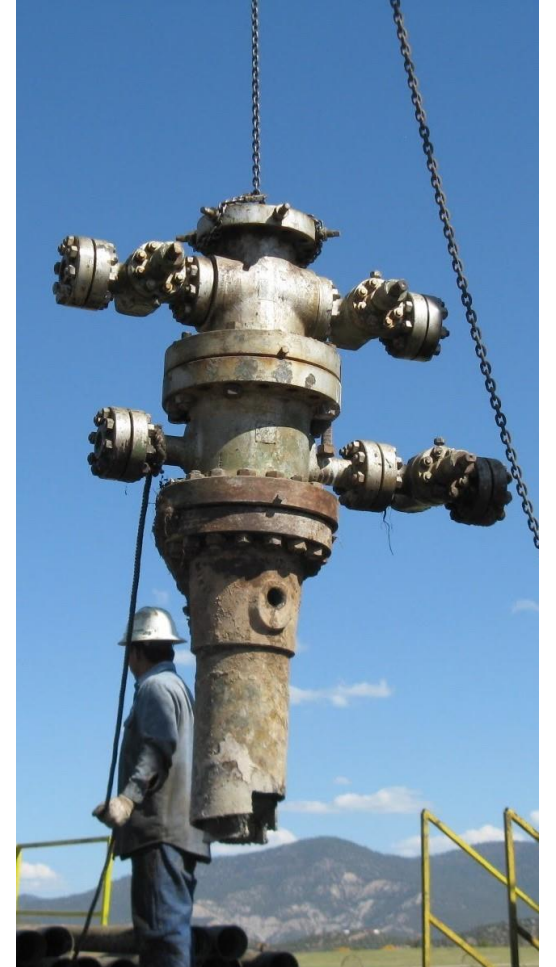
Bidding Orphaned Well Projects

- Colorado requires competitive low bidder selection for construction projects valued above \$25K
- Oil and gas regulator is part of a large department of 1,520 year round employees and a \$335M annual budget
- Busy central procurement staff at department level conduct bids for smaller programs



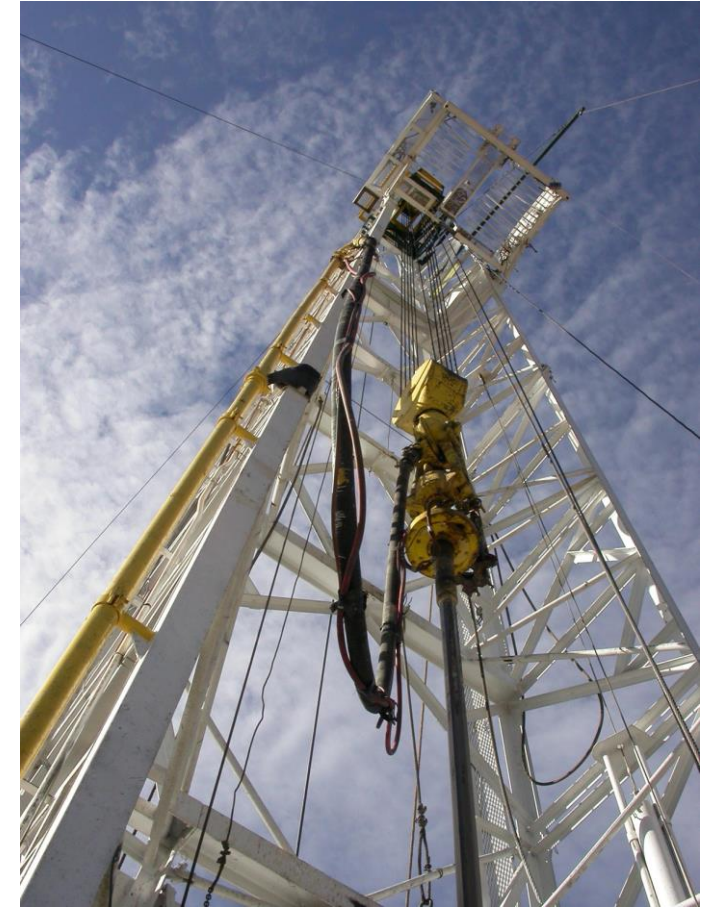
Solution: Delegate Bidding Authority

- IIJA grants projected to double or triple Orphaned Well Program bid volume
- In early 2021, central procurement staff delivered training to finance staff within the oil and gas regulator
 - Approx 8-10 hours total training time over 3 months
- Delegated, trained staff close to the Orphaned Well Program now conduct bids and make awards valued at \$300K-\$900K each



Benefit to Orphaned Well Projects

- Bid turnaround times
 - Technical and finance staff within the oil and gas regulator possess a common document system and oil and gas knowledge base
 - Project planning to bid award timeframe has shortened from 12-15 weeks to 10-12 weeks
 - Central procurement staff periodically review bid files and always approve contract with low bidder
- Contractors mob to field ~2 weeks sooner on larger projects that must be bid
- Program completes more projects each year



Thank you from

Colorado's Orphaned Well Program

<https://sites.google.com/state.co.us/cogcc-owp>



COLORADO
Oil & Gas Conservation
Commission
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Contracting Practices for Regulators Roundtable

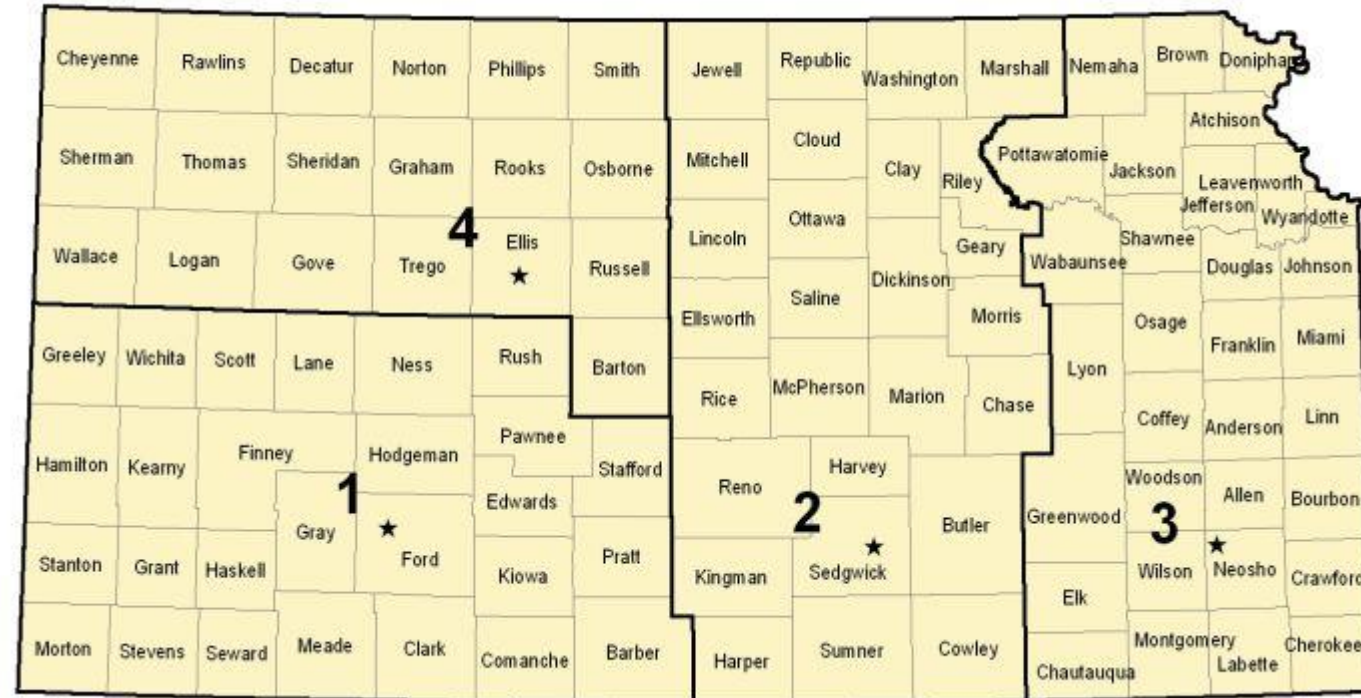
Abandoned Well Plugging Contracting Practices

IOGCC Roundtable February 16, 2022

Ryan A. Hoffman, Director, Conservation Division



Past



Past



Present

- Fixed

Company Name		
DRILLING SERVICES		
Pulling Unit:	\$	<i>per hour</i>
Mud Rotary Unit:	\$	<i>per hour</i>
Pump and Power Swivel Unit:	\$	<i>per hour</i>
Wash Down Pump:	\$	<i>per hour</i>
WIRELINE SERVICES		
Perforate (Initial Run):	\$	<i>per run</i>
Perforate (Subsequent Runs):	\$	<i>per run</i>
Shooting Off (Initial Run):	\$	<i>per run</i>
Shooting Off (Subsequent Runs)	\$	<i>per run</i>
WATER HAULING SERVICES		
Vacuum Truck:	\$	<i>per hour</i>
DIRT SERVICES		
Backhoe:	\$	<i>per hour</i>
Dozer:	\$	<i>per hour</i>
Winch Truck:	\$	<i>per hour</i>

- Task Order
 - Mobilization Charge
 - Contract Supervision
 - Tubing Rental
 - Skid Steer, Mini Excavator, Track Hoe
 - Cement
 - Other Miscellaneous
- *****DISCOUNTS*****


Future

- Blast from the Past?
 - Firm contract prices are not flexible enough
 - More vendors on contract, but only a few will do the work
- Re-re-doing the Contract
 - Cancel all contracts
 - More meetings – focus on ability to discount
 - Plugging reimbursement regulations



Thank
You!





Contracting Practices for Regulators Roundtable

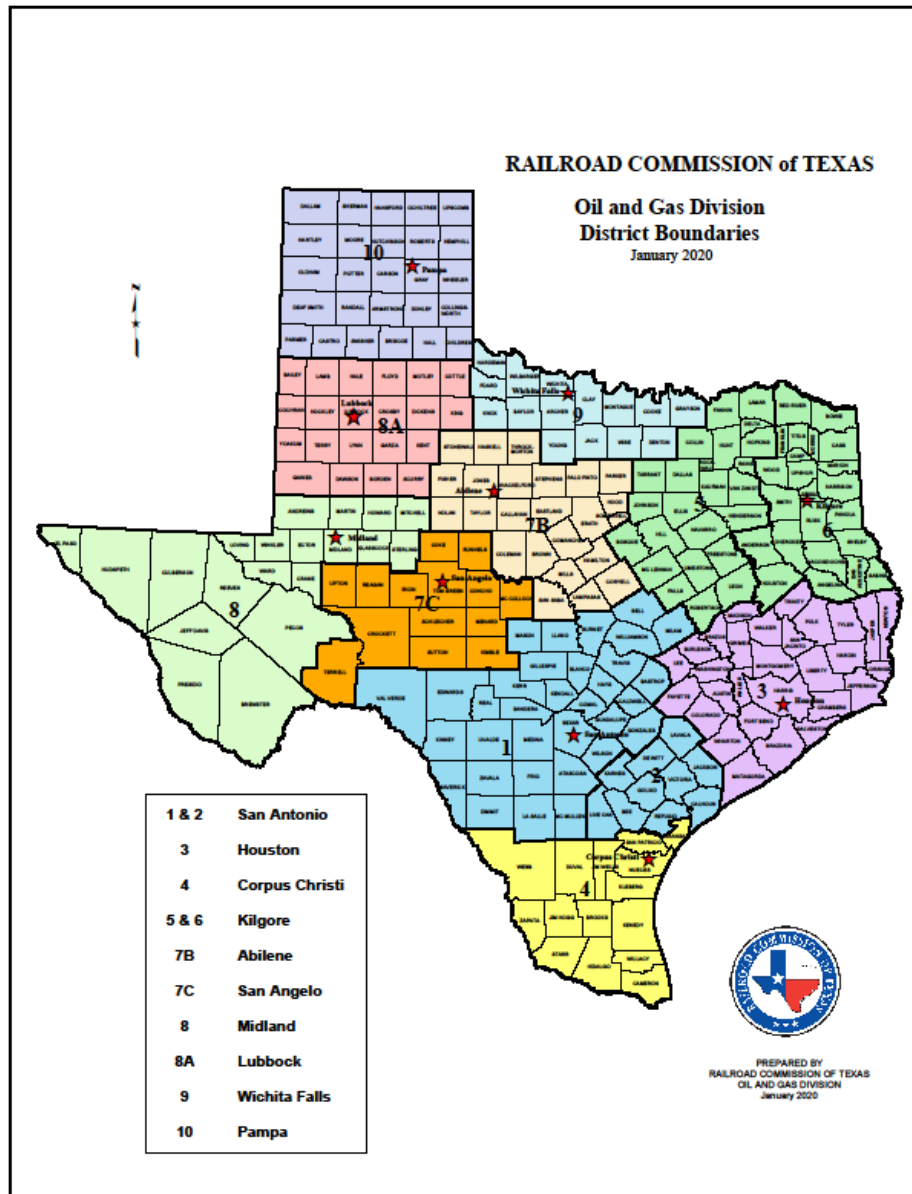


Contracting Strategies to Enhance Competition, Efficiency, and Operational Flexibility

Patrick Shelton & Jesse Herrera
February 2022



RRC Overview



Introduction to RRC

- The Railroad Commission is the oldest regulatory agency in Texas. Established in 1891, it is one of the oldest of its kind in the U.S.
- The RRC's Oil and Gas Division is organized into 12 Districts, with oversight from 10 District Offices.
- The RRC State Managed Well Plugging Program was established in 1984 and has successfully plugged 42,585 wells across the state.

Pre 2016 Paradigm: Contracting



- Contracting Decentralized to RRC Districts:
 - Request for Proposal format
 - One District, One Contractor
- Challenges:
 - Nonexclusive Service Contracts. Contractors sometimes unavailable and engaged in other work
 - Regional Variations in labor and supply costs across RRC Districts
 - Decreased operational flexibility
 - Non-Standardized forms

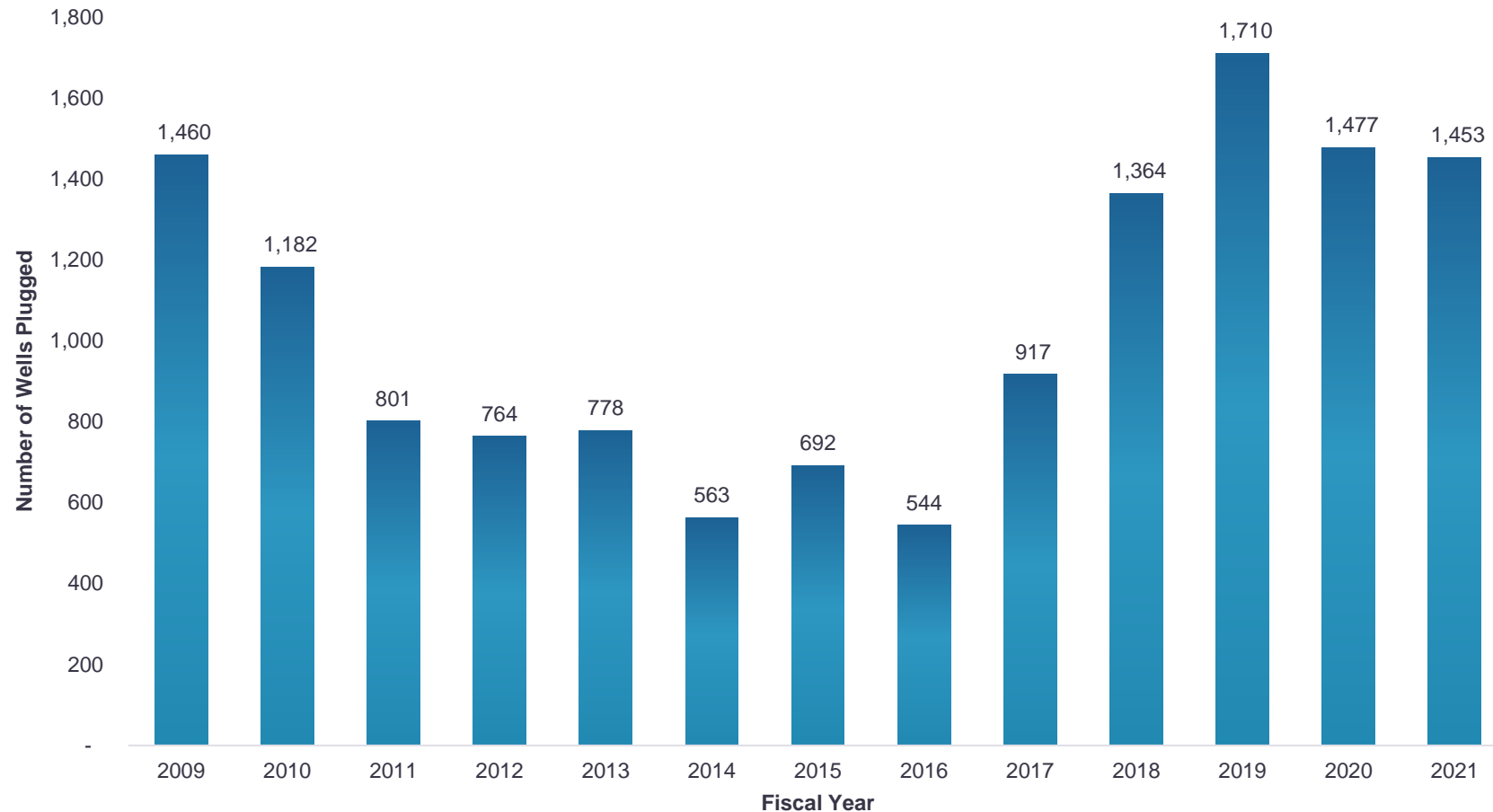
Post 2016 Paradigm: RFQ to Work Order



- RRC Centralized Procurement moves to Request for Qualifications process (RFQ) with work orders:
 - Solicitation process administered by Procurement and Contracts Division
 - After Prequalification, District staff issues Work Orders to contractors
- Key Advantages:
 - Multiple awards per District offers enhanced flexibility.
 - Greater opportunity for small Texas businesses
 - Decreased administrative burden on District staff
 - Potential for competitively bid work orders
 - Increased efficiency



Wells Plugged With State Managed Funds FY 2009 Thru 2021



NOTE: Increased number of wells plugged starting in 2016. Corresponds with the centralization of solicitation to the Procurement and Contracts Division.

Soliciting Well Plugging Service Providers



- Procurement Method: Request for Qualifications (RFQ)
 - Utilizing the RFQ solicitation process allows RRC to attain the best qualified contractor that represents the lowest risk to successful project completion
 - Establish and Signify Requirements:
 - Qualifications
 - Past Performance
 - Price/Cost
 - Lowest Price is Not Always Best Value



- Solicitation Requirements Risk:
 - Recognize uncertainty and risk, allocate performance/technical risks and cost
 - Risk is greatly increased if services/requirements are poorly defined
 - Identify minimum requirements

The Best Value Process (2 of 2)



- Texas requires state agencies to publicize bidding opportunities on its Electronic State Business Daily, a website administered by the Comptroller of Public Accounts for posting state bid opportunities. This process:
 - Contemplates giving potential vendors a reasonable opportunity to compete
 - Requires that all vendors be placed on a level playing field
 - Maximizes competition
 - Broadens Contractor participation in meeting State requirements
 - Assists small businesses and Historically Underutilized Business (Minority/Veteran Owned) in obtaining contracts and subcontracts

Case Study: Padre Island Project (1 of 2)



- **Federally Funded project in environmentally sensitive Padre Island National Seashore**
- **Total Project Cost \$882,775**



Case Study: Padre Island Project (2 of 2)



- RFP Solicitation failure in 2019:
 - No responses received
- Competitive Work Order Process with RFQ Prequalified Contractors 2020:
 - Estimated budget \$1.5MM
 - Multiple bids received
 - Turnkey price per well specified in work order
 - Results with effective District staff management:
 - All eleven (11) wells plugged for a total cost of \$882,775
 - Cost savings of \$630,791 through competitively bid work orders
 - RRC received IOGCC's 2021 Chair's Stewardship Award for Environmental Partnership

Questions?



- Contact:
 - Patrick Shelton, Attorney
 - patrick.shelton@rrc.texas.gov
 - 512-463-5572
 - Jesse Herrera, CPPB, CTCM, CTCD
Contract Administration Manager
 - jesse.herrera@rrc.texas.gov
 - 512-463-6736

Thank you for joining us!
If you have any questions, you can contact

CRO Chair

Dave Hardie

david.hardie@aer.ca

or

CRO Liaison

Amy Childers

Amy.childers@iogcc.state.ok.us