

The background of the entire page is a dense, overlapping collage of US dollar bills, primarily \$100 bills, in various orientations and colors (mostly green and blue). The bills are slightly faded and layered, creating a textured, financial-themed backdrop.

# Captive Agency

Part III: Business owners whose companies answer to the Railroad Commission can serve on the commission.

by Andrew Wheat, Texans for Public Justice  
Virginia Palacios, Commission Shift

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# Captive Agency:

## Part III: Business owners whose companies answer to the Railroad Commission can serve on the commission

November 2021

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Virginia Palacios, Commission Shift

This report was made possible by the indispensable work of Texas' journalists, as well as from public records, Texas Ethics Commission disclosures, the Texas Open Meetings Act, and the Texas Public Information Act. While all of these things could be improved, none of them can be taken for granted.

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Commission Shift is reforming oil and gas oversight by building public support to hold the Railroad Commission of Texas accountable to its mission in a shifting energy landscape.



Reforming oil and gas oversight in Texas

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# Executive summary

The Railroad Commission of Texas (RRC) is a 130-year-old state agency that oversees oil and gas development, coal and uranium mining, and natural gas utility service among other functions. Its mission is to serve Texas through stewardship of natural resources and the environment, concern for personal and community safety, and support of enhanced development and economic vitality for the benefit of Texans. Too often, the commission has focused on accelerated oil and gas development at the expense of safety, economic vitality and stewardship of natural resources and the environment.

Agency policies that let sitting commissioners profit from the industry that they oversee may exacerbate this inadequate oversight. In this report, Commission Shift and Texans for Public Justice explore Railroad Commission policies that undermine balanced governance of oil and gas development.

Commission Shift and Texans for Public Justice reviewed the three sitting commissioners' personal financial statements filed with the Texas Ethics Commission. This report focuses on Commissioner Jim Wright's personal financial statements. Other reports in this series examine the financial statements of his two commission colleagues.

The Railroad Commission requires commissioners to recuse themselves from a measure, proposal, or decision in which they have a "personal or private interest."<sup>1</sup> However, the law specifically exempts officials from recusal in situations where their interest is the same as all others "similarly engaged in the profession, trade, or occupation."<sup>2</sup> Individuals who own companies subject to the RRC's oversight are allowed to be railroad commissioners. In Commissioner Wright's case, the law grants him the privilege of making decisions for the same part of the industry from which he profits.

Commissioner Jim Wright is an entrepreneur who has had interests in at least 28 oil and gas waste companies, some of which are dormant or defunct. Wright reported active interests in 18 companies in his recent personal financial statements. Some of these companies have recurring issues before his agency. Commissioner Wright and the Railroad Commission's ex-permitting manager run a company that specializes in securing permits from Wright's agency. Another Wright company has a Railroad Commission permit to recycle oil and gas waste into road-building material—an issue that Wright has been promoting with the Texas Department of Transportation. These factors go a step beyond the concept of a "captured regulatory agency," where the industry heavily influences the agency that regulates it. In this case, a regulated business owner now heads the agency that regulates his businesses.

Wright's state-mandated personal financial statement suggests that—apart from his 90-acre homestead outside Sandia, Texas and the seaside condo he sold in 2021—all of his assets are connected to his oil and gas businesses. The value of his stakes in those businesses is unknown, however, because the largest asset or income valuation category in the required state disclosures is "\$44,630 or more." In contrast, the largest income category in required federal congressional financial disclosures is \$5 million or more, and the largest asset category is \$50 million or more.

Prior to joining the commission, Wright reached a settlement agreement with the agency over serious compliance issues related to one of his own waste facilities. Meanwhile, Wright led an industry task force that unsuccessfully urged the commission to change rules designed to protect surface and groundwater from industry waste.<sup>3</sup> In an interview about his campaign, Wright said that some of the RRC's rules are "very antiquated, easily misunderstood, and unclear."<sup>4</sup> Wright said that he decided to run for railroad commissioner because of his experience with the commission in the private sector and as a landowner.<sup>5</sup>

After Wright won the election and joined the commission, his office revived his old waste industry task force. Its seven members include Commissioner Christi Craddick's ex-spokesperson, who became an energy lobbyist, and representatives of two oil and gas companies that gave Wright's campaign \$10,000 or more.

Wright expressed discomfort during his primary campaign with taking money from the oil and gas industry. Post-primary, that industry supplied most of the \$1.5 million that Wright raised to defeat his well-funded opponent. Wright later said he would recuse himself from commission matters only when a donor gave him money "directly before" a commission vote.

At his first formal commission meeting, Wright and his colleagues reissued deregulatory orders that relax industry rules and fees—including those governing Wright's waste industry. In his journey from regulated to regulator, Wright also voted to authorize his agency to lower its enforcement penalties—three years after agreeing to pay a \$181,519 commission fine for one of his company's own violations.

At his second commission meeting, Wright recused himself from a waste disposal well application filed by his third largest campaign contributor. He said he abstained from that vote not because NGL Water Solutions gave him \$76,000 but because his staff general counsel had worked on that NGL matter in private practice before Wright hired him.<sup>6</sup>

Wright and his two commission colleagues renewed permits in April 2021 for a Blackhorn Environmental waste facility that had committed repeated violations and received multiple public health complaints. While that case was pending the previous September, Blackhorn officials had contributed \$3,000 to then-candidate Wright, whose own companies had disposed of 60 loads of oil-based mud at Blackhorn's facility. Failing to mention these ties, Wright voted to renew Blackhorn's permits.<sup>7</sup> His agency indefinitely suspended that facility six weeks later, alleging violations that include taking more than 1.2 million gallons of "spent chemical" waste that Blackhorn was not permitted to accept (that waste did not come from Wright's companies). Blackhorn denied the allegations and has continued operating as it contests the agency's proposed permit suspension.

The state's tolerance of substantial campaign contributions and personal financial interests, combined with poor enforcement of recusal rules, undermines the commission's mission—to the detriment of natural resources and the environment, personal and community safety, and economic vitality for the benefit of Texans.

The following policy solutions would help the agency achieve its mission, renew confidence in the electoral process, and bolster public trust in an agency that oversees one of Texas' most important industries.

- 1. Demonstrate no financial interest:** Before serving, commissioners should be required to divest from the industries they regulate. Individuals who own companies regulated by the commission should not be allowed to serve as commissioners. As in Oklahoma, commissioners overseeing the oil and gas industry should divest from oil and gas interests to safeguard the public trust.
- 2. Limit campaign contributions:** RRC candidate fundraising should be limited to the 18-month period preceding that election. Parties with upcoming contested case hearings should not be allowed to contribute to commission campaigns. Contributions should be limited to \$5,000 per election cycle. Recusals should be triggered if a commissioner received more than \$1,000 from a company in the candidate's last election cycle.
- 3. Improve financial disclosure:** Texas should increase the upper range of financial disclosures for

RRC candidates and elected commissioners to match congressional disclosure requirements. In Texas, the current maximum disclosure option is “\$44,630 or more.” Financial disclosure forms also should specify whether reported incomes come from interest, dividends, royalties or rents.

- 4. Strengthen recusal standards:** Commissioners should recuse themselves from cases involving a company in which they hold equity, income, or business or if the company donated more than \$1,000 to their campaign in the last election cycle. The state legislature should clarify and better enforce conflict of interest policies. There should be no exemption from recusal for business owners who have an interest that is the same as “all others similarly engaged in the profession, trade, or occupation.”
- 5. Use a neutral forum for contested cases:** The commission should conduct independent hearings through the State Office of Administrative Hearings for contested enforcement cases and gas utility cases. Currently, Railroad Commissioners approve administrative law judges’ hiring and compensation, which may encourage administrative law judges to favor parties that have financial ties to commissioners.

# Introduction

Despite its name, the Railroad Commission of Texas oversees oil and gas development, coal and uranium mining, and pipeline safety, among other functions. The three elected railroad commissioners' expensive statewide campaigns typically cost more than \$1.5 million each. With no limits on how much money political committees and individuals can contribute,<sup>8</sup> the oil and gas interests that the commissioners oversee supply from 60% to 70% of those funds. By comparison, that industry supplies 21% of Governor Greg Abbott's campaign funds.<sup>9</sup> There is no requirement that commissioners recuse themselves from matters affecting oil and gas interests that contributed tens of thousands of dollars to their campaigns. These factors create the conditions for a textbook "captured regulatory agency," meaning that the industry oversees the agency rather than the other way around.

Texas state candidates and officials file annual personal financial disclosures with the Texas Ethics Commission that report investments, debts, real estate and business interests. As designed by lawmakers, these disclosures are broad—yet selectively shallow. A chief defect is that for years state officials were only required to report monetary values in ranges that maxed out at "\$25,000 or more," though this was recently raised to "\$44,630 or more".<sup>10</sup> Federal congressional financial disclosures, on the other hand, max-out at \$5 million or more, over 100 times Texas' maximum. The federal disclosure requirement's largest asset category is more than 1,000 times bigger than Texas'—flagging assets worth more than \$50 million.<sup>11</sup>

Flawed as they are, Texas' financial disclosures permit crude estimates of the range of an official's income and net worth. They also provide a means to screen potential conflicts between an official's oversight authority and their business ties. This report analyzes Railroad Commissioner Jim Wright's business income, net worth, and potential conflicts based on the state personal financial statement (PFS) that he filed covering calendar years 2019 and 2020.

The Texas Sunset Advisory Commission—which typically reviews state agencies every 12 years to determine if they need to be reformed or abolished—has identified problems with regulatory capture and conflicts of interest at the Railroad Commission that remain unaddressed. The Sunset Commission subjected the Railroad Commission to three such reviews between 2010 and 2017 after the first two failed to yield substantive legislative reforms.<sup>12</sup> Sunset Commission staff variously recommended the following:

Require the commission to adopt a recusal policy rule, including a requirement to provide a written reason for any recusal.	Partially adopted
Prohibit a commissioner from accepting contributions from a party with a contested case before the commission.	Not adopted
Limit campaign contributions to commissioners or commission candidates to the 18 months preceding their election, rather than throughout the full six-year term.	Not adopted
Require the commission to assign contested case hearings to the State Office of Administrative Hearings to reduce conflicts and ex parte communications between the commissioners and administrative law judges they employ.	Not adopted

Texas state laws and rules governing potential conflicts posed by the commissioners' personal finances promise more than they deliver. The Railroad Commission says that it relies on administrative code language that says that a "Commissioner with a personal or private interest in a measure, proposal or decision pending before the Commission shall publicly disclose the fact to the Commission in an open meeting" and "may not vote or otherwise participate in the decision."<sup>13</sup> The Texas Government Code references the state Constitution for the meaning of a "personal or private interest,"<sup>14</sup> but the constitution provides no clear definition.<sup>15</sup> In fact, the Texas Ethics Commission's Advisory Opinions interpreting the Texas Government Code in specific situations have remarked "we find no cases or opinions, however, that interpret the phrase for purposes of that constitutional provision."<sup>16</sup>

The Advisory Opinions refer to Braden's 1977 analysis of the Texas Constitution, where the author comments "Section 22 is unenforceable as presently worded and should be deleted."<sup>17</sup> Subsequent updates to the Texas Government Code indicate that violators are "subject to removal from office" but a suit must be brought "on the petition of the attorney general," creating a potentially high threshold for enforcement.

James D. Wright announced on December 6, 2019 that he would challenge Railroad Commissioner Ryan Sitton—a five-year Commission veteran with \$2.5 million available in campaign funds. Preparing to fly to an Oklahoma casino the next day, the energy waste-disposal entrepreneur stopped in Austin on the way to file his candidacy papers for the Railroad Commission of Texas.<sup>18</sup> Wright won that Austin bet against long odds.

Leading up to the March 2020 primary, Wright said commissioners should recuse themselves from decisions that involve campaign donors.<sup>19</sup> Texas oil and gas interests have long funded most of the political campaigns of their regulators. After winning the primary, Wright then raised more than \$1.5 million for the general election—taking 60% of it from the oil and gas interests that he now regulates.<sup>20</sup>

All that industry money would have made it dicey for Commissioner Wright to keep his promise to recuse himself from agency decisions involving contributors. Instead, he took the industry money and said that he would only recuse himself if he received a donation "directly ahead of a commission vote."<sup>21</sup> He did not define what "directly ahead of" meant. Like his colleagues, new Commissioner Wright came to the dais thanks to oil and gas interests that funded hundreds of thousands of dollars in campaign expenses. Unlike the other commissioners, he also brought along his own, personal web of energy waste companies that have extensive interests in his Railroad Commission decisions.

The personal financial statements that Wright filed with the Texas Ethics Commission as a candidate and as a commissioner identify him



**Grant Chambless, P.G.**  
Vice President,  
Regulatory Affairs

**Grant Chambless** was previously with the Railroad Commission of Texas as the Program Manager of the Environmental Permitting Section of the Oil & Gas Division. He reviewed permit applications for surface management of oil and gas waste including various recycling, disposal and discharge options and issued over 3,500 permits in that capacity. He has also been an Operations Geologist in energy exploration and production and was also an environmental consultant for over twenty years.

Grant has over twenty five years of experience performing geological and environmental investigations, emergency response actions, and regulatory compliance procedures for clients with environmental issues or concerns. He has performed or directly coordinated over 400 hazardous and non-hazardous waste Contamination Site Assessments and Remedial Action Plans for municipalities, major oil companies, and private industry in Texas, Florida, Georgia and New Jersey. In addition, he has served as a company Quality Assurance Officer and Field Supervisor responsible for internal quality audits and technical quality control. Grant is a registered Professional Geoscientist and Geologist in Texas, Louisiana and Florida and is a graduate of Baylor University with a Bachelor of Science in Geology.

*A screenshot from the GreEnergy USA website taken on August 23, 2021*



as the CEO of Austin-based GreEnergy Companies, LLC. That disclosure indicates that Wright held at least 5% of that company.<sup>22</sup> GreEnergy Companies Management LLC controls eight other GreEnergy entities formed in the two years before Wright launched his Railroad Commission bid.<sup>23</sup> GreEnergy USA's website does not mention that it is part-owned by a sitting Railroad Commissioner.<sup>24</sup> It does emphasize, however, that it works on "Railroad Commission of Texas Permitting."<sup>25</sup> The first company officer introduced on that website is former Railroad Commission environmental permitting manager Grant Chambless. In this way, a sitting Railroad Commissioner and a former Railroad Commission environmental permitting manager head a company that specializes in securing permits from Commissioner Wright's own agency.<sup>26</sup>

This report examines how Wright has sought to shape the Railroad Commission's regulations that apply to his industry for years and how his business interests began posing potential conflicts the moment that he took office.

## Commissioner Jim Wright's Personal Financial Statements

The state-mandated personal financial disclosure that then-candidate Jim Wright filed with the Texas Ethics Commission in February 2020 covered calendar year 2019. It lists no stock, bond, or personal debt holdings for himself nor his spouse. Wright's disclosure suggested that all of his assets were tied up in his energy-waste businesses and the 90-acre ranch that he bought outside Sandia, Texas in 1996. In 2019 the Jim Wells Central Appraisal District appraised that property, with its 2,449 square foot home, at over \$420,000.<sup>27</sup>

Commissioner Wright's 2020 PFS reported additional items, many of which likely should have been disclosed in his 2019 filing. They include:

- Stock in 17 of his companies that handle oil and gas wastes;
- Business assets and liabilities of his oil and gas waste companies;
- 13 personal debts totaling from \$410,620 to more than \$4.5 million; and
- A waterfront beach condo that he owned from 2010 until 2021.<sup>28</sup>

Local tax records say Wright sold his waterfront beach property in May 2021,<sup>29</sup> arguably reducing his exposure to climate-change-related property damages. That condo was assessed at \$152,957 for 2020 tax purposes.

Wright has said that he grew up in Petronila near Corpus Christi and that he traveled the rodeo circuit during high school and right after. In the wake of his upset 2020 primary victory, he told The Texan that he launched his current career by telling the manager of the hazardous waste dump near his home, "I'm the little man you passed every day riding the lawnmower or playing growing up, and if anybody deserves a job here it's me."<sup>30</sup> Wright started the first of his many companies in 1991 and "has done environmental consulting for energy companies ever since."

### Jim Wright's Former and Current Businesses

Business	Ownership Interest	Stock Shares	Title	Agency Notes/ Permits	RRC Operator #
Absolute Industries, LLC			Mgr		003191
†Clean Mgmt, Inc	≥ 5%	>10,000	Dir		
†Clean Mgmt of Corpus Christi, LLC	≥ 5%	>10,000	Mgr		
Cuero Land Mgmt, LLC	≥ 5%		Mgr/Dir		
†Cuero Recycling Services, LLC*	≥ 5%	100-499			
DeWitt Recyclable Products, LLC					
†Eagleford Recycling Svcs. LLC	12%	Sold <100	Mgr	Stock sold @ loss >\$44,630	
†EEES Energy Solutions, LLC	≥ 5%		Mem/Dir	Waste hauler permit	245637
Enviro. Evolutions Energy Svcs, LLC		500-999			
†Enviro. Evolutions Holdings, LLC	≥ 5%	>10,000	Pres/Dir	Waste Hauler permit exp. '05	253154
†Environmental Evolutions, Inc.	≥ 5%	<100	Pres.	Waste Hauler permit exp '99	253292
†Enviro. Evolutions National, Inc.	≥ 5%	>10,000	Pres/CEO	Waste Hauler permit	253372
†Enviro. Evolutions Oil Field Svcs, Inc	≥ 5%	>10,000	Dir		
†Enviro. Evolutions Transpo., Inc.	≥ 5%	>10,000	Pres/Dir	Inactive since '15	253124
†Enviro. Tank Solutions, LLC	≥ 5%	500-999			
†Gre Engin'ring & Geology Svcs, LLC*	≥ 5%	100-499	Mem/Dir		
GreEnergy Bio Remediation LLC*			Owner		
†GreEnergy Companies Mgmt, LLC	≥ 5%	100-499	Mem/Dir		
†GreEnergy Cos LLC* (GreEnergy USA)	≥ 5%	100-499	CEO/Mem		
†GreEnergy Equipment, LLC*	≥ 5%	100-499	Owner		
GreEnergy Facilities, LLC*			Owner	Inactive since '19	331496
GreEnergy Field Services, LLC*			Owner		
†GreEnergy Mgmt Company, LLC			Owner		
GreEnergy Mobile Permit, LLC*			Owner	Mobile waste permit	331508
†GreEnergy Rentals, LLC*	≥ 5%	100-499	Mem/Dir		
GreEnergy USA	≥ 5%				
†JW Rentals, Inc. (Enviro Evo. Nat'l)	≥ 5%	>10,000	Pres/Dir	Inactive since 2009	427916
JW Venture, LLC			Pres/CEO		

†Disclosed in his 2019 and/or 2020 personal financial statements.

\*Managed by GreEnergy Co's Mgmt., LLC.

Sources: Texas Ethics Commission, Texas Railroad Commission, CorporationWiki <sup>31</sup>

In his first personal financial statements covering 2019 and 2020 Wright disclosed interests in 18 businesses involved with oil and gas waste. Those filings indicate that he owned at least 5% of most of those entities. Wright reported being employed as the CEO of his Robstown-based JW Rentals, which does business as Environmental Evolutions National, Inc. Wright also had lead executive roles at GreEnergy Companies. Precise values of Wright's stakes in his companies with interests in Railroad Commission decisions is unknown. In a major disclosure failing, the maximum asset and liability valuations that Texas candidates and officials are required to report is "\$44,630 or more." Wright sold his DeWitt Recyclable Products in 2014 for \$1.3 million.<sup>32</sup> In 2020 he disclosed that two of his companies owned at least five separate assets in the maximum category of \$44,630 or more.<sup>33</sup> This disclosure system obscures the full value of his assets and his liabilities alike.

### *Jim Wright's 2020 Business Assets and Liabilities*

<b>Business</b>	<b>Min. Asset Value</b>	<b>Max. Asset Value</b>	<b>Min. Liab. Value</b>	<b>Max. Liab. Value</b>
Clean Mgmt, Inc	\$4	\$35,720	\$1	\$8,930
Clean Mgmt of Corpus Christi, LLC	\$3	\$26,790	\$44,630	>\$44,630
Cuero Land Mgmt, LLC			\$1	<\$8,930
Enviro. Evolutions Holdings, LLC	\$223,150	>\$223,150	\$89,630	>\$89,630
Enviro. Evolutions National, Inc.	\$1	\$8,930	\$1	\$8,930
Enviro. Evolutions Oil Field Srvcs, Inc.			\$1	\$8,930
Enviro. Evolutions Transpo., Inc.	\$8,930	\$35,720	\$17,860	\$44,630
Enviro. Tank Solutions, LLC	\$89,260	>\$89,260	\$17,860	\$44,630
<b>TOTALS</b>	<b>\$321,348</b>	<b>&gt;\$419,570</b>	<b>\$169,984</b>	<b>&gt;\$259,240</b>

*Wright reported that his Eagleford Recycling Services and EEES Energy Solutions both had 2019 assets and liabilities exceeding the then-maximum amount of \$25,000 in 2019.*

*Sources: Texas Ethics Commission.*



Wright reported that he personally guaranteed nine debts in the category “\$44,630 or more” for himself or his companies. This means that he is personally liable for the repayments of those debts.

*Debts Personally Guaranteed by Wright in 2020*

<b>Creditor</b>	<b>Min. Debt</b>	<b>Max. Debt</b>
21st Mortgage Corp	\$44,630	>\$44,630
BMO Transportation Finance	\$44,630	>\$44,630
Commercial Fleet Financing	\$44,630	>\$44,630
Crestmark Vendor Finance	\$44,630	>\$44,630
First Community Bank	\$44,630	>\$44,630
First State Bank of Odem	\$44,630	>\$44,630
Plains State Bank	\$44,630	>\$44,630
Simmons Bank	\$44,630	>\$44,630
Volvo Financial Services	\$44,630	>\$44,630
Capital Credit Union	\$17,860	\$44,630
BB&T	\$0	\$8,930
Wells Fargo Equip. Finance	\$8,930	\$17,860
CNH Industrial	\$17,860	\$44,630
<b>TOTALS</b>	<b>\$446,320</b>	<b>&gt;\$517,720</b>

Wright has been associated with at least 28 sometimes-interlocking firms, some of which are no longer active. CorporationWiki says that Wright’s GreEnergy Companies Management, LLC manages eight other GreEnergy entities formed in the two years before Wright launched his Railroad Commission bid in late 2019.<sup>34</sup> Some of these businesses have Railroad Commission interests in their own right. They also have business ties to numerous players in the energy-waste industry that have a steady stream of issues before Wright’s commission.

Two Wright companies have Railroad Commission waste-hauler permits to transport waste from oil and gas sites to approved waste facilities in 52 trucks registered for this purpose (EEES Energy Solutions and Environmental Evolutions National), according to agency data provided in response to an open records request.<sup>35</sup> These Wright companies are permitted to dump waste at a total of 22 waste facilities around the state (see accompanying table). One of those facilities is the Weeks Environmental Land Treatment Facility in Dimmit County, owned by Wright’s top primary campaign contributor, Mike Weeks.

*Waste Facilities Authorized to Take Waste Transported  
By Wright's EEES and Environmental Evolutions National (EEN)*

Operator, Facility	County	RRC ID/Permit	RRC Disposal #	RRC Project #	Wright Company
Advantek Waste Mgmt Svcs LLC	Karnes	11039	W-14-14349		EEN
<b>Blackhorn Enviro. Svcs LLC</b>					
Blackhorn Waste Disposal Facility	Jim Wells	STF59/R9 04			EEES/EEN
Blackhorn Long & Deep	Jim Wells	284077		F-20011	EEES/EEN
Eco Mud Disposal	Jim Wells	Dry CH-3			EEES/EEN
Ren Svcs LLC, Gee, H.W.	Nueces	13981	W14-15097		EEN
McBride Operating LLC	Rusk	08699		F-13844	EEES
<b>Petro. Waste Disposal</b>					
Big Lake Commercial	Reagan	STF125			EEN
Deep Six STF	Reeves	STF106			EEN
Hohn Road Landfill/STF Facility	DeWitt	STF62			EEN
Howard Co. Treatment Facility	Howard	STF82			EEN
Orla Landfill	Reeves	STF101			EEN
R360 Red Bluff LLC	Culberson	STF65			EEN
Sprint Karnes County Disposal LLC	Karnes	STF69			EEES
<b>Territa, LLC</b>					
Los Angeles TRD	La Salle	STF33			EEES
Odessa LF Pit 12	Ector	P12080			EEES
Odessa TRD	Ector	STF89			EEES
US Liquids of L.A. LP	Zapata	STF6			EEES
<b>Waste Facilities Inc</b>					
Premont Landfarm	Jim Wells	LF-78			EEES/EEN
Rancho Nuevo #3	Duval	P-11057			EEES/EEN
WFI Windmill Facility	Johnson	P-1143			EEES/EEN
Weeks Enviro. Land Treatment Fac.	Dimmit	LT-310			EEES
Wishbone Facility	Martin	STF55			EEES

Source: Texas Railroad Commission

## Waste task force on Statewide Rule 8

The Railroad Commission of Texas has lead responsibility for regulating the energy waste industry. It issues permits, conducts inspections, and oversees enforcement of outfits that produce, transport, sort, recycle and dispose of such wastes. Several years before launching his own Railroad Commission bid, Wright became involved in a waste industry task force that sought to advise the Railroad Commission on how to improve industry regulations that task force members considered counterproductive or ambiguous. A focus of these efforts was Statewide Rule 8, which aspires to protect water supplies from industry waste pits. Wright first began to make his own modest contributions to Railroad Commission campaigns around the time of the waste industry task force. He gave \$1,250 to Commissioner Christi Craddick and \$250 to future rival Ryan Sitton in the 2016 election cycle. In February 2018 Wright and two other GreEnergy executives gave Craddick \$3,750 more.<sup>36</sup> In the two election cycles before he launched his own campaign, Wright contributed modest amounts of his own money to two commissioners (including one who he unseated while arguing that commissioners should not take money from companies they regulate directly before making a decision that pertains to them). Nonetheless, Wright said that the Commission did not take the task force's advice.<sup>37</sup> In an interview about his campaign, Wright said that some of the RRC's rules are "very antiquated, easily misunderstood, and unclear."<sup>38</sup> Wright said that he decided to run for railroad commissioner because of his experience with the commission in the private sector and as a landowner.<sup>39</sup>

The top recipient of the \$70,000 that Wright gave to state candidates in the past 18 years was not a Railroad Commissioner, however, nor even a fellow Republican. It was State Representative Abel Herrero (D-Robstown), whose campaign collected \$60,175 from Wright, including Jim Wright's first state contribution while he was manager of Robstown-based Absolute Waste Services in 2003.<sup>40</sup> Herrero's staff had accompanied Wright to 2017 Railroad Commission meetings when Wright was negotiating with the agency to clean up and shut down his errant DeWitt Recycling waste facility in Cuero (see next section).<sup>41</sup> It was Rep. Herrero who introduced a 2019 bill to lend legislative recognition to Wright's task force that the Railroad Commission had declined.<sup>42</sup> The bill proposed to create an "Environmental Task Force Advisory Committee" composed of nine members, seven of which would be representatives of the oil and gas industry. The bill did not specify that landowners or community members living next to oil and gas waste facilities would sit on the task force.

At the House Energy Resources Committee's hearing on Herrero's bill on April 8, 2019, three witnesses personally testified, all in favor of Herrero's proposed Environmental Task Force Advisory Committee. Wright testified on behalf of his Environmental Evolutions National, Inc.<sup>43</sup> Fellow task force member Kevin Ware, president of the waste-facility engineering firm KJE, also testified. As did Grant Chambless, the Railroad Commission's former head of oil and gas environmental permitting, whom Wright hired away to work for his GreEnergy USA. Nobody at the hearing identified Chambless as Wright's employee.

Wright's five-minute testimony was the most extensive. "We have a nine-member board today comprised of three oil producers, an attorney, an engineer, two disposal companies and myself," Wright said.<sup>44</sup> The Railroad Commission has "welcomed us to come in and hear our concerns about rules. But we fell short in trying to get their staff to really recognize what our benefit was for them and for the industry." Probing to see if the industry-dominated task force might have attendant blind spots, Democratic Rep. Rafael Anchia, asked, "This is a group talking about the impacts on the industry—not on the public health or safety?" "No," Wright corrected him, "it does both—consider industry and the public health."



A couple weeks after testifying at that hearing, Chambless wrote to the Railroad Commission, asking for copies of permits for two waste facilities:<sup>45</sup>

- Martin County's WTLFR 1 Commercial Oil and Gas Waste Separation Facility, permitted in September 2017; and
- Gonzales County's EL Cruce Stationary Treatment Facility permitted in November 2015.<sup>46</sup>

Although it's not clear why Chambless requested permits on those facilities, they are notable in two respects. First, Chambless himself had personally approved and signed both of those permits when he oversaw the agency's environmental permits. Second, the engineering drawings for both permits were done by KJE—whose president testified for the task force bill alongside Chambless and Wright.

Six other people had registered in favor of the bill on behalf of themselves, while five more registered opposition to the bill without testifying. The bill's opponents included such political heavy hitters as the Texas Oil and Gas Association and Fasken Oil, which rank among the top 25 contributors to Texas Railroad Commissioners<sup>47</sup> and enjoy close ties to the family of Commissioner Christi Craddick.<sup>48</sup> The Energy Resources Committee passed Herrero's bill onto the Calendars Committee, where it died without further action. Seven months before Jim Wright declared himself a Railroad Commission candidate, the energy waste task force was rejected again.

Responding to a formal public information request for documents on the changes that Wright's task force recommended—and the agency's response to them—the Railroad Commission claimed not to have any responsive documents apart from one of its lawyer's takes on the 2019 task force bill, which it declined to release.<sup>49</sup> Without such documents, it's hard to know why the commission declined the task force's recommendations. The Railroad Commission may have had trouble separating the task force's message from its chief messenger. After all, commission staff recently had expended numerous hours on a waste facility that Jim Wright headed, one that repeatedly violated clear commission rules. Then the person legally responsible for that facility claimed that the agency's rules need clarification.

# DeWitt Recyclable Products

With fracking of south-central Texas' Eagle Ford Shale play accelerating in late 2011, Wright founded Robstown-based DeWitt Recyclable Products, LLC to clean up, dispose of and reclaim contaminated oil and gas waste.<sup>50</sup> When area energy production and investment plummeted in 2014, Wright sold the business to Watson Energy Investments, LLC for \$300,000 down, \$1 million more to be paid over three years, and a stake in the proceeds of any oil that the company recycled.<sup>51</sup> While Wright's timing for the sale was strategic, the deal with businessmen James McCabe of Florida and David Elks of Fredericksburg soured as the local shale-waste business dried up. DeWitt was renamed Eagleford Recycling Services, LLC.<sup>52</sup>

With the buyer defaulting on payments to Wright, Railroad Commission inspectors began discovering serious violations in October 2016 at DeWitt Recycling's stationary treatment facility in Cuero, which Wright had sold to Eagleford Recycling along with other DeWitt assets. In January 2017 the Commission cancelled permits for the facility based on findings that included:<sup>53</sup>


- "Failing to...operate the facility as represented in the original application;"
- The site contained 6,561 cubic yards of waste—2.5 times the permitted amount;
- The main waste receiving pit was "full beyond capacity;"
- "Waste piled on top of and spilling over the pit walls;"
- An unpermitted "lined pit outside the facility fence."
- 49 500-barrel frac tanks "outside the facility fence" were "not included in the facility application;"
- "Waste stockpiled on the ground," posed a risk of stormwater runoff; and
- A frac tank "leaking from a valve onto the ground."

Most of the infractions violated statewide Rule 8—the primary obsession of Wright's task force.



*A 2017 Railroad Commission inspection photo of DeWitt's overloaded main waste pit in Cuero.*

Despite the 2014 sale, Wright remained the designated “responsible person” for that facility. The Railroad Commission requires regulated facilities to designate the responsible person in charge of operations on a Form P-5 Organization Report (see figure below).<sup>54</sup> DeWitt also listed Wright as its president on the state franchise tax report that it filed six days after the Railroad Commission first uncovered problems at DeWitt’s Cuero site in October 2016. Moreover, Wright retained a 100% “membership interest in DeWitt” and “all of its assets” until its buyers paid him off in full.<sup>55</sup> DeWitt’s buyer—Eagleford Recycling Services—acknowledged in an October 2017 legal settlement that it owed Wright at least \$675,000 in back payments and recycled oil royalties.<sup>56</sup> Wright’s campaign told the *Austin American-Statesman* as late as August 2020 that he still owned 12% of the company.<sup>57</sup>

OIL & GAS DIVISION	
Date:	24 June 2016
Company Name:	DeWitt Recyclable Products LLC
RRC Organization Number:	518321
Attn: P-5 Financial Assurance Unit	
Pursuant to Railroad Commission Oil & Gas Statewide Rule 1, I request that the mailing address shown on my Organization Report (Form P-5) record with the Commission be updated to the following:	
**NOTE** If the mailing address is a P.O. Box, the entity is required to provide a physical location address.	
Address:	2788 N US Hwy 183
City/State:	Cuero, TX
Zip Code:	77954
Phone #:	361. 275 3662
Emergency Phone #:	210. 389. 2836
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this address change and that the above information is true, correct and complete to the best of my knowledge	
Signature:	
Printed Name:	James D. Wright
Title:	President, VP

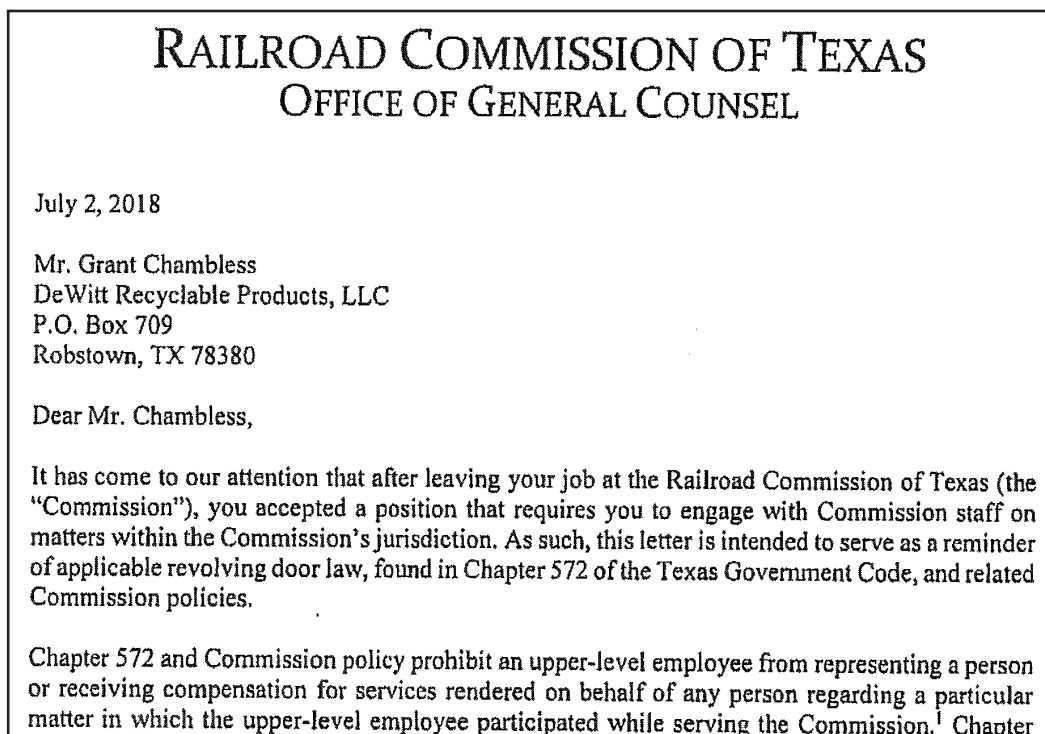
*Railroad Commission filing in which Wright lists himself as president of DeWitt Recycling Products four months before the agency discovered serious deficiencies at DeWitt’s Cuero treatment facility.*



Despite Wright's continuing ties to the DeWitt facility, one of his attorneys wrote the commission in September 2017 that his client "has not held ownership or operational control of the entity or the property" since the 2014 sale. "While Mr. Wright does not admit to any personal liability," he added, "Wright will agree to coordinate an Agreement of Settlement to clear any potential for taint associated with the alleged violations and to facilitate smooth re-permitting of the site." That letter said that Wright wanted "to take possession of the site" and return it to service, provided that the settlement preserved "any creditor rights" Wright held against DeWitt.<sup>58</sup> DeWitt settled with the Railroad Commission in November 2017, agreeing to clean up the site and to pay a \$181,519 fine. Jim Wright signed that settlement on behalf of DeWitt. Coincidentally, Eagle Ford Recycling Services attorney Chris Hotchkiss notified the agency that the Cuero facility cleanup was almost complete in the same week that Wright said he decided to run for the Railroad Commission on December 6, 2019.<sup>59</sup>

Apart from the \$675,000 that DeWitt's buyers had still owed Wright in 2017, the reference to Wright's "creditor rights" may have alluded to the Railroad Commission's financial leverage over DeWitt. The agency had required DeWitt to obtain a line of credit that would ensure that it would pay the Commission up to \$807,580 to clean up any future messes at the site.<sup>60</sup> The agency would refund the money after the decommissioned site's cleanup. The Railroad Commission's lead attorney on the DeWitt case reported in a 2018 email that Wright and one of his employees were contacting the agency in an effort to obtain a refund of DeWitt's cleanup funds before the cleanup was completed.<sup>61</sup> That Wright employee, Grant Chambless, had headed the Railroad Commission's oil and gas environmental permitting section before resigning effective February 28, 2018. The news that Chambless had gone to work for Wright prompted the Commission's General Counsel to remind Chambless and future Commissioner Wright that state revolving-door laws bar former senior staff from getting paid to work on a "particular matter" that they had handled at the agency for two years after leaving the agency (see figure below).<sup>62</sup> In his case, Chambless personally had:

- Authorized DeWitt's Cuero facility in April 2016;<sup>63</sup>
- Signed the agency's "cease and desist" order for the facility in January 2017;<sup>64</sup> and
- Referred the case for penalty enforcement in February 2017.<sup>65</sup>



The DeWitt refund money also was central to an October 2017 settlement that Wright struck with DeWitt's buyer. To settle his debt, buyer David Elks agreed to cede to Wright any future agency refund money, along with 15.2 acres at the Cuero site valued at a minimum of \$114,150. Elks also pledged to transfer "an adjacent property" to Wright "after acquired." Recent DeWitt County appraisal records show that Wright's original 15.2-acre tract became part of a 25-acre parcel assessed at \$396,000.<sup>66</sup>

Meanwhile, a multi-party struggle ensued over who had to pay for the cleanup of DeWitt's Cuero facility and who could collect the security money from the Railroad Commission. A significant cleanup cost involved wastes left inside numerous tanks that DeWitt rented from Tidal Tank, Inc. and McAda Drilling Fluids, Inc.<sup>67</sup> Wright's Cuero Land Management, which briefly owned the DeWitt facility property, filed a suit alleging that the tank companies were liable for the waste inside of them. Denying responsibility for the waste, the tank companies sued DeWitt to collect months of overdue lease payments. Tidal Tank won a \$670,460 default judgment against DeWitt in October 2017.<sup>68</sup> Heads of two companies that have filed financial claims against Wright in court told the *Austin American-Statesman* that someone who doesn't follow the rules shouldn't enforce them at the commission.<sup>69</sup> A Wright campaign spokesperson said in 2020 that Wright fixed the DeWitt problem even though he no longer controlled the company. Wright later disclosed in his personal financial statement that in 2020 he sold fewer than 100 shares in DeWitt successor Eagleford Recycling at a loss of "\$44,630 or more."

### *Wright Disclosed Selling Stakes in Eagleford Recycling at a loss in 2020*

BUSINESS ENTITY	Eagleford Recycling Services, LLC	
STOCK HELD OR ACQUIRED BY	<input checked="" type="checkbox"/> FILER	<input type="checkbox"/> SPOUSE
NUMBER OF SHARES	<input checked="" type="checkbox"/> LESS THAN 100	<input type="checkbox"/> 100 TO 499
	<input type="checkbox"/> LESS THAN 10K	<input type="checkbox"/> 10,000 OR MORE
IF SOLD <input type="checkbox"/> NET GAIN <input checked="" type="checkbox"/> NET LOSS	At least \$44,630 or more	

Source: Texas Ethics Commission.

# Wright's first actions as Commissioner

James D. Wright was sworn into office on January 4, 2021.<sup>70</sup> Two days later Commissioner Wright hired Christopher Hotchkiss to be his staff general counsel.<sup>71</sup> Hotchkiss worked as a Railroad Commission attorney and administrative law judge from 2006 to 2012.<sup>72</sup> He then became a private attorney who represented numerous clients before his old agency—including Jim Wright in the DeWitt Recyclable Products violations and cleanup.

The day he announced the Hotchkiss hire, Commissioner Wright attended his first formal Railroad Commission meeting—an extraordinary one convened for a single agenda item.<sup>73</sup> Seven months earlier, in response to cratering oil prices in spring 2020, the commissioners had issued a one-year waiver on several industry rules and fees, including Statewide Rule 8.<sup>74</sup> A state district judge temporarily banned the rule waivers in December, prompted by a Public Citizen lawsuit that argued that the commission illegally adopted the measures without adequate public notice.<sup>75</sup> On January 6, 2021 the commissioners reissued those waivers to retroactively ensure that they complied with the Texas Open Meetings Act.<sup>76</sup>

Commissioner Wright's first official act was to reissue rule waivers including those that govern Statewide Rule 8, which seeks to, among other things, protect water from industry waste pits such as those that Wright had owned. At the same meeting, the commissioners also waived application fees for waste injection permits,<sup>77</sup> and ruled that waste pit operators could postpone deadlines to “dewater, backfill and compact the authorized pit.”<sup>78</sup> Finally, the commissioners authorized their enforcement staff to “recommend administrative penalties in an amount less than the minimum.”<sup>79</sup> The order, which included reducing enforcement penalties, was signed by a commissioner who paid a \$181,519 fine for violations at his own facility just three years earlier.<sup>80</sup>

Wright's next Railroad Commission meeting on January 26, 2021, considered a contested application for a new commercial waste disposal well in West Texas' Reeves County. Applicant NGL Water Solutions, LLC was Wright's No. 3 campaign contributor, supplying 5 cents of every dollar he raised. PA Prospect, LLC opposed NGL's disposal well, arguing that it could contaminate PA Prospect's nearby brine mine.<sup>81</sup> Wright's two commission colleagues adopted their staff's recommendation to deny NGL's permit, as Wright recused himself. Significantly, Wright abstained not because of the \$76,000 in campaign contributions that NGL Water Solutions Permian, LLC gave him over the preceding year—including a \$1,000 check just two months before that vote. Rather, he based his recusal on the fact that his general counsel, Hotchkiss, worked for NGL “on this matter when he was in private practice.”<sup>82</sup> Wright recused himself from another case that same day for the same reason.<sup>83</sup> In that case the other commissioners voted to let Shoco Production, LLC replace Siana Oil and Gas as operator of a well in Matagorda County. Texas law does not require commissioners to recuse themselves from decisions involving companies who donate to their campaigns, nor does it require commissioners to recuse themselves from decisions involving their staff members' potential conflicts of interest with their former clients.<sup>84</sup>

## *NGL Water Solutions Permian, LLC Contributions to Wright Campaign*

Date	Amount
6/26/20	\$25,000
10/2/20	\$50,000
12/9/20	\$1,000
<b>TOTAL</b>	<b>\$76,000</b>

*Source: Texas Ethics Commission*



After his upset primary victory in March 2020, Wright softened his stance on accepting campaign contributions from companies the commission oversees. Wright then said that he would just avoid cases involving those who gave “just before” a vote—without defining what “just before” meant.<sup>85</sup> At his first regular meeting, new Commissioner Wright demonstrated that taking another \$1,000 from a \$75,000 contributor two months before a vote did not merit a voluntary recusal.

### *Commissioner Wright’s Recusals, Jan. Through April 2021*

Date	Citation	Parties	Issue
1/26/21	O&G 08-0316308	NGL Water Solutions	Waste-injection permit (Rule 9)
1/26/21	OG-20-00002419	Shoco Prod., Siana Oil	Change well operator to Shoco (P-4)

*Source: Texas Railroad Commission*

## Formalizing the Regulatory Advisory Task Force

Wright’s election enabled him to revive his old industry task force and its focus on revising Rule 8 regulations that are supposed to safeguard water from potential pollution caused by oil and gas waste facilities. The Texas Independent Producers and Royalty Owners trade association noted that Wright sees “Rule 8 as a regulation in need of overhaul, adding that the commission should consider proposing new rules to deal with recycling oil field waste and produced water.”<sup>86</sup> In his first three months in office, Wright’s calendar showed monthly meetings on the task force or Rule 8.<sup>87</sup> His initial Public Affairs Director, Kate Zaykowski,<sup>88</sup> organized a new Regulatory Advisory Task Force. Wright was the only commissioner who received her email inviting people to the task force’s first meeting on March 4, 2021.<sup>89</sup>

The task force’s founding members were:

- Energy lobbyist Lauren Spreen (Commissioner Craddick’s former spokesperson);
- KJE engineering President Kevin Ware;
- Oilfield Water Logistics Chief Operating Officer Nick Hines;
- Waste Management, Inc. Government Affairs Director Scott Hutchings;
- Pioneer Natural Resources Environmental Manager Aaron Geyer;
- Hess Corp. Land Negotiations Manager Michelle Phillips; and
- Eagle Ridge Energy Executive Vice President Mark Grawe.

Having Commissioner Craddick’s former spokesperson on the task force suggested that it now might have the backing of at least two commissioners. Spreen reported 12 energy-dominated lobby clients in 2021, including the energy services arm of Waste Management, Inc.,<sup>90</sup> which landed a task force seat. Spreen also lobbied for Fasken Land and Minerals, the Craddick-friendly company that opposed Wright’s 2019 task force bill (Fasken later contributed \$10,000 to Wright’s 2020 campaign).<sup>91</sup> Given Wright’s initial objections to commissioners taking campaign funds from their regulated industry, it is worth noting that two of his major contributors have seats on the task force. Oilfield Water Logistics gave Wright’s campaign \$20,000; Pioneer Natural Resources gave him \$10,000.<sup>92</sup>

# Creating new markets for waste Wright processes

The Railroad Commission transferred a permit belonging to First Strike Services, Inc. to Wright's GreEnergy Mobile Permit, LLC in 2019 (First Strike's permit had been signed by future Wright employee Grant Chambless).<sup>93</sup> In its initial Railroad Commission "Form P-5" officer filings in 2018 and 2019, GreEnergy Mobile listed Jose Pujols and James Wright as the company's managers. In an October 2020 update,<sup>94</sup> the company replaced Wright's name with that of GreEnergy Companies Management, LLC, which is itself managed by Pujols and Wright.<sup>95</sup>

GreEnergy Mobile's Railroad Commission permit allows it to set up mobile waste recycling facilities at wells across the state. Those facilities separate waste fluids from solids to reuse some of the fluids in the wells. The solids typically are disposed of in surface pits or "landfarms," but GreEnergy and four other companies have Railroad Commission mobile recycling permits to treat and reuse some of these wastes as an underlying base material for roads.<sup>96</sup> The Texas Department of Transportation, however, has not approved using this oil and gas waste in its projects. Wright has used his position on the commission to promote using oil and gas wastes in TxDOT roads.<sup>97</sup>

A major impetus for these efforts to convince TxDOT to use oil and gas waste is a moribund, 300-acre waste facility in Altair, 70 miles west of Houston that was controlled by two companies tied to entrepreneur David Polston: Boundary Ventures and Inland Environmental and Remediation. The Inland-Boundary site also specialized in recycling oil and gas waste into roadbed material.<sup>98</sup> Prompted by bankruptcy proceedings by Boundary Venture, which also failed to file required reports about how much waste it pumped into an onsite injection well, the Railroad Commission ordered the site to stop taking new waste there in 2017.<sup>99</sup> Boundary Venture "forfeited a \$5.7 million performance bond and paid a \$500,000" Railroad Commission fine, the Colorado County Citizen reported.<sup>100</sup>



*Colorado County Groundwater Conservation District board member Andrew Labay, holds a rock from the Skull Creek bank covered in a black substance. Photo credit: Michael Stravato for The Texas Tribune*

In early 2019 neighbors complained about contamination and fish kills in nearby Skull Creek, which feeds the Colorado River.<sup>101</sup> In 2018 the creek "was crystal clear," neighbor Julie Schmidt told The Texas Tribune the following year.<sup>102</sup> "Now you don't want to touch it. You pick up a rock, turn it upside down, and it's completely black." Schmidt said the stench "burned her nose." Inland sent reports to various local and state officials claiming its tests showed that the creek contaminants came from "natural sources," whereas Texas Commission on Environmental Quality tests found high levels of such hazardous oil and gas wastes as ethylbenzene, toluene and xylene. Meanwhile, Lower Colorado River Authority tests detected hydrocarbons downstream of the site—but not upstream.



Colorado County Judge Ty Prause, a local official worried about harm to nearby livestock and humans, denounced the slow, bungled response to the crisis by the Railroad Commission and other state agencies as “bureaucratic chaos.”<sup>103</sup> “Conditions in Skull Creek have only worsened,” the Texas Attorney General warned in an April 2019 court filing. “Defendants have taken to bulldozing gelatinous solid waste into the ground, emptying contaminated wastewater into a self-made impoundment constructed from other onsite solid waste, and continued to accept waste at the Facility.”<sup>104</sup> An injunction by Travis County District Judge Dustin Howell issued in May 2019 ordered Polston and his companies to securely contain and seal all waste on site to prevent discharges.<sup>105</sup>



*Downstream from Inland Environmental and Remediation near Altair, Skull Creek flowed black for over two months. Photo credit: Michael Stravato for the Texas Tribune.*

With Boundary Ventures filing for bankruptcy and forfeiting a \$5.7 million bond securing the site,<sup>106</sup> the company dropped a mountain of cuttings waste in the Railroad Commission’s lap that will cost millions of dollars to dispose of—if it’s not used in roads.<sup>107</sup> In May 2021 Gov. Greg Abbott signed into law a bill to allow the Railroad Commission to treat abandoned drilling cuttings and sell it for roadbed material. As Senate Bill 1260 and the identical House Bill 3381<sup>108</sup> advanced through the legislature in the spring of 2021,<sup>109</sup> Commissioner Wright commissioned engineering studies that might convince TxDOT to approve using oil and gas drilling cuttings as a road-building material. In this effort, Wright teamed up with Amos “Pete” Peters of CD&P public affairs, a consultant with an ethically questionable past including check fraud and larceny.<sup>110</sup> In the early 2000’s, Peters was at the center of a criminal investigation involving a road bonds campaign in Williamson County,<sup>111</sup> though a grand jury declined to indict him.<sup>112</sup>

Responding to formal open records requests, the Railroad Commission and Texas A&M’s Texas Transportation Institute provided documents about Peters’ and Commissioner Wright’s efforts to create a market for oil and gas drill cuttings as gravel-like “flex-base” in road construction (TTI provided communications between the two entities that the commission withheld).

Peters wrote in a May 5, 2021 email to David Newcomb, head of TTI's Materials and Pavement Division, that the Commission had inherited "300,000 cubic yards of oil well drilling cuttings" that "could cost several million dollars to dispose of properly." He added that "Commissioner Wright is convinced that the material can/could be used as road material" but that TxDOT can't consider using it without a material-composition study. The commission wanted to fund a TTI study of the material's load-bearing properties, with others evaluating environmental aspects.<sup>113</sup>

TTI engineers complained in internal emails about political pressures to use hazardous material for roads. The day after Peters' message, Newcomb wrote his TTI colleagues, "I think they want a quick and cheap solution which won't happen." "Texas started allowing oil companies to spread the cuttings over a field and allowing some of the hydrocarbons to evaporate. One company did this and wound up with \$3 million or so judgement from an adjacent landowner whose groundwater was contaminated." On May 12 Newcomb wrote colleagues that the material "appears to have just been dumped indiscriminately over this site without any segregation to the types of materials in the cuttings." Trying to get a grip on the scale of the waste, Newcomb wrote the head of TxDOT's Materials and Tests Division that same day, "there may be as much as 2 million CY [cubic yards] of material which is about half of TxDOT's annual consumption of flex base. Given that the material is located in Columbus there is probably a limited area over which it could be economically transported even if it can be used as base."<sup>114</sup>

The emails suggest that soon thereafter TTI received toxicity tests that Terracon Engineering had conducted on limited samples of treated and untreated cuttings waste from the site.<sup>115</sup> Railroad Commission documents indicate that Terracon had billed the agency \$700,000 for work at the site by July of 2021.<sup>116</sup> Terracon's *untreated* sample exhibited "exceedances of the soil-to-groundwater pathway PCL [Protective Concentration Level] for Benzene, Tetrachloroethene, Toluene, Arsenic, Barium, and Lead." It also had "detectable TCLP [Toxicity Characteristic Leaching Procedure] concentrations for Benzene, Dichloroethane, 3,4-Methylphenol, Antimony, Barium, Chromium, and Nickel." The *treated* sample had PCL "exceedances for only Arsenic, Barium, and lead," and its TCLP concentrations "either not detected or detected at lower concentrations, with the exception of Barium which was detected at a slightly higher concentration in the treated sample versus the untreated sample."<sup>117</sup>

After reviewing Terracon toxicity results, Newcomb wrote on May 14, "This is accelerating out of control! Based on the Terracon results, I'm not sure we could safely handle and store this stuff, much less turn it into road base!" He wrote on May 17, "They want us to take a bunch of polluted materials and turn them into road base materials." Two minutes later he added, "I hope that by some magic power this will disappear, but I don't think so." Newcomb struck a different tone, however, in a May 27 email to Commissioner Wright, writing, "We look forward to helping the Railroad Commission transform the drill cuttings into clean, useful materials."

In a June 21, 2021 email, however, consultant Pete Peters arranged for a July 8, 2021 meeting between Commissioner Wright and faculty of UT-Austin's Cockrell School of Engineering, with a Peters follow up note saying Wright would deliver materials to UT Engineering for testing.<sup>118</sup> By August 2021 UT's Center for Transportation Research had drafted a proposed "Work Plan for the Railroad Commission" to research the possible use of "millions of cubic yards of drill cuttings waste" statewide as "roadway base, asphalt mix or backfill material."<sup>119</sup> That draft says that the first work phase would focus on drill cutting samples from "one typical site," presumably the one that the Railroad Commission-inherited in Altair. The UT Center proposed that a first phase would extend through May 2023 for a proposed contract for \$421,567.



Retracing this long road, the Railroad Commission ordered Boundary Ventures to stop taking waste in Altair in 2017, levying a \$500,000 fine on the company. The site's neighbors complained about the site polluting Colorado River tributary Skull Creek in early 2019. The Texas Attorney General filed suit on April 24, 2019 to halt most of Inland's Altair operations. The next day the Railroad Commission, which was in the process of inheriting huge volumes of oil and gas cutting waste in Altair, granted Wright's GreEnergy Mobile a permit to treat such waste statewide. With lawmakers passing 2021 legislation authorizing the Railroad Commission to treat and sell the material for road construction, Commissioner Wright and Pete Peters spearheaded agency efforts to persuade TxDOT to use cuttings wastes—treated by companies such as Wright's own GreEnergy Mobile—as a roadbed material. In October 2021, the Railroad Commission listed just five “active mobile recycling permits” authorized to convert oil and gas waste into road material, including Wright's GreEnergy Mobile.<sup>120</sup>

### *Active Mobile Recycling Permits, October 2021*

Permit No.	Holder (Location)	Principals
MR-0052	Backyard Energy Services, LLC (OK City)	Conor A. O'Reilly
MR-0024	Boldwater Enviro Solutions, LLC (Cypress)	Mark Knippa
MR-0041	GreEnergy Mobile Permit, LLC (Austin)	Jim Wright, Jose Pujols
MR-0049	Republic EES, LLC (Houston)	Republic Services, Inc.
MR-0055	Texas Road Recyclers, LLC (Austin)	Billy 'Shane' McDade

*Source: Texas Railroad Commission*

## Re-permitting a waste facility connected to Commissioner Wright

On April 13, 2021, the commissioners voted on the controversial renewal of Blackhorn Environmental Services' permits to operate an oil and gas waste facility five miles outside of Orange Grove, where Commissioner Wright lives.<sup>121</sup> Since 2015, five members of that company had contributed a total of \$6,527 to Railroad Commissioners.<sup>122</sup> There is no policy requiring Railroad Commissioners to recuse themselves from decisions involving from individuals or companies who donated to their campaigns and are associated with parties in a contested case. If there was such a policy, then Blackhorn would not have had all the votes it needed for the facility's permit to be renewed.<sup>123</sup>

### *Blackhorn Contributions To Railroad Commissioners 2015 through 2020*

Amount	Recipient
\$3,027	Christi Craddick
\$3,000	Jim Wright
\$500	Ryan Sitton
<b>\$6,527</b>	<b>TOTAL</b>

### *Wright Did Not Report His Contributors' Ties to Blackhorn*

Amount	Date	Contributor	Occup./Employer
\$1,000	9/25/20	Will Cocke	Investor/Self
\$1,000	9/25/20	Joe DeBellis	Retired
\$1,000	9/25/20	Matthew Mosser	Service/Self

Blackhorn President William Cocke contributed \$3,027 to Christi Craddick’s 2018 reelection campaign. Then Cocke and two Blackhorn colleagues gave Wright’s campaign a total of \$3,000 on September 25, 2020.<sup>124</sup> Wright accepted those Blackhorn-connected contributions just two weeks *after* the Railroad Commission held a contested hearing on Blackhorn’s proposed permit renewal and just weeks *before* Election Day, while a decision on the permit was still pending. In taking that money Wright did not report his contributors’ ties to an active Railroad Commission dispute when he filed his campaign finance reports with the Texas Ethics Commission. He identified Cocke, for example, as a self-employed “investor” not as the president of Blackhorn Environmental, which had Oil & Gas Case No. 04-0326725 pending before the commission. Nor did he report the Blackhorn ties of the two other contributions he received that day. Texas law requires candidates “to use best efforts” to report the “principal occupation or job title, and full name of employer of individuals” who contribute \$500 or more.<sup>125</sup>

### *Wright Did Not Identify This Campaign Contributor as Blackhorn’s President*

Date 09/25/2020	Full name of contributor <input type="checkbox"/> out-of-state PAC (ID#: _____) <b>Cocke, Will</b> <hr/> Contributor address; City; State; Zip Code  Corpus Christi, TX 78404	Amount of Contribution (\$)  \$1,000
Principal occupation / Job title (See Instructions) Investor		Employer (See Instructions) Self

Source: Texas Ethics Commission.

### *Wright Companies Dumped Waste At Blackhorn for These Clients, June 2019 to March 2021*

BPX Operating Co.
Calfrac Well Services Corp
Callon (Eagle Ford) LLC
Chesapeake Operating, LLC
Crimson Energy Partners IV, LLC
Devon Energy Production Co, LP
Encana Oil & Gas
Ensign Operating, LLC
EXCO Operating Co
Lion Industrial Resources, Inc
Murphy Expl & Prod Co
National Tank & Equipment, LLC
Sandalwood Exploration, LP
Schlumberger

*Note: Waste dumped by Wright’s EES Energy Solutions and Environmental Evolutions National. Source Blackhorn Environmental.*

It’s possible that Wright did not realize that these contributors had Blackhorn connections. Yet Wright and Blackhorn work in the same disposal industry—and Blackhorn’s waste facility is located just 12 miles south of Wright’s home. Moreover, the quarterly waste reports that Blackhorn files with the Railroad Commission reveal that two of Wright’s companies are regular customers of Blackhorn’s facility. Four days before Wright collected \$3,000 from contributors connected to Blackhorn, for example, Blackhorn reported that Wright’s EEES Energy Solutions dumped 110 barrels of oil-based mud there.<sup>126</sup> Trucks from Wright’s EEES and Environmental Evolutions National dumped waste there 139 times from June 2019 through March 2021.<sup>127</sup> Sometimes they transported waste for other oil and gas operators; other times they reported Wright’s companies as the source of the waste. Texas does not require Wright to disclose his clients on his personal financial statement. However, Texas does require disclosure and recusal in an open meeting if an individual that is “engaged in a profession, trade, or occupation” has an individual interest that is not the same as “all others similarly engaged in the profession, trade, or occupation.”<sup>128</sup>

Wright did not mention his business ties to Blackhorn on April 13, 2021, when the commissioners voted to renew Blackhorn's permit over the objections of the site's neighbors and their county and legislative representatives.<sup>129</sup> Neighbors say that the facility endangers water supplies and reduces property values. They also filed hundreds of complaints with the Texas Commission on Environmental Quality (TCEQ) about noxious petroleum, chemical and sour gas odors from the site over the past two years (some also filed lawsuits seeking damages from Blackhorn). These complaints triggered dozens of air-quality inspections by TCEQ inspectors, some of whom reported experiencing strong odors and health impacts such as nausea.<sup>130</sup>

On August 25, 2020, Orange Grove High School student and Green family member Jailey Lane was feeding her rabbits on their property abutting the Blackhorn facility when she was overcome by fumes. This prompted a call to paramedics and a visit to a doctor, who put her on an inhaler. "I got pretty dizzy and almost fell over," she told KRIS-6 news. Four Blackhorn neighbors filed four TCEQ complaints that day.<sup>131</sup> They described a "strong oil and sulfur odor," an "oil petroleum based chemical smell," and an "oily, spoiled and rotten smell." One complaint said the fumes "caused runny nose and congestion." Another said it "makes it hard to breathe." A last complainant "became really nauseous, got a headache and began to feel dizzy" while doing yard work.

That same day, TCEQ Environmental Inspector Tristan Rieger conducted a Blackhorn field visit responding to a dozen odor complaints. Rieger's investigative report says his MultiRAE gas-monitor detected no hydrogen sulfide or volatile organic compounds, which is typical of TCEQ Blackhorn inspections.<sup>132</sup> In addition, Rieger smelled sour petroleum waste odors that the TCEQ classifies as "highly offensive." Yet the duration of Rieger's investigation was not long enough by TCEQ standards to "substantiate nuisance odor conditions for a single occurrence."<sup>133</sup> At 9:45 am Rieger conducted another odor survey at the Green family's property. "During the final two minutes" Rieger reported, he "began to experience health effects. A consistent, very strong odor was detected. [Rieger] felt very nauseous and immediately left the area." "My stomach began to get queasy and I started to taste bile on either side of my tongue," he testified later at the Railroad Commission's hearing on Blackhorn's permit renewal. "So I knew I was going to throw up."<sup>134</sup>

Rieger entered Blackhorn's facility around noon, accompanied by Cody Bates, the company's permit compliance vice president. Touring the site, Rieger noted the strongest sour petroleum odor at the facility's 10-acre waste disposal pit, which contained "small puddles of water with a slight sheen." At the Railroad Commission hearing on Blackhorn's permit in September 2020, Bates claimed that Rieger mistook the smell of a "freshly asphalted road" for "something else." As a result of Rieger's reports and multiple citizens' complaints,<sup>135</sup> the TCEQ issued a Notice of Enforcement for a "Category A violation (A.10a) due to the adverse human health impacts experienced by the EI."<sup>136</sup> The report recommended that the company draft a plan to prevent a recurrence. TCEQ Investigation Reports Nos. 1671347 and 1701896 resulted in similar Notices of Enforcement based on Environmental Investigator Crystal Chaloupka's investigation of 10 Blackhorn complaints starting the day after Rieger got sick.<sup>137</sup> Chaloupka detected very strong "sour petroleum waste odors" on location on September 2, 2020. During her odor survey, Chaloupka reported that she "could taste the odor in her mouth."





*Railroad Commission of Texas photo of workers cleaning a Blackhorn waste pit.*

**Recommended Corrective Action:** Submit to the TCEQ Corpus Christi Region Office a written plan and/or documentation necessary to address the outstanding alleged violation to prevent recurrence of a same or similar violation. Additional corrective action may be required by the TCEQ Enforcement Division.

*The TCEQ recommended that Blackhorn take similar “corrective actions” in response to the Notice of Enforcements and Investigation Reports discussed above (Inspection Nos. 1671827, 1701401, 1671347, and 1701896).*

“Blackhorn has not discharged air contaminants in such concentrations and of such duration that could be injurious to human health,” said a Blackhorn statement responding to the Rieger TCEQ inspection discussed above.<sup>138</sup> “We are troubled by the TCEQ’s position on the alleged finding and the agency’s reliance on unsubstantiated and biased information,” Blackhorn attorney Clay Nance wrote the agency that month. The TCEQ referred the matter to its enforcement division on April 9, 2021, because Blackhorn had implemented “no corrective actions addressing the nuisance odor condition” and the agency “continues to receive frequent and regular nuisance odor complaints” about that site.



*Blackhorn's Received Waste Loads and Complaints in the Days  
Preceding the TCEQ Inspector's Nausea*

Time	Operator (Transporter if different)	Product	Qty	Unit	Complaints that day
	Aug. 20, 2020				
9:57	Valicor Enviro Svcs LLC	Tank Bottoms	43	barrels	
10:00	Churchwell Enviro Solutions	Backwash	20	barrels	
10:22	Valicor Enviro Svcs (JSJ Services, Inc)	Contam. Bottoms	20	yards	
11:02	EOG Resources (Myane Insulation & Constr)	Contam. Bottoms	20	yards	
11:03	EOG Resources (Myane Insulation & Constr)	Contam. Bottoms	20	yards	No Complaint
11:05	Valicor Enviro Svcs LLC	Backwash	20	yards	
12:54	Valicor Enviro Svcs (JSJ Services, Inc)	Contam. Bottoms	20	yards	
13:50	Marathon Oil EF LLC (So TX Oilfield Sol. LLC)	Spent Chemical	90	barrels	
13:57	Churchwell Enviro Solutions	Contam. Bottoms	5	yards	
14:00	Valicor Enviro Svcs LLC	Backwash	20	barrels	
14:08	Churchwell Enviro Solutions	Backwash	20	barrels	
	Aug. 21, 2020				
5:22	Valicor Enviro Svcs LLC	Tank Bottoms	43	barrels	1 Complaint 7 am: "Strong, foul...rotten decaying odor." Not usual petro odor. Says same thing occurred 8/18.
7:17	Valicor Enviro Svcs LLC	Backwash	20	barrels	
9:28	Churchwell Enviro Solutions	Backwash	20	barrels	
11:24	Valicor Enviro Svcs LLC	Backwash	20	barrels	
12:58	Valicor Enviro Svcs LLC	Tank Bottoms	60	barrels	
16:24	Valicor Enviro Svcs LLC	Backwash	20	barrels	
	Aug. 22, 2020				
0:00	Epic Crude Pipeline, LP (Nat'l Tank & Equip)	Contam. Bottoms	15	yards	No Complaint
	Aug. 23, 2020				
9:44	Marathon Oil EF LLC (So TX Oilfield Sol. LLC)	Spent Chemical	100	barrels	2 Complaints: "Strong oil and chemical odors." "Young family member...having chest pains, headache and difficulty breathing."
	Aug. 24, 2020				
10:46	Churchwell Enviro Solutions	Backwash	20	barrels	2 Complaints (1 @ 8am): "Very strong waste chemical odors." "Strong sulfur, oil and gas smell."
11:25	Energy Transfer Co (Churchwell Enviro)	Contam. Bottoms	16	yards	
11:26	Energy Transfer Co (Churchwell Enviro)	Contam. Bottoms	16	yards	
11:27	Energy Transfer Co (Churchwell Enviro)	Contam. Bottoms	16	yards	
14:14	Valicor Enviro Svcs LLC	Backwash	20	barrels	
	Aug. 25, 2020 (TCEQ worker nauseated)				
8:33	Churchwell Enviro Solutions	Contam. Bottoms	12	yards	4 Complaints (8 am – 2:40 pm): Detailed in main text.
9:21	Churchwell Enviro Solutions	Backwash	20	barrels	
9:47	TCEQ inspector feels 'very nauseous'				

Notes: "Spent chemical wastes" highlighted in red. Complaint times shown where available. A cubic yard contains the contents of about 202 42-gallon barrels.

Complaints and odor logs filed by Blackhorn's neighbors along with TCEQ inspection reports document repeated 2020 odor complaints from April 13-16, July 22-29, August 13-25 and most of September.<sup>139</sup> Combining that information with data on the wind speeds and directions,<sup>140</sup> as well as the cursory reports that Blackhorn files with the Railroad Commission about who dumped what waste there, could show what kinds of waste shipments trigger the most Blackhorn neighbor complaints. And potential health threats could be pinpointed even better if the Railroad Commission required facilities to provide more details on the chemical content of the wastes that they accept.<sup>141</sup> In the days before inspector Rieger became nauseous, for example, the TCEQ documented nine complaints from Blackhorn's neighbors. The accompanying table plots those complaints alongside Blackhorn's reported waste shipments around that time.<sup>142</sup>

Two citizen complaints filed in that period—on August 21 and August 25—noted that the offending odor was “different” from the “usual petroleum smells.” While six complaints filed from August 23 through August 25 cite “sulfur” or “chemical” odors.<sup>143</sup> Reviewing Blackhorn's waste reports, two loads stand out qualitatively and quantitatively. They are the two, large shipments of 90 and 100 barrels of “spent chemical” transported by South Texas Oilfield Solutions trucks from a Marathon Oil operation in Atascosa County on August 20 and 23.<sup>144</sup> The volume of material dumped in these loads exceeded anything else during that period and their “spent chemical” contents recall the complaints about “different,” “chemical” smells. Another outlier in that period was National Tank and Equipment's midnight delivery of 15 cubic yards of contaminated tank bottoms from Epic Crude Pipeline on August 22, 2020.

### *Blackhorn Violation and Enforcement Incidents*

<b>Inspect. report</b>	<b>Inspector Descriptions of Conditions</b>	<b>Result</b>
RRC #311703 (3/1/18)	'Unpermitted disposal of oil and gas wastes.' '5-gallon bucket' and 'roll-off container' 'filled with oily wastes' at facility before it paid its \$1.75 million financial security.	'Blackhorn Waste Disposal Facility is in violation of SWR 8, Permit Condition.'
TCEQ #1631511 (2/14/20)	'Detected petroleum waste odors...ranging from very light to strong.'	'nuisance odor violation.' Odors 'interfere with normal use and enjoyment of property.'
TCEQ #1671827 (8/25/20; 9/4/20)	'sour petroleum odor'...inspector "felt very nauseous and immediately left the area.'	Notice of enforcement: 'nuisance odor conditions;' 'potential adverse human health impacts.'
TCEQ #1671347 (9/2/20)	'sour petroleum waste odors'...inspector 'could taste the odor in her mouth.'	Notice of enforcement: 'nuisance odor conditions;' 'potential adverse human health impacts.'
TCEQ #1677763 9/18/20; 10/23/20	'very strong burnt petroleum odor' such that inspectors 'could taste the odor in their mouth.'	'Nuisance odor conditions were substantiated'
TCEQ #1701429 (12/30/20)	'a burnt plastic petroleum waste odor which gave a metallic taste in mouth.' The inspector 'developed a headache.'	Notice of enforcement: 'nuisance odor condition and nuisance health impacts.'
TCEQ #1706873 (3/24/21-4/5/21)	'strong petroleum waste odor' ...inspector experienced 'a headache, sinus congestion and a runny nose.'	'violation for failure to prevent nuisance odor and nuisance health conditions.'
RRC #757295 (3/29/21)	Cattle enter facility, violating requirement to 'maintain security to prevent unauthorized access.'	Notice of Violation. 'A violation is assessed for Permit Condition IV.'
RRC 5/12/21	Taking waste from unpermitted haulers, improper toxicity tests, improper water-monitoring, missing waste reports	Notice of Violation.
RRC 6/4/21	Taking large volumes of impermissible chemical wastes without proper toxicity tests; contradictory waste reports.	Operating permits suspended indefinitely.

A Railroad Commission technical examiner recommended that the commissioners renew Blackhorn's waste permit on April 13, 2021.<sup>145</sup> The examiner argued that the double-lined site sufficiently protected water supplies, that the commission lacks jurisdiction over air-pollution complaints, and that there was no evidence of unauthorized waste onsite. At the end of this brief presentation, the three commissioners did not question staff, Blackhorn's representative, or the four people opposed to the permit who had registered to speak on that agenda item.<sup>146</sup> Commissioner Wright alone read a brief statement.<sup>147</sup> "Although I am very sympathetic to the protestants and their complaints, I will support renewal at this time," he said. "It's our understanding that the TCEQ is also looking into the complaints and the Railroad Commission will continue to monitor the situation to ensure that the facility remains in compliance with all permit requirements." Wright did not mention his own Blackhorn business ties nor his campaign contributions. Without recusals, the three commissioners unanimously approved Blackhorn's permit. "My heart is kinda broken," neighbor Jennifer Green told the Texas Standard.<sup>148</sup> "Everyone's passing the ball back and forth."

Three weeks before the Commissioners renewed Blackhorn's permit on April 13, 2021, their staff inspected the Robstown waste yard of a leading Blackhorn customer: Valicor Environmental Services.<sup>149</sup> Valicor had dumped more than 644 loads totaling more than 3 million gallons of waste at the Blackhorn site. Agency staff determined that Valicor's wastes were impermissible for Railroad Commission sites, which only can accept "non-hazardous" oil and gas wastes. These and other findings prompted the agency to suspend all of Blackhorn's waste permits indefinitely on June 4, 2021.<sup>150</sup> Blackhorn quickly requested a hearing in response to the agency's notice of violation, allowing them to continue operating while the hearing was pending.<sup>151</sup>

The permit suspension and violation notice also noted that Blackhorn reported receiving impermissible "spent chemical" waste. Blackhorn reported receiving more than 1.2 million gallons of spent chemical from October 12, 2019, through March 2021—the vast majority delivered by South Texas Oilfield Solutions on behalf of Marathon Oil EF, LLC, a subsidiary of Marathon Oil Co., and Murphy Exploration and Production Co.<sup>152, 153</sup> The Marathon Oil Co. Employees PAC and Marathon Oil Co. CEO, Lee Tillman, contributed \$87,500 to the three current commissioners from 2015 through 2020.<sup>154</sup>

Blackhorn also is required to run toxicity tests on any wastes that do not come directly from an oil and gas site. The Railroad Commission permit suspension and violation notice cited evidence that Blackhorn failed to run those tests on deliveries from 17 commercial waste facilities, as well as from middlemen waste haulers and yards.<sup>155</sup> Those commercial facilities included another major Blackhorn customer, Churchwell Environmental Solutions, as well as National Tank & Equipment LLC, which the agency previously cited as an unpermitted waste hauler.<sup>156</sup>

On June 8, 2021 the commissioners considered a formal request by Blackhorn neighbors to reconsider Blackhorn's permits.<sup>157</sup> The commissioners took their staff's advice to deny that request on the grounds that the requestors presented no new information. Before the vote, Commissioner Wright noted that Blackhorn had requested a hearing on the agency's notice of violation issued four days earlier. He then said, "The people of Texas have my word that we will continue to monitor the situation."<sup>158</sup> Two days later Blackhorn made an initial response to the agency's Notice of Violation, saying that it was in the process of revising reports that it had submitted in late 2020 and early 2021.<sup>159</sup> That letter blamed reporting discrepancies on the "formatting of our Integrated Control Solutions (ICS) system" and Blackhorn's nomenclature:

Response: The oilfield waste materials described as “backwash” and “tank bottoms” in the quarterly report for the 1<sup>st</sup> Quarter of 2021 are the same materials described in the October 2020 analytical results as “filter cake,” “pit solids,” “process water,” and “treated water.” We are in the process of updating the quarterly report to reflect the nomenclature used to describe these materials in the analytical results, instead of using our internal reporting nomenclature. We will also use the nomenclature from future analytical results

Blackhorn’s waste disclosure reports also reveal that during the 2020 elections two energy companies central to another pending Railroad Commission case (Chesapeake Operating and EXCO Resources) hired a company owned by then-Railroad Commission candidate Jim Wright to transport their waste to Blackhorn’s facility. The first report in our Captive Agency series provides details on that case.

The Regulatory Advisory Task Force that Wright’s office organized during his first few months in office focuses on clarifying Rule 8, which seeks to protect water supplies from industry waste. However, in two instances well-known to Wright, Blackhorn Environmental and his own DeWitt Recyclable Products case, facilities reportedly violated clear, common-sense rules. Facilities permitted exclusively for non-hazardous oil and gas waste clearly should not take more waste than their permits allow nor let waste spew out beyond their facility fence or waste-pit walls, as the agency accused DeWitt of doing. Nor should they take spent chemical waste or wastes of unknown origin from unpermitted waste haulers, as the agency alleged that Blackhorn did. The agency also has claimed that Blackhorn failed to file required waste-shipment reports and improperly applied toxicity tests from one waste shipment to that of another. Most importantly, the Railroad Commission should review filed reports in detail to ensure compliance with the rules. Resolving these problems should be a commission priority.



# Conclusion and recommendations

Having been involved with 28 energy-waste companies with keen interests in the Railroad Commission, Commissioner Wright came to office with many potential conflicts of interest and an agenda. Some of Wright businesses are subject to his agency's regulation and some have business ties to companies with matters before his commission. Commissioner Wright and the commission's ex-permitting manager even run a company that specializes in securing Railroad Commission permits. For years, the agency that Wright now heads had declined his industry task force's proposals to rewrite that agency's rules protecting water supplies from oil and gas waste.<sup>160</sup>

Having agreed to pay a \$181,519 fine in 2017 for one of his own waste facilities that violated many clear agency rules, Wright was an unlikely spokesperson for the need to clarify those rules. Wright's background makes his role as a commissioner ethically questionable. So far, he has used his position to:

- Revitalize a task force on RRC rules pertaining to his businesses;
- Help relax the agency rules and fines governing his own industry;
- Renew the permits of a controversial waste facility owned by campaign contributors with whom he has done business; and
- Find a way for TxDOT to accept and use oil and gas industry waste that one of his companies specializes in treating.

Commissioner Wright's extensive personal financial ties to the industry that he regulates highlight the need to improve ethics, transparency, and accountability at the Texas Railroad Commission. The following common-sense solutions would help the agency achieve its mission, renew confidence in the Texas electoral process, and bolster public trust in an agency that oversees one of Texas' most important industries.

## Eligibility to serve

Ethics reform proposals often spur complaints about the excessive burdens that they impose on candidates or officials. This can be countered with measures as simple as the law that governs the energy regulators who sit on the Oklahoma Corporation Commission.<sup>161</sup> They are required to divest of any agency-regulated oil and gas business to safeguard the public trust. Like railroad commissioners, Oklahoma has three commissioners elected to six-year staggered terms. Unlike their Texas counterparts, Oklahoma candidates are subject to campaign contribution limits (\$2,800 for individuals and \$5,000 for PACs).

In addition, lawmakers should impose a self-dealing law to prohibit state officials from owning a company that is in the business of securing permits or other approvals from their own agency. They should force state officials to divest from any business that has substantial commercial interests in the decisions of their own agency, imposing stiff penalties for violators. We endorse Oklahoma's approach, which is simpler and cleaner than conceivable alternatives. The more complicated reforms below are provided only in case Texas lawmakers prefer a more complicated system—with more loopholes.

## Campaign contributions

The best way to end the potential conflicts posed by commissioners raising unlimited amounts of campaign contributions from the industry that they regulate would be to shift to gubernatorial appointments with senate confirmation, requiring specific competencies for the positions as the lawmakers mandated for members of the Electric Reliability Council of Texas following devastating power outages in February 2021.<sup>162</sup> Short of that, lawmakers should limit RRC candidate fundraising

to an 18-month period toward the end of each commissioner's six-year term, impose \$5,000 limits on commission contributions and require commissioners to recuse themselves from a decision if they received at least \$1,000 from parties to a dispute since their last election cycle (January 1, 2021 in Wright's case). Parties tied to pending commission cases should be banned from contributing to commissioners and commission candidates.

### **Financial Disclosure**

Wright disclosed that all of his assets and liabilities are tied up in his homestead ranch, the seaside condo that he sold in 2020, and his many energy-waste businesses. The size of his stakes in those businesses—with significant interests in Railroad Commission decisions—are unknown. That is because the largest valuation category on state disclosures is "\$44,530 or more." This is inadequate disclosure for Wright, who sold his DeWitt Recyclable company in 2014 for \$1.3 million.

A simple, far-reaching reform would modernize the state's personal financial disclosures by updating the maximum category of reported incomes, assets and liabilities to a level well beyond "\$44,650 or more." The easiest way would copy the Congressional disclosure form.<sup>163</sup> Its largest income category, \$5 million, is 100 times Texas's maximum. Its largest asset category is 1,000 times bigger than the Texas one, flagging assets worth more than \$50 million. Texas financial disclosures should reflect the wealth of the state that leads U.S. oil production.

Another common-sense disclosure reform for the nation's No. 1 oil state is to require filers to specify if a reported income comes from interest, dividends, royalties or rents. For mineral interests, this should include details on the number and percentage of interests held, their locations and values, and any associated well or facility operators. Commissioners and commission candidates also should have to report any business transaction of \$5,000 or more that they or an associated company have with an individual, company, or industry that the RRC oversees.

Wright companies dumped at least 60 loads of industry waste at the Blackhorn facility in the two years before he voted to renew its permits. The public deserves to know what those transactions were worth.

Finally, the agendas published in advance of commission meetings should transparently provide details about any personal financial, campaign-funding, or other business ties that commissioners have to any parties with matters on that agenda. These details should quantify the precise details of a commissioner's potential conflict. If publishing these details makes such financial ties less attractive to commissioners, so much the better.

### **Recusal**

The Railroad Commission needs to improve its narrow existing rules for when commissioners need to disclose business relationships and recuse themselves. The state legislature should define "personal or private interest" and improve the enforceability of the Texas Government Code's conflict of interest policies.

The state should better enforce recusal from cases involving a company in which commissioners hold equity, income, or business ties. Moreover, there should be no exemption from recusal for business owners who have an interest that is the same as "all others similarly engaged in the profession, trade, or occupation."

A new requirement could require recusal if a company that donated more than \$1,000 to the commissioners' campaign in the last election cycle.

### **Contested cases**

Transferring the agency's case hearings and gas-utility rate cases to the State Office of Administrative Hearings and the Public Utility Commission, respectively, also would better insulate the process from commissioners' personal and political finances. Past Sunset Reviews have pointed out potential conflicts between the railroad commissioners and their in-house administrative law judges and hearing staff. "The connection between the employee status of hearings officers and railroad commissioners is quite direct—railroad commissioners are currently approving each hiring decision and staff pay raise because of the agency's tight budget," a Sunset Review found. "As elected officials, railroad commissioners receive campaign contributions from the industry that they regulate, raising inevitable concerns about the potential influence on decision making."<sup>164</sup> While a 2017 rule resolved some concerns over agency ex-parte communications, transferring contested cases to the State Office of Administrative Hearings and Public Utility Commission would further reduce such case communications between agency staff and hearings examiners when all parties are not present.

The current ethics policy framework for railroad commissioners appears to permit commissioners to act in their private interest and creates incentives for agency staff to promote decisions in the commissioners' private and political interests. Policy reforms are needed to prevent real or apparent ethical breaches, improve transparency, and regain public trust. Many of the reforms proposed in this report have been employed at different agencies in Texas, in different states, or at the federal level.<sup>165</sup>

# Notes

<sup>1</sup> 16 TAC §1.10

<sup>2</sup> Texas Government Code Sec. 572.058(f)

<sup>3</sup> See Wright's testimony before the House Energy Resources Committee on House Bill 4380 on April 8, 2019

<sup>4</sup> Brad Johnson, March 5, 2020, "Anatomy of an Upset: Jim Wright on His Shocking Victory Over Ryan Sitton for Texas Railroad Commissioner," The Texan, <https://thetexan.news/anatomy-of-an-upset-jim-wright-on-his-shocking-victory-over-ryan-sitton-for-texas-railroad-commissioner/>

<sup>5</sup> Brad Johnson. (2020, March 5). Anatomy of an Upset: Jim Wright on His Shocking Victory Over Ryan Sitton for Texas Railroad Commissioner. The Texan. <https://thetexan.news/anatomy-of-an-upset-jim-wright-on-his-shocking-victory-over-ryan-sitton-for-texas-railroad-commissioner/>

<sup>6</sup> Commissioner Wright's recusal statement occurs around 6:30 minutes into the recorded meeting. Railroad Commission of Texas. (2021). Open Meeting. In Admin Monitor - Webcast Archives. [http://www.adminmonitor.com/tx/rrc/open\\_meeting/20210126/](http://www.adminmonitor.com/tx/rrc/open_meeting/20210126/)

<sup>7</sup> Railroad Commission of Texas. April 13, 2021. Open Meeting. Agenda item 4, timestamp: 7:00. Retrieved from: [http://www.adminmonitor.com/tx/rrc/open\\_meeting/20210413/](http://www.adminmonitor.com/tx/rrc/open_meeting/20210413/)

<sup>8</sup> Texas Election Code Chapter 253 Subchapter D prohibits corporate contributions to candidates, a corporation's political committee and executives can contribute unlimited amounts to campaigns for non-judicial state offices.

<sup>9</sup> Oil and gas interests supplied 21% of the \$79 million in new money that Abbott raised between January 2017 and December 2020. This excludes the \$9.7 million that Abbott shifted during that period between his officeholder account and his special-purpose PAC: Texans for Greg Abbott. (Unpublished data compiled by Texans for Public Justice citing Texas Ethics Commission disclosures.)

<sup>10</sup> Texas Ethics Commission. Form PFS-TEC, Personal Financial Statement. Revised 12/6/2019. Retrieved from: [https://www.ethics.state.tx.us/data/forms/pfs/e\\_pfs20-TEC.pdf](https://www.ethics.state.tx.us/data/forms/pfs/e_pfs20-TEC.pdf)

<sup>11</sup> U.S. House of Representatives. Ethics in Government Act Financial Disclosure Statement. Financial Disclosure Form B CY 2020. Accessed on: July 5, 2021. Retrieved from: <https://ethics.house.gov/sites/ethics.house.gov/files/documents/Financial%20Disclosure%20Form%20B%20CY%202020%20FINAL.pdf>

<sup>12</sup> Texas Sunset Advisory Commission. Railroad Commission of Texas. Retrieved from: <https://www.sunset.texas.gov/reviews-and-reports/agencies/railroad-commission-texas> Accessed on: July 5, 2021.

<sup>13</sup> 16 TAC §1.10

<sup>14</sup> Texas Government Code Sec. 572.058. Private interest in measure or decision; disclosure; removal from office for violation.

<sup>15</sup> Texas Constitution, Article III, Section 22. Disclosure of personal or private interest in measure or bill; not to vote.

<sup>16</sup> See EAO No. 218 (1994) and EAO No. 412 (1999). The EAOs also reference Braden's annotated and comparative analysis of the Texas Constitution.

<sup>17</sup> Braden, The Constitution of the State of Texas: An Annotated and Comparative Analysis 141 (1977). Braden remarks "No authoritative interpretation of this section [22] was found, probably because, in practice, it is considered a prohibition "with which each Member is left to comply according to his own judgment as to what constitutes a personal or private interest." The author comments "Section 22 is unenforceable as presently worded and should be deleted."

<sup>18</sup> *The Texan* reported that Wright decided to run on December 6, 2019. The Austin-American Statesman reported that the early December casino flight occurred on a Saturday—apparently December 7th.

<sup>19</sup> Asher Price. (2020, March 4). Did Jim Wright pull an upset on Tuesday because of his name? Austin American Statesman. <https://www.statesman.com/news/20200304/did-jim-wright-pull-upset-on-tuesday-because-of-his-name>



- <sup>20</sup> Texas Ethics Commission cited in Wheat, A. and Palacios, V. (2021). Captive Agency Part II: Campaign contributions raise questions about bias at the Railroad Commission of Texas. Commission Shift.
- <sup>21</sup> Asher Price. (2021, July 18). Oil-and-gas money flows to Railroad Commission nominee. Austin American Statesman. <https://www.gosanangelo.com/story/money/industries/energy/2020/07/18/oil-and-gas-money-flows-railroad-commission-nominee/5460983002/>
- <sup>22</sup> Texas Ethics Commission. Form PFS. Version V1.1.83d66148. Part 11A Ownership of Business Associations. “Describe each corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association in which you, your spouse, or a dependent child held, acquired, or sold 5 percent or more of the outstanding ownership. For more information, see FORM PFS--INSTRUCTION GUIDE. When reporting information about a dependent child’s activity, indicate the child about whom you are reporting by providing the number under which the child is listed on the Cover Sheet.”
- <sup>23</sup> See CorporationWiki records for GreEnergy Companies Management LLC. <https://www.corporationwiki.com/p/31g5uj/greenergy-companies-management-llc>
- <sup>24</sup> <https://www.greenenergyusa.com/about>
- <sup>25</sup> Homepage, under “projects.” Accessed on August 23, 2021. <https://www.greenenergyusa.com/>
- <sup>26</sup> GreEnergy’s website boasts an impressive list of such well-known energy companies as Shell Oil, Texaco, and British Petroleum. That list ends with a lower profile client: Environmental Evolutions—yet another one of Commissioner Wright’s companies.
- <sup>27</sup> Jim Wells County Appraisal District. Property IDs 11157004 and 11157006. Building square footage retrieved from a Zillow search of the address on August 23, 2021.
- <sup>28</sup> Wright sold the condo in 2021 to Justin & Megan Foyt. Nueces Central Appraisal District Property ID No. 288171. That condo was assessed at \$152,957 for 2020 tax purposes.
- <sup>29</sup> Wright sold the condo to Justin & Megan Foyt. Nueces Central Appraisal District Property ID No. 288171.
- <sup>30</sup> The facility was owned by Texas Ecologists. See Brad Johnson. (2020, March 5). Anatomy of an Upset: Jim Wright on His Shocking Victory Over Ryan Sitton for Texas Railroad Commissioner. The Texan. <https://thetexan.news/anatomy-of-an-upset-jim-wright-on-his-shocking-victory-over-ryan-sitton-for-texas-railroad-commissioner/>
- <sup>31</sup> CorporationWiki. Jw Venture, LLC Overview. Accessed on Sep. 22, 2021. Retrieved from: <https://www.corporationwiki.com/Texas/Orange-Grove/jw-venture-llc/34964189.aspx>
- <sup>32</sup> See DeWitt Recyclable Products “Sale Agreement” of July 24, 2014 and “Settlement Agreement” of October 13, 2017.
- <sup>33</sup> Personal Financial Statement, James D. Wright. Assets of Business Associations. Part 11B. See Environmental Evolutions Holdings, Inc. and JW Rentals, Inc. dba Environmental Evolutions National.
- <sup>34</sup> Corporationwiki. (2021, August 23). Greenergy Companies Management, LLC - Company Profile. <https://www.corporationwiki.com/p/31g5uj/greenergy-companies-management-llc>
- <sup>35</sup> Environmental Evolutions National Oil and Gas Waste Hauler’s Permit No. 4503, issued September 30, 2020; EEES Energy Solutions Waste Hauler’s Permit No. 4767, issued September 5, 2021.
- <sup>36</sup> Commissioner Craddick collected \$1,250 from Wright, \$750 from GreEnergy’s Vice President of Legal Affairs Jose Pujols, and \$500 from GreEnergy Vice President of Investment Strategies Allen Whittemore.
- <sup>37</sup> The Railroad Commission “welcomed us [the task force] to come in and hear our concerns about the rules,” Wright said testifying before the House Energy Resources Committee on House Bill 4380 on April 8, 2019. “But we fell short in trying to get their staff to really recognize what our benefit was for them and for the industry.”
- <sup>38</sup> Brad Johnson. (2020, March 5). Anatomy of an Upset: Jim Wright on His Shocking Victory Over Ryan Sitton for Texas Railroad Commissioner. The Texan. <https://thetexan.news/anatomy-of-an-upset-jim-wright-on-his-shocking-victory-over-ryan-sitton-for-texas-railroad-commissioner/>
- <sup>39</sup> Id.
- <sup>40</sup> Absolute’s last Railroad Commission P-5 form in 2002 listed Wright as its manager.

<sup>41</sup> See Railroad Commission's Tiffany Humberson memo "Request for a work plan and final closure activities," dated August 29, 2017, referencing a meeting with Wright and Herrero staff members Jesus Moreno and Jamie Klein.

<sup>42</sup> 86th Legislative Session (Regular). HB 4380 Relating to the creation of the Environmental Task Force Advisory Committee. Retrieved from: <https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=86R&Bill=HB4380>

<sup>43</sup> Wright appears about 3 hours and 25 minutes into the Energy Resources Committee testimony on April 8, 2019. Retrieved from: <https://house.texas.gov/video-audio/committee-broadcasts/86/>

<sup>44</sup> In his testimony Wright cited eight task force members—one short of the nine members that he said sat on the task force.

<sup>45</sup> Chambless email to Railroad Commission environmental permits division, April 26, 2019.

<sup>46</sup> Stationary Treatment Facility permits STF-0100 (tied to Ross Gatlin's W TX Land Farm Resources 1, LLC of Southlake) and STF-0108, (tied to FES SWD Operating LLC), respectively.

<sup>47</sup> The Texas Oil and Gas Association (TXOGA) PAC gave Texas candidates \$468,760 in the two-year 2020 cycle, while Fasken Oil and its general manager, Norbert Dickman, kicked in another \$163,000. TXOGA was the No. 10 donor to the four Railroad Commissioners holding that office or elected to it from 2015 through 2020, giving them \$178,115. Fasken Oil ranked No. 25, giving those commissioners \$52,500. A representative of the Texas Independent Producers and Royalty Owners Association also registered opposition to the bill.

<sup>48</sup> In the 2021 session, a Fasken representative and Craddick's father, Midland Republican Rep. Tom Craddick, teamed up to help defeat a bill that they said would increase the flow of radioactive waste to a facility in Andrews County while lowering public and environmental protections from that waste.

<sup>49</sup> Email correspondence from the Railroad Commission's Haley Cochran to Andrew Wheat, May 17 and May 26, 2021.

<sup>50</sup> "New company to recycle oilfield waste," Rye Druzin, Victoria Advocate, April 27, 2016.

<sup>51</sup> See "Sale Agreement" of July 24, 2014 included as litigation exhibit in Eagleford Recycling Services and James Wright v. DeWitt Recyclable Products, David Elks and David Fettner, Nueces County, case 2020DCV-1035-C, filed March 5, 2020.

<sup>52</sup> Chapa, S. (2016, June 29). DeWitt Recyclable Products brings down cost of recycling oil & gas waste in the Eagle Ford. San Antonio Business Journal. <https://www.bizjournals.com/sanantonio/news/2016/06/29/eagle-ford-company-brings-down-cost-of-recycling.html>

<sup>53</sup> See "Cancellation of permits and cease & desist" memo by Railroad Commission's Grant Chambless, dated January 20, 2017. See also "Legal Enforcement Pollution Summary Sheet," submitted by Railroad Commission San Antonio District Director Travis Baer to Oil and Gas Division Assistant Director Santos Gonzales, January 31, 2017.

<sup>54</sup> Wright attorney Chris Pepper acknowledged in an October 4, 2017 letter to the Commission that "Mr. Wright was never formally removed as the P-5 officer in the Commission's records."

<sup>55</sup> See "Sale Agreement" of July 24, 2014 and "Settlement Agreement" of October 13, 2017. Documents included as litigation exhibits in Eagleford Recycling Services and James Wright v. DeWitt Recyclable Products, David Elks and David Fettner, Nueces County, case 2020DCV-1035-C, filed March 5, 2020. Wright's 2020 personal financial disclosure reported that he still owned at least 5% of the company, where he continued to be a managing member.

<sup>56</sup> \$495,000 in overdue monthly payments and \$180,000 in royalties on sales of recycled oil.

<sup>57</sup> Asher Price. (2020, August 26). GOP candidate for oil and gas regulatory panel faces fraud accusations. Austin American Statesman. <https://www.caller.com/story/news/2020/08/26/gop-candidate-for-state-oil-and-gas-regulatory-agency-faces-fraud-accusations/3442662001/>

<sup>58</sup> Winstead attorney Chris Pepper letter to the Commission, September 20, 2017.

<sup>59</sup> Hotchkiss email to Railroad Commission's Jessica Mendoza and Tiffany Humberson, December 11, 2019.

<sup>60</sup> First National Bank of Shiner letter of credit, July 14, 2016.

<sup>61</sup> Email of staff attorney Jessica Mendoza, June 7, 2018.

<sup>62</sup> See Texas Government Code. Sec. 572.054. Representation by Former Officer or Employee of Regulatory Agency Restricted; Criminal Offense.

<sup>63</sup> Chambless issued the permit on April 12, 2016. It superseded an earlier permit issued on May 13, 2015.

<sup>64</sup> See “Cancellation of permits and cease & desist” memo by Railroad Commission’s Grant Chambless, dated January 20, 2017.

<sup>65</sup> See Chambless “Memorandum” to Enforcement Section Director David Cooney, February 16, 2017.

<sup>66</sup> DeWitt Recyclable bought the property in August 2013. It sold it in October 2017 to Wright, who flipped it to his Cuero Land Management weeks later. Cuero Land then deeded it to Eagleford Recycling in March 2018. The 15.2 acres now are part of a 25-acre tract owned by Eagleford Recycling Services, according to the DeWitt County Appraisal District. The larger property is assessed at \$396,000, including buildings valued at \$206,180. Records assess the land value of Wright’s 15.2 acres at \$189,000. It’s unclear if that tract includes any of the buildings, which would boost its value.

<sup>67</sup> Eagleford Recycling attorney John Swallow later wrote the Commission in late 2019 that his client spent \$312,539 removing the contents of 14 frac tanks.

<sup>68</sup> Tidal Tank, Inc. v. Dewitt Recyclable Products, Cause No. 2017-37521, 295th Judicial Court, Harris County. McAda Drilling also sued DeWitt on May 28, 2020, seeking \$72,517 in rental payments and interest (Cause 20-05-25,156, 24th District Court, Dewitt County).

<sup>69</sup> Asher Price. (2020, August 26). GOP candidate for oil and gas regulatory panel faces fraud accusations. Austin American Statesman. <https://www.caller.com/story/news/2020/08/26/gop-candidate-for-state-oil-and-gas-regulatory-agency-faces-fraud-accusations/3442662001/>

<sup>70</sup> Texas Railroad Commission, “Jim Wright Sworn in as New Railroad Commissioner,” January 04, 2021, <https://www.rrc.texas.gov/news/010421-jim-wright-sworn-in/>

<sup>71</sup> Texas Railroad Commission, Jim Wright Staff Appointments, January 06, 2021, <https://www.rrc.texas.gov/news/010621-jim-wright-staff-appointments/>

<sup>72</sup> LinkedIn profile, Christopher Hotchkiss, <https://www.linkedin.com/in/christopher-hotchkiss-b25a8924/>

<sup>73</sup> Asher Price. (2020, August 26). GOP candidate for oil and gas regulatory panel faces fraud accusations. Austin American Statesman. <https://www.caller.com/story/news/2020/08/26/gop-candidate-for-state-oil-and-gas-regulatory-agency-faces-fraud-accusations/3442662001/>

<sup>74</sup> Railroad Commission of Texas. (May 5, 2020). Notice to Oil and Gas Operators - Temporary Exceptions to Certain Administrative Rules.

<sup>75</sup> Kevin Crowley and Sergio Chapa, December 10, 2020, “Texas Oil Regulator Barred From Waiving Environmental Rules,” Bloomberg, <https://www.bloomberg.com/news/articles/2020-12-10/texas-oil-regulator-barred-from-waiving-environmental-rules>

<sup>76</sup> Texas Railroad Commission, Open Meeting Minutes, January 6, 2021, <https://www.rrc.state.tx.us/media/qcqi4v5/final-open-meeting-minutes-for-january-6-2021.pdf>

<sup>77</sup> Specifically, Railroad Commission form H-1, governing injections into formations that produce oil and gas, and form W-14 for injections into unproductive formations.

<sup>78</sup> Railroad Commission of Texas. Open Meeting January 6, 2021. Item 1. Also see May 5, 2020 Order: Temporary Exceptions to Statewide Rules 8, 13, 14, and 107.

<sup>79</sup> The reduced enforcement penalties come under Rule 107. The commissioners also reduced fees for oil and gas storage facilities and carved out a Rule 95 exception to temporarily allow underground hydrocarbon storage in a geological formation other than a salt formation.

<sup>80</sup> Railroad Commission of Texas. (2021). Order. In Open Meetings. <https://www.rrc.texas.gov/media/5dwkxhuo/order-jan6-2021-conf-item-no-1-og-20-00003167.pdf>

<sup>81</sup> Oil & Gas Docket No. 08-0316308.

<sup>82</sup> Commissioner Wright’s recusal statement occurs around 6:30 minutes into the recorded meeting. Railroad Commission of Texas. (2021). Open Meeting. In Admin Monitor - Webcast Archives. <http://>

[www.adminmonitor.com/tx/rrc/open\\_meeting/20210126/](http://www.adminmonitor.com/tx/rrc/open_meeting/20210126/)

<sup>83</sup> Commissioner Wright's recusal statement occurs around 10:40 minutes into the recorded meeting.

<sup>84</sup> 16 TAC §1.10

<sup>85</sup> Asher Price. (2021, July 18). Oil-and-gas money flows to Railroad Commission nominee. Austin American Statesman. <https://www.gosanangelo.com/story/money/industries/energy/2020/07/18/oil-and-gas-money-flows-railroad-commission-nominee/5460983002/>

<sup>86</sup> TIPRO's Upstream Texas magazine, Summer 2021, page 14.

<sup>87</sup> The first meeting, seven days after his swearing in on January 7, was a Rule 8 meeting with staff. It was followed by an "Environmental Task Force" meeting February 4 and a Rule 8 meeting with Texas Pacific Land on February 8.

<sup>88</sup> Railroad Commission of Texas. Jan. 6th, 2021. Jim Wright Staff Appointments. Retrieved from: <https://www.rrc.texas.gov/news/010621-jim-wright-staff-appointments/>

<sup>89</sup> See Kate Zaykowski email "Regulatory Advisory Task Force" email, March 4, 2021 and Commissioner Wright's calendar for that date.

<sup>90</sup> Transparency USA. Lauren Spreen. Retrieved from: <https://www.transparencyusa.org/tx/lobbying/lobbyist/lauren-spreen-83376> and Texas Ethics Commission. 2021 Lobbyists Search By Lobby Name.

<sup>91</sup> Transparency USA. (2021). Fasken Management LLC - Texas Donor - 2015 to 2021. <https://www.transparencyusa.org/tx/donor/fasken-management-llc?cycle=2015-to-now>

<sup>92</sup> Transparency USA. (2021). James Wright - Texas Candidate - 2015 to 2021. <https://www.transparencyusa.org/tx/candidate/jim-wright/donors?cycle=2015-to-now&page=2>

<sup>93</sup> GreEnergy Mobile's "Permit to store, handle, treat, recycle and re-use certain non-hazardous oil and gas wastes," Permit No. 269023, approved by RRC Manager of Environmental Permits Tiffany Humberson, April 29, 2019. See also First Strike's revised permit No. MR-0041, signed by Grant Chambliss, March 6, 2015. A lawyer handling GreEnergy's permit transfer was Chris Hotchkiss, Wright's future general counsel at the Commission. See, for example, Hotchkiss's permit letter to RRC environmental permits employee Krystal Heidel, March 18, 2019.

<sup>94</sup> Search agency P-5 reports for operator No. 331508: <http://webapps2.rrc.texas.gov/EWA/organizationQueryAction.do>

<sup>95</sup> See Corporationwiki entry for GreEnergy Companies Management, LLC. <https://www.corporationwiki.com/p/31g5uj/greenergy-companies-management-llc>

<sup>96</sup> See table at the end of this section for a list of the other companies with this kind of permit.

<sup>97</sup> Email from Pete Peters to David Newcomb, Wednesday, May 5, 2021.

<sup>98</sup> See Boundary's Railroad Commission amended permit for Stationary Treatment Facility-010 dated October 21, 2005, covering a "Roadbase Processing Operation and Water Base Landfarm."

<sup>99</sup> Kimberly Reeves & Vince Leibowitz, May 14, 2019, "SKULL CREEK: Inland agrees to remediation, reporting," Colorado County Citizen, <https://www.coloradocountycitizen.com/article/around-county/skull-creek-inland-agrees-remediation-reporting>

<sup>100</sup> Kimberly Reeves & Vince Leibowitz, May 14, 2019, "SKULL CREEK: Inland agrees to remediation, reporting," Colorado County Citizen, <https://www.coloradocountycitizen.com/article/around-county/skull-creek-inland-agrees-remediation-reporting> An internal Railroad Commission email from Monica Banks on February 20, 2019 says that Westchester Fire Insurance Co. had paid the agency a \$5,927,348 bond.

<sup>101</sup> Vince Leibowitz, February 15, 2019, "Black water, dead fish after contamination in Skull Creek," Colorado County Citizen, <https://www.coloradocountycitizen.com/article/around-county/black-water-dead-fish-after-contamination-skull-creek>

<sup>102</sup> Carlos Anchondo, April 17, 2019, "A creek flowing to the Colorado River turned black. Now the state has sued the alleged polluter. Texas Tribune, <https://www.texastribune.org/2019/04/17/texas-attorney-general-sues-inland-recycling-and-remediation/>

<sup>103</sup> Kimberly Reeves & Vince Leibowitz, May 14, 2019, "SKULL CREEK: Inland agrees to remediation, reporting," Colorado County Citizen, <https://www.coloradocountycitizen.com/article/around-county/>



skull-creek-inland-agrees-remediation-reporting

<sup>104</sup> State's Objection to and response in opposition to defendant's motion for continuance," April 29, 2019, State of Texas v. David Polston, Inland Environmental and Remediation, Inc., and inland Recycling, LLC, 53rd District Court of Travis County, Case D-1-GN-19-002002.

<sup>105</sup> State of Texas v. David Polston, Inland Environmental and Remediation, Inc., and inland Recycling, LLC, 53rd District Court of Travis County, Case D-1-GN-19-002002.

<sup>106</sup> Kimberly Reeves & Vince Leibowitz, May 14, 2019, "SKULL CREEK: Inland agrees to remediation, reporting," Colorado County Citizen.

<sup>107</sup> Working with the Railroad Commission on this waste problem, public relations consultant Amos 'Pete' Peters wrote to Texas A&M University's Texas Transportation Institute in May 2021 that "the company is now facing bankruptcy" and "The material becomes the responsibility of the Railroad Commission and could cost several million dollars to dispose of properly. See Peters email to TTI head David Newcomb, May 5, 2021. In another email to Newcomb on May 14, 2021, Peters wrote that the Railroad Commission was working with the state legislature and attorney general to secure access to the site for the agency and its designates to begin the clean up.

<sup>108</sup> SB 1260 was identical to House Bill 3381 by Republican Rep. Ben Leman, who introduced his bill to a House Energy Committee hearing on March 29, 2021. Rep. Leman said it "would allow third-party, mobile recycling operators to clean up these sites without the need to excavate and haul the waste elsewhere, which is the main cost driver currently." His testimony appears about 2:45 into the part II of that committee's hearing that day.

<sup>109</sup> The Senate Natural Resources and Economic Development Committee held a brief hearing on the bill on April 8, 2021. The sole testimony came from the Sierra Club's Cyrus Reed. Dedicating just a couple sentences to the bill, Reed said it "gives another tool to the Railroad Commission, which will be particularly important in clearing up some waste sites in East Texas that some of us know about." His testimony appears about 1:33 into part II of that committee's videotaped hearings that day. Registering in favor of the bill without testifying were representatives of Chevron, the Texas Alliance of Energy Producers, and the Texas Independent Producers & Royalty Owners Association. The House Energy Resources Committee held its hearing on the identical House Bill 3381 on March 29, 2021. Registering for the bill were Reed and representatives of the Texas Association of Energy Producers, Texas Independent Producers & Royalty Owners Association, and the Permian Basin Petroleum Association. [https://tlcsenate.granicus.com/MediaPlayer.php?view\\_id=49&clip\\_id=15676](https://tlcsenate.granicus.com/MediaPlayer.php?view_id=49&clip_id=15676)

<sup>110</sup> In his youth "Peters racked up a 20-year criminal record, including a dozen charges for check fraud, credit card abuse, larceny, criminal mischief and DWI," the Austin Examiner wrote in 2011. "From 1969 to 1989, he plead guilty or no contest and was convicted of three felonies and three misdemeanors. Peters was sentenced to two years in prison in 1983. He was also a resident of the Travis County jail twice." See Austin Examiner. Sep. 5, 2011. "Watchdog group discusses Williamson County's corrupt culture."

<sup>111</sup> "Media consultant's task: Sell Williamson County," Dylan Rivera, Austin American-Statesman, January 8, 1997. "Consultant billings of \$4,700 are in question," Carter Nelsen, Austin American-Statesman, March 19, 2002. "Strategist faces criminal inquiry," Carter Nelsen, Austin American-Statesman, February 14, 2002. "In Williamson, politics, roads and money mix," Carter Nelsen, Austin American-Statesman, January 29, 2002. Peters responded to the first revelations about fake meetings with then-Statesman Editor Rich Oppel by calling his billings "incomplete" and "inarticulate." Acknowledging that those meetings never happened, he said that his billings should have stated that he prepped others to meet Oppel and prepared materials that he tried to deliver to Oppel.

<sup>112</sup> "Special prosecutor named in Peters case," Carter Nielsen, Austin American-Statesman, April 18, 2002. "Billing inquiry end—no charges," Kate Alexander, Austin American-Statesman, March 19, 2003. "Watchdog group discusses Williamson County's corrupt culture," Austin Examiner, September 5, 2011. See also the opportunistic audit report, "Central Texas Regional Mobility Authority: A Need for a

Higher Standard,” Texas Comptroller, March 2005.

<sup>113</sup> See North Dakota State University engineer David Balmos’ email to TTI’s Edith Arambula, May 10, 2021. Seeking TTI’s help in evaluating the material, Balmos wrote, “I have the opportunity to evaluate a significant source of road base material owned by the Texas Railroad Commission.” In 2012 TTI published an evaluation of disposed drilling fluids that Inland Environmental mixed with cement to form an experimental road bed material. The results were not a runaway success. See “Evaluation of Inland Environmental Modified Drilling Fluid As a Base Course Material,” TTI, April 2012. <https://static.tti.tamu.edu/tti.tamu.edu/documents/0-6581-TI-3.pdf>

<sup>114</sup> Email of TTI’s David Newcomb to Miles Garrison, TxDOT Director of Materials and Tests Division, May 12, 2021. “They only mentioned base materials,” that email added. “Processing the material into HMA aggregate would be quite expensive, I think.”

<sup>115</sup> See, for example, Terracon’s “Data Evaluation Summary Memorandum,” to the Railroad Commission Site Remediation Director Peter Pope, June 22, 2021. Agency documents indicate that Commissioner Wright held meetings with TTI, Terracon and HMI Services on May 6 and May 25 to discuss “drill cuttings” and “sampling discussions.”

<sup>116</sup> See Terracon Invoice No. TF33341 of July 1, 2021.

<sup>117</sup> See, for example, “Data Evaluation Summary Memorandum,” From Terracon’s Russell Ford to Railroad Commission’s Peter Pope, June 22, 2021.

<sup>118</sup> Under the subject line “UT/Railroad Commission Research Project,” Peters wrote, “I will send information about where to park and where we will gather to be escorted upstairs to Commissioner Wright’s Office.” It was sent to Wright and UT Cockrell faculty members Bob Gilbert, Amit Bhasin, Lynn Katz and John Ekerdt on June 21, 2021.

<sup>119</sup> Work Plan for Texas Railroad Commission” UT Center for Transportation Research, August 20, 2021.

<sup>120</sup> Texas Railroad Commission, “Active Mobile Recycling Permits,” as of October 4, 2021. [https://www.rrc.texas.gov/media/ocmpk3i0/comfac\\_active\\_webmr.pdf](https://www.rrc.texas.gov/media/ocmpk3i0/comfac_active_webmr.pdf)

<sup>121</sup> Railroad Commission of Texas. April 13, 2021 Open Meeting. Agenda item 4.

<sup>122</sup> Blackhorn predecessor Sable Environmental publicly began pursuing the facility in 2013. In 2017 Ferrell Gas bought Sable but not this facility property, which was long owned by the Mosser family. Ashley Suzanne Mosser married Sable’s William Cocke, Jr., who formed Blackhorn to take over Sable’s permit. Ashley’s brother, Matthew Mosser, also is involved with Blackhorn, which opened its facility in 2019.

<sup>123</sup> At least two commissioners must sign a final order or decision at the Railroad Commission. 16 TAC §1.126

<sup>124</sup> Blackhorn’s donors were William Cocke, Joe DeBellas, and Matthew Mosser.

<sup>125</sup> See the Texas Election Code § 254.0612

<sup>126</sup> From a Callon Petroleum operation in La Salle County. “Waste Received Quarterly Report” for third quarter 2020 that Blackhorn Waste Disposal Facility STF-059 filed with the Texas Ethics Commission, obtained through an Open Records request to the agency.

<sup>127</sup> “Waste Received Quarterly Reports” that Blackhorn Waste Disposal Facility STF-059 filed with the Texas Ethics Commission, obtained through an Open Records request to the agency.

<sup>128</sup> The Railroad Commission’s recusal rule 16 TAC §1.10 cites Texas Government Code. Sec. 572.058, which states “For purposes of this section, an individual does not have a “personal or private interest” in a measure, proposal, or decision if the individual is engaged in a profession, trade, or occupation and the individual’s interest is the same as all others similarly engaged in the profession, trade, or occupation.”

<sup>129</sup> “Jim Wells Commissioners pass resolution against Blackhorn permit renewal,” KRIS 6 News, February 27, 2021, <https://www.kristv.com/news/6-investigates/jim-wells-commissioners-pass-resolution-against-blackhorn-permit-renewal>

Sen. Juan ‘Chuy’ Hinojosa and Rep. J.M. Lozano also wrote the Railroad Commissioners expressing concerns about the facility’s impact on its neighbors.

<sup>130</sup> TCEQ Investigation Report No. 1706873, for example, covering March 24 through April, 5, 2021,

cites 235 complaints about the facility over the past two year “which were investigated by the Corpus Christi office.” Some of those investigations covered multiple complaints. Investigation report obtained from agency through and Open Records request.

<sup>131</sup> “Residents near waste disposal facility fight permit renewal, company says it follows strict rules,” KRIS 6 News, February 18, 2021, <https://www.kristv.com/news/6-investigates/residents-near-waste-disposal-facility-fight-permit-renewal-company-says-it-follows-strict-rules>

<sup>132</sup> TCEQ Investigation Report No. 1671827, covering August 25 and September 9, 2020. Signed on November 20, 2020. <https://ewscripps.brightspotcdn.com/84/aa/a768846c40b79c26a82e80d2f6e4/air-cp-110447323-cp-20200904-investigation-1671827.pdf>

<sup>133</sup> In a previous Blackhorn inspection report, Rieger reported that “to substantiate a nuisance condition” the TCEQ needed to document an hour of very strong odors “at least 2 times in any sixty-day period.” See TCEQ Investigation Report No. 1604964, covering October 25, 2019.

<sup>134</sup> Tristan Rieger testimony, Railroad Commission hearing on O&G No. 04-0326725, September 11, 2020, page 17.

<sup>135</sup> Investigation Reports 1671827 and 1701401.

<sup>136</sup> See TCEQ Investigation Report No. 1671827 and corresponding notice of enforcement dated November 20, 2020, as well as Investigation Report No. 1701401 and corresponding notice of enforcement dated April 9, 2021.

<sup>137</sup> Her inspections continued through to September 2, 2020. See TCEQ Investigation Reports Nos. 1671347 dated October 13, 2020 and corresponding notice of enforcement dated November 20, 2020, as well as Investigation Report 1701896 signed October 13, 2020 and Notice of Enforcement signed April 9, 2021.

<sup>138</sup> Robin Bradshaw, December 1, 2020, “TCEQ investigates Blackhorn Environmental Services in Orange Grove,” Alice Echo News Journal, <https://www.alicetx.com/story/news/2020/12/01/tceq-investigates-blackhorn-environmental-services-orange-grove/6466884002/>

<sup>139</sup> TCEQ Investigation Report No. 1671827, page 16.

<sup>140</sup> One of the complaints on August 24, 2020 said that a foul odor was present “every morning” except “when the wind is from the west or south.”

<sup>141</sup> Waste facilities currently file minimalist reports—and sometimes none at all. Responding to open records requests, the agency failed to provide Blackhorn’s waste reports for the third quarter of 2019 and the first quarter of 2020.

<sup>142</sup> In the surrounding six days, Blackhorn reported 26 shipments attributed to six companies: Churchwell Environmental Solutions, Energy Transfer Co., EOG Resources, Epic Crude Pipeline, Marathon Oil EF, and Valicor Environmental Services.

<sup>143</sup> These complaints are summarized in Rieger’s TCEQ Investigation Report No. 1671827, signed on November 20, 2020.

<sup>144</sup> Operator No. 525398, lease name: R. May B-Guajillo Unit.

<sup>145</sup> The examiner introduces the item at about 7:10 minutes. Railroad Commission of Texas. (2021, April 13). Open meeting. Admin Monitor. [http://www.adminmonitor.com/tx/rrc/open\\_meeting/20210413/](http://www.adminmonitor.com/tx/rrc/open_meeting/20210413/)

<sup>146</sup> At railroad commission open meetings, the public may register to speak on agenda items, but the commission maintains that commissioners are not required to call on the registrants.

<sup>147</sup> Commissioner Wright makes his statement around 9:48 minutes into the video.

<sup>148</sup> Michael Marks, April 14, 2021, Railroad Commission Renews Permit For South Texas Oil And Gas Waste Facility Despite Locals’ Complaints, Texas Standard, <https://www.texasstandard.org/stories/railroad-commission-renews-permit-for-south-texas-oil-and-gas-waste-facility-despite-locals-complaints/>

<sup>149</sup> Referenced in Railroad Commission “Permit Suspension, Notice of Violation (NOV) 3,” signed by Technical Permitting Section Assistant Director Paul Dubois, June 4, 2021.

<sup>150</sup> Railroad Commission “Permit Suspension, Notice of Violation (NOV) 3,” signed by Technical Permitting Section Assistant Director Paul Dubois, June 4, 2021.

<sup>151</sup> Citing Texas Administrative Code section 3.8(d)(6)(E), the agency's suspension notice says, "Blackhorn must immediately cease and desist accepting wastes at the facility." However, it goes on to say that Blackhorn "has the right to request a hearing" to contest the suspension and that the permit will be suspended in 15 days if no hearing request is received. Blackhorn's attorney requested a hearing contesting the permit suspension on June 4, 2021. See letter to Paul Dubois from Clay Nance dated June 4, 2021.

<sup>152</sup> This total excludes the third quarter of 2019, when Blackhorn didn't file the required quarterly waste report, and the last quarter of 2020, when its waste report did not include a summary total by waste "product type."

<sup>153</sup> The only other reported transporter of this stuff, Churchwell Environmental Solutions, dumped eight loads of it. Less frequent sources of spent-chemical shipments were Sea Eagle Ford, LLC, Sundance Energy Co., Repsol Oil and Gas, Silverbow Resources and Churchwell Environmental Solutions.

<sup>154</sup> Marathon's PAC and CEO Lee Tillman gave a total of \$42,500 to Craddick, \$30,000 to Christian, and \$15,000 to Wright in that period. See Texas Ethics Commission campaign finance filings for the three commissioners.

<sup>155</sup> The agency also noted that Blackhorn's monthly waste reports (Form R-2) for early 2021 reported waste from South Texas Oilfield Solutions and six other companies that did not appear in Blackhorn's corresponding quarterly report covering the first quarter of 2021. The other companies were Green Exploration Co., Pipe Reclamation, Salvador Oil, Urban Oil & Gas Group, USFS LLC, and WS Energy Services.

<sup>156</sup> See the Notice of Violation issued on May 12, 2021 (the other nonpermitted waste haulers cited were Alamo 1 and WS Energy Services). That same document says that the waste sample tests that Blackhorn submitted for an early 2021 Valicor shipment actually came from samples collected in October 2020 and did not include the required toxicity tests. It also cited Blackhorn for improper groundwater-monitoring reports, failing to file a waste disclosure report for the third quarter of 2019 and failing to document that its facility had "No Activity" before its reported opening in February 2019. Wright's Environmental Evolutions National, which is permitted, delivered at least one shipment of National Tank waste containing 20 yards of "contaminated bottoms" to Blackhorn on October 2, 2019.

<sup>157</sup> Texas Railroad Commission, Open Meeting Notice, June 8, 2021, agenda No. 31, <https://www.rrc.state.tx.us/media/tcdjl2ro/final-agenda-for-conference-on-june-8-2021.pdf>

<sup>158</sup> Agenda item No. 31, O&G 04-0326725, motion for rehearing. The commission tackles this item some 16:45 minutes into the video, with Commissioner Wright weighing in about a minute later.

<sup>159</sup> Letter and report from Blackhorn's Cody Bates, dated June 10, 2021, totaling 116 pages.

<sup>160</sup> See Wright's testimony before the House Energy Resources Committee on House Bill 4380 on April 8, 2019.

<sup>161</sup> 17 OK Stat § 17-179

<sup>162</sup> Texas 87th Legislature. Senate Bill 2, relating to the governance of the Public Utility Commission of Texas, the Office of Public Utility Counsel, and an independent organization certified to manage a power region. Retrieved from: <https://capitol.texas.gov/tlodocs/87R/billtext/html/SB00002F.htm>

<sup>163</sup> U.S. House of Representatives. Ethics in Government Act Financial Disclosure Statement. Financial Disclosure Form B CY 2020. Accessed on: July 5, 2021. Retrieved from: <https://ethics.house.gov/sites/ethics.house.gov/files/documents/Financial%20Disclosure%20Form%20B%20CY%202020%20FINAL.pdf>

<sup>164</sup> Sunset Advisory Commission. (2017). Sunset Advisory Commission Staff Report with Final Results: Railroad Commission of Texas. <https://www.sunset.texas.gov/reviews-and-reports/agencies/railroad-commission-texas>

<sup>165</sup> See Commission Shift's first report in this series, Captive Agency Part I: Conflict of interest policies at the Railroad Commission of Texas need reform. Appendix III.