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From: rrcwebcontact@gmail.com
Sent: Thursday, August 25, 2016 1:54 PM
To: rulescoordinator
Subject: Comment Form for Proposed Rulemakings

RAILROAD COMMISSION OF TEXAS

Comments Form for Proposed Rulemakings

Date Submitted

Thursday, August 25, 2016 1:54:07 PM

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Amend §3.15--inactive wells and return to production

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Any reduction in production limits and/or reporting requirements are welcomed changes, especially for small producers. In that regard, we are certainly in favor of the proposed changes to the regulation.

However, the changes do not go far enough. The entire regulation, since its incorporation in 2010, has been an extreme burden on small producers. The basic requirement to "plug or produce" is completely counter to the RRC's pre-2010 "mission" of instilling regulations that would entice producers to re-work wells in order to create more production. The 2-year and 3-year tax incentive programs were effective in meeting this desirable effect. The current program, in effect, forces the producer to either plug a well (which resource will never be available again) or re-work it to bring it back on production. Given today's economic conditions in the oil and gas business, most small producers are, therefore, forced to plug wells that might otherwise become profitable when energy prices rebound. Further, advances in drilling and completion technology over the past 10 years have greatly increased the possibility that an inactive well can be returned to a profitable producer if only it had not been forced to be plugged by the post-2010 regulations, especially if energy prices rebound.

The current regulation further hurts the small producer in that it's requirements to remove equipment that might be useful in the future are an undue and unnecessary expense. Removing the equipment gives the producer another reason to not want to bring the well back on production due to the expense of re-installing equipment which is necessary to produce the well. Had this equipment not been removed, it's necessary cost to re-install could have been avoided and therefore the cost to bring the well back on production greatly reduced.

Finally, the cost of administering the program is high for the small producer. Currently, the W-3X fee is $250/well per year. This is a lot for a non-producing asset. This fee should be substantially reduced. The cost to comply with a plugging extension can run into several hundred (if not thousands) of dollars per well when considering fees for enhanced production studies, licensed professional consultants, and RRC regulations. All these costs are extreme burdens on small producers, especially during the current economic conditions. It's interesting that the RRC, along with other State agencies, road on the backs of Texas' oil and gas producers when prices were high, but these entities have done nothing to help those same producers now that prices are low. A reduction in fees would certainly be a good place to begin to repay Texas' oil and gas producers for the billions of dollars paid for severance and ad valorem taxes.

Changing the regulation as proposed is a good starting point, but re-writing the entire regulation with input and concern for Texas' small producers, instead of the large ones which can afford to deal with costly regulations, would be much better.