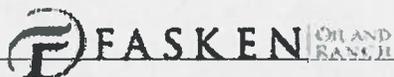


Kellie Martinec

From: Jimmy Carlile <jimmyc@forl.com>
Sent: Thursday, March 28, 2013 3:36 PM
To: rulescoordinator
Subject: Fasken Oil and Ranch, Ltd. - SWR 13 Comments
Attachments: 20130328140343.pdf

Attached are Fasken Oil and Ranch, Ltd.'s comments on proposed amendments to Statewide Rule 13.

Jimmy D. Carlile
Regulatory Affairs Coordinator



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Jimmy D. Carille
Regulatory Affairs Coordinator

March 28, 2013

Rules Coordinator
Office of the General Counsel
Railroad Commission of Texas
P. O. Box 12967
Austin, TX 78711-2967

Dear Rules Coordinator,

Re: Proposed Amendments to 16 Texas Administrative Code 3.13
Relating to Casing, Cementing, Drilling and Completion Requirements

Fasken Oil and Ranch, Ltd. appreciates the opportunity to provide comments regarding the proposed amendments to Railroad Commission Statewide Rule 13. Fasken is an independent oil and gas company with extensive drilling and producing operations and farm and ranch holdings in the Permian Basin and in South Texas. Our drilling program has continued to expand over the past number of years, especially in the Spraberry (Trend Area), commonly known as the Wolfberry play, and now into the EagleFord play in Webb County. Having been in business since 1913, we have a strong desire for continued good stewardship of the lands we own and lease.

It seems the major issue in these proposed regulations is the perceived need for additional casing and cement in order to assure protection of underground sources of drinking water and usable quality groundwater. Groundwater is the lifeblood of our great State. As one of the largest private landowners in the State of Texas, we are deeply concerned with the protection and use of groundwater for future generations. However, we do not see how these regulations add any substantial benefit to the protection of groundwater and, therefore, do not believe these regulations are warranted. No science has been presented by the Railroad Commission or other entities that indicate a direct correlation between poor casing/cementing design and casing leaks and ultimately, groundwater contamination. When an operator has a casing leak in a wellbore, the potential problem created is how to correct the leak to be able to continue producing an oil or gas well until reserves from that wellbore are depleted. Fasken is not aware of any groundwater contamination in any of its operations caused by a casing leak. Should this be an issue in some other part of the State, then a specific District rule might better serve as a corrective tool rather than a one-size-fits-all rule for the entire State.

The proposed rule as written contains some very onerous language that has the potential to greatly impact many operators in the Wolfberry, potentially adding between \$200,000 and \$250,000 per well to the drilling, casing and cementing program for each well. Compliance with these proposed regulations will impact drilling budgets substantially. Fewer wells will be drilled. Assuming the average Wolfberry well costs \$2,500,000 to drill and complete, 10 wells will not be drilled for every 100 wells that are. There is a direct cost to the State in reduced severance and ad valorem taxes if these proposed changes are implemented.

Fasken has gone through these proposed amendments and provides the following comments for your review. We are available to discuss our comments and concerns should you have any questions concerning them.

Page 28 line 21 Associated Gas Zone – delete this definition. The definition does not coincide with standard industry usage and adds very little to the rule. Perhaps this term should be replaced with "Gas/Oil Contact Zone".

Page 29 line 28 Potential Flow Zone – the language in this definition is highly subjective and gives the director the power to establish these zones based on information that he believes is "sufficient to cause damage..." Operators need to have the stated right to appeal these decisions to the hearings process as is done in other parts of the rule.

Page 30 line 6 Zones with Corrosive Formation Fluids – All zones contain formation fluids. All fluids ultimately are capable of negatively impacting casing and cement. Therefore, this definition requires substantial changes to casing and cementing design for all new wells drilled to cover all zones. As stated in our opening comments this definition will cost operators \$200,000 to \$250,000 per well in the Wolfberry play to add an intermediate string of casing and cement to assure coverage of all casing from formations to prevent casing leaks. Casing leaks in and of themselves are not indicators of groundwater pollution. This definition carries through the entire rule and is extremely onerous. Substantial evidence of groundwater pollution must be presented prior to requiring operators to add an additional string of casing and/or cement to their well design. An exception process needs to be identified in the proposed amendments. The exception process should be specified, and allowed on a field wide basis, versus a well by well process to not impact drilling operations.

Page 30 line 26 Clarification is requested. Is a Casing Evaluation Tool used prior to running the pipe or after pipe is in the wellbore?

Page 31 line 21 The section requires cement across all Zones with Corrosive Formation Fluids and Potential Flow Zones. This, by rule, prohibits the use of new external casing coating technologies such as Ryt-Wrap, Flint-Coat or other coating products or any other type protective measures. To use these products/technologies in lieu of cement would require an exception to the rule. No exception process is identified in the proposed amendments. The exception process should be specified, and allowed on a field wide basis, versus a well by well process to not impact drilling operations.

Page 31 line 23 Clarification is requested. Is the referred to calculation method simple volumetrics or lift calculations? These calculations methods potentially yield substantially different results.

Page 33 line 8 Clarification is requested. Does an annular preventer meet these requirements? If not, an exception process needs to be identified to allow annular preventers to meet these requirements in low pressure and tight formation drilling. The exception process should be specified, and allowed on a field wide basis, versus a well by well process to not impact drilling operations.

Page 35 line 4 – 6 Having to measure drilling fluid volumes when pulling drill pipe in low pressure drilling operations, such as the Wolfberry, and tight zone drilling areas is extreme and not necessary for safe operations. An exception process needs to be identified to allow mechanical and/or visual monitoring to meet these requirements in low pressure and tight formation drilling. The exception process should be allowed on a field wide basis, versus a well by well process to not impact drilling operations.

Also, visual and/or mechanical monitoring of pits needs to be the method specified as the pit monitoring process.

Page 43 line 3 The filing of the cement report is part of the normal completion package and should not be required to be filed under any other timing considerations.

Page 44 line 21 – 25 Clarification is needed. Does this requirement also apply to an intermediate string of casing that covers deep zones of underground sources of drinking water or usable quality water?

Fasken is in agreement with other portions of these proposed amendments and support such changes including the need for a secondary mode of BOP closure at a remote location, the testing of BOP equipment at least every 21 days, the minimum internal yield pressure rating of at least 1.15 times the maximum pressure to which the casing may be subjected for wells subject to fracturing treatments, and the free water content in the cement standards.

I want to thank you for your consideration of these comments and questions. Please feel free to contact me if you have any questions or need any clarification on any of the above.

Yours truly,

A handwritten signature in black ink, appearing to read "Jimmy D. Carlile". The signature is fluid and cursive, with a large initial "J" and "C".

Jimmy D. Carlile
Regulatory Affairs Coordinator