



Friday, November 3, 2023

Railroad Commission of Texas
P.O. Box 12967
Austin, Texas 78711-2967

Re: Proposed Modifications Statewide Rule 8 (16 TAC, Chapters 3 & 4)

Chairman and Commissioners,

Thank you for taking the time to consider our comments regarding the proposed changes to Rule 8. As always, we appreciate the Railroad Commission's (RRC) approach and understand that after forty years it is prudent to review this rule and potentially make some modifications to reflect the changes and innovations that have occurred in the oil field during this time.

From the perspective of an independent oil and gas operator in the Texas Panhandle (RRC District 10), the existing Rule 8 has successfully protected our environment and groundwater, while allowing economic development of our natural resources for the benefit of everyone in our region and state. In the Texas Panhandle, we are blessed with not only oil and gas resources, but also deep water reservoirs, impermeable caliche and clay layers, and drying winds. These factors and the current regulations in Rule 8 have proven successful, and I can find no data or lawsuits indicating groundwater contamination in our area, after surveying our longterm PPROA member companies and old timers.

Our concerns with the proposed changes to this rule are both economic and operational.

One of the things the RRC has done well over the years is to recognize that geological, hydrogeological, and operational concerns are diverse and vary from district to district. This is why so many decisions are made at the district level. The one-size-fits-all model contained in Division 3 of this rule fails to recognize this and is overly prescriptive of processes, instead of focusing on desired outcomes. In my opinion, successful regulations require a holistic approach. All aspects, including unintended consequences, must be weighed and considered for a regulation to be successful in achieving its desired outcome.

Much of the proposed revisions, as written, fail to note the above differences. The biggest issue is the failure to differentiate between temporary non-commercial pits and more permanent commercial waste and recycling facilities.

Prior to the start of operations, we typically negotiate a surface use agreement with our landowner. This ensures we restore the land to the specifications requested in a timely manner. Next, we excavate our reserve pit, which is primarily used during drilling operations with fresh water mud systems. After drilling, the well is completed and fracture stimulated using fresh water-based fluids. Flowback operations commence following the fracking process, but the fluids are usually transferred into steel tanks promptly for volume measurement and to capture any remaining hydrocarbons. (As

far as we are aware, there have been no instances of companies converting these pits for multiple uses in our area.) Subsequently, the pit is allowed to dry out, and it is then filled with the caliche/clay layers of soil that were initially removed. This is topped off with previously set aside topsoil, and the area is returned to a state suitable for surface operations. Adjustments to this process may be necessary when dealing with oil-based or, less commonly, high-salt systems, as per current requirements. Separation of soils allows the impermeable layers covered by the compacted zone and bentonite to reestablish the migration seal over time. These single use pits are generally filled and restored to original purpose within months depending on weather.

Failure to distinguish between temporary and semi-permanent facilities in these proposals will lead to higher overall costs. This increase will be driven by direct system expenses, unnecessary (and potentially problematic) synthetic liners, operational disruptions, and a decrease in operational flexibility.

The Texas Panhandle is THE real vision of the Texas independent. Incorporating these additional expenses into the average drilling operation could jeopardize prospects and stifle economic activity. Ninety three percent of the producing wells in the Texas Panhandle are deemed “marginal.” Additional costs to work over projects will lead to premature abandonment, causing a corresponding loss of tax and royalty revenues, as well as a surge in inactive classifications and additional liabilities on the state managed plugging list. These are just the measurable costs. The registration and testing requirements — while in and of themselves cost prohibitive — also open the door for additional expenses in litigation, another nail in the coffin in estimating well economics.

Aside from my professional role as President of Remnant Energy and position as Chairman of the Panhandle Producers and Royalty Owners Association, I also serve on both the school board and appraisal district board in Ochiltee County. It's already shaping up to be a challenging year due to the declining tax revenue base, and I fear if this rule change passes as written, next year will be even worse. Please don't forget to take this into consideration.

The key to effective regulation is to minimize unnecessary constraints and provide the highest degree of flexibility to enable compliance with and attainment of the regulatory objectives. These objectives should be to ensure safe and low impact operations, while still allowing this critical industry to prosper and provide benefit to the State of Texas. In our decisions, we must never forget it is imperative to “do no harm.”

The rest of the world envies Texas because of our low taxes and light-handed approach to regulation. As a result, we have become the top producer of oil and gas in the nation and one of the largest on the entire planet. Texas can and should provide enlightened and workable environmental leadership the industry needs.

Thank you,

Richard Beyea

President - Remnant Energy, Inc

Chairman - Panhandle Producers and Royalty Association