



October 7, 2022

Rules Coordinator
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Railroad Commission of Texas
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Submitted electronically to rulescoordinator@rrc.texas.gov

RE: Amend §3.65, Critical Designation of Natural Gas Infrastructure

The Texas Alliance of Energy Producers (the Alliance) represents over 2,600 individuals and member companies in the upstream oil and gas industry; our members are oil and gas operators/producers, service and drilling companies, royalty owners, and a host of affiliated companies and industries in Texas and beyond.

Thank you for the opportunity to provide comments on the published amendments to the critical infrastructure rule, SWR 65. We appreciate the Commission's diligent work on this issue to find a rule that is workable for all stakeholders, and that ultimately meets the intent of Senate Bill 3 (SB 3): to ensure sufficient electricity and natural gas supplies for Texas during a weather emergency.

First, the Alliance would like to applaud the Commission for the updates to the rule made in the published draft. We strongly believe that raising the production thresholds in the rule and amending the rule to not automatically force assets on the supply chain map to be listed as critical are very important. These changes will not only help ensure that marginal producing wells are not deemed as critical, which would lead to the premature shut-in of marginal assets across the state, but it will also assist the electric distribution utilities in managing the critical load designations across their service territories. Ultimately, the changes in the published rule will best facilitate the preservation of electric service to critical natural gas production and help the electric industry meet the intent of SB 3.

The revisions to SWR 65 are a great step towards enshrining more operational realities of the oilfield into the critical infrastructure rule. In that spirit, the Alliance would like to make a few suggestions on how to further improve the rule to acknowledge operational realities in a few other areas, as well.

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Disposal Wells

As the Commission knows and has helped encourage through targeted rulemaking, many water/waste management companies have invested large amounts of capital over the last several years to create comprehensive disposal well networks connected to each other via pipelines. These networks allow operators to shift disposal volumes to different areas if constraints arise in one part of their system. This reduces truck traffic, something particularly vulnerable to ice, and ensures better management of water disposal. The way the proposed rule is currently written, it would require disposal well operators to designate 100% of these systems as critical. Given the great flexibility these systems provide, and the amount of capital invested in them to ensure continuous operations for the oilfield, the rule proposal should be amended to reflect the flexibility these systems provide. The rule should allow disposal well operators who have interconnected systems to only designate as critical the portions of these networks necessary to ensure that they can still maintain sufficient disposal capacity for the area in which they operate.

The Alliance also recommends that disposal wells that are disposing relatively small volumes in their daily operations, be allowed to apply for a CI-X, just as disposal wells not supporting critical wells are currently allowed to do.

Gas Lift Systems and Water Floods

Some Alliance members have expressed concerns regarding facilities that utilize certain operations where weatherization is impractical, such as operating wells utilizing field gas for artificial lift or unitized fields utilizing water floods. Field gas has a high potential for freezing and hydrate formation when exposed to the pressure drops of a gas lift system and ambient air temperatures in the 30s and below. Such pressure and temperature issues make it impossible to maintain sustained operations with a field gas artificial lift system during freezes, despite an operator taking preventive measures. This problem cannot be remedied by simply installing additional devices or equipment. Instead, the cost to retrofit an entire gas lift system to guarantee the sustained operation of these wells during a weather emergency would, in some cases, exceed the economic value of the remaining reserves. Thus, the operator would have to shut in otherwise economic wells before an officer could validly execute a Weather Emergency Readiness Attestation.

Similarly, water flood operations covering large swaths (thousands of acres) of land are particularly vulnerable to cold weather. With negligible volumes of casinghead gas being produced from each unit and the likelihood of high energy intensive electricity equipment spread across a single lease, sustained operations at freezing temperatures are as challenging as gas lift systems.

Forcing these operations to be deemed critical and possibly to weatherize would force operators to shut these assets in to avoid interruption. Prematurely abandoning economic wells results in waste contrary to Texas Natural Resources Code § 86.011.

The Alliance recommends either allowing these types of operations to avoid critical designation altogether or providing an opportunity for them to seek a CI-X as reasonable solutions.

Supply Chain Map / CI-X


The Alliance still has concerns about the ability of electric utilities to properly discern and prioritize truly critical assets in the natural gas supply chain while balancing all the other critical loads the state requires them to prioritize.

In addition to conversations the Alliance has had with various transmission and distribution utilities who share this concern, during the joint Texas House Energy Resources and State Affairs hearing on September 13th of this year, Julia Harvey, Vice President for the Texas Electric Cooperatives stated that the electric cooperatives are concerned about this issue as well. Ms. Harvey observed that the more oil & gas assets that are on the critical infrastructure list, the more likely it is that residential customers will have their electricity turned off during a weather emergency. She stated that the best way to ensure you don't overwhelm the electric utilities with the critical infrastructure list is to only have assets that are on the supply chain map be considered critical.

The Alliance agrees wholeheartedly with Ms. Harvey's comments and would like to recommend SWR 65 be amended in the following two ways: 1) to only require facilities above the thresholds laid out in the rule AND on the supply chain map to register as critical infrastructure; and 2) to remove the provision from the new subsection (e) in the rule that prohibits facilities on the supply chain map from applying for a CI-X. By making these changes the Commission can help the electric utilities better prioritize critical assets across the state. Additionally, allowing assets that may be on the map, but that could have unique characteristics have a hearing to show why they should be allowed to avoid a critical designation is a reasonable step that still maintains the safeguard of a hearing but defaults that facility's designation as critical. For instance, there are many EOR oil leases that are intense electricity users, some of which have already been approved for CI-Xs through the hearings process since they are net energy users, that would now not be able to apply for a CI-X due to the new language in subsection (e). We recommend this language be removed prior to adoption.

We would like to thank the Railroad Commission for their hard work on this rulemaking and for providing the Alliance the opportunity to provide comments. We appreciate your serious consideration of our members' concerns and look forward to working with the Commission as it implements these new standards.

Sincerely,



Jason Modglin
President