

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 the opportunity to express my concerns regarding the proposed modifications to Statewide Rule 8 (16 TAC, Chapters 3 and 4). We appreciate the effort that has gone into drafting these rules, and we recognize the importance of regulating our industry to ensure the safety of our environment and communities while protecting the economic opportunities the industry provides to our local schools, hospitals, communities, and the people of Texas. However, we firmly believe that the rules, as they currently stand, will have unintended consequences for the Texas Panhandle and the oil and gas industry as a whole.

As an oil and gas operator in the Texas Panhandle since 1976 we understand the necessity of regulations that promote responsible practices and environmental stewardship. We also have been engaged in the agriculture industry with acute knowledge of land ownership and the stewardship of these properties (surface, water, mineral, wind and solar). The oil and gas sector has evolved significantly over the years, and technological advancements have enabled us to control waste and manage operations more efficiently. We appreciate your agency's efforts to update and modernize the existing rules.

That being said, we would like to emphasize the unique nature of oil and gas operations in the Texas Panhandle. The Panhandle region is distinct from the

Permian, Eagleford, Haynesville, and other areas in Texas in geological conditions and aquifer depths. The RRC has always successfully recognized the geological and operational differences across Texas. I believe the Texas RRC has done a tremendous job in the past especially in keeping the overreaching hands of the federal government out of our backyard. With this in mind, we do not believe a one-size-fits-all approach is suitable for the implementation of this rule.

One of our primary concerns is the potential cost impact on operators, especially smaller ones, like ourselves who operate and produce less than thirty wells. In the Panhandle, the economics of drilling are already constrained, and the proposed rules will exacerbate these challenges. The requirement for monitoring wells, soil sampling, and liners for pits, among other provisions, will significantly increase costs, making it uneconomical for operators dealing with marginal wells. Additional regulatory requirements, including the need for pit registration and potential district director approval, can also result in costly delays, operational challenges, and increase the potential for litigation. Operational flexibility while aiming at desired outcomes is necessary for innovation and addressing those costs.

We also wish to highlight that water contamination issues, which these rules aim to address, are not prevalent in the Panhandle. Our region typically experiences deep water tables, and there is limited freshwater within the first 200 feet below the surface. We can find no known database confirming a need for this type of detailed rule implementation that the proposed rule implies. The application of Rule 8 by all measures has proven successful while allowing the industry, working with the RRC, to adapt and improve environmental performance. There has not been an outpouring of landowner complaints about water contamination in our region, and we have a strong track record of environmental stewardship. The current application of Rule 8 by all measures has proven successful while allowing the industry, working with the RRC, to adapt and improve environmental performance.

Most of the issues with this rule can be solved by better differentiating between temporary pits utilized by oil and gas operations and permanent commercial facilities. They are not the same thing and should be treated differently. Temporary pits with a lifespan of less than eighteen months are not a threat to our groundwater and the environment and should not be required to pay for expensive synthetic liners and both groundwater and soil monitoring.

As currently written, these rules would increase our costs 25-30% and make it very difficult to drill new vertical wells or work-over old ones. We own and operate our own dirt equipment strictly for our oil and gas operations (new drill locations, pits and reserve pits, workover pits, etc) and proposed changes would be cost prohibitive on especially stripper well as well as new drills. MY ECONOMICS ARE DRAMITICALLY DIFFERENT THAN LARGER OPERATORS DUE TO ECONOMIES OF SCALE!!! These smaller producing wells are our life blood. It is likely you would see more inactive/abandoned wells and a dramatic drop off in production from our region, in direct conflict with the RRC's statutory duty to "prevent waste of the state's natural resources." We hope as the RRC modifies these rules they will focus on desired outcomes rather than the means of achieving these outcomes. Allowing for operational flexibility is necessary for innovation and addressing those costs. It is our belief and ask that any revision to the current Rule 8 requirements consider all aspects of the regulation in its revision. Please consider removing aspects of the proposed rule that harm the viability of the industry.

Texas is the top producer of oil and gas in the nation because of our consistent, predictable, business-friendly regulatory environment. These rules are more in line with New Mexico and Colorado and will harm our pro-business reputation. Texas does NOT want to become the new New Mexico! We must harmonize and find the correct balance between environmental protection and economic viability, especially for smaller operators in the Texas Panhandle. We hope to work together

to finalize these rules in a way that addresses the unique circumstances of our region and ensures that Texas remains a welcoming environment for oil and gas operations.

Sincerely,

Russell Scott Peeples

Owner

Fortay, Inc.

Sunray, Texas