

November 1, 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 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, I understand the necessity of regulations that promote responsible practices and environmental stewardship. 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. 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. In the Panhandle, the economics of drilling are already constrained, and the proposed rules will exacerbate these challenges. Please note that some services in the proposed rule are not available in District 10. These services must come from outside of District 10 resulting in increased cost. 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

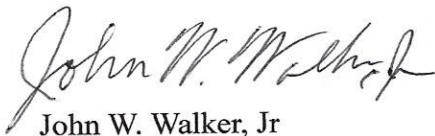
confirming a need for this type of detailed rule implementation that the proposed rule implies. The application of Rule 8 by all measures has proven successful while allowing the industry, working with the RRC, to adapt and improve environmental performance. There has not been an outpouring of landowner 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. 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 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. 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,



John W. Walker, Jr
President
Denali Exploration, Inc.

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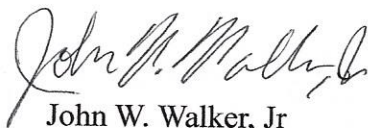
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Sincerely,



John W. Walker, Jr
President
Labrador Resources, Inc.

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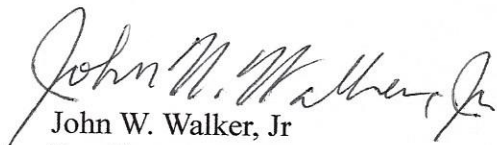
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Sincerely,



John W. Walker, Jr
President

Boulder Resources, Inc.