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Re: Railroad Commission Rule 8
Informal Comment

Chairman Craddick, and Commissioners Christian and Wright,

CML Exploration, LLC operates about 325 wells in Texas and 36 wells in New Mexico and is currently drilling in both states. The Commission is proposing to somewhat emulate the New Mexico rule requiring closed loop drilling systems, heavily proscribing the use of open pits and associated onsite landfarming of freshwater drilling mud waste during drilling and workover operations.

It is our experience in New Mexico that the no-pit rule adds between \$400,000 and \$500,000 to the cost of a \$3 million well. This added cost is a result of additional rig time and equipment that are necessary to comply with the rule and transportation of the cuttings and drilling fluids. But the state's regulatory objective has resulted in other more unexpected consequences. Under the New Mexico system, there are now hundreds of trucks burning diesel fuel hauling loads of cuttings, mud, and water to disposal facilities, and tearing up roads along the way. In Lea County, New Mexico, there are only three or four facilities able to accept the waste, and we question how long their acceptance rates can be sustained. And finally, a new fleet of vacuum trucks are now necessary, since it is no longer possible to gravity flow drilling mud waste into temporary workover pits.

There are no near-surface aquifers in the areas of South and West Texas and Southeast New Mexico where our activities are concentrated, and in that territory at least, we know of no significant environmental issues arising from drilling pit usage. Also, the landowners where freshwater mud is used are often glad to have the cuttings spread and farmed into their lands, providing much better soil fertility than the native caliche soil. The rulemaking proposal seems to us a solution in search of a problem, and in Texas it would have a further unintended consequence. Texas Independents drill where the Majors will not, and if the independent operators face such significant cost increases, they will drill fewer wells. Without drilling, the reserves they would produce will be stranded, and therefore wasted.

We encourage the Commission to resist a reflexive impulse to tighten the screws, where they are not loose to begin with.

Respectfully submitted,

Kenneth C. Nelson
Managing Member