



AVAD Operating, LLC

Rules Coordinator
Office of General Counsel
Railroad Commission of Texas
P.O. Box 12967
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VIA E-MAIL to rulescoordinator@rrc.texas.gov

RE: Proposed revisions to Rule 65 re: Waterflood Units/Leases

Dear Commission Staff,

AVAD Operating, LLC ("AVAD") is an exploration and production company with active oil and gas exploration and production operations in Texas and a registered Railroad Commission operator. As such, AVAD takes an active interest in Commission's regulatory proceedings, including its current Rule 65 amendment process.

We thank the Commission for its efforts in making the critical infrastructure designation and weatherization operation rules in Texas more well-defined, and appreciate this opportunity to submit comments on how to make it more economically feasible for certain types of operations not currently addressed in the rule.

AVAD conducts secondary recovery operations such as waterfloods, where a large number of what the Staff describes in the preamble as "traditional" leases are combined, for purposes of forming a waterflood unit, into one Commission-designated lease. Such "lease" may total 5,000 or more acres, and contain >100 oil wells, each producing only a small amount of casinghead gas. However, under the language of Rule 65, the lease would then be ineligible for critical infrastructure exemptions if those wells, together, produce over 500 mcf/day of casinghead gas – even if each individual well produces only 5-10 mcf/day and would not be designated as a critical supplier were it not for waterflood unitization.

Because this issue could render many Texas waterflood operations uneconomic, AVAD proposes the following modification to Rule 65 to account for the larger size of waterflood leases (with proposed new language in **bold underline**).

Under (b) Critical designation criteria, add the following clarification in subsection (1)(B):

(B) oil leases **under 5,000 acres and** producing casinghead gas in excess of 500 Mcf/day, **with leases over 5,000 acres deemed critical if producing in excess of 100 Mcf/day for each additional 1,000 acres;**

Thank you for your consideration and continued efforts in serving Texas operators.

Sincerely,

Steven Mickey
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