

MOMENTUM

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November 1, 2023

Railroad Commission of Texas

P.O. Box 12967

Austin Texas, 78711

RE: Proposed Modification to Statewide Rule 8 and 57 (16 TAC §3.8, §3.57 and Chapter 4 Subchapter A & B)

Chairman Craddick and Commissioners Christian and Wright,

I appreciate this opportunity to give you my thoughts and concerns with regard to the proposed modifications to Statewide Rule 8 and 57 (16 TAC §3.8, §3.57 and Chapter 4 Subchapter A & B). Momentum Operating recognizes the importance of sound regulation of the oil and gas industry with the assurance of safety to the environment and to the people of the State of Texas. We also recognize the positive impact our industry has on our local schools, hospitals, communities, and to the people of Texas as the energy renaissance has transformed our state into the premier producer in the United States. We also are most appreciative of the work each of you have done as the chief regulator of the oil and gas industry in Texas.

However, we firmly believe that the rules, as they are currently proposed, will have detrimental consequences for the independent producers in Texas. They will cost jobs, reduce severance taxes receipts, property tax valuations, and sales tax income to the state. Because they will significantly raise operational cost on conventional wells, these rules will cause the premature abandonment of oil and gas production and thereby a significant loss of reserves. This is in direct conflict with the Texas Legislature mandate to the RRC in 1919 S.B. N. 350 https://lrl.texas.gov/scanned/sessionLaws/36-0/SB_350_CH_155.pdf. The primary purpose of the Railroad Commission of Texas is to prevent waste of the natural resources of our state. These rules as proposed will create waste of state oil and gas reserves.

As an oil and gas operator in 21 Texas counties and 5 RRC Districts as well as a mineral owner in 90 Texas counties and 11 States, we understand the necessity of regulations to promote responsible practices. We further understand that environmental stewardship needs to be at the forefront of those practices. Our company and family roots began on the ranches of West Texas and the Texas Panhandle, where we still have significant holdings. We were environmentalist before the word was coined and support the agency's efforts to update and modernize the existing rules to meet the evolution and technological advancements of the oil and gas industry.

However, those experiences and common horse sense would lead anyone to conclude that the pit and waste management rules of a 3000' vertical well in the Texas Panhandle or West Central

Texas should not be the same as a horizontal pad development of 10-16, 10,000' MVD wells with 2-mile laterals. The geological, lithology, and aquifer depths in Hutchinson County are completely different than Pecos County, and in an entirely separate universe than those in Shackelford County. The one-size fits all is not suitable for the implementation of this rule.

One of our primary concerns is the operational cost impact on our operations in District 10 and District 7B. The economics of drilling are already constrained, and the additional of these proposed rules will almost assured eliminate vertical drilling in these two districts. We estimate the cost for each drilling location to increase \$55,000.00 and this is based upon our interpretation of the rule as drafted. It does not include any fees or additional future closure cost or regulatory compliance fees which are unknown.

I testified at the informal public hearing on October 26th in Austin. In that hearing, I stated that the implementation of the proposed rule for temporary work over pits would be catastrophic to the current producing wells in the Texas Panhandle. The production profile in these wells is 1.5-2.5 barrels of oil, 50 barrels of salt water and 8 MCF of high BTU natural gas. Each time an operator has to pull one of these wells for a pump change, they must steam and test the tubing. This process is done utilizing a temporary workover pit as allowed under the current rules. The cost to implement the proposed rule would increase the pulling expenses by 80 to 100%. What would normally be a 6-month payout per well repair would now become 1 year at \$80 oil and \$5 natural gas. This cost analysis assumes that a regional disposal facility is permitted in the panhandle. If not, you can double those cost and payout period. The result will be the elimination of drilling in the Texas Panhandle and the early demise of most producing wells. There have been tens of thousands of wells drilled in the Texas Panhandle. Those wells have had earthen pits and workover pits utilized for close to 100 years. These well sites sit atop the largest underground aquifer in the United States the Ogallala. We can find no report of any pollution from oil and gas well operations in the Panhandle of Texas under the rules currently in place to the Ogallala. Therefore, the implementation of these rules will result in a waste of natural resources. The Department of Energy and the Society of Petroleum Engineers estimate the recoverable reserves from the Panhandle "old field" at 1,000,000,000 barrels. A significant waste of natural resources if premature abandonment occurs due to the implementation of the rule as proposed.

We have a strong track record of environmental stewardship. We can find no instances where the application of Rule 8 as currently written has allowed the industry to develop oil and gas reserves at the expense of environmental safety or contamination of fresh water resources.

All of the issues with this rule can be solved by differentiating between temporary vertical well drilling and workover pits by oil and gas operations and permanent commercial pit facilities for all industries, and horizontal well operations. They are not the same thing and should not be regulated the same. Temporary earthen pits with a lifespan of days are not a threat to our ground water and the environment if operated as current Rule 8 is written. The implementation of synthetic liners for temporary oil and gas pits is certainly more environmentally "unfriendly" and will constitute a long-term environmental hazard for the state of Texas just as they have for the state of New Mexico which implemented a similar pit rule over a decade ago. As an operator of

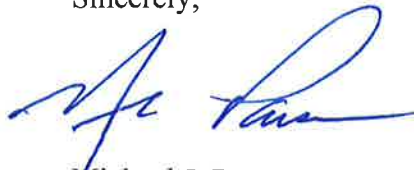
wells in New Mexico, our company can attest the implementation of these rules in New Mexico are devastating to the independent producers in the state and literally obliterated the vertical well drilling and recompletions in the New Mexico.

In conclusion, Momentum Operating Co., Inc. and myself think Rule 8 as currently written is adequate for most if not all vertical well operations in the state of Texas. We think the adoption of the proposed rules to modify this Rule 8 are capricious, unwarranted, misguided, and will result in a waste of oil and gas resources. If implemented there will be a significant reduction in jobs, severance taxes, ad valorem taxes, and sales taxes.

The horizontal shale revolution has changed the industry significantly. The impact on the environment from pad development and drilling cuttings generated by multiple wells on multiple mile laterals should be addressed. Multimillion barrel fresh water ponds, recycle pits, and reserves pits should be regulated by the RRC. The RRC should implement common sense rules and regulations to oversee these unique operations that will serve to protect the environment from these type operations, without the elimination of conventional production.

The State Legislature instructed the RRC to address these concerns in several bills passed in the last legislative session. By the admission of the RRC staff, the horizontal shale operations are the primary reason for these bills to be passed. I do not believe the Legislature targeted daily operations of the 3,029 small independent operators in the State of Texas that operate 78 % of the wells, and produce 48% of the oil and 60% of the gas in the state. The implementation of the proposed rules are unnecessary, and are an overreaction to a very easily addressed issue. This type of misguided overreaction I would expect from Washington DC, California, Colorado, or New Mexico, not from the State of Texas.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. J. Parsons', is written over a horizontal line.

Michael J. Parsons,

President Momentum Operating Co., Inc.