

Kellie Martinec

From: Lisa Lucero <llucero@txoga.org>
Sent: Monday, September 29, 2014 9:30 AM
To: rulescoordinator
Cc: Mari Ruckel; Deb Mamula; Cory Pomeroy
Subject: Comment Submission: Proposed Amendments 16 Texas Administrative Code - §3.9 Relating to Disposal Wells & §3.46 Relating to Fluid Injection into Productive Reservoirs as Utilities Docket No. 20-0290951
Attachments: Association Seismicity Workgroup Comments to RRC - 09 29 14.pdf

Dear Rules Coordinator:

RE: Proposed Amendments 16 Texas Administrative Code - §3.9 Relating to Disposal Wells & §3.46 Relating to Fluid Injection into Productive Reservoirs as Utilities Docket No. 20-0290951

Attached please find formal comments submitted by the Seismicity Workgroup formed by the Texas Oil & Gas Association ("TXOGA"), Texas Independent Producers & Royalty Owners Association ("TIPRO"), Texas Alliance of Energy Producers ("Alliance"), the Permian Basin Petroleum Association ("PBPA"), and the Association of Energy Service Companies ("AESCS") regarding the above referenced amendments.

Please direct questions to Mari Ruckel, mruckel@txoga.org or 512.478.6631.

Thank you for the opportunity to comment on this important matter.

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**Texas Oil & Gas Association
Texas Independent Producers & Royalty Owners Association
Texas Alliance of Energy Producers
The Permian Basin Petroleum Association
The Association of Energy Service Companies**

September 29, 2014

Rule Coordinator
Railroad Commission of Texas
Post Office Box 12967
Austin, Texas 78711-2967

Submitted to: rulescoordinator@rrc.state.tx.us

Re: Proposed Amendments 16 Texas Administrative Code - §3.9 Relating to Disposal Wells & §3.46 Relating to Fluid Injection into Productive Reservoirs as Utilities Docket No. 20-0290951

Dear Commissioners:

The Seismicity Workgroup formed by the Texas Oil & Gas Association ("TXOGA"), Texas Independent Producers & Royalty Owners Association ("TIPRO"), Texas Alliance of Energy Producers ("Alliance"), the Permian Basin Petroleum Association ("PBPA"), and the Association of Energy Service Companies ("AESC") appreciates the opportunity to provide input on proposed amendments to §3.9 and §3.46 relating to seismic event requirements for disposal wells.

TXOGA is a non-profit corporation representing the interests of the oil and gas industry in the State of Texas. Founded in 1919, TXOGA is the largest and oldest petroleum organization in Texas, representing more than 5,000 members. The membership of TXOGA produces in excess of 90 percent of Texas's crude oil and natural gas, operates nearly 100 percent of the state's refining capacity, and is responsible for the vast majority of the state's pipelines. In 2013, the oil and gas industry employed 389,000 Texans, providing wages and salaries of over \$44 billion in Texas alone. In addition, large associated capital investments by the oil and gas industry generate significant secondary economic benefits for Texas.

TIPRO is a non-profit, statewide oil and gas trade association that serves over 2,500 members in the areas of government relations, public communications and member services. Our membership includes small family-owned companies, publicly traded independents, and large and small royalty owners, mineral estates, and trusts. For more than 65 years, we have been successful in our efforts to preserve the ability to explore and produce oil and natural gas in Texas.

The Texas Alliance of Energy Producers is a statewide oil and trade association with 3400 members who operate and produce oil and natural gas throughout the state of Texas. 70% of member companies have fewer than 10 employees. 5% of members are larger public corporations. They are domestic independent producers and service companies who drill more than 95% of the wells drilled in Texas. The Alliance maintains offices in Austin, Houston, and Wichita Falls and provides regulatory and legislative representation on both State and Federal issues.

The Permian Basin Petroleum Association represents over 1000 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas in west Texas and southeastern New Mexico. The Permian Basin region produces over sixty percent of the oil produced in and Texas approximately twenty percent of the oil produced in the United States. PBPA member companies have existing leases, current oil and natural gas production, and plans for future leasing, exploration, and production activities in the area, and therefore will be significantly impacted by decisions affecting the Permian Basin.

The Association of Energy Service Companies is a national trade association of upstream well servicing contractors, based in Houston, Texas, founded in 1956 in Odessa, Texas. We have 6 Texas chapters and 13 additional chapters throughout the US. We represent over 800 different companies, from large multinational to small family owned companies that provide such services as well servicing rigs, wireline, fracing, trucking/water disposal, disposal well operators, etc.

The Seismicity Workgroup commends the Commission for being proactive in responding to seismic activity in a few areas of the state including the hiring of a renowned seismologist and proposing reasoned requirements to address the risk of seismic activity related to disposal well operations. We find the following provisions of the proposed amendments generally positive:

- Utilizing the United States Geologic Service (USGS) database as the source for historical seismic activity;
- Amending §3.9(6)(A)(vi) and §3.46(d)(1)(F) to include disposal that is shown to be causing seismic activity to the list of reasons for which the Commission may modify, suspend, or terminate a permit for saltwater or other oil and gas waste disposal for just cause after notice and opportunity for hearing;
- Requiring operators to collect disposal volumes and pressures as requested by RRC for submittal;
- Requiring additional technical data such as logs and geologic cross-section where conditions exist that may increase the risk that fluids will not be confined to the injection interval or being possibly connected to seismic events nearby.

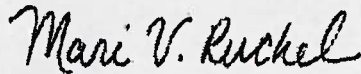
However, we do have some concerns with the proposal. While pressure front calculations can be an appropriate part of a robust technical review and risk assessment where there have been seismic events in close proximity to a proposed new disposal well, we question utilizing 5 psi pressure front calculations as a tool simply to delineate an area for assessing historic seismic activity. The Workgroup is concerned that the number of poorly constrained variables that go into the calculation may lead to underestimating or overestimating the location of the pressure front. This will not promote a common and consistent review of historic seismic events in a given area. Further, we find that the methodology and results will not be transparent to all stakeholders. The methodology will also place a substantial burden on small operators by requiring them to retain additional technical resources to perform calculations solely to obtain information on historic seismicity.

The Workgroup suggests that a more transparent, repeatable and risk appropriate approach would be to require a review of USGS historic seismic activity data within a circular area of 40 square miles centered around the proposed location for large disposal wells. The Workgroup recommends that shallow, low volume disposal wells be exempted from this requirement or utilize a smaller area for referencing historic seismic events.

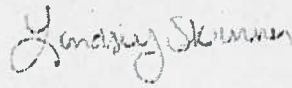
Lastly, the Workgroup suggests the pressure front calculations are better placed in §3.9(3)(C) and §3.46(b)(1)(D) as part of the additional information that may be required by the Commission.

Thank you for your consideration of our comments, please contact us if you have any questions.

Respectfully Submitted,



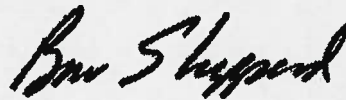
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