

October 7, 2022

Via email

Rules Coordinator
Railroad Commission of Texas
Office of General Counsel
rulescoordinator@rrc.texas.gov

RE: Comments on Proposed Amendments to §3.65, relating to Critical Designation of Natural Gas Infrastructure

CrownQuest Operating appreciates the opportunity to comment on the proposed amendments to Rule 3.65.

(a)(1) – energy emergency definition

We appreciate the Commission’s inclusion of tying the “potential to result in firm load shed” to an ERCOT Energy Emergency Alert. This proposed change will help alleviate the ambiguity in the definition of the original Rule 3.65.

(b)(1)(A-B) – gas well and oil lease production thresholds

We support the increased production thresholds of 250 mcf/d for gas wells and 500 mcf/d for oil leases. We believe the current production thresholds of 15 mcf/d for gas wells and 50 mcf/d for oil leases is a clear misinterpretation of the Senate intent in SB 3 to secure and protect the critical gas production to Texas’ electrical grid.

ERCOT’s October 2022 Fact Sheet¹ states the generation capacity for the state is 92,000 MW, of which 44% is natural gas generation, suggesting that there is 40,480 MW of natural gas generation capacity. Texas would need approximately 8.74 bcf/d² of natural gas to generate the 40,480 MW generation capacity.

The Energy Information Administration reported that Texas’s natural gas production in July 2022 was 28.7 bcf/d³. By the Commission’s acknowledgment, the increase to 250/500 mcf/d would still contain 78.4%⁴ of Texas’ natural gas production, which is 22.5 bcf/d per July 2022 numbers. This

¹ https://www.ercot.com/files/docs/2022/02/08/ERCOT_Fact_Sheet.pdf

² The Heat Rate of a natural gas generator is 9,000 btu/kw-hr. This number could be as low as 7,878 or as high as 14,000. Converted to more convenient units yields 9 mmbtu/MW-hr. (9,000 btu/kw-hr * 1 mmbtu/(1,000,000 mmbtu) * 1,000 kw-hr/(1 mw-hr) = 9 mmbtu/MW-hr). To determine the daily production needed to generate the natural gas capacity we calculate 40,480 MW x 9 mmbtu/MW-hr = 323,840 mmbtu/hr or 24 hr/day = 8,743,680 mmbtu/d. Using a conversion of 1 mmbtu per mcf: 8,743,680 mmbtu/d * 1 mcf/mmbtu * 1 bcf/1,000,000 mcf = 8.74 bcf/d.

³ <https://www.eia.gov/dnav/ng/hist/n9050tx2M.htm>

⁴ <https://www.rrc.texas.gov/media/spybvshy/prop-amend-3-65-sb3-sig-08302022.pdf>

production is clearly more than enough to cover ERCOT's reported natural gas generation capacity.

To put these proposed threshold increases into the context of CrownQuest's production numbers, the original thresholds of 15/50 mcf/d encompassed almost 99% of our daily gas production and 73% of our facilities. The proposed thresholds of 250/500 mcf/d encompass 83% of our daily gas production and 24% of our facilities.

The proposed threshold increases would drop the number of critical facilities by three times while decreasing the covered daily gas production by a mere 16%. This proposed amendment can alleviate some of the burden that form CI-D puts on operators and focus instead on the more critical levels of natural gas production that operators provide to the Texas grid.

Thank you for your consideration of our comments on the proposed amendments to Rule 3.65. Please don't hesitate to contact the undersigned should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Luke Dunn', with a stylized, cursive script.

Luke Dunn
Vice President of Engineering and Operations