



Via email

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

Re: Diamondback E&P LLC's Comments on the RRC's Proposed Amendments to Statewide Rule 65

Dear Ms. Martinec:

Diamondback E&P LLC ("Diamondback") submits the following comments to the Railroad Commission of Texas ("RRC") on the proposed amendments to 16 Texas Administrative Code § 3.65 ("Statewide Rule 65").

Diamondback would first like to thank the RRC for proposing to increase the production thresholds in Statewide Rule 65 from 15 mcf/d for gas wells and 50 mcf/d for oil leases to 250 mcf/d for gas wells and 500 mcf/d for oil leases. Diamondback believes that the RRC's proposed increases will help focus the regulation to only those properties with the "most direct impact on electrical power generation"¹ consistent with the intent of Senate Bill 3. Diamondback appreciates the RRC's efforts in proposing these important amendments and supports the comments made by the oil and gas trade associations.

Diamondback would like to restate the recommendations it made in its comments to 16 Texas Administrative Code § 3.66 ("Statewide Rule 66") regarding increased production thresholds submitted on August 15, 2022. Those recommendations were based on May 2022 production numbers and since March of 2022 has been identified as the preferred reference month. Diamondback has reviewed the total volume of gas produced in the State for March 2022, and Diamondback recommends establishing a production threshold of 1,500 mcf/d for oil leases, rather than the currently proposed volume of 500 mcf/d. Although a significantly higher threshold would still allow for more than 61% of the State's production this increased threshold would still allow up to 67% of the gas in the State to be classified as "critical." Diamondback finds that increasing the production threshold to 1,500 mcf/d for oil leases would be sufficient to support electric generation in the State while "exclud[ing] components of the natural gas system that provide minimal benefit to electrical generation."² A summary of the data and production volume thresholds is resubmitted to the RRC as **Attachment A**.

¹ Letter from the Tex. Senate Bus. and Commerce Comm. to the R. R. Comm'n of Tex. (Oct. 8, 2021) (on file with the RRC).

² *Id.* at 2.

Again, Diamondback would like to thank the RRC for their efforts—both in this rulemaking process and with their work with the legislature—to apply Senate Bill 3 in a manner that will help ensure reliability of the electricity supply chain without subjecting producers to unnecessary regulation.

Sincerely,

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Bifurcated Production Thresholds (March 2022)

Production Analysis	Natural Gas ^α Production (MCF)	% Production Potentially Subject to Regulation	Reduction in Volume from Total Production (MCF)
<i>Total Statewide Production⁺</i>	941,973,083*	100%	0
Casinghead Gas above 50 mcf/day and Gas Well Gas above 15 mcf/day	929,236,843	99%	12,714,574
Casinghead Gas above 500 mcf/day and Gas Well Gas above 250 mcf/day	741,572,158	79%	200,379,259
Casinghead Gas above 750 mcf/day and Gas Well Gas above 250 mcf/day	707,649,540	75%	234,301,877
Casinghead Gas above 1,000 mcf/day and Gas Well Gas above 250 mcf/day	678,984,337	72%	262,967,080
Casinghead Gas above 1,500 mcf/day and Gas Well Gas above 250 mcf/day	634,922,240	67%	307,029,177
Casinghead Gas above 2,000 mcf/day and Gas Well Gas above 250 mcf/day	605,265,346	64%	336,686,071
Casinghead Gas above 2,500 mcf/day and Gas Well Gas above 250 mcf/day	585,185,165	62%	356,766,252
Casinghead Gas above 3,000 mcf/day and Gas Well Gas above 250 mcf/day	571,902,956	61%	370,048,461

^α All volumes measured in mcf/d.

⁺ Wells reporting zero production omitted from data set.

* 941,973,083 mcf/day for 31 days= 30,386,228 mcf (30.3 BCF)