October 7, 2022

Rules Coordinator
Office of General Counsel
Railroad Commission of Texas
P.O. Box 12967
Austin, Texas 78711-2967
VIA E-MAIL to rulescoordinator@rrc.texas.gov

RE: Rule 65, Critical Designation; Comments on Additional Exemptions

Dear Commission Staff,

Slant Operating is an exploration and production company founded in 2016. It is headquartered in Lafayette, LA and conducting active operations in East Texas as well as the Permian Basin. As part of its operations, Slant utilizes a number of proven techniques designed to attain additional production of hydrocarbons, including secondary recovery operations such as waterfloods, where a number of smaller leases are combined for the purposes of recovering additional production.

Slant appreciates Railroad Commission's current efforts on updating Rule 65, and would like to take this opportunity to provide comments related to making waterflood operations more economically feasible. Specifically, because as the result of forming waterflood units at the Railroad Commission, dozens, and sometimes hundreds, of small leases become designated as one Commission "lease" for waterflood operating purposes, a waterflood operator would then not be able to apply for a Rule 65 exemption even if the lease in question was 10,000 acres in size and contained 100s of wells, each producing only 5 mcf/day of gas per well.

Slant believes that requiring all waterflood leases to be designated as critical, even when they do not, in fact, produce significant volumes of oil or gas per well, could render many waterflood operations uneconomic. As a result, we suggest the following modifications to the proposed Rule 65 language to address those concerns (with suggested new provisions in bold underline).

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

(B) oil leases **<u>(except waterflood units)</u>** producing casinghead gas in excess of <u>500</u> Mcf/day;

Additionally, Slant would encourage the Commission to consider additional exception provisions for non-waterflood large acreage leases with a high well count. In our areas of operation, there are a number of oil leases of 500-1,000 acres, with 50-100 vertical wells on the lease due to 10-acre spacing. The leases are on the downslope of their productive curve, and each well may only be producing ~10 Mcf/day of gas and a few barrels of oil, but still have many years of production in paying quantities remaining. If located on a smaller lease, they would be eligible for Rule 65 exceptions, but due to lease size, they fall above the threshold. To account for this, Slant suggests that a per-well exemption limit increase may be appropriate for oil leases with a high number of wells (i.e., 500 Mcf/day for leases with up to 10 wells, 650 Mcf/day for leases with 20 wells, and so on).

Thank you for your time and attention to this matter,

Sean Gill
Executive Vice President of Land and Business Development
Slant Operating, LLC