

Kellie Martinec

From: Larry Hargrave <Larry.Hargrave@glo.texas.gov>
Sent: Friday, December 6, 2019 3:11 PM
To: Rules Coordinator
Cc: Ken Mills; Robert Hatter
Subject: GLO Rule 40 Comments
Attachments: GLO - SWR40 Comments.pdf

CAUTION: This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Hi Kellie,

Please see the attached GLO comments for Rule 40.

Thanks,

Larry
Larry Hargrave
Attorney – Oil, Gas, and Energy Section
Office of General Counsel
Texas General Land Office
(512) 463-2536
larry.hargrave@glo.texas.gov





TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

December 6, 2019
Rules Coordinator
Office of General Counsel
Railroad Commission of Texas
P.O. Box 12967
Austin, Texas 78711-1267

Submitted to: rulescoordinator@rrc.texas.gov

Re: Formal Comments on Amendments to Statewide Rule 40

Dear Coordinator:

The Texas General Land Office (GLO) appreciates the opportunity to provide formal comments to the proposed amendments to 16 Texas Admin. Code §3.40 (SWR 40) and submits this letter in full support of staff's proposed amendments.

The GLO is the State's largest mineral owner and oversees over 13 million acres of land and mineral rights on behalf of the Permanent School Fund. Through the management and administration of these minerals, the GLO has experienced firsthand the difficulties and limitations imposed by the application of current SWR 40. Several of the GLO's most active operators have experienced prolonged operational delays and have been forced to seek RRC exception hearings in order to fully develop the State's minerals.

Over the next year, the State expects to receive back thousands of acres in expired deep rights due to the operation of the Pugh clause in our oil and gas lease forms. These returning minerals represent significant re-leasing opportunities for the State if the regulatory issues associated with current SWR 40 are rectified. Without a clear fix to these issues, these minerals will likely go unleased or be leased at a substantial discount. This is a significant concern for the GLO and a potential threat to the anticipated revenues generated for the Permanent School Fund.

The GLO has had the opportunity to participate in several industry and RRC workgroup sessions providing comment and recommendations on the amendment of SWR 40 through the redrafting process. The GLO is confident that these latest proposed amendments will bring SWR 40 up to date with current drilling and production methods and benefit operators and mineral owners alike. We encourage the Commission to approve and implement this revised rule in the most expeditious manner possible and appreciate the opportunity to comment.

Sincerely,

Robert Hatter
Deputy Director of Energy Resources
Texas General Land Office