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New Mexico Energy Minerals and Natural Resources Dept.
Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: Proposed rules to regulate the venting and
flaring of natural gas from oil and natural gas
production and gathering facilities, Case #21528

Ms. Florene Davidson

I am currently wrapping up a 40 year career as an independent oil and gas operator. Through the years Primero Operating has contributed to the state and federal economy by hiring many companies and people in its drilling, completion and production operations. Primero has also paid for lease bonuses, royalties and taxes; sales, income and ad velorem to the state and federal governments.

Primero's operations have mostly been in Permian Basin pay zones where the oil is moved by gas drive. A definition of Gas Drive from Google is as follows:

1. n. [Well Completions] A primary recovery mechanism for oil wells containing dissolved and free **gas**, whereby the energy of the expanding **gas** is used to **drive** the oil from the reservoir formation into the wellbore.

High differential pressure between the wellbore and reservoir will result in greater production and vice versa. In the last phases of a wells life, the reservoir pressure is depleted resulting in a small differential pressure resulting in low production. Also with a low differential pressure the wells show a very stable slow decline and long life with very little gas production. The addition of ANY back pressure to the wellbore in the form of line pressure results in lower to no production from the well. The importance of low back pressure is so important that I believe even atmospheric pressure differences can affect a well.

On the NW slope of the Permian Basin there are few gas pipelines that are still active. The "low pressure" gas lines run at pressures around 40 psi. This back pressure causes a big reduction of

differential pressure at the wellbore for reservoirs that may only have 100 psi or less. That is IF there are any gas gatherers in the area.

In many parts of Chaves, Northern Lea and Roosevelt counties there are no gas gatherers. Of the ones that are, none will run lines to service the smaller volume wells. In addition to the lower volumes, many wells in the NW slope have gas with high nitrogen content and it is just not desirable for a gas purchaser. For the wells that Primero Sells gas on it has been a couple of years since the gas statements were positive due to gatherer fees for processing and compression and Primero has been paying for the purchasers to take our gas. This scenario is not possible for many small volume producers or “stripper wells”. In the last two years Primero has plugged 5 gas wells and given away 3 others. These were not bad wells and should have been commercially productive except that the price of gas and gathering fees resulted in negative revenue.

In the Southern part of SE New Mexico the “hot zone” of horizontal drilling, gas lines are full to capacity as can be witnessed by the amount of flaring. Compression is necessary in these areas in order to sell gas from a marginal well. Compression is a large expense to bear by a marginal well.

At current oil price conditions and the high water volumes produced, horizontal wells are not very profitable now as can be seen by the near shutdown of the industry in late 2020. The horizontal wells are declining very fast (40% to 70%) per year and I believe that if something does not change, the oil production in New Mexico will be drastically reduced in the short term. On the other hand the old stripper wells will continue to slug along as always.

In the past, the state has valued low producing wells as good for the state and in fact in the late 90s or early 2000s they put into effect lower taxes and royalties on “stripper wells” in order to preserve the well count. I believe that an exemption to the regulation of venting and flaring for low producing wells is in the best interest of the state because it will preserve a stable production source and prevent waist of oil waiting to be produced from the lower pressured reservoirs of the Permian Basin.

Respectfully

A handwritten signature in black ink, appearing to be 'Phelps White', written over a horizontal line.

Phelps White
President