

Valentine, Velvet, EMNRD

From: Davidson, Florene, EMNRD
Sent: Thursday, January 7, 2021 11:30 AM
To: Valentine, Velvet, EMNRD
Subject: FW: NMOCC Methane Rule Comments
Attachments: Methane Rule OCC - 2021-06-01v2 Final.pdf

Case 21528

From: Jay McWilliams <jmcwilliams@logosresourcesllc.com>
Sent: Thursday, January 7, 2021 11:25 AM
To: Davidson, Florene, EMNRD <florene.davidson@state.nm.us>
Subject: [EXT] NMOCC Methane Rule Comments

Hello Florene,

My name is Jay Paul McWilliams, CEO of LOGOS Resources II, LLC ("LOGOS"). Please see the attached comments from LOGOS in regards to the NMOCC Methane Rule.

Please let me know if you have any questions.

Best Regards,
Jay Paul

Jay Paul McWilliams
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January 7, 2021

Oil Conservation Commission
Florene Davidson, Clerk
1220 South St. Francis Drive
Santa Fe, New Mexico, 87505

Re: Proposed New Mexico Oil Conservation Commission Methane Rule

Dear Members of the Oil Conservation Commission,

First and foremost, I would like to thank the Commission for their continuing diligent efforts implementing a system encouraging sustainable methane emission reductions in the State of New Mexico. I write to express the strong support of LOGOS Resources II, LLC (“LOGOS”) for a methane rule that will further enhance New Mexico’s leadership in the fight against climate change, while preserving ability of the oil and gas industry to continue supporting the state’s prosperity. The State of New Mexico can and should continue to work towards a balance between mitigating climate change and ensuring the continued strength of oil and gas as the state’s largest and most successful private industry. The final rules must preserve this balance between bold, meaningful steps forward to protect the climate and smart, flexible regulations that ensure the oil and gas industry will continue to thrive in New Mexico.

As the Commission knows, oil and natural gas production is the foundation of New Mexico’s economy. For New Mexico to continue prospering, it is vital for the state’s methane rules to allow avenues for the industry to grow, create jobs, attract investment, and provide critical funds for our state budget and public schools. Oil and natural gas is responsible for more than 134,000 New Mexico jobs and \$17 billion in economic activity. In 2020, one of the most challenging years on record, oil and gas provided \$2.8 billion to the state budget, including \$1.4 billion for public and higher education. New Mexico can concurrently lead the fight against climate change and promote responsible production of oil and natural gas – those goals are not mutually exclusive.

Other specific points that LOGOS would like to raise to the Commission:

- Overall Stripper Well Impacts; Support of Current Exemptions
 - Stripper wells, sometimes called marginal wells, represent a steady, reliable source of revenue for small operators, and additional regulations would materially impact the financial feasibility of continued operation. Costly modifications would outweigh the remaining value of the natural resource, rendering the well uneconomic, forcing premature well abandonment, and driving substantial resource waste.
 - Statewide stripper well production accounts for 4.3% of total oil production and 7.2% of total gas production; and approximately 57% of the oil and natural gas wells in New Mexico are stripper wells.
 - According to New Mexico Oil Conservation Division data, the average stripper well only produces 2.8 barrels per day on the oil side and only 26 mcf of gas.
 - 77% of the land developed by New Mexico’s active wells is state or federal mineral rights. New Mexico receives the dual benefit of royalties from those mineral and tax revenue from the production. For many stripper wells, lease burdens can be or even exceed 25%, and when combined with the average state producing tax burden of 8%, the operator receives only 67% of the product sales revenue with which to pay 100% of the lease operating expenses.

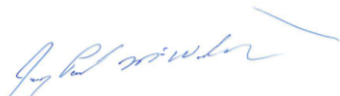
LOGOS Resources II, LLC

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- The most recent IOGCC Marginal Well Report indicates that the direct impact to the oil and gas economy of losing marginal well production would account for a loss of \$981 million in revenue output, \$219 million in household earnings, and 3,013 jobs. Adding indirect impacts, removing marginal well production would drive a \$1.4 billion total output loss in the broader economy, shrink household earnings by \$376 million, and elimination of 7,014 jobs.
- The above statistics provide significant, empirical justification to keep the few exemptions provided in the existing draft methane rule intact at the conclusion of the OCC Methane Rulemaking Hearing.
- AVO Inspections
 - LOGOS supports AVO inspections as we already expect our field personnel to inspect the location for leaks on every visit.
 - Stripper wells do not need as many documented visits compared to non-stripper wells because the comparatively lower production rates and lower operating pressures for stripper wells result in a materially lower surface waste potential.
 - LOGOS recommends reducing the frequency of the documented inspections proposed in the existing rule as the work-hours required to document the inspections are unnecessarily burdensome. An inspection will not reduce the amount of fugitive emissions, rather it creates an obstacle for operators whose time and resources could be better served addressing more substantial emission sources.
- Liquids Unloading
 - LOGOS supports the need for manual liquids unloading because it is necessary and beneficial.
 - Plunger lift is an engineered, artificial lift solution; it is not an emission control application. Even if a well is on plunger lift, it still requires manual liquid unloading.
 - The close proximity language modification is needed because, while the majority of operators stay on site while performing manual liquid unloading, there are instances where the flexibility to unload multiple wells is necessary.
 - In the event a well has central compression, manual liquid unloading & proximity flexibility is needed to get an entire field back on-line in a timely fashion.

In closing, LOGOS believes that the Commission should continue to adopt regulations that allow policymakers to take strong action to combat climate change while allowing flexibility in leveraging New Mexico's oil and gas sector as bedrock supporting our state's economic engine. Further, LOGOS believes that, during this time of economic turmoil in the Northwest region of the State, it is critical that the approach taken towards developing impactful methane rules is measured in consideration of the potential impacts to the delicate economy that is so dependent upon an oil and gas industry that has served the area for many decades. Through the leadership of this Commission, New Mexico can show the rest of the nation that it is possible to develop a creative, flexible program that fosters responsible oil and natural gas development while achieving climate protection leadership.

Sincerely,
LOGOS Resources II, LLC



Jay Paul McWilliams
 Chief Executive Officer