

## Valentine, Velvet, EMNRD

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**From:** Davidson, Florene, EMNRD  
**Sent:** Friday, January 8, 2021 1:29 PM  
**To:** Valentine, Velvet, EMNRD  
**Subject:** FW: [EXT] OCD Methane Rulemaking Comments - IPANM  
**Attachments:** FINAL IPANM OCD Methane Rulemaking Hearing Comments 010821.pdf

Case 21528

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**From:** Jim Winchester <jimwinchester@ipanm.org>  
**Sent:** Friday, January 8, 2021 1:25 PM  
**To:** Davidson, Florene, EMNRD <florene.davidson@state.nm.us>  
**Subject:** [EXT] OCD Methane Rulemaking Comments - IPANM

January 8, 2021

Hi Florene:

Attached are comments from IPANM for the Oil Conservation Commission related to the Methane Rulemaking Hearing.

Much thanks.

--jim



Oil Conservation Commission  
c/o New Mexico Oil Conservation Division  
Attn: Ms. Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, NM 87505  
(e-mail submittal)

Friday, January 8, 2021

**RE: Case No. 21528 – Oil Conservation Division’s  
Application to Adopt 19.15.27 NMAC and  
19.15.28 NMAC and to Amend 19.15.7 NMAC,  
19.15.18 NMAC and 19.15.19 NMAC  
(aka Methane Rules)**

Dear Members of the New Mexico Oil Conservation Division,

On behalf of the 350+ members comprised of independent oil & gas producers and associated industry members, I’d like to respectfully submit these comments to **Case No. 21528 – Oil Conservation Division’s Application to Adopt 19.15.27 NMAC and 19.15.28 NMAC and to Amend 19.15.7 NMAC, 19.15.18 NMAC and 19.15.19 NMAC**, or commonly referred to as the **OCD’s Methane Rules**.

As you are aware, the Independent Petroleum Association of New Mexico (IPANM) is a non-profit 501c(6) that serves as the voice of the independent oil and gas producers in New Mexico, and advances and preserves the interests of independent oil and gas producers while educating the public to the importance of oil and gas to the state and all our lives. It is our intention to offer practical suggestions in this letter that support some of the elements of the rules under consideration, while also proposing essential changes that will benefit regulators, our members, our environment, and the safe extraction of our state’s abundant natural resources.

These comments are meant to be both technical and pragmatic, as well as provide critical context related to the well economics faced by our independent operators. As we have demonstrated throughout 2+ years involvement in the methane rulemaking processes, these comments are in no way political in nature and represent factual feasibility issues related to your future implementation of the methane rule. Members of IPANM have undertaken a proactive approach to reduce methane and capture as much natural gas as possible. Using science, innovation, and collaboration, New Mexico operators work to prevent waste, reduce emissions, and improve air quality, all while growing production, creating jobs for New Mexicans, and revenues for New Mexico.

**Marginal (aka Stripper) Wells**

IPANM wishes to highlight our concerns over Methane rules that could disproportionately impact operators who own marginal wells. To provide context, IPANM wishes to offer the following statistics:

- Statewide stripper well production accounts for 4.31% of total oil production and 7.17% of total gas production.
- Stripper wells represent a majority of the existing wells in New Mexico both for oil wells and natural gas wells. In short, 57% of all wells are stripper wells.
- The average stripper well only produces 2.8 barrels per day on the oil side and only 26 mcf of gas according to New Mexico Oil Conservation Division data.
- Stripper wells represent a steady, reliable source of revenue for small operators, thus additional regulations impact the financial feasibility of productive use of the well; Costly modifications would outweigh the remaining value of the natural resource rendering the well uneconomic forcing premature well abandonment which represents resource waste.
- 77% of the land which all active wells in New Mexico rest upon and produce are either state or federal mineral rights; New Mexico is receiving not only royalties from that production but also tax revenue; For many stripper wells, a lease burden of 25% is not uncommon, and when combined with the average state producing tax burden of 8%, the operator receives only 69% of the product sales revenue with which to pay 100% of the lease operating expenses.
- 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 impact to direct impact would account for a loss to the oil and gas and broader economy of \$1.4 billion in output, \$376 million in household earnings, and 7,014 jobs.

The above statistics provide significant, empirical justification to keep the few areas of relief provided in the existing draft methane rule intact at the conclusion of the OCC Methane Rulemaking Hearing.

## **Liquids Unloading**

IPANM wishes to provide essential information regarding Liquids Unloading and some of the proposals in the existing rules that need to be potentially tweaked or given further consideration. Consider the following:

- Industry 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 you have a plunger lift system on a well, it may still require manual liquids unloading in certain circumstances.
- The close proximity language modification is needed; While the majority of operators are going to stay on site while performing manual liquid unloading, there can be instances where the flexibility to unload multiple wells is necessary.
- In the event that a well has central compression, manual liquid unloading & proximity flexibility is needed to get an entire field back on-line in a timely fashion.

## AVO Inspections

The proposals currently in the existing draft rule mandate overly burdensome reporting requirements, essentially penalizing small operators already in good standing with the Oil Conservation Division. This occurs by requiring more workhours for tasks related to reporting that do little to protect the environment. For this reason, please consider the following:

- Industry is not opposed to performing AVO inspections since we 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 due to lower potential for surface waste because the stripper wells have low production rates and operate at lower pressures.
- Industry would like to reduce 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.

These specific topics have/will be highlighted in the testimony by IPANM members who are assisting industry representation during the Jan. 4 to 15, 2021 rulemaking hearing. Please give special consideration to the legitimate concerns of operators of low producing wells. These topics will be covered by IPANM's Board President Ryan Davis of Merrion Oil & Gas and Paul Thompson of Epic Energy. Additional testimony may be presented by John Maxey of Hanson Operating.

## Summary of Two Major Concerns

IPANM is in general support of the gas capture requirements that have been proposed in the rules. **The two concerns that arise are the reporting requirements and exclusion of low pressure non-recoverable volumes.** IPANM appreciates the divisions efforts to reduce the reporting categories for the C-115B reporting as the original number of categories proposed in the proposal draft generated concerns in terms of operator's production accounting systems capability to handle the numerous categories originally proposed. It is critical for the state to keep the reporting categories to the volumes that can be accurately measured or estimated to ensure the production reporting is consistence and accurate. IPANM request the commission to thoughtful consider the categories being proposed in the current draft rules with the concept of consistency and accuracy in mind.

**In terms of the gas capture requirements, it is critical that the commission consider the exclusion of low pressure non-recoverable volumes from the lost gas calculation. These volumes are beneficial, necessary and should not be counted against the gas capture compliance.** The 98% gas capture is an ambitious goal and while more modern development has the potential to achieve 98% gas capture there are some situations where that could be a great challenge. **IPANM would like to comment on the need for some mechanism for small operators of stripper wells to seek relief on the gas capture requirements.** There are a number of smaller operators who operate stripper oil wells in the state that would be challenged to meet the 98% gas capture requirements set forth in the proposed rules. In many cases the wells operated are older conventional producers that may not have access to gas sales for

various reasons. There are instances in which the wells do not produce enough gas to sustain the operation of the gas gathering systems in which they are or have been connected to in the past. The wells may get bumped out of the gathering system due to the operating pressure of the gathering system due to newer production being brought online. If the wells are unable to access gas take away capacity the wells would be forced to vent or flare. **If the operator is unable to comply with the gas capture requirements or have the ability to seek relief through the division, the wells would be prematurely plugged and abandoned. This premature abandonment would leave recoverable resource in the ground. IPANM strongly requests the commission to consider a provision in the rule that would allow the operator on a case-by-case basis to seek relief from the gas capture requirement.** IPANM cannot underscore enough the critical nature of this request. Our desire is NOT to circumvent the 98% requirement. Our request is based on operational feasibility, environmental considerations, and economics for independent operators. Please do not neglect this request, as a large-scale premature abandonment of tens of thousands of marginal wells due to unachievable gas capture requirements creates the potential of massive turmoil within the state.

In summary, IPANM and its members strive to operate safely and efficiently while preserving human health, fresh water sources, and the environment. Likewise, the industry has drastically cut unnecessary releases of natural gas and reduced its environmental footprint over the past decade. We are appreciative of including our members in the stakeholder process. We hope the commission will preserve the special considerations for marginal wells as included in the final draft, while also accepting some of the requests made in this letter. We simply wish to produce and operate in New Mexico under a balanced regulatory structure that considers well economics with environmental stewardship.

Thank you for your careful consideration of our requests.

Highest Regards,



Jim Winchester  
Executive Director  
Independent Petroleum Association of New Mexico