

Valentine, Velvet, EMNRD

From: Davidson, Florene, EMNRD
Sent: Friday, January 8, 2021 4:16 PM
To: Valentine, Velvet, EMNRD
Subject: FW: Case No. 21528; DJR Operating LLC Comments
Attachments: SKM_C65921010816360.pdf

Case 21528

From: Dave Brown <DBrown@djrlc.com>
Sent: Friday, January 8, 2021 3:44 PM
To: Davidson, Florene, EMNRD <florene.davidson@state.nm.us>
Subject: [EXT] Case No. 21528; DJR Operating LLC Comments

Dear Ms. Davidson:

Please find attached comments from DJR Operating, LLC applicable to the subject case.

Regards,

Dave Brown

Manager of Government and Regulatory Affairs

303-887-3695

505-419-9931

DBrown@djrlc.com



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January 8, 2021

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)

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:

DJR Energy LLC, and its affiliate, DJR Operating LLC (DJR), submit the following recommendations on the proposed venting and flaring rules found in Title 19, Chapter 15, Part 28 which will be heard by the New Mexico Oil Conservation Commission beginning January 5, 2020.

DJR is an active operator in New Mexico's San Juan Basin as well as in the Mancos Shale/Gallup formations. DJR holds approximately 350,000 leased acres in the San Juan Basin and currently operates 230 oil wells with associated natural gas and 514 natural gas wells. DJR also owns a midstream gas gathering component which comprises approximately 350 miles of pipeline. DJR has a strong commitment to safety and environmental values. We have 65 employees and contractors who live and work in the New Mexico portion of the San Juan Basin. DJR and its employees also play an active role in the local community.

DJR urges the Commission to carefully consider the implications of these rules on smaller oil and gas companies operating in New Mexico. Oil and gas production represents a sizeable contribution to state revenue, is an important source of tax income for local government, and a source of royalty to many New Mexico residents. Rules which impose additional costs on marginal/stripper wells can result in these wells becoming uneconomic, thus creating waste by creating premature plugging and abandonment.

DJR is concerned about certain provisions found in Part 28, Section 5 which deal with AVO (Audio, Visual, Olfactory) inspections.

- Section 19.15.27.8 E. (5).
 - Subsection (5)(b) states "the operator shall conduct an AVO inspection weekly." Subsection (5)(b)(i) states "during the first year of production" and Subsection (5)(b)(ii) states "for wells with an average daily production greater than 10 barrels of oil or 60,000 cubic feet of natural gas." **DJR Recommendation:** Weekly AVO inspections are excessive and will take critical time



away from the performance of our well site operators' other responsibilities. Our company operators are responsible for sites which frequently consist of multiple wells; therefore, weekly filing of internal inspection reports for each well will be time consuming. It is equally important to note that prescribed documentation necessitates additional staff to review and catalogue their findings. Therefore, conducting the field inspection for AVO is only one element of the overall effort necessary to fulfill this requirement. Consequently, for higher rate wells, we believe conducting AVO once a month is sufficient to adequately assess a site.

- Subsection (5)(c) states that the operator is to "conduct an (AVO) inspections weekly if it is on site, and in no case less than one per calendar month with at least 20 calendar days between inspections." Subsection (5)(c)(i) mandates this frequency of inspection for "a well with an average daily production equal to or less than 10 barrels of oil or 60,000 cubic feet of natural gas." **DJR Recommendation:** While we appreciate the reduction in frequency of AVO for lower producing/stripper wells, monthly AVO inspections are unnecessary. These are lower producing wells and some, depending upon the formation, may only have a wellhead. Due to the limited lower operating pressure and production combined with some wells having only minimal equipment, we would recommend these AVO inspections be conducted on a quarterly basis.
- In Subsection (5)(c)(ii) states that a monthly AVO inspection is required for "shut-in, temporarily abandoned, or inactive wells." **DJR Recommendation:** Consideration must be given to the operational status of these wells. For shut-in and inactive wells, annual inspections should suffice since the well site equipment is not in an operational status. For temporarily abandoned wells, there is no need to conduct AVO since there are strict requirements currently imposed by the OCD which includes a standard to "prevent leakage of a substance at the surface before it can be approved."

Thank you for considering our recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Brown", is written over a light blue horizontal line.

Dave Brown

Manager of Regulatory and Government Affairs