



January 4, 2021

Oil Conservation Commission

SEND VIA EMAIL

Attn: Florene Davidson

RE: OCD METHANE RULEMAKING HEARING

Dear Ms. Davidson,

Manzano, LLC would like to submit the following points for your consideration for the upcoming rulemaking hearing. As a small Operator, and a member of the IPANM, we feel that it is important that the Commission consider the potential adverse effects on the industry and eventually to the State of New Mexico, that would be a direct consequence of the new Methane rules. Please consider the following during the hearing:

Liquids Unloading

- o Industry supports the need for manual liquids unloading because it is necessary and beneficial.
- o Plunger lift is an engineered, artificial lift solution; it is NOT an emission control application. Even if you have a plunger lift on a well, it still requires manual liquid unloading.
- o 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.
- o 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.

Overall Stripper Well Impacts, Support Exemptions

- o Statewide stripper well production accounts for 4.31% of total oil production and 7.17% of total gas production.
- o Stripper wells represent a majority of the existing wells in New Mexico both for oil wells and natural gas wells. 57% of all wells are stripper wells.
- o 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.

- o 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.
- o 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.
- o 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

- o Industry is not opposed to performing AVO inspections since we expect our field personnel to inspect the location for leaks on every visit.
- o 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.
- o 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.

Sincerely,



Nick C. McClelland
Land Manger of Manzano, LLC
Vice President of IPANM