McBride Oil & Gas
Corporation

P.O. BOX 1515 ROSWELL, NEW MEXICO 88202-1515 PHONE 505-622-7330 FAX 505-622-7331

New Mexico Oil Conservation Division
Via Email: florene.davidson@state.nm.us

December 31, 2020

RE: Public Comment
Methane Rulemaking Hearing

Commissioners,

This letter is in response to the opportunity of providing public comments concerning the New Mexico Oil Conservation Commission Methane Rule Hearing to start next Monday, January 4, 2021.

McBride Oil & Gas is based in Roswell New Mexico, and has been in the energy extraction business for a number of years in various states throughout the continental United States. Our comments today are focused on the regulations that will impact stripper well operations. Stripper wells have been defined by the State of New Mexico as oil wells producing 10 BOPD or less, and gas wells producing 60 Mcfd or less.

New Mexico has a total oil and gas well population of 54,756 wells, of which 31,286 (57%) are classified by the Oil Conservation Commission as stripper wells. The average rates of all stripper oil wells is 2.8 BOPD and 26 Mcfd for all stripper gas wells. These wells provide a low decline rate, long lived, stable base of revenue for operators, earnings to employees, income to servicing firms, payments to royalty owners, and tax revenue to federal, state, and local governments. New Mexico receives not only royalty revenue from approximately 75% of these wells, New Mexico also receives approximately 8% of revenue from each and every well in the form of production taxes.

The flip side to the revenue statistics is that it's not uncommon for stripper property revenue to be burdened by a 25% royalty burden, when combined with the 8% production tax burden, affords the operator and working interest owners with only 69% of the revenue generated by the well with which to pay 100% of the lease operating cost of producing the well. At the low producing rates, the high burdens, and the ongoing monthly lease operating expenses, this category of producing well is extremely sensitive to price swings and any change in operational costs thus operating at an extremely high expense to income ratio, or very low, and otherwise known as, profit margin.

Our company supports special regulatory considerations for stripper wells that is based on the recognition that these wells are highly sensitive to added regulatory cost, particularly when at this stage of their productive live, they have a very low potential to vent methane gas.

Sincerely,

McBride Oil & Gas Corporation

Ray Willis

Ray Willis, President