



State of New Mexico
House of Representatives
Santa Fe

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R - Chaves & Lincoln
District 59

January 6, 2021

COMMITTEES:
Judiciary
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New Mexico Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Comments on Draft Methane Rule

Dear Commissioners,

I understand the Oil Conservation Commission is considering implementing a new statewide methane rule. As an elected representative of the State of New Mexico from District 59, Chaves and Lincoln Counties, I am keenly interested in rules that impact the oil and gas industry and the economic engine of Southeastern New Mexico. I urge the commission to proceed with caution. As you know, the oil and gas industry generates 40% of state revenues for our general fund, not to mention over a billion dollars in royalties to the beneficiary institutions of the State Land Office.

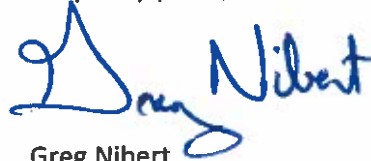
The State has conducted a two-year effort to engage stakeholders regarding new methane rules. Through this process, it is clear the oil and gas industry has demonstrated a good faith effort to present technical information related to achieving the Oil Conservation Division's aggressive target of reaching 98-percent gas capture by the end of 2026. This target will be difficult on and costly to our producers. I am concerned if it is too aggressive, that the industry will move operations to Texas. Many larger producers indicate this is an achievable number, so I hope they are correct. Many out of state environmental groups are pushing for even more stringent requirements. Their recommendations are not feasible and only advance their objective of forcing the oil and gas industry out of our state.

I urge the commission to consider any adverse effects the proposed rule will have on marginal "stripper" wells. Stripper wells represent a steady, reliable source of revenue for small operators. In many years, a substantial percentage of production in our state comes from these wells. Consider the impact and financial feasibility over the life of the well and not just the effect on newly drilled wells. Costly modifications that outweigh the remaining value of the natural resource renders the well uneconomic, thereby forcing premature well abandonment. This results in true waste of resources. These wells are predominately owned by New Mexico-based independent operators. They are my friends, neighbors, and constituents who contribute substantially to the well-being of our community. Stripper wells represent a combined 57% of all existing wells in New Mexico for both oil and natural gas wells.

These wells will be plugged and abandoned if methane regulations will result in incurring costs exceeding the remaining value of future production. The most recent IOGCC Marginal Well report indicates that the direct impact to the oil and gas industry of losing these wells would account for a loss of \$981 million in revenue, \$219 million in household earnings, and 3,013 jobs. Adding the indirect impact would account for a loss to the economy of \$1.4 billion, \$376 million in household earnings, and 7,014 jobs. Communities in this part of the state will be devastated. Please take these numbers into account when considering this rulemaking.

Finally, I urge you to strongly consider the changes to the draft OCD Methane rule as proposed by the oil and gas industry. This includes the technical changes proposed by the New Mexico Oil & Gas Association, which includes technical support from the Independent Petroleum Association of New Mexico. Similarly, please give substantial consideration to NMOGA and IPANM comment letters and comments from oil and gas operators.

Very truly yours,



Greg Nibert

cc: NMOGA
IPANM
Chaves County Commission
Eddy County Commission
Lea County Commission
Roosevelt County Commission