Valentine, Velvet, EMNRD

From: Clayton Hamilton <clhamilton@hilcorp.com>
Sent: Tuesday, January 5, 2021 5:39 AM
To: Davidson, Florene, EMNRD
Subject: [EXT] Methane Rulemaking Comment

- Liquids Unloading
- 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 on a well, it still requires manual liquid unloading.
- 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.
- Overall Stripper Well Impacts, Support Exemptions
- 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. 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 exemptions provided in the existing draft methane rule intact at the conclusion of the OCC Methane Rulemaking Hearing.
- AVO Inspections
- 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.

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"Looking back is a bad habit" ~Rooster Cogburn