Valentine, Velvet, EMNRD

From: Davidson, Florene, EMNRD
Sent: Thursday, January 7, 2021 2:02 PM
To: Valentine, Velvet, EMNRD
Subject: FW: [EXT] Case No 21528; Methane Rule
Attachments: Methane Comments to OCD.pdf

21528

From: rhillman@aecnm.com <rhillman@aecnm.com>
Sent: Thursday, January 7, 2021 1:51 PM
To: Davidson, Florene, EMNRD <florene.davidson@state.nm.us>
Cc: Kyle Armstrong <kaa@aecnm.com>
Subject: [EXT] Case No 21528; Methane Rule

January 7, 2021

For e-mail delivery only

New Mexico Oil Conservation Commission
florene.davidson@state.nm.us

Re: Case No. 21528; Application of New Mexico Oil and Gas Commission 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; Venting and Flaring Rule

Dear Commissioners:

Armstrong Energy Corporation ("AEC") appreciates the opportunity to comment on the proposed Venting and Flaring Rule (the "Proposed Rule"). AEC is a small New Mexico based independent oil and gas exploration and production company with fewer than 25 employees and operates more than 100 wells.

The Proposed Rule contains certain exemptions for marginal, or "stripper" wells. Deletion of these exemptions from the Proposed Rule will adversely impact our daily operations, and unnecessarily increase operating expenses at a time when the industry is already under economic stress. Such an increase in operating expenses would force premature well abandonment resulting in resource waste.

The most recent IOGCC Marginal Well report indicates that the direct impact to the oil and gas economy of losing stripper well production would be 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.

Stripper wells represent a steady, reliable source of revenue for small operators and additional regulations will impact the financial feasibility of the wells. Such wells represent a majority of the existing wells in New Mexico, with 57% of all wells classified as stripper wells, and statewide stripper well production accounts for 4.31% of total oil production and 7.17% of total gas production. 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.

As 77% of the land which all active wells in New Mexico produce are either state or federal mineral rights, New Mexico receives not only tax revenue from that production, but also royalties.

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 Hearing.

Further, AEC has reviewed NMOGA's Pre-hearing Statement in this Case and we strongly agree with same.

For the foregoing reasons, including those detailed in NMOGA's Pre-hearing Statement, we respectfully request that the Commission retain the proposed exemptions for stripper wells and refrain from imposing any other requirements which unreasonably or unnecessarily increase operational costs. The final rule must be workable for industry and the Oil Conservation Division and consistent with, not duplicative of, other regulations.

Thank you for your consideration of these comments.

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January 7, 2021

BY E-MAIL DELIVERY ONLY

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Sincerely,

ARMSTRONG ENERGY CORPORATION

By: ______________________
Ronald D. Hillman, Vice President and
General Counsel

RDH/vs