From: Davidson, Florene, EMNRD
To: Murphy, Kathleen A, EMNRD
Subject: FW: [EXT] Methane Capture Rule
Date: Friday, January 15, 2021 3:40:31 PM

Case 21528

From: phelpsanderson@dfn.com <phelpsanderson@dfn.com>
Sent: Friday, January 15, 2021 3:36 PM
To: Davidson, Florene, EMNRD <florene.davidson@state.nm.us>
Subject: [EXT] Methane Capture Rule

Dear Oil Conservation Commissioners,

As the Oil Conservation Commission considers a new, statewide methane rule to regulate waste prevention within the oil & gas industry, I urge the commission to proceed with careful consideration as oil and gas generates up to 40% of state revenues for our General Fund and over a billion dollars in royalties to the beneficiaries of the State Land Office. The economic impact of any new rules and regulations should be weighed carefully going forward.

The Executive has conducted a two-year effort engaging stakeholders regarding the methane rules. The oil & gas industry has demonstrated good faith to present technical information related to achieving the Oil Conservation Division's aggressive target of 98-percent gas capture by the end of 2026 and this goal will be a difficult challenge on our producers. Larger producers indicate this is an achievable number. I would mention that out-of-state environmental organizations advocate for even more stringent requirements that are unfeasible as a way to over regulate New Mexico's most important industry in a state lacking in much industry.

I urge the commission to adopt rule changes with special consideration for marginal "stripper" wells. Stripper wells represent a steady, reliable source of employment and revenue for New Mexico and additional regulations impact the financial feasibility of the commercial life of a producing well. Costly capture modifications might outweigh the remaining value of the natural resource rendering the well uneconomic and result in premature abandonment. These wells are predominately owned by New Mexico-based independent operators and we cannot afford to run these producers out of business, especially since stripper wells represent a combined 57% of all existing wells in New Mexico for both oil and natural gas wells. Stripper well production has long been the cornerstone of New Mexico's oil and gas employment, revenue and royalties. The most recent IOGCC Marginal Well report indicates that the direct impact to the oil and gas economy of losing these wells would account for a loss of $981 million in revenue output, $219 million in household earnings, and over 3,000 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. Please take these numbers into account when considering your actions during this rulemaking hearing.

I urge you to consider the changes to the draft OCD Methane rules as proposed by industry in the stakeholders' process. Represented by the New Mexico Oil & Gas Association, and the Independent

Petroleum Association of New Mexico will voice their comments as you consider the best course forward for methane capture rules.

Last, I urge you to include a role for new capture technology as I believe the best technology is yet to be developed, built and deployed to the field. Industry should be encouraged to bring forward new ideas and technology for methane gas capture. New Mexico, with two National Labs, through world class research institutions and risk oriented oil and gas companies are able to pursue new methods of methane gas capture. A leadership role is possible in addressing this goal.

Yours very truly,

Representative Phelps Anderson
NM District 66