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March 4, 2008

**Re: Oil and Gas Greenhouse Gas Emissions Reductions  
Final Report  
December 31, 2008  
Comments**

Mary Uhl  
Air Quality Bureau Chief  
1301 Siler Road, Building B  
Santa Fe, New Mexico 87507

Dear Mary:

Thank you for the opportunity to comment on the document "Oil and Gas Greenhouse Gas Emissions Reductions" dated December 31, 2008. We recognize that this document involves significant personnel resources within the Bureau. Yates Petroleum Corporation is an independent oil and gas company based in Artesia, New Mexico. Yates has been active in the industry for over 80 years in New Mexico. Yates and its subsidiary companies strive for environmental excellence while promoting a healthy and rigorous industry. We believe that these two ideals do not contradict each other and in fact should be promoted together.

With that said, we have several comments on this document and the appendices. It is important to note that all the emissions being discussed within this document are ESTIMATES based on a top-down inventory. This is an important fact because to the general public, these numbers are being presented as emissions. Greenhouse gas emissions are not usually measured, but are estimated with various methods. The data and ideas being promoted within this document are not fact. It is estimated that a certain activity will reduce emissions but it is not fact that this will occur. We do not know for sure what the initial emissions were and we can only estimate what the reductions are by a specific action. Yates believes that this needs to be explicitly conveyed to the various Advisory Groups (i.e. Climate Action Implementation Team and the Clean Energy Development Council). In five years from now, if the "recommended" reductions are not achieved, where does the fault lie? Experience says that the fault will be directed towards industry for not adequately progressing. However, the "fault" also lies with the original estimates of emissions and the potential reductions. All of these numbers being thrown around throughout the document are estimates. While the authors of the various studies generating these emissions estimates point towards the reliability of the data, the data is still estimates of emissions.

Yates believes that at this time, there is very little benefit to participating in a voluntary reporting program for a company such as Yates Petroleum Corporation. This document relied heavily on the belief that voluntary reporting will provide a mechanism for future reductions. Yates believes that the benefits of such a program do not outweigh the negative impacts at this time. We believe that there are a couple of key principals which must be addressed before this happens. Critical to the success of a voluntary

reporting program is baseline protection. Yates feels that the Environment Department does not have the legislative authority to offer baseline protection. In addition, a standard emissions estimation methodology is critical to the success of such a program. At this time, there is not an accepted emissions estimation methodology.

The remainder of the comments are specific to Appendix G “The Economics of New Mexico Natural Gas Methane Emissions Reductions” by David Dixon. Again, Yates believes that it is critical to note that all the emissions being discussed in this appendix are estimates. There might be empirical evidence to support the reductions being discussed, but it is not fact that the reductions can be achieved. Yates believes that there are several erroneous statements within this appendix that show that the author does not fully understand the oil and gas industry in New Mexico.

As the author describes the natural gas processing plants, he states that the processing plants hold “semi-monopolies and are subject to some government regulation.” This implies that processing plants are kingdoms of a sort with no oversight. This could not be further from the truth. Obviously, the author neglected to take into account the over 600 miles of pipeline which connect the gas processing plants in southeastern New Mexico. There is a healthy and vital competition among the gas processors. This keeps the industry healthy and promotes new technology at the gas plants. The phrase “subjected to some government regulation” is offensive. Gas plants are subject to regulations on both the Federal and State levels. Gas processing plants are subject to regulations promulgated under the EPA, OSHA, the Department of Homeland Security, and DOT. Gas processing plants are subject to state regulations under the Air Quality Bureau, the OCD, and the State Land Office. Gas processing plants are highly regulated.

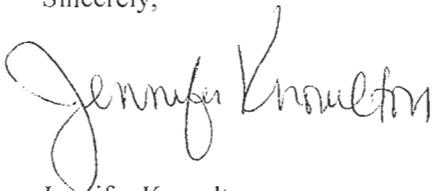
Yates is proud to contribute to the continued economic stability of the State of New Mexico. The oil and gas industry is a significant contributor to both the General Fund and the Permanent Fund. The idea that shutting in ‘non-economic’ wells as a method to decrease emissions does not take into account the decrease in revenue in each of these funds. There are multiple factors that contribute to the decision to permanently shut in a well. Each decision matrix is company dependent and varies widely among individual companies.

It is important to note that there are significant differences within the industry based on geography. The industry operates differently in the San Juan Basin than it does in Southeastern New Mexico. It is not appropriate to apply “a one size fits all” solution to the complex problem of emissions reductions. It is also important to note that there are a myriad of different types of companies. Very small producers have less tolerance for operational changes than larger producers. Required retrofitting of wells and state determination of non-viable wells could very well force smaller producers out of business thereby hurting the economic stability of the State of New Mexico.

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It is critical that policy makers fully understand the industry and the potential impacts of any proposed policy before implementation. Just because an idea looks good on paper or in theory, does not mean that the same idea will translate into practice within the industry. Again, thank you for the opportunity to comment on this Report. Yates looks forward to participating in future greenhouse gas issues with the State of New Mexico.

Sincerely,

A handwritten signature in black ink that reads "Jennifer Knowlton". The signature is written in a cursive, flowing style.

Jennifer Knowlton  
Environmental Engineer