From:	Methanestrategy, NM, NMENV
To:	Hayden, Maddy, NMENV
Subject:	Fw: Methane Draft Comments
Date:	Tuesday, February 25, 2020 12:01:45 PM

From: John Alexander <John.Alexander@duganproduction.com>
Sent: Thursday, February 20, 2020 1:58 PM
To: Methanestrategy, NM, NMENV
Subject: [EXT] Methane Draft Comments

Attached are my comments on the draft version of the Methane Advisory Panel.

Ms. Sandra Ely
nm.methanestrategy@state.nm.us

Ms. Ely:

In General:
Dugan Production Corp submits the following comments for the proposed methane regulations. Regulation of methane emissions for a state that is on the forefront of hydrocarbon production is a monumental task to say the least. The battle lines appear to be drawn for two very differing viewpoints. These viewpoints seem to be mostly in opposition to each other. The so called "environmentalists" want to phase out oil and gas production completely. The oil and gas industry points to the economic benefits of hydrocarbon production. The environment is more inclusive the natural occurrences. The environment must include all things that surround us, nature, quality of life, financial stability, and security (of all types). To focus only on health, climate, air and water, while obviously important, limits the impacts of other environmental aspects. Some espouse the low hanging fruit of solutions, stop all hydrocarbon production, "NOW". Others would point to the absolute folly of such a suggestion. The adversarial nature of this confrontation consumes resources that can be used for better purposes. Technology is available that can potentially use natural gas for heating, electric generation, numerous raw material manufacturing processes, and lower the CO2 emissions. New technology to accomplish these same advances will become available when economically viable. The same is true of new technology for crude oil. Let's use the existing hydrocarbon infrastructure that now exists to deal with the climate issue to all our advantage. Let's make this practical and not political. Many aspects of the regulations addressed in the draft proposal are already practiced good operating procedures. To codify these practices places control in the hands of regulators and not the owner of the equipment where it belongs.

Specific Comments:

Pneumatic controllers are common for safe operation of the numerous situations referenced in the report. We have used low bleed controllers for a long time. We do not every use high bleed devices for new installations. We consider the amount of gas vented by these devices when selecting equipment. When electric devices become reliable, they will be one of the items for consideration

in equipment selection.

Leak detection and repair is very important aspect of this proposed regulation. A methane molecule is 0.388 nanometers in diameter. This is pretty small to prevent its escape form any screwed connection. While welding all connections could potentially prevent the escape of such a small particle, that is extremely impractical in many surface installations. We have two employees; who's primary job is to inspect all our gas transporting and handling installations on a regular basis. The frequency of inspection depends on the volume and pressure of each installation. All our employees are trained to recognize and repair or report any active or potential leak. Some accommodation of this regulation must be made to mitigate inspections based on the potential to loss natural gas due to leaks. We are in the business of selling gas, when it escapes all parties lose. There needs to be cost/benefit guidance in this regulation. Drafting regulations that apply to all wells in both major producing regions in New Mexico is difficult and will potentially lead to economic burdens mostly for small operators.

Prudent workover practices always keep the well under control. To attempt regulation that limits gas venting during such operations is dangerous to those on location who are responsible for safety concerns. Well conditions need to dictate how liquid and gas unloading is handled on a case basis.

Separators and storage vessels are present on most oil and gas production locations. These devices are sized to the location and well character. Storage vessels may be small pits for separator dumps to large tanks that contain oil or water. The separators dump fluids to these storage vessels either by pneumatic or gravity flow. The frequency of dumping depends on the volume being produced. Emissions from these devices need to have an appropriate limit below which control need not be applied. I suggest that emissions below 15 tons/year for a storage vessel are not controlled. Required control of low emissions will cause the installation of equipment that is too expensive for the return on investment causing premature abandonment of the well. All parties lose in this instance.

Compressors are necessary to move gas from the well to the consumer. We use both reciprocating and centrifugal compressors. Most of our compressors have run status paging. This allows leaks to be addressed quickly. Proper maintenance of seals and piping which is normal practice will mitigate most issues. Compressors moving less than 75 mcfd need not be subject to regulation.

Infrastructure planning will always be important in oil and gas well operations. Proper facility design for gathering systems allows operators to sell more gas, minimize maintenance and limit potential for leaks. This will require ROW restrictions that encourage collection of facilities to reduce the expense of having to tie individual wells to sales lines. Good planning will lower well and facility pressures and reduce the potential for leaks.

The visible effects of flaring cause this operation to be a point of contention. We flare only when flowing back our foam fracs. The nitrogen (N2) component of the foam stimulation cannot be placed in gas sales line because gathering system operators do not allow inert gas in their lines. These flow backs last only a few hours and vent/flare very small volumes of methane. We have a capture plan in place which causes us to lay gas production lines to location prior to

completion/stimulation of the well. To cause operators to spend large sums of money to prevent the esthetics of short flow back periods is wasteful. Extended flaring periods based on the well situation needs to be address on a case basis.

Well stimulation in the low-pressure reservoirs that exist in the San Juan Basin generally require that completion fluids be lightened with nitrogen to allow more complete recovery of load fluids. Nitrogen is inert and pipelines do not allow inert gases to displace natural gas int their systems. The need to flare the methane that is mixed with the inert gas is necessary. We install gas sales lines prior to completing our wells. Not to allow the flaring of gas containing inert compounds makes completion of these well practically impossible. An exemption of low-pressure reservoirs form excessive flaring restrictions is critical to continued development of the valuable natural gas resource.

Sincerely,
John Alexander
Vice President
Dugan Production Corp.
john.alexander@duganproduciton.com

Thanks

John Alexander
Vice President
Dugan Production Corp
PO Box 420
Farmington, NM 87499
(505) 325-1821 ext. 1013 office
(505) 320-1935 cell
john.alexander@duganproduction.com