From:	Methanestrategy, NM, NMENV
To:	Hayden, Maddy, NMENV
Subject:	Fw: [EXT] FW: Methane Rules
Date:	Tuesday, February 25, 2020 12:00:45 PM

From: Ray Willis <rayw@dfn.com>
Sent: Wednesday, February 19, 2020 12:44 PM
To: Methanestrategy, NM, NMENV
Cc: jimwinchester@ipanm.org
Subject: [EXT] FW: Methane Rules

N.M.Oil Conservation
Proposed Methane Rules

Hanson Operating had it's humble beginning in 1946 as a one man operation. Ernest A. Hanson was the son of an immigrant family from Sweden who resigned from the U.S. Geological Survey to begin acquiring prospective oil and gas leases. Over the years Hanson Operating has grown in size and scope to manage producing properties in the Rocky Mountain, Gulf Coast, and Permian Basin regions from the corporate office located in Roswell New Mexico. The successor owners of Hanson Operating and affiliated entities still make there homes and reside in New Mexico.

New Mexico is home to 57,868 producing oil and gas wells, of which 37,952 (66%) are marginal producing wells as defined by the producing rate of 10 barrels of oil equivalent per day or less. The average marginal oil well producing rate is 2.5 barrels of oil per day and the average marginal well gas rate is 23.3 million cubic feet per day. These producers employee a large amount of oil and service industry employees, provide for a stable New Mexico income and producing tax base, and also provide a stable royalty income for New Mexico. This segment of the industry is also unique in that it is also the highest cost production in the state with the thinnest of profit margins which also has the lowest, sometimes nonexistent, methane emission profile.

Individual well economics come into play when it comes to capital investment on a wellsite or other emissions source, in particular marginal wells. It is important to note that when methane reduction regulations are developed and implemented it will in most cases require capital investment for the operator to comply. There is a point of diminishing returns in terms of the reduction of methane emissions that can be achieved. It is critical that a threshold for compliance be appropriately set in the regulation to avoid the overburdening of marginal production and clearing the hurdle of diminishing returns for methane reduction. It is important for the state and the operators of these well that the NMOCD and NMED develop and implement a balanced and flexible regulatory framework to reduce methane emissions in the oil and gas sector. If the regulations are not balanced and flexible it could cause operators to prematurely plug and abandon marginal wells, costing the state revenue in the form of jobs, taxes, and royalties.

For this reason, we recommend a tiered compliance schedule for LDAR of a one time LDAR survey for properties that produce 15 tons or less per year of VOC's, and an annual LDAR survey for properties that produce greater than 15 tons per year. We recommend allowing for flexibility of LDAR technology such as gas imaging, Method 21, laser spectrometry, operator routine duties, drones, etc. Furthermore we recommend an appropriate compliance threshold for tank emission controls of greater than 15 tons per year of VOC's, and that vapor recovery units, flash towers, and process equipment in general should not be considered emissions control equipment.

Ray Willis
President
Hanson Operating Co. Inc.
McBride Oil and Gas Corp.