From:	Kevin Smaka
To:	WasteRule, EMNRD, EMNRD
Subject:	[EXT] Waster Prevention Rule Comments
Date:	Wednesday, September 16, 2020 11:42:05 AM
Attachments:	NMOCD Venting and Flaring Rule Comments.docx

Kevin Smaka
Regulatory Engineer
Dugan Production Corp.
505-486-6207

NMOCD Venting and Flaring Rule Comments

The following comment have been prepared on behalf of Dugan Production Corp. Please accept these as issues and concerns that we have identified that we feel need to be addressed as the rule making process proceeds:

1. Please define what an inspection is. AVO was defined and it is not clear whether the pumper looking for leaks using their sense of smell, vision and hearing qualifies as an AVO inspection. Obviously this is nonsensical at first glance but it would help operators understand exactly what is meant.
2. In 19.15.27.8.C.3 it states recovered gas may be sent to a flare only if it poses a risk to health and safety. An additional point we would like to bring up is not all gas is pipeline quality during flowback. Initially you have volumes of nitrogen that causes problems for gas transporters. By sending this gas to a flare the volatile portions will be destroyed while the nitrogen will be vented. This allows operators to clean up a well after stimulation operations while reducing methane emissions. Please take this into consideration.
3. The AVO inspection frequencies laid out in 19.15.27.8.D.3 are incredibly excessive. Weekly inspections will not accomplish much of anything except waste an operator's money. The point of having an LDAR program in place is a smart move to reduce waste. Our huge issue is the frequency and volumetric thresholds. There isn't a way to mathematically prove what the optimum inspection frequency should be so sadly someone must arbitrarily pick a number and say this is good. From our point of view 2-3 inspections per year will suffice to catch and minimize issues as they arise. It may not be apparent at first glance but requiring weekly/monthly inspections will be most damaging to older wells. The profitability of these wells are already marginal at best. When coupled with an inspection schedule that will added thousands of dollars to the wells operating expenses many operators will be forced to plug wells that would have been profitable had an adequate, not arbitrary and excessive, AVO inspection frequency been considered.
4. To further address the volumetric thresholds associated with the AVO inspections we take issue with the weekly requirement for all new wells. As has been discussed already we feel that there is a middle ground between weekly and never that will serve the purpose of the rule to eliminate waste and not harm the states oil and gas industry.
5. Concerning the volumetric threshold for AVO inspections we would like to see a wider range of operations that determines inspection frequency. Requiring more frequent inspections from high producing wells makes sense as high volume wells present the greatest chance for a waste to occur. Whereas an older well that makes very little oil and gas will not have much waste in the event there is a leak simply because there wasn't much oil or gas to lost to begin with. Please review these thresholds and consider that low volume wells don't need frequent inspections. They need AVO inspections. Just not much more than 1-2 times per year.
6. Concerning the performance standards for separation, storage tanks and flare equipment please consider that new tanks associated with wells drilled after the effective date need automatic tank gauging equipment. Tanks will corrode and need to be replaced after being in service for many years. In order to not harm legacy producers we fill it is common sense to require tanks

installed at wells drilled after the effective date to meet the purpose of minimizing waste while not harming the oil industry.

7. Weekly flare inspections are fine. Keeping a weekly record is not fine. It is our opinion a monthly record will serve the purpose of ensuring a functioning flare while not creating a paperwork burden that won't accomplish much other than getting people to copy and paste a record instead of actually doing a detailed inspection.
8. As it pertains to the measurement and reporting of vented and flared natural gas we need to define what gas we are measuring. As the rule is read it appears to mean every miniscule molecule that escaped via process equipment, tank gauging, flash emissions, pneumatic devices etc. If our interpretation is correct let it be known this is terrible. Volumes that are voluntarily vented should be measured but as it goes in the day to day operation of a well it must be understood no gas is willfully vented unless pipeline capacity/availability prevents an operating from selling the gas. We strongly urge the division to reconsider this portion of the rule. We have no qualms with providing estimated daily fuel use for equipment on location but measuring every molecule of gas that is not sold is not feasible.
9. Why must an operator notify every interest owner of the volume of gas that is being vented? Even if the interest owner doesn't like what is reported they can't do anything about it. The conditions of the lease are already established and as long as the terms of the lease are being meet, unless it violates other portions of this rule, it does absolutely nothing but waste time and money.
10. Concerning the gas capture requirements why are operators' data being published? Is the purpose of this to turn people against the oil & gas industry? In the current world we live in there are enough problems to go around. Generating a list of operators and making their work readily available to the public and identifying the compliant and non-compliant operators for everyone to see feels like a fascist form of control. By all means take the data that is submitted and generate a report that gives a generic view of where each operator stands but for the purpose of corrective action we demand that such matters not be plastered all over the internet.
11. As it pertains to the captured percentage, how was 98% determined to be the target goal? Is that number physically feasible? If real science has been done to back up this number please make that available to stake holders. If it is an arbitrary number chosen by some bureaucrat we strongly urge that science be our source of guidance; not political posturing.
12. The gas capture plan being submitted with the APD is incredibly intrusive in an operators business as well as the gas transporters business. Please revise this and make it clear that under no uncertain terms will venting and flaring be permitted because of plant and pipeline capacity. If commodity prices crash and gas sells at a negative value venting and flaring are not permitted. By all means don't approve an APD until a right of way has been approved. There are many ways to address the concerns of whether an operator will comply with this rule but wanting to know pipeline and plant capacity is a poor way of ensuring operators have a plan in place to sell their gas.
13. Please change the requirement of needing a map each gathering system in a general area to only include language that specifies only a map for the operators gathering system or the system the gas will be delivered to. It's one thing to map your own system but getting other operators information and making a map showing all systems on a map will look like a spaghetti

monster in areas with many operators. Additionally it will be a huge work effort to coordinate with multiple companies to get the required map put together. Please change this only include the pipeline the operator will be using.