NMOGA

New Mexico Legislative Finance Committee

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June 4, 2018

Our Industry

Contributions to New Mexico

- US Rankings
  - 3rd Oil Production
  - 9th Natural Gas Production
- 105,000 Jobs
- FY17 Budget
  - $1.742B (30%) General Fund
  - $524.10M (96.8%) Land Grant Permanent Fund
  - $174.40M (87%) Severance Tax Permanent Fund

Drilling Rigs

- 90 Rigs (Baker Hughes, June 1, 2018)

  versus 57 Rigs May 2017

  - Each rig accounts for approximately 50 total employees
  - Average annual wages approximately $75,000+ per employee
  - $3,750,000 annual payroll per rig

Venting and Flaring

Latest Buzz

Exxon Pledges to Cut Methane Emissions 15% by 2020

Wall Street Journal, May 23, 2018

Report: US Oil and Gas Companies Have Invested $108B in GHG Reduction Technology since 2000

Energy in Depth, May 16, 2018

New Mexican Covers Half the Story on Methane

Opinion in *Santa Fe New Mexican*, July 29, 2017

Progress: U.S. Carbon Emissions Decline

Scientific American, October 13, 2016

Current Regulations

- United States Environmental Protection Agency
  - OOOO
  - OOOOa
- United States Bureau of Land Management
  - Methane and Waste Prevention Rule
- New Mexico Oil Conservation Division
  - Limitations on venting and flaring
  - Mandatory reporting of vented and flared volumes
  - Gas capture plans
- New Mexico Environment Department
  - General Construction Permit for Oil & Gas
  - General Construction Permit for Temporary Flaring

Proactive Industry Approach

- Many historical pneumatic devices that automatically expelled excess gas pressure have been replaced, and <u>new regulations require the use of alternative equipment for new wells.</u>

- Even with a significant increase in production, <u>methane emissions have drastically decreased over the past several decades.</u>

- Many operators consider <u>reducing venting emissions an industry best practice and a top priority.</u>

Impact to Operators

The royalty value of flared gas has generated headlines,
yet it only accounts for 12.5%-20% of value

Product has required a significant investment to acquire and
operators lose 80%-87.5% of the value of a product

Royalties paid on Federal leases for **venting & flaring** in **2017:**

- Chaves County: $18,935.93
- Eddy County: $1,249,111.59
- Lea County: $944,227.40
- San Juan County: $1,881.54

Cost of Additional Regulations

- Marginal oil wells:

  $500 million in lost revenue

- Marginal gas wells:

  $250 million in lost revenue

- Direct Jobs:

  2,200 full-time jobs eliminated

Impediments to Success

- Lack of pipeline
- Lack of pipeline capacity
- Gas that does not meet minimum pipeline requirements
- Disruptions in the gas-processing chain

BLM Resource Management Plan

Overview

- Draft Resource Management Plan Amendment for comment expected mid-June 2018
- Will regulate industry operations and development for the foreseeable future

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NEW MEXICO OIL AND GAS ASSOCIATION

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