

COMMITTEE REPORTS

REGULATORY PRACTICES COMMITTEE

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TEXAS

Texas Railroad Commission:

UIC Issues: PBPA continues to lead the Trades cooperative effort to simplify the Commission's interpretation and processing rules for MIT tests, UIC applications, and associated filings. Several meetings have been held with the engineering manager and UIC staff over the last two months. We expect resolution by the end of the year.

Proposed SWR 65 and changes to SWR 107: Please be aware of the proposal to add new SWR 65 relating to Critical Designation of Natural Gas Infrastructure and corresponding changes to SWR 107 regarding penalties associated with new SWR 65 is posted. PBPA commented on this proposal. PBPA supports the Commissions' goals concerning gas availability in extreme weather but urges the Commission to be cautious about the required filing from the operator and the meaning of the filings required. For example, critical designation does not guarantee power in an event. There are concerns about the requirements to file designation and the fees to not designate.

Site Preparedness Inspections by RRC ("winterization checks"): The Commission issued a Notice to Operators regarding upcoming inspections for winterization readiness.

Gardendale Seismic Response Area (SRA): In late September the RRC issued a NTO centered around the seismic activity north of Midland. For a set of 76 SWD wells, the RRC unilaterally reduced maximum volumes to 10,000 bpd; required daily volume and pressure reporting; and required that SWDs currently permitted but inactive or not converted remain out of service.

North Reeves-Culberson SRA: On October 21, the RRC issued a letter to operators (Not a NTO) similar to the Gardendale SRA, for operators of 89 SWDs located in northern Reeves and central Culberson Counties. As in Gardendale, the RRC is requesting the operators produce a response plan to address the seismic events. The RRC did not restrict volumes or activity as it did in Gardendale. Similar to the Gardendale action, RRC is requesting daily pressures and volumes for additional wells in the Delaware Basin that have not been subject of this data request previously. Operators are meeting weekly to devise a plan satisfactory to the RRC. This is ongoing through the end of the year.

Flowline Permitting: On October 26, RRC issued a NTO regarding the requirement that production and flow lines to be permitted from the first point of measurement in accordance with 16 Texas Administrative Code (TAC) §3.70(a), effective January 6, 2020. Note this NTO was issued by the RRC's Oversight and Safety Division, Pipeline Safety Department, and may not have received wide distribution among oil and gas operators.

Domestic Wastewater Permits: Operators of oil and gas wells may apply to obtain a permit from the Railroad Commission to recycle domestic wastewater ("DWW") or wastewater produced by mobile drinking water treatment systems. Since April 2016 these permits have been issued under the minor permit provision of 16 Texas Administration Code §3.8(d)(6)(G). Minor permits are limited in duration for 60 days. The Commission is drafting a permit process to issue these permits under the authority of 16 Texas Administration Code §3.8(d)(C)(G)(i). This new process will allow for a longer term, and multiple sites, but the permitting process will be much more intensive requiring follow-up sampling and site closure reports. More on this as it is developed.

COMMITTEE REPORTS

REGULATORY PRACTICES COMMITTEE CONTINUED

NEW MEXICO

Oil Conservation Division

Civil Penalty Calculation Method: OCD issued revised Version 2021-02 to reflect the additions of 19.15.27 and 19.15.28 NMAC which regulate the venting and flaring of natural gas from production and midstream operations.

Environment Department

Ozone Precursor Pollutants Rules: May 6th, the Environment Department issued their draft Ozone Precursor Pollutants rules for New Mexico. The rules were heard by the Environmental Improvement Board at a hearing that ended October 1st. The parties will have until December 13th to submit closing arguments. EIB will then finalize their findings with a final rule expected in March or April. The effective date of the rule will be around May 2022.

Federal

Department of the Interior

Moratorium on Drilling/Leasing – On the day after Thanksgiving (Friday, November 26, 2021), DOI released its report on federal oil and gas leasing and permitting practices. As provided for in the DOI's press release, the report "identifies significant reforms that should be made to ensure the [oil and gas] programs provide a fair return to taxpayers, discourage speculation, hold operators responsible for remediation, and more fully include communicates and Tribal, state and local governments in decision-making." As a reminder part of the review that resulted in the report is an increase in the standard royalty rate for oil and gas leases. The 1/8 royalty has been in place since the 1920's.

The report completes the review of the federal oil and gas programs called for in President Biden's Executive Order 14008 with a focus on "necessary" reforms to the fiscal terms, leasing process, and remediation requirements related to the federal oil and gas programs. The report will be reviewed by the members of PBPA's RPC and need for further action either at the company or association level will be discussed there.

Bureau of Land Management

Greenhouse Gas Review: On Friday, October 29, 2021, the U.S. Bureau of Land Management (BLM) announced it will assess the potential greenhouse gas emissions from acreage it plans to lease for oil and gas drilling starting in early 2022. This emissions review will consider the "social cost of greenhouse gases," analyzing how potential development would affect air and water quality, wildlife habitat and nearby communities. Along with this announcement, the BLM released a study on the total greenhouse gas emissions it claims have originated from hydrocarbon production on federal lands. As expected, based on those doing the analysis, the report estimates that operations on federal lands will emit 1.3 billion tons of greenhouse gases in the next 12 months, purportedly up 45 percent from current levels. This appears to be a direct shot across the bow at industry on federal lands under the Biden Administration

COMMITTEE REPORTS

REGULATORY PRACTICES COMMITTEE CONTINUED

Environmental Protection Agency

Methane Emissions: On November 2, 2021, the Environmental Protection Agency (EPA) announced new proposed rules regarding methane emissions that will impact both new and existing oil and natural gas facilities. The public will have 60 days to provide comment on these proposed rules once they are published in the Federal Register, which has not occurred yet but is expected in the immediate future.

The key features of the proposed rule include:

- a comprehensive monitoring program for new and existing well sites and compressor stations;
- a compliance option that allows owners and operators the flexibility to use advanced technology;
- a zero-emissions standard for new and existing pneumatic controllers (with a limited alternative standard for sites in Alaska;
- standards to eliminate venting of associated gas, and require capture and sale of gas where a sales line is available, at new and existing oil wells;
- proposed performance standards and presumptive standards for other new and existing sources, including storage tanks, pneumatic pumps, and compressors; and
- a requirement that states meaningfully engage with overburdened and underserved communities, among other stakeholders, in developing state plans.

EPA also is requesting information on additional sources of methane for the Agency to consider in developing a supplemental proposal to reduce emissions even further. In addition, EPA is taking comment on how to structure a community monitoring program that would empower the public to detect and report large emission events for appropriate follow-up by owners and operators for possible further development in a supplemental proposal. EPA intends to issue the supplemental proposal in 2022, and to issue a final rule before the end of 2022.