

COMMITTEE REPORTS

REGULATORY PRACTICES COMMITTEE

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The Permian Basin Petroleum Association's Regulatory Practices Committee meets on the third Tuesday of each month. Meetings have continued, virtually, using Zoom during the Covid-19 precautions. RPC did not meet in July but did in August and September.

TEXAS

- Texas Methane & Flaring Coalition Update: The multi-organization TMFC group is meeting regularly and PBPA RPC members are active participants. The TMFC, with PBPA support, has provided comments to the RRC regarding the proposed SWR 32 data sheet (aka flaring permit application) generally in favor of the changes, with specific recommended changes.
- Seismic Shared Practices for Delaware Basin: This multi-trade group issued a draft of the Northern Delaware Basin Recommended Practices concerning seismic potential related to oil and gas activities. The same has been shared with the PBPA Water and HSE Committees for their reviews. PBPA and the other trades have been working to develop a joint best-practices document regarding seismic monitoring and response. There has been some discussion about supporting or recommending changes to the draft based on some feedback from several members.
- Cementing: A multi—trade group met virtually with RRC staff on August 26. RRC staff participants included O&G Division Director Danny Sorrells, Chief Geologist Leslie Savage, Field Operations Asst Director Clay Woodul, and San Antonio District Director Travis Baer. Sorrells indicated he will accept the multi-trade group's consensus on the need to implement change, or not. Staff did not present any real issues of concern or examples in the field to support needed change. It seems as if staff is more interested in making clarifications in the rule because of the potential negative consequences that might occur without such change. It is hoped that these issues will cease to be issues to RRC staff. David Wantuck with Diamondback has represented PBPA on this group well.

NEW MEXICO

NMOCD

- OCD Material Changes or Deficiencies in Applications: OCD issued a notice on June 11 that they will deny applications for which the applicant proposes a material change during the review process or when a material deficiency is identified during the review process. OCD provided a non-exclusive list of examples.
- OCD Enforcement Rules: First major fine under the OCD's new Enforcement Rules was reported in the Midland Reporter Telegram on 6/11. Two businesses are facing civil penalties for the illegal dumping of produced water resulting from oil and gas operations in Southeast New Mexico. The operator where the water came from was fined \$7,600 and the water hauler was fined \$8,700. The fines were for transporting produced water without a license, dumping produced water on public land and failing to report the release to the state.
- Surface Commingling: The OCD has issued a notice regarding approval of surface commingling and the required testing and allocation procedures. This notice modifies the procedures that the OCD was implementing earlier this year.
- NMED/NMOCD Methane and Waste Rules: NMED and NMOCD issued their methane and waste rules on July 20th. After a number of companies and PBPA holding teleconferences with the agencies, the 30 day comment period for both rules was extended to September 16th. PBPA is finalizing comments that will be filed prior to the deadline. General issues of concern include the rules are very prescriptive and limit innovation, require untold reporting and recordkeeping that do nothing to lower waste or emissions, are redundant and sometimes conflicting with federal requirements, ED and OCD rules differ while attempting to govern the same issue, require scanner codes on every

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piece of equipment that has an emission, significant cost to operators to retrofit assets, short compliance timeline (1 year), timeline for repairs and reporting are grossly too short, ED allows for “credible evidence” (read NGOs) filing of a complaint as fact. The overall impact of these rules on the State was not reasonably considered. The cost of compliance could force small operators to plug wells or sell their leases to larger companies, driving small New Mexico based operators out of business.

New Mexico Environmental Department

- Produced Water Consortium: The PWC received input in October and November 2019 and is finishing up Phase 1 and getting ready to draft regulations governing produced water usage. The intent of the Produced Water Act is to minimize the use of fresh water in industry by recycling produced water, and also to develop ways to treat produced water for both use in other industries and to discharge it onto the ground or into waterways, thus minimizing the need for salt water disposal. As part of OCD efforts to assist industry, OCD has stated that they will require operators to list type of water (recycled produced/potable 1000 ppm TDS or less/non-potable greater than 1000 ppm TDS) on Frac Focus so they can have a record of how much of each type is being used.

State Land Office

- Bonding: Commissioner Garcia Richards believes bonding is inadequate to plug and reclaim all the wells on SLO land and believes “taxpayers and our state trust land beneficiaries are on the hook for potentially millions of dollars”. SLO has established an advisory committee to discuss bonding on SLO lands. “The goal is to understand where there are gaps in energy bonding, where we should be sensitive to potential duplication, how bonding can best be accomplished, etc.” First meeting is scheduled for September 29th.
- Pore space issue: The SLO is charging a fee for storage of salt water in the pore space under their lands from offsetting SWDs. This issue has mostly resolved itself as operators have either moved wells more than ½ mile from SLO surface or have agreed to pay the fees. One case still unresolved with an operator may go before the OCC in October.
- Archaeology: SLO will begin looking at this issue again in late 2020 or early 2021. We continue to request the stipulations for arch surveys be identical to BLM’s stipulations to maintain consistency.

Bureau of Land Management

- BLM Suspension of Operations and Royalty Rate Reduction Guides: BLM issued these final guides allowing for operators to shut in leases without losing them, and asking for royalty rate reductions, both due to the on-going COVID 19 impact on operations. BLM is asking for requests to shut-in wells to be on a well by well basis, not for a lease. Sheila Mallory, Assistant Director, BLM, Santa Fe, reports no royalty rate reductions have been received, and asks that operators call her directly before submitting such. BLM wants to avoid these if at all possible and is willing to work with operators.
- ROW Bond: BLM bonding for ROW continues to be stalled. Carlsbad BLM wants to use a simple statewide bond for all ROWs, but no word yet if that will be done or bonds for individual ROWs will be required.
- Carlsbad RMP: Carlsbad Resource Management Plan is still under review in Washington DC. No date on when it will be released.