



PERMIAN BASIN
PETROLEUM ASSOCIATION

The Standard

Vol. 4, Issue No. 2



Members,

The United States has a new President and both Texas and New Mexico have gavelled in to new legislative sessions. Orders and memos from the new administration in Washington, D.C. came out nearly as soon as President Biden was sworn into office. Several of these will impact operations in the Permian Basin. On a more local front, while the Texas Legislature is just getting going on their activities, the New Mexico Legislature is already holding hearings on impactful legislation in committees. More on each of these activities can be found further down in this edition of The Standard, along with the following:

- **Washington, D.C. Update**
- **New Mexico Legislative Update**
- **Texas Legislative Update**
- **TxDOT Update on Permian Basin Funding**
- **Annual Meeting Re-Watch**
- **Commissioner Wright Comment**
- **2020 RRC Year in Review**
- **2020 EPA Year in Review**
- **EPA: \$72 Million for Clean Water Projects in Texas**
- **OCD Notice: Filing Completion Reports**
- **OCC Notice: Deliberation on Methane Rules**
- **MC PPDC Continuing Education**
- **PRSC Road Safety Forum**

Regards,

Ben Shepperd



PBPA in Action

Update from Washington, D.C.

Last week was a busy week in Washington. Here is just some of what happened:

COVID Relief

President Biden issued a COVID virus response [plan](#), a series of immediate [steps](#) to address the pandemic, and a \$1.9 trillion legislative proposal that was submitted to Congress (text not publicly available yet). The legislation - which builds on the December legislative package - proposes additional funding for, among other things, testing and vaccination distribution, as well as aid to states and localities to assist them in their COVID relief efforts.

In addition, the President launched a series of executive actions designed to modify or roll back actions by the Trump Administration.

Executive Actions (including Oil and Gas Impacts):

The new administration also announced a series of executive [actions](#) they plan to *revoke or suspend and replace as the agency head deems fit*. These actions run the gamut of government matters, including, but not limited to ones related to agriculture, labor, national defense, transportation, natural resources, energy and environmental matters.

Actions under review of note include: the White House Council on Environmental Quality's (CEQ) excellent National Environmental Policy Act (NEPA) reforms; U.S. Environmental Protection Agency's (EPA) Waters of the United States (WOTUS) rule and the Ozone air standards. Specifically as to the Department of Interior actions under review will include: the Critical Habitat Rule; Incidental Take rule under the Migratory Bird Treaty Act (rule is aimed at protecting energy facilities from paying penalties if birds are killed as a result of operations); NEPA reform rule as it applies to Bureau of Land Management (BLM) lands; BLM Instruction Memorandum No. 2018-034: *Updating Oil and Gas Leasing Reform – Land Use Planning and Lease Parcel Reviews* (January 31, 2018); and "Oil and Gas; Hydraulic Fracturing on Federal and Indian Lands; Rescission of a 2015 Rule," 82 Fed. Reg. 61924 (December 29, 2017).

And, the Department of Interior issued an [order](#) on Wednesday, January 20, 2021, requiring the approval of top agency leaders to issue new drilling permits or oil and gas leases on federal lands over the next 60 days. While there is only one lease sale scheduled during that time frame in Nevada, this could still impact drilling permits and other actions in southeast New Mexico. The leasing and permitting "pause" which also applies to decisions on federal easements, environmental reviews, mining operations and hiring, is reportedly to allow time for new Biden officials to be confirmed and fill the agency's ranks.

By contrast, another moratorium is expected this week on new leases expected which would let the administration assess their environmental impact and decide whether -- and how -- to restart the leasing process. The review could result in an end to leasing or to new limits on selling tracts and higher price tags to buy them. Such action is of great concern to all in the oil and gas industry in the United States.

In addition, last week the President signed a sweeping executive [order](#) on energy and environment regulatory issues. Of note, the order identifies a litany of recent EPA regulations to be targeted for reconsideration including **methane emission limits for new oil and gas sources; rules rolling back tailpipe carbon dioxide limits** and revoking California's special regulatory waiver; and, the agency's finding that mercury limits for power plants were not "appropriate and necessary."

It also directs the Department of Energy to begin reviewing process changes the previous administration carried out that made it more difficult to write stronger efficiency standards, including the "process rule" and the 45-day approval rule. The order also requires the CEQ (the office charged with coordinating domestic environmental policy) to rescind guidance limiting the inclusion of greenhouse gas emissions in agency environmental reviews.

Congressional Action

On the other end of Pennsylvania Avenue, Congress got off to a fast start with several confirmation hearings for cabinet secretaries including Treasury and Defense, and the confirmation of the National Director of Intelligence and Defense Secretaries. That pace is likely to continue next week, with additional hearings and votes to confirm various secretaries.

The Senate impeachment trial of former President Trump is now scheduled to be the week of February 8. As a technical matter, it began Monday, January 25, 2021, with transmittal of the article. A series of procedural actions will follow – Senators sworn in as jurors etc. – then the trial will “recess” for two weeks to allow other work to be done – confirming of secretaries, possible COVID leg action etc.

PBPA continues to monitor actions in Washington, D.C. while working with our partners and elected officials supportive of the oil and gas industry to find ways to protect your right to operate in the Permian Basin. Among those officials is the new representative for Texas District 11, Congressman August Pfluger, who last week supported two bills and a resolution to prevent President Biden from forcing the United States to rejoin the Paris Climate Agreement. In a release from Congressman Pfluger, he said "President Trump was right to remove the United States from the quasi-treaty that shackles our country with job-killing regulations that cost American taxpayers trillions of dollars and imperils our national security."

New Mexico Legislative Update

New Mexico legislative committees started meeting last week and began taking up substantive bills this week. The Private Right of Action Bill (HB 50) and the Environmental Database Bill (HB 51) were both taken up in House Energy, Environment and Natural Resources (HENRC).

- HB 50 provides for a private right of action to enforce certain statutes by enacting new sections of the Oil and Gas Act, the Air Quality Control Act, the Hazardous Waste Act, the Solid Waste Act and the Water Quality Act. The proposed section for a private right of action is the same or nearly the same under each act. It provides for a private right of action for a person who is injured in fact, or imminently threatened with injury, economically or otherwise.
- HB 51 enacts the Environmental Database Act that requires the development, operation and maintenance of a web-based information portal that allows public access to state environmental data. It provides duties.

After taking public comment (including [comment from PBPA](#)) and questions from committee members, both bills were voted out of HENRC recommended for passage, with HB 51 being voted out strictly on party lines and with all Republicans and one Democrat voting in opposition on HB 50.

In the Senate, SB 8, which would amend the Air Quality Control Act and the Hazardous Waste Act to make the rules more stringent than federal regulations, was taken up in Senate Conservation (SCONC) where it was voted out recommended for passage with one Republican member of the committee voting with the Democrats.

There wasn't much hope of stopping any of these efforts in these committees, but strong opposition was voiced by PBPA and others which will help to build opposition as the bills move forward.

PBPA will hold its New Mexico Legislative Committee meetings on Wednesday's during the session. This week, we'll discuss strategies on the above bills as well as other bills coming up later this week. If you aren't already part of the PBPA New Mexico Legislative Committee but

are interested in getting engaged, let us know.

Texas Legislative Update

The Texas Legislative Session is continuing its Constitutionally mandated progress and the publications of House and Senate budgets mark the first milestones as we travel through these 140 days.

Both budgets are unusually similar in their focus and in the total amount of spending they propose. At about \$119 Billion each, it is easy to understand why this is such an important part of the legislative process. Many refer to the General Appropriations Act, as it is formally known, as the “moral document” of the state, because it truly does lay into 1,000 pages exactly what the priority is for Texans over the next two years.

Senate Bill 1, the Senate’s version has been filed and now referred, leading us to believe that we will begin to see the Senate Committee on Finance begin their meetings.

On the House side, organization continues with Committee Preference Cards; or the method by which lawmakers express their preference for the committees they will be appointed to, are due on January 27, 2021. Once that is completed the task of placing 149 members onto more than 30 committees will take place, considering seniority and preference, and we can expect that process to likely to solidify by mid-February.

As a note, it makes sense that many will wonder why the Texas Legislature is not tackling any other issues or that they are slow to assemble, but the reality is that the Texas Constitution prohibits the passage of legislation for the first 60 days, essentially understanding and accommodating the necessary organization of both Chambers.

An important focus of the budgets is that they do provide a good starting point for funding agencies like the Railroad Commission of Texas and the Texas Commission on Environmental Quality, two agencies that permit and inspect so many of our members functions. To put it frankly, the success of these agencies funding goes a long way in ensuring that your permits are processed quickly and that if any inspections or applications need to be completed, that they are done so and processed efficiently.

As of now, the Texas House is expected to convene a full session on January 21st and for a few days the first week of February, while the full Senate is now adjourned until February 9, 2021, while it’s committees do meet.

While organization continues in the Chambers, PBPA is hard at work reviewing the more than 2000 bills that have been filed for consideration this session, and our legislative committee is meeting weekly. If you have any questions, would like to participate, or need anything, please don’t hesitate to reach out.



On January 27, 2021, the Texas Department of Transportation (TxDOT) will update the Texas Transportation Commission on Permian Basin Energy Sector Funding of transportation projects ([Agenda item 2a](#)). The special meeting will be online at www.txdot.gov, where you can click on a banner page to watch.

The presentation should be posted at <https://www.txdot.gov/inside-txdot/administration/commission/2021-meetings.html> on the morning of the special meeting or shortly after.

Annual Meeting Re-Watch

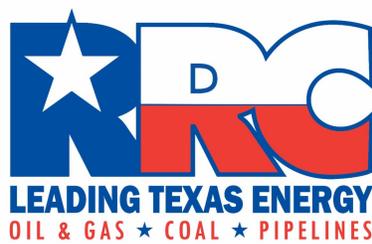
As a reminder, for those members who missed this year's 58th Annual Meeting, or for those who want to go back and watch it again, we now have video replay of every segment up on the PBPA website. To access these videos, log-in to the members only section, then click on "Meeting Reviews:

The screenshot shows the PBPA website's navigation menu with options like 'PBPA/OTA Weekly Webinars', 'Meeting Reviews', 'E-Newsletters', 'Committee Reports', 'Members Calendar', and 'Directory'. Below this is a section titled 'MEETING REVIEWS' for the '58TH (VIRTUAL) ANNUAL MEETING'. It features four video thumbnails: 'TEXAS AND NEW MEXICO KICKOFF', 'DAY 1 KEYNOTE: ROBERT BRYCE', 'LONE STAR LEGISLATIVE PANEL' (featuring Ben Shepperd), and 'DAY 2 KEYNOTE: BOBBY TUDOR'. At the bottom, there is a section for '57TH ANNUAL MEETING PRESENTATIONS' with links to PDF files: 'PBPA Annual Meeting 2019. Mark Mills.pdf' and 'B3_PBPA_KBennett.pdf'.

If you are unable to access the Members Only section of the PBPA website, please contact Stephen Robertson, stephen@pbpa.info, for help.



Regulatory Updates



Statement from Jim Wright

At a Railroad Commission of Texas (RRC) conference on Tuesday, January 26, 2021, the Commissioners chose to only pass certain SWR 32 applications. After that conference meeting, Commissioner Jim Wright released this statement:

“During today’s RRC Commissioners’ Conference, I elected to pass on most of the requests for exceptions to Statewide Rule 32 governing flaring permits. Most items that dealt with flaring did not appear to have a clear and concise plan on natural gas utilization and I wanted more time to review these requests and discuss them with commission staff. I want to be clear that I do not take these requests lightly as flaring natural gas is a waste of our precious resources.

“My suggestion to staff going forward, in addition to the requirements for flaring permits, will be to ask two additional questions: The first question will be to require greater detail on the need to flare, and the second will be to inquire about the timeline for sufficient infrastructure to take away gas for market. These questions will help me ensure we are doing our best both economically and environmentally to utilize this resource and for the Commission to better understand production and processing hurdles.

“There were however a few flaring permit requests that I voted to approve. For example, those who have H₂S issues or those who have concrete timelines to tie into a gathering system. It is my fear that until we have adjusted Commission rules for instances such as H₂S, excessive amounts of gas will be flared or might otherwise lead to harming human health. You can bet that this is something I will work to address immediately with our staff.

“Most do not realize the preparations for these permits by both the producers and the staff here at the Commission. My goal is not to burden the process further or apply the rule unevenly, however we must as the regulating agency and as the industry do our utmost best to utilize our natural resources for energy production, especially in the wake of all the issues we saw in 2020.

“I know the importance of crude oil production for our dependency and economy, and my fellow commissioners understand this importance as well. Flaring must be allowed until we start to require proper connections before production. To that end, we must make it economically viable to do so by identifying and encouraging new markets for our clean burning natural gas. If not, our crude production will suffer, and we will become more and more dependent on foreign oil.

“My aim is to require any applicant who applies for authority to flare during my term, to show how and when their production of natural gas will be transported correctly for marketing. I am amenable to allowing fair time for flaring to occur in certain circumstances, but limits must be set.”

2020 Year in Review

The RRC has provided a Year in Review that serves as an annual report and includes

information on the Commission's many accomplishments over the past year. The report provides that the Commission exceeded several key legislative performance goals even in the midst of a pandemic.

You can see this report at the following link: <https://www.rrc.texas.gov/about-us/resource-center/publications/year-in-review/>.



EPA 2020 Year in Review

On January 19, 2021, the U.S. Environmental Protection Agency (EPA) Region 6 released the 2020 Year in Review outlining major accomplishments and environmental progress over the past fiscal year (FY).

“In the face of unprecedented challenges, the staff and management team of Region 6 showed ingenuity and dedication to produce impressive environmental benefits for communities across Arkansas, Louisiana, Oklahoma, New Mexico and Texas,” said Regional Administrator Ken McQueen. “I am proud to have worked with these public servants as they found ways to adjust their processes, and in many cases improve their results, during 2020.”

2020 EPA accomplishments include:

- Received the National Excellence in Performance Management Award for developing and directing a voluntary drinking water sampling initiative under the EPA 3T's Guidance (Train, Tell and Take Action) to address lead exposure in Native American children, protecting more than 4,000 children from the harmful effects of lead exposure in drinking water.
- Negotiated a judicial settlement in the largest Clean Water Act case in the country, with the City of Houston, Texas, regarding violations of its National/Texas Pollutant Discharge Elimination System permits, involving 40 wastewater treatment plants and providing for a \$4.4 million civil penalty and injunctive relief extending over the next 20 years.
- Led the nation for the seventh year in RCRA enforcement actions and penalties with 38 percent of the nation's actions, despite the inability to conduct onsite inspections for half of the year.
- Lodged one of the largest sanitary sewer overflows settlement in the nation with the City of Corpus Christi, with an agreement from the city to pay a civil penalty of \$1.14 million and implement injunctive relief costing \$725 million over 15 years.
- Lodged a settlement with Churchill Downs, the largest EPA assessed penalty to a concentrated animal feeding operation facility with a \$2.79 million penalty and \$5.6 million innovative injunctive relief measures.
- Concluded 24% of all enforcement actions in the nation, with 348 administrative enforcement actions and three judicial enforcement actions in FY20.
- Reduced the backlog of new National Pollutant Discharge Elimination System (NPDES) permits to be issued by 66% and permits to be renewed by 50% and reviewed all

- NPDES permits for delegated states in a timely manner.
- Accomplished 96 Brownfields assessments in FY20, exceeding the Government Performance and Results Act goal by 33 percent.
- Awarded the New Mexico Environment Department's first-ever Performance Partnership Grant including more than \$1.6 million in federal funds for its Air, Public Water System Supervision, and Radon programs.
- Led development of a Natural Resource Damage Assessment Louisiana Trustee Implementation Group restoration plan, including three projects which will restore more than 1,300 acres of wetlands and incorporate more than 25 miles of linear protection measures, 12.5 miles of which will be oyster barrier reef.
- Coordinated with the Texas Commission on Environmental Quality and New Mexico Environment Department to identify significant emissions from oil and gas facilities in the Permian Basin through 153 off-site Partial Compliance Evaluations, reducing VOCs by 9.5 million pounds.
- Completed a multi-year ambient air monitoring project in LaPlace, La., in the neighborhoods surrounding the Denka Performance Elastomer Facility, LLC, collecting over 2,500 air samples from six locations and reducing emissions of chloroprene from the facility by 85 percent.

To read the full report, please visit: <https://www.epa.gov/aboutepa/region-6-2020-accomplishments>

EPA Announces Over \$72 Million for Clean Water Projects in Texas

EPA recently awarded the Texas Water Development Board (TWDB) \$72,632,000 to provide low-interest loans to fund clean water projects in Texas. EPA provides the grant under the Clean Water Act's Clean Water State Revolving Fund (CWSRF), a federal-state partnership that provides communities low-cost financing for a wide range of water quality infrastructure projects.

"Ensuring that everyone has reliable access to clean water is one of EPA's fundamental priorities," said Acting Regional Administrator David Gray. "We could not attain this goal without partners like the Texas Water Development Board, who work directly with communities to finance infrastructure projects."

EPA's funding provides a capitalization grant to TWDB's CWSRF program to provide low-interest financing to eligible recipients, including municipalities or nonprofit groups that manage wastewater systems, nonpoint source pollution, or projects to improve water reuse or efficiency. The loans can finance costs associated with the planning, design, and construction of eligible water quality improvement and protection projects. As money is paid back into the CWSRF, TWDB makes new loans to other recipients for high-priority projects. Repayments of loan principal and interest earnings are recycled back into CWSRF programs to finance new projects that allow the funds to "revolve" at the state level over time to continue improving and protecting water quality and public health.

Under the CWSRF, EPA provides grants to all 50 states plus Puerto Rico to capitalize state CWSRF loan programs, and states contribute an additional 20 percent to match the federal grants. Under the CWSRF, states may provide various types of assistance, including loans, refinancing, purchasing, or guaranteeing local debt and purchasing bond insurance. States may also set specific loan terms, including interest rates from zero percent to market rate and repayment periods of up to 30 years. States have the flexibility to target financial resources to their specific community and environmental needs. Building on a federal investment of \$45.2 billion, the state CWSRFs have provided \$138 billion to communities through 2019. States have provided 41,234 low-interest loans to protect public health, protect valuable aquatic resources, and meet environmental standards benefiting hundreds of millions of people.



Process for Filing Completion Reports for Federal Wells

On January 25, 2021, the New Mexico Energy, Minerals and Natural Resources Department's Oil Conservation Division (OCD) [announced a process](#) for filing completion reports for federal wells in order to accommodate the Bureau of Land Management's (BLM) recent revisions to its completion reporting process and to expedite OCD's approval of the authorization to transport oil and gas from a producing well.

OCD provided that it expects operators who follow this process will obtain approval of their Form C-104s more expeditiously than the current process.

Public Deliberation on Proposed Venting and Flaring Rules

The New Mexico Oil Conservation Commission (OCC) will hold a public meeting starting on February 11, 2021, and continuing for any following days as needed, for the OCC's deliberation and possible action on the application of the OCD to adopt proposed rules to regulate the venting and flaring of natural gas from oil and natural gas production and gathering facilities. For links to watch this hearing, please [click here](#).

PBPA has engaged with the OCD and OCC at every step concerning these proposed rules. When this public hearing concludes, we will update you as to how whatever might be adopted will impact your operations.



Events in the PB Community



Continuing Education for Oil & Gas Professionals

The Midland College Professional Development Center (MC PPDC) provides quality training programs designed to keep oil and gas industry professionals current in their areas of expertise by offering the latest updates as well as providing timely and pertinent educational opportunities. Here are the classes coming up in February and March:

- **Feb 16-19** Well Control Drilling Workover (WellSharp); Rick Springer
- **Feb 23-24** Oilfield Terminology; Tommy Lent
- **Feb 25** Introduction to Structured Query Language (SQL); Mark Edgar
- **Mar 16-17** Petra Fundamentals; Greg Hinterlong
- **Mar 18** Right of Way Acquisitions Training; Don Valden
- **Mar 22-25** Petroleum Geology for Non-Geologists; Paul Pause
- **Mar 30-Apr 1** Petroleum Land Basics: Becoming LandWise; Ralph Lea

[Click here](#) for more information on these and other upcoming courses. To register for a



Working Together For Safer Roads

Registration is now open for the Permian Road Safety Coalition's (PRSC) Road Safety Forum, which will be held on January 28, 2021, at the [Ward County Event Center](#) in Monahans, TX. The Forum begins at 10:45 a.m. and will conclude by 1:00 p.m. CST. A simultaneous live stream will be provided via Zoom for those unable to attend in person.

In accordance with local rules, face masks and strict social distancing will be required inside the event center. Tables and chairs will be spaced according to government guidelines.

Individually sealed complimentary box lunches will be served for those in attendance. There is no cost to attend but registration is required for both in-person and online attendance.

Please note there are two distinct buttons on PRSC's website for you to register either for live or online attendance.

[Registration](#)

