



PERMIAN BASIN
PETROLEUM ASSOCIATION

The Standard

Vol. 5, Issue No. 12



Members,

This week, President Biden signed into law the Inflation Reduction Act. While this legislation will have long lasting impacts on the American public, business and particularly the Permian Basin, so much of the direct impact is still to be determined by agency actions taken to implement the bill moving forward. PBPA will continue to engage with our partners in Washington, D.C. to fight back against federal overreach and over-regulation, but the fight doesn't stop at the federal level. It seems concerns about over-regulation at the state level persist as well.

In this issue of The Standard, we update you on several of these issues as part of the following:

PBPA In Action

- PBPA Annual Meeting
- Annual Compensation Survey
- Committee Meetings
- PBPA Working Groups
- PBPA Meeting with Commissioner Wright
- Inflation Reduction Act Signed into Law

RRC Updates/Reminders

- Revision to Commingle Permit Number, Monthly Prod. Report
- CI-D and CI-X Online Filing
- Work Group on SWR 32
- Recycling Treated Domestic Wastewater

News and Events to Know

- Permian Basin MPO Town Hall
- MC PPDC Programs

Regards,

Ben Shepperd



Agenda

Permian Basin Petroleum Museum
September 28th
6:00 PM - 8:00 PM

Petroleum Club of Midland
September 29th
7:30 AM - 3:00 PM

Opening Welcome Reception

TX & NM Kickoff Breakfast

Texas Legislative Discussion

Technical Sessions

Luncheon Keynote Address

Industry Sessions

Executive Discussion

Sponsorships & Registration

Sign up for a sponsorship or register now for the 60th PBPA Annual Meeting. Sponsorships and registrations are filling up fast.

PBPA's Annual Meeting gives all those in attendance the chance to listen to and ask questions of a variety of experts who will present on the top issues confronting our industry. Attendees will also benefit from projections on our industry moving forward from those in the know.



Senator Stuart Ingle



Commissioner Jim Wright

Thursday's programing will start with our traditional Texas and New Mexico Kickoff Breakfast. Our speakers for breakfast will be Dean of the New Mexico Legislature, Senator Stuart Ingle, and Commissioner Jim Wright of the Railroad Commission of Texas.

Senator Stuart Ingle (R - Portales) has been the Minority Leader of the New Mexico Senate since 2001. First elected to represent District 27 in 1985, Senator Ingle is a Farmer that represents the residents of Chaves, Curry, De Baca, Lea and Roosevelt Counties. He is the ranking member of the Senate Rules Committee and is a member of Senate Health & Public Affairs.

Commissioner Jim Wright is a life-long south Texan, and a fifth-generation Texas rancher. He was elected to the Railroad Commission in November 2020 where he serves as one of three stateside elected Commissioners. Commissioner Wright strives to bring more people to the table, including stakeholders and the public to fully inform the Commission. Commissioner Wright believes this will ensure consistent regulation of the energy sector, improved transparency, and stronger ethics standards.

Keep an eye out for additional program details as the 60th Annual Meeting nears.

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Permian Basin Oil & Gas Compensation Survey



PBPA is partnering with WhitneySmith Company to conduct the 6th annual Permian Basin Oil and Gas Compensation Survey. The survey brings an industry compensation survey to PBPA members who have E & P operations in the Permian Basin.

Participating in the 2022 PBPA Survey is especially important for organizations in analyzing pay levels against current market practices. The survey provides comprehensive data for budgeting, setting, and administering competitive pay levels and updating compensation structures.

The 2022 survey reports annual base salary/hourly rates, annual bonus data, and total annual compensation for over 90 benchmark positions including technician, professional, engineering, land, field, administrative, management, and executive positions. Each surveyed position stratifies salary data by high, low, mean, median, 25th and 75th percentiles. Results are reported in aggregate, as well as, by company size groups when sufficient data is available. All data is held in the strictest of confidence.

Register Today

Upcoming PBPA Committee Meetings

- Health, Safety and Environment Committee Meeting, September 13, 2022
- Regulatory Practices Committee Meeting, September 20, 2022

For more information on these or any of our other committees, please contact Stephen Robertson at stephen@pbpa.info or (432) 684-6345.

PBPA Working Groups

- PBPA has assembled a working group to review and develop comments on the U.S. Environmental Protection Agency's proposed revisions to the Greenhouse Gas Reporting Rules. Comments on these proposed revisions are due on October 6, 2022.
- The Railroad Commission of Texas is holding an initial meeting with invited participants to discuss changes to Statewide Rule 32, including a special provision that would authorize certain flaring at high-volume, consolidated production facilities. At this time, it is not known if such changes will require rule modification or can be authorized by policy. We have been informed that Commission staff is aware of some efficiency and practicability concerns with the current administrative program for issuing exceptions to Statewide Rule 32, so hopefully some rational adjustments will be made. It is not known at this time if PBPA will assemble a working group on this matter, but if you are interested in joining such an effort, please let us know.
- We have been informed the idea of revising Statewide Rule 8 is being floated by the Railroad Commission. Their proposal, among other changes, is to move Statewide Rule 8 into Chapter 4 along with commercial recycling in new Subchapter A. PBPA discussed at our recent Regulatory Practices Committee assembling a working group to track this effort, review and possibly provide comment to any proposed reviews if this effort continues to gain momentum.

For more information on these or inquiries regarding any other working group efforts, please contact Stephen Robertson at stephen@pbpa.info or (432) 684-6345.

Meeting with Commissioner Jim Wright

During the week of August 15 while Commissioner Jim Wright of the Railroad Commission of Texas was in the Permian Basin to speak at the Produced Water Society Seminar, PBPA gained an audience with the Commissioner and helped arrange opportunities for PBPA members for the same. The main point of conversation was the currently proposed Statewide Rule 3.66 and the recently finalized Statewide Rule 3.65, both rules implementing the critical designation and weatherization requirements of Senate Bill 3 adopted by the 87th Legislature in 2021. You can review the [comments officially submitted by PBPA regarding 3.66 here](#).

We appreciate the number of members that engaged with Commissioner Wright on this issue and Commissioner Wright for taking the time to discuss the issue with so many very interested stakeholders in person.

Inflation Reduction Act Signed by President Biden

The Inflation Reduction Act (IRA, [P.L. 117-169](#)) was passed by Congress over the weekend and was signed into law by President Joe Biden on Tuesday, August 16. The IRA is being pitched as a major legislative victory for the President heading into the interim elections, even though the legislation was passed out of both chambers of Congress on straight party lines, and even though it is a shadow of President's original sweeping legislative proposal, the Build Back Better plan, which was derailed in the first half of the 117th Congress.

The IRA package, negotiated by Senate Majority Leader Chuck Schumer (D-NY) and Senator Joe Manchin (D-WV), covers three main legislative items: (1) tax reform/changes to corporate taxes; (2) prescription drug changes; and, (3) energy and climate change.

The IRA gives billions of dollars to increase household electricity consumption, and tens of billions of dollars towards "clean energy manufacturing" in the U.S. across numerous

aspects of the supply chain for clean energy and transportation technologies. It does not include any allocations to support baseload power generation.

The bill as signed by President Bill contains the same language as that version passed out of the Senate (no changes were made in the House). A review of pertinent provisions was provided in the last Standard, and we provide the same herein:

Methane Fee: The bill authorizes the U.S. Environmental Protection Agency (EPA) to impose a fee on methane emissions for oil and natural gas facilities that report more than 25,000 metric tons of carbon dioxide equivalent emissions per year if they exceed the amount of oil or gas they produce by a certain threshold. This threshold for onshore oil and natural gas production would be either (1) .20% of the natural gas sent to sale from such a facility or (2) 10 metric tons of methane per million barrels of oil sent to sale from such facility, if such facility sent no natural gas to sale.

The fee would be \$900 for each metric ton above the threshold reported for calendar year 2024, \$1,200 for emissions reported for calendar year 2025, and \$1,500 for emissions reported for calendar year 2026.

The fee would not apply if the excess emissions are caused by an unreasonable delay in environmental permitting for any infrastructure to reduce emissions, or for emissions from plugged wells. Charges would take effect beginning 2024.

Federal Lease Rates: The bill increases the royalty rate for new onshore oil and gas leases from 12.5% to 16 2/3%, and increases the "reinstatement" lease rate from 16 2/3% to 20%. It also increases the minimum bid amount, changing it from "\$2 per acre for a period of 2 years" to "\$10 per acre during a 10 year period beginning on the date of enactment..." Annual rental fees have been increased and a new fee for "Expression of Interest" is to be instated as well.

Alternative Minimum Tax (Book Income Tax): The bill imposes a 15% minimum tax in tax years after 2022 on the income corporations report on their financial statements, or "book income," with some adjustments.

The minimum tax would apply to corporations with more than \$1 billion in average annual income over a three-year period.

US corporations that are members of a foreign-parented multinational group for any taxable year would need to have earned at least \$100 million in such income. Foreign corporations that are engaged in a trade or business with the US will be treated as a separate domestic corporation that is owned by a foreign corporation.

Corporations would pay the larger of the minimum tax or the statutory corporate tax — which is currently 21%.

Financial statement income would be:

- Reduced by depreciation deductions — deductions for the exhaustion or wear and tear of a physical property used for trade, business, or held for the production of income.
- Adjusted to disregard any amount of depreciation expense on a taxpayer's financial statement for a property.
- Reduced by amortization deductions — deductions for certain capital costs for non-physical assets over time — for wireless spectrum used in the business of a wireless telecommunications carrier and acquired after Dec. 31, 2007, and before the measure's enactment.
- Adjusted to disregard an amortization expense on a taxpayer's financial statement for wireless spectrum.

The minimum tax would also apply to corporations that have been in existence for less than three years, though S corporations, regulated investment companies, and real estate investment trusts would be excluded from the provision.

Under the minimum tax, as much as 80% of losses could be carried over to offset financial income in future years. Corporations could claim certain domestic and foreign tax credits to offset the minimum tax.

If you have any questions regarding the above described provisions or any other provision of the IRA, please let us know.



Notice to Oil and Gas Operators: Upcoming Revision to Commingle Permit Number Length on Form PB, Monthly Production Report

The Railroad Commission of Texas (RRC) will soon adopt a revision to the reporting of the Commingle Permit Number on Form PR, *Monthly Production Report*. The revision will expand the Commingle Permit Number from a maximum of four digits to a maximum of five digits. This change is necessitated because the RRC has issued most of the available four-digit numbers in District o8. The structure of Form PR has not changed. The only change is to the acceptable length of Commingle Permit Number.

For now, District o8 is the only district where a five-digit Commingle Permit Number is necessary. At some future date, the RRC will issue five-digit numbers for other districts as they run out of four-digit numbers. The changes described herein will accommodate a five-digit Commingle Permit Number issued in the future for other districts.

An implementation date has not been set but is *anticipated to be in September 2022*. This will hopefully provide operators and the RRC time to make changes to their production reporting systems. **Operators will continue to report a four-digit Commingle Permit Number on their *Monthly Production Report* until the changes have been implemented.**

Form CI-D and Form CI-X Online Filing Requirement

Just a friendly reminder that pursuant to the adoption of Rule 3.65 in November of 2021, the Critical Infrastructure Division filings as well as requests for exceptions are due September 1, 2022. Additionally, UNLIKE last year, these forms must be submitted through the RRC Online filing system (RRC Online System at <https://webapps.rrc.texas.gov/security/login.do>) and hard copy forms nor emails will be accepted.

Form CI-D would be submitted by an operator of a facility designated as critical acknowledging the facility's critical status based on 16 Texas Administrative Code (TAC) §3.65 and 16 TAC §25.52. Form CI-X would be submitted by an operator certifying a facility seeks an exception to critical designation based on 16 TAC §3.65 and Texas Natural Resource Code §91.143.

As you may recall there were some challenges in filings over the last year, so please be prepared to file as soon as practicable in the event there are technical or other issues.

Please let us know if you have any questions.

To review the full notice, visit the RRC website at https://www.rrc.texas.gov/media/5htdu3gy/2022_nto-form-ci-d-and-form-ci-x-online-filing-rrc.pdf.

RRC Staff to Organize Work Group Re: SWR 32

Starting in September, the RRC staff will be convening a work-group to discuss potential changes to the Commission's flaring program implemented under 16 TAC §3.32 (SWR 32). Commission staff is aware of some efficiency and practicability concerns with the current administrative program for issuing exceptions to SWR 32, and they want to open a dialogue on these issues.

PBPA staff will be participating in this work-group as a representative of our membership. As a result of these discussions the Commission may consider changes to how the rule is implemented. Resolution of some issues may require amending the rule, but at this point that is unclear.

If you have any recommendations or suggestions for PBPA staff on these matters, please let us know.

Recycling Treated Domestic Wastewater and Mobile Drinking Water Treatment Systems Wastewaters

The RRC is revising its program for recycling of domestic wastewater and mobile drinking water treatment system wastewaters at oil and gas sites. An operator may now choose to implement this recycling program as either (1) a district-wide permit, or (2) a location-specific permit. This program change will provide significant flexibility and efficiencies for operators who utilize this program at multiple well sites and does not significantly change the program for operators who do not need that flexibility.

District-Wide Permit Program

A permit may be issued to the operator of record of the well(s) being drilled and/or serviced. One permit will be issued to one operator for use with one service provider in one RRC district. The permit can apply to all the operator's leases within the district that are served by the same service provider and can be updated monthly with treatment location changes. The operator will submit monthly reports to the RRC documenting the treatment and recycling activities, including location information with sampling and analysis results, for the permit that includes information from all treatment locations.

Location-Specific Permit Program

A permit may be issued to the operator of an oil or gas lease for recycling activities on that lease. This is the current program as it has existed since 2016, and these permits will last for

60 days and may be extended.

For more information on the program details and documents, visit the RRC website at <https://www.rrc.texas.gov/oil-and-gas/applications-and-permits/environmental-permit-types/recycling/dww-recycling/>.

If you have questions regarding the Recycling Treated Domestic Wastewater and Mobile Drinking Water Treatment System Wastewaters program, contact the Domestic Wastewater Program in the Environment Permitting Section of the RRC's Oil and Gas Division at 512-463-3840 or domestic.wastewater@rrc.texas.gov.



News and Events to Know



**Permian Basin MPO
Interregional Planning &
Environmental Linkage
(PEL) Study**

**August 23rd:
Public Town Hall
Meeting**

The Permian Basin Metropolitan Planning Organization (MPO) has been evaluating the potential for an interregional corridor to provide freight and vehicular connectivity in and around the urbanized Midland-Odessa area.

Provide your Comment!

What: The Planning team is conducting a *final town hall* to receive input on potential corridors that provide opportunity for better connectivity within the Permian Basin region. We will be presenting and discussing **results** of the screening and analysis process, and **next steps** for completing the PEL Study!

When: August 23rd, 2022
12:15 PM in Odessa *or* 6 PM in Midland

Where: 12:15 PM @ Odessa College Campus | Saulsbury Campus Center Building
201 W University Blvd | Joe Zant Community Room, 2nd Floor (*lunch provided*)

6:00 PM @ Hispanic Cultural Center of Midland | 1311 E. Wadley Ave

Please contact Cameron Walker at cwalker@permianbasinmpo.com or visit the MPO's website (www.permianbasinmpo.com) or Facebook page (www.facebook.com/pbmpo) for further questions.



MC PPDC Programs

MC PPDC provides quality training programs designed to keep oil and gas industry professionals current in their areas of expertise by offering the latest industry updates, as well as providing timely and pertinent educational opportunities. Click the below links for upcoming classes being offered by the MC PPDC in the coming months.

All classes are held in-person at the PPDC unless designated “online” in the course description.

Customized Training Available! For more information contact Midland College PPDC at (432) 683-2832 or cepetroleumtraining@midland.edu

Training Guide

Risk
Management

CPR & First Aid

OG Prof. Intermediate
Court

Log Analysis for Shales



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