



PERMIAN BASIN
PETROLEUM ASSOCIATION

The Standard

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Members,

We are excited to announce that PBPA live events are back! We will be hosting our first membership luncheon on April 1, 2021 and don't forget that our annual Spring Swing Golf Tournament will be hosted at Odessa Country Club on April 12th. It's been more than a year since PBPA has been able to host a live event and we're looking forward to seeing all of our members out from behind the Zoom screen.

While it has been too long since we've seen many of you in person, the work behind the scenes has continued. In this version of the PBPA Standard, you'll find a full download of what PBPA has been up to and a few other important items such as:

- **PBPA Membership Luncheon - April 1**
- **PBPA 2021 Spring Swing**
- **Federal Impacts**
- **Texas Legislative Update**
- **RRC Revisions to Form PR**
- **New Mexico Legislative Update**
- **PBPA Committee Meetings**
- **Governor Abbott Re-Opens Texas**
- **Changes at PUC and ERCOT**
- **PumpJack Power: Exploring the Texas Energy System**
- **MC PPDC Continuing Education**
- **Live from the Stream**

Regards,

Ben Shepperd



Membership Luncheon: April 1, 2021

Join us for a PBPA Membership Luncheon on Thursday, April 1, 2021, at the Petroleum Club of Midland. It has been over a year since PBPA was able to host a luncheon for our members. We've been waiting for the right time to provide this service and we are elated to say the time is now!

We have a number of topics and issues to update everyone on, including legislative sessions in New Mexico and Texas, but we know everyone will come just to get out of another Zoom meeting. Register by clicking the link below and save your spot now!

[Registration](#)



Whether for the golf, the camaraderie, or the PBPA giveaways, make sure you join us on April 12th for PBPA's annual Spring Swing Golf Tournament! See old friends, make new ones and forget about your worries for a day. This year, we'll return to Odessa Country Club for a tournament you won't want to miss.

Register or sign up to be a sponsor today!

[Registration & Sponsorships](#)



PBPA in Action

Federal Impacts

On Friday, February 26, 2021, representatives from PBPA attended a meeting with New Mexico Energy, Minerals and Natural Resources Department (EMNRD) Secretary Propst, New Mexico Oil Conservation Division (OCD) Director Sandoval, and Caroline Buerkle with New Mexico Governor Michelle Lujan Grisham's office. The purpose of the meeting was to get and share updates regarding the January 20, 2021 Secretarial Order (SO) from the U.S. Department of Interior (DOI) regarding oil and gas operations on federal lands.

Just some stats to keep in mind: as of last week there were **nine fewer** rigs running in New Mexico since the January 20th SO and there were **24 more** rigs running just in the Texas portion of the Permian Basin.

As to the meeting with EMNRD and OCD:

- EMNRD has received no former response received as of yet from the administration on the Department's February 9, 2021, letter requesting clarity on the SO. The BUreau of Land Management (BLM) New Mexico Acting State Director Steve Wells and Sheila Mallory at BLM have been the contact points for EMNRD. Headquarters DOI (D.C.) is not inclined to provide additional information in writing.
- According to EMNRD and OCD, some Applications for Permit to Drill (APDs) have been approved both in the San Juan and the Permian Basin. The "hangup" has been between field offices and headquarters. OCD thinks field offices need better clarification to know what they need to send, hence EMNRD's February 9, 2021 letter.
- Per EMNRD and OCD: Operators need to be very clear what is "urgent" within the time frame of the SO, with a description of why the needed permit is urgent. Department would recommend reaching out to Sheila Mallory and Steve Wells specifically with priorities. "If there is something you very much need" make that clear.
- For instance, **if the need is that without the ROW in place, there would be a negative environmental impact with water or pipelines, applicants should make that clear.**
- All ROWs are going to D.C., even lay flats.
- Sundries with no surface disturbance are being approved at the field office level, everything else being sent to D.C.
- January Lease sale – regional BLM is going to send a waiver up to see if that can get finalized.
- BLM is getting less applications than they were before. Application process has slowed down. However, around 4,000 APDs are in the que. All applications are reviewed at field office level, but still get sent to D.C. for approval. Only 19 APDs have been approved so far. Four or five ROWs have been approved, while very few sundries have been approved.
- "Recommendation" from D.C. is to still process the applications through the field office instead of going directly to D.C., even though all approvals are happening in D.C.

We will keep you all updated with any new information we obtain. Please let us know if you have any questions.

Texas Legislative Session

This week, the Texas Legislature resumed its focus on the failure of the state's electrical grid while Public Utility Commission (PUC) Chairman Deann Walker resigned and Electric Reliability Council of Texas (ERCOT) CEO Bill Magness was terminated by the ERCOT Board of Directors. More on these events can be found below under "News to Know."

For an organizational hearing, the House Energy Resources Committee invited PBPA to testify and Michael Lozano shared the importance of the Permian Basin to the state and nation. Sharing an update of our joint study with the Texas Taxpayers and Research Association Foundation, Lozano touted the strength of the region, it's importance to the state of Texas in a multitude of ways, and introduced our association and our mission to safely and responsibly develop our regions natural resources.

The House State Affairs Committee as well as the Senate Business and Commerce Committee also separately met to continue to get to the bottom of the circumstance surrounding the winter storm crisis and learn more. New Chairman of the PUC, Arthur D'Andrea, shared his perspective of the challenges and answered in more detail what was left unresolved from the agency's previous testimony as well as steps that have begun to clarify and rectify the issue.

Time is certainly ticking underneath the Pink Dome, as legislators only have eight more days to file their legislative issues. We expect to see at least 1,500 more bills filed over the next week. 3,816 have been filed as of this writing.

PBPA staff continues to review all filed legislation. The PBPA Texas Legislative Committee continues to meet every week to analyze and discuss bills with possible impacts to the Permian Basin. Through the PBPA Standard we will keep you posted on the issues that arise, as they arise. We thank you for your work now, and moving forward. Please let us know if you have any questions or concerns.



RRC Adopts Revisions to Form PR, *Monthly Production Report*

The Railroad Commission of Texas (RRC) has adopted revisions to the instructions to Form PR, *Monthly Production Report*. The revisions support the RRC's regulation of flaring and venting of produced natural gas. The proposed revisions are to the Form PR Instructions, how operators need to complete the form, not to the structure of the form itself.

The adopted revisions include three changes to the Form PR Instructions.

- “Disposition Code 4”, which was used to report the volume of gas that was vented or flared, has been discontinued.
- Two new disposition codes have been implemented to allow operators to allocate gas. For gas that was flared, use “Disposition Code 10”. For gas that was vented, use “Disposition Code 11”. This change will allow the RRC to quantify the legal disposition of gas that was flared and vented.
- When an operator allocates gas to Disposition Codes 10 or 11, the operator will be required to enter one or more two-letter codes to the existing “REMARKS” field on the form. Those two letter codes correspond to the authority under which the gas was flared or vented, and include the following:
 - AR – Authorized by Rule
 - AE – Authorized by Exception
 - EP – Exception Pending
 - EX – Exempt

The former Form PR Instructions required an operator to “Indicate why the gas was vented or flared in REMARKS on Form PR”. The revised form makes these remarks uniform by requiring categorization of the authorization for the release.

Form PR is being adopted now, but the implementation will be delayed providing operators and the RRC time to make changes to their production reporting systems. Operators will continue to use the existing Form PR until the phased implementation, which will be as follows:

- On September 1, 2021, Disposition Code 4 will no longer be accepted. Gas that is flared must be allocated to Disposition Code 10 and gas that is vented must be allocated to Disposition Code 11.
- On January 1, 2022, operators must report the applicable 2-letter authorization codes in the “REMARKS” field on the form.

To view the Form PR and its instructions, visit the RRC website at <https://rrc.texas.gov/oil-and-gas/oil-and-gas-forms/>.

New Mexico Legislative Update

New Mexico hit the half-way point of the first session of its 55th Legislature on February 18th. That Thursday also marked the last day for bill introductions. Since then, committee and floor sessions have kept up there fevered pace. The Legislature will now only be in session for a little more than two weeks. New Mexico's session is scheduled to adjourn on March 20th.

In New Mexico, **807** bills were introduced; **353 House bills** and **454 Senate bills**. The number of bills introduced is significantly less than introduced in the last 60-day session, **1,369**, which was comprised of **694 House bills** and **675 Senate bills**. The most interesting introductions this session are the number of Joint Resolutions (constitutional amendments), totaling **35; 11** in the House and **24** in the Senate.

The session has been strange as it is closed to the public and our only access is through Zoom or webcast. All committees are meeting virtually, and floor sessions are also, for the most part, being conducted the same way. The Senate is meeting in person for their floor sessions and House rules only allow for the Speaker and floor leaders to be in the chamber for their floor sessions.

Testifying in committees has become a challenge due to inconsistent procedures between committees and the chairs. Senate committees require registration by email, sometimes as much as 24 hours in advance. Even after registering there is no guarantee that you will be allowed to testify as many committees only allow five people to testify on each side of the issue. Sometimes you are allowed two minutes but many times there is a one minute allocation of time per person.

House committees so far have not required pre-registration to testify, however different rules for different committees provide another set of challenges. Many times, if the bill is controversial the number of people allowed to testify is significantly reduced along with time given for the testimony.

Furthermore, committee members have complained they are not given sufficient materials to debate bills. Many times, like us, they are working off of two or three computers to reference materials normally provided in committee books when they meet “live.” Members also have internet issues during virtual meetings that further complicate the process. They also complain they have not had the opportunity to have side bar conversations with fellow committee members, which many times can result in a better outcome on some bills.

However, even with the above described difficulties, PBPA is working diligently with its members, House and Senate members, as well as stakeholders from a variety of industries and groups to advocate for the continued development of oil and natural gas resources in New Mexico. PBPA has testified in front of numerous committees in both the House and Senate on specific proposed pieces of legislation, as well as in front of House Appropriations and Finance and Senate Finance regarding actions from the federal government and their impacts on revenue generation in the state. We also continue to engage with House and Senate members as best we can in this brave new world of virtually legislating.

There is still plenty of work to do and here is a look at some of our current tracked legislation:

- HB 9 – Climate Solutions Act.
- HB 30 - Water Lease & Use Effective Dates.
- HB 50 – Private Right of Action.
- HB 76 – EIB Permit Denial for Poor Compliance.
- HB 98 – Omnibus Tax Bill passed the House and is now referred to Senate Tax, Business and Transportation.
- HB 206 - Utility Affordability Relief Act.
- HB 228 - Change Motor Vehicle Tax Distribution.
- HM 8 - Stephen Henry Perry, In Honor.
- SB 8 – Local Government Air Quality Regulations.
- SB 20 - Transportation Project Fund.
- SB 34 - Design and Build of Project Delivery System.
- SB 37 - Construction Management General Contractor Act.
- SB 149 - Prohibit New Fracking Licenses.
- SB 296 - Increase Penalties for Environment Violations.
- SJR 3 - Environmental Rights, CA

We are tracking several other bills, included multiple broadband bills, all of which are at different points along the process.

Please let us know if you need any more information on the above or if you have any questions.

Upcoming PBPA Committee Meetings

Texas Legislative Committee - March 9, 2021

New Mexico Legislative Committee - March 10, 2021

Regulatory Practices Committee - March 16, 2021



News to Know

Governor Abbott's EO Re-opening Texas

On Tuesday, March 2, 2021, Texas Governor Greg Abbott announced a new [Executive Order](#) (EO) that rescinds older orders limiting capacity and more because of the Covid-19 pandemic. Beginning next Wednesday, March 10, 2021, all businesses will be allowed to open at full capacity. This includes any entity in Texas.

Changes at the PUC and ERCOT

On Monday, March 1, 2021, Texas Lt. Governor Dan Patrick [called for the resignations](#) of Public Utility Commission (PUC) Chairman DeAnn Walker and Electric Reliability Council of Texas (ERCOT) President and CEO Bill Magness. Lt. Governor Patrick declared:

"There is no question the arctic temperatures the state experienced beginning on February 14 were historically unprecedented. After almost 24 hours of testimony in the Senate Business and Commerce Committee's investigation of the power outages, including 9 hours from the Chair and the CEO, it is clear neither of them adequately addressed the challenges of this huge winter storm."

Later that day, Chairman Walker resigned her position, sending a letter to Governor Abbott stating, in part, "I stand proud that I worked endless hours over the past two and a half weeks to return electric power to the grid. Despite the treatment I received from some legislators, I am proud that I spoke the truth. I know that I acted with the best of intentions and used my best judgement on how to respond once the crisis was upon us, as well as to the days that led to the crisis."

On Wednesday, March 3, 2021, Governor Abbott appointed Arthur De'Andrea, who had been serving as a commissioner on the PUC since his appointment on November 14, 2017, as the new Chair of the PUC. On the same date, the PUC held its first public meeting since Chairman Walker's resignation. While it has not been announced at the time of the meeting that D'Andrea would succeed Walker as Chair of the PUC, D'Andrea began the meeting by offering the following, "before I get started, I want to take a minute to acknowledge DeAnn Walker's dedicated and tireless service to this agency...She was the hardest working, the most detail oriented person I've ever met and I'm really going to miss having her around."

With D'Andrea moving into the chairmanship, there is now one open seat on the PUC. No time frame has been provided as when Governor Abbott will appoint a new commissioner to join Chairman D'Andrea and Commissioner Shelly Botkin, who Abbott appointed to the PUC in 2018.

While ERCOT CEO Bill Magness did not resign his position, on Wednesday, March 3, 2021, the ERCOT Board of Directors voted on a "60 day termination notice" for the now former CEO. This decision followed the resignation of seven members of the board of directors after public criticism that many of the directors did not live in the state. The 16 person ERCOT board is now left with a number of vacancies and temporary members.

Along with the management changes, there have been a number of bills filed this session already that could impact the operations of the PUC and ERCOT. As those make their way

through the legislature and impacts on the oil and gas industry become clearer, we will bring you updates and needed information.



Events in the PB Community



LUNCH & LEARN

Exploring the Texas Energy System

Joshua Runion, Pumpjack Power President, will present on the current energy system in Texas related to the history, structure and the events that unfolded during Winter Storm Uri

Tuesday, March 16th

11:30 AM - 1:00 PM

Petroleum Club of Midland

Basin Room

501 West Wall Street

Midland, TX 79701

Please RSVP with the number in your party by March 11th

To RSVP, contact Hilary Fornefeld at (512) 201-1053 or rhfornefeld@pumpjackpower.com.



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 March and April:

- **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
- **Apr 6** Online Division Order Certificate Program; Alyce Hoge
- **Apr 6** Online Professional Land Management Certificate Program; Alyce HOGe
- **Apr 6** The Basics of Crude, Gas & NGL Contracts; Michael Banschbach
- **Apr 7** Advanced Crude, Gas & NGL Contracts; Michael Banschbach
- **Apr 13-14** PHDWin; Celia Houston
- **Apr 19** Unconventional Resource Assessment and Valuation; Mark McLane
- **Apr 20-23** Well Control Drilling Workover; Rick Springer
- **Apr 22** Advanced Structured Query Language (SQL); Mark Edgar
- **Apr 26** Waterflooding: Performance Predictions and Surveillance; Dr. Michael Wiggins

[Click here](#) for more information on these and other upcoming courses. To register for a course, call (432) 683-2832 or visit the MC PPDC website at <https://mce.midland.edu>.



The Texas Water Trade (TWT), is an organization that was created in 2019 “to significantly scale up market-based tools to protect our rivers, bays and springs and to enhance the state’s water resilience.” The TWT is a market driven non-profit that has a focus on supporting local community driven projects that need funding, technical & other support to achieve results for providing “Water for All Texans Today & Tomorrow.” Additional information about TWT and its work can be found at www.texaswatertrade.org.

Above is a flyer for a TWT event titled “LIVE FROM THE STREAM - A Virtual Music Event”, to be held on April 30, 2021. The event will showcase popular iconic Texas Musicians that are lending support to the restoration of Fort Stockton’s historically significant Comanche Springs. Under “Newsroom” on the TWT website there are several references to the project that has the support of the City, Reeve County, local groundwater district and many of the irrigators or groundwater right holders.

We wanted to bring this event to the attention of all our members, but particularly those who operate in Reeves County.



