



PERMIAN BASIN
PETROLEUM ASSOCIATION

The Standard

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Members,

PBPA continues to work in both Texas and New Mexico to represent the varied and important interests of the oil and natural gas sector during these difficult times.

In both states our members are facing the most difficult of times, and while we are working each and every day to identify ways to benefit our members, we know that eventually our brightest days are ahead.

They are that way because of the spirit of those here in the Permian Basin that are willing to bet on themselves and prove that we can make a world of difference from our corner of the world.

I said as much in the [Midland-Reporter Telegram article here](#), and I firmly believe it. It takes a special people to live in our communities and scratch out what has become the greatest oil and gas play in the history of the world.

And our best days lie ahead.

in the meantime as our short term plans have changed, the beloved PBPA Clay Shoot and Pit King Challenge, originally scheduled for June has been postponed. Please keep an eye out for information regarding this and other PBPA events as details are available.

As always, don't hesitate to reach out to us with any questions you may have.

Regards,

Ben Shepperd



Regulatory Updates

Update on RRC consideration of Proration

The Railroad Commission of Texas (RRC) will hold its May Conference on May 5, 2020. Among the many items on the agenda includes the discussion over prorationing in Texas.

Chairman Wayne Christian weighed into the discussion publicly, [penning this column](#) for the Houston Chronicle.

The meeting may be viewed live on the Railroad Commission's website at <https://rrc.texas.gov/general-counsel/open-meetings/> by clicking on the "Webcast" link or by going directly to http://www.adminmonitor.com/tx/rrc/open_meeting/. If you would like to view the meeting but are not able to access the Commission's website, please call the following number for instructions on how to listen to the meeting by telephone: 512-463-7865.

OCD Update regarding SLO E-Rule

The New Mexico Oil Conservation Division (OCD) issued an [updated notice](#) to supplement a notice from March 20, 2020 on how they are conducting operations during the current Public Health Emergency. The OCD added further information on:

- How to shut-in wells;
- How to seek extensions;
- How inspections are being handled; and,
- How hearings will be conducted.

As a reminder, shut-in requests will be handled on a case-by-case basis. However, as long as it prevents waste, protects correlative rights and does not harm human health or the environment, the OCD is willing to be flexible in several areas, but not all areas. The new notice also addresses matters that the OCD does not have flexibility to change (such as fees) which are statutorily mandated.

MAP Public Meeting on May 19th

The New Mexico Departments of Environment (NMED) and Energy, Minerals and Natural Resources (EMNRD) are continuing stakeholder outreach efforts as work continues to develop the state's first methane regulations. NMED and EMNRD will hold a joint public meeting via webcast from 5 to 7 p.m. (CST) Tuesday, May 19 and will cover the work of the Methane Advisory Panel (MAP). The MAP met in the fall and discussed technical aspects of methane capture. Presentations, the draft technical paper, and public comments received on the paper can all be found on the [MAP page](#).

The public meeting will allow one hour for presentations from NMED, EMNRD

and members of the MAP and one hour for questions from the audience. Presentations will be made available to the public on the [departments' webpage](#) beforehand in preparation for the webcast.

Registration is required to join the meeting, [register in advance here](#).

Notices from TCEQ

There are two notices we've received from the Texas Commission on Environmental Quality (TCEQ) which we wanted to make sure you've seen.

Compliance Alert

The first was a [Compliance Alert](#) regarding H₂S wells. The Alert clarified that while the RRC's Statewide Rule 36 (16 TAC §3.36) imposes certain additional requirements when the concentration of H₂S is equal to or greater than 100 parts per million (ppm), TCEQ designates operations as sour if the concentration of H₂S contains more than 1.5 grains of H₂S per 100 cubic feet, or more than 30 grains of total sulfur per 100 cubic feet (30 TAC §101.1(96)). This quantity is the equivalent of approximately 24 ppm, well below the 100 ppm threshold of the RRC's Statewide Rule 36.

While a site may be below the H₂S threshold for the RRC, it could still meet the TCEQ threshold of 24 ppm or higher. If the concentration of H₂S represented at a site meets or exceeds the TCEQ's definition of sour, the operations are subject to increased regulatory requirements. It is the owner/operator's responsibility to ensure that each site complies with all applicable regulations and apply the 24 ppm level to their determinations for sour gas compliance with TCEQ.

Guidance for Bulk Crude Oil Storage

The second notice was a [Guidance document for Bulk Crude Oil Storage regulated by TCEQ](#). Amid the COVID-19 pandemic, TCEQ has received numerous inquiries related to the regulatory requirements of temporary storage of excess crude oil in aboveground storage tanks (ASTs) at locations not regulated by the RRC. While the storage of crude oil in ASTs is not regulated under TCEQ Petroleum Storage Tank (PST) rules, there are other permitting, reporting, and spill requirements that we regulate. The purpose of the provided guide was to summarize TCEQ's regulatory oversight for those storage tanks in Texas.



Federal Updates

Dunes Sagebrush Lizard and the ESA

On Thursday, April 30, 2020, the U.S. Fish and Wildlife Service [agreed](#) to decide by June 30 whether or not to accept a petition from the Defenders of Wildlife and Center for Biological Diversity to list the dunes sagebrush lizard as endangered under the Endangered Species Act. As some background, the two organizations originally brought a petition for the Service to list the species back in May 2018.

However, it took a follow up law suit by the organizations against the Service to bring last week's decision.

If the Service accepts the petition, it will kick off a one-year review to determine whether the lizard should be listed. Previous conservation efforts, led by PBPA and others in the oil and gas industry, have prevented a prior listing for the lizard.

Federal Reserve Lending Programs

Changes to a new lending program from the Federal Reserve has paved the way for the oil and gas industry to get government financing amid the pandemic. The expanded criteria to qualify for the soon-to-be Main Street Lending Program follows requests from Sen. Ted Cruz (R-Texas) and an industry group for small and mid-sized oil producers who said financing was needed to save the industry from bankruptcy.

The guidelines released last Thursday (April 30) eased restrictions on borrowing for heavily indebted companies and also allows them to use the loans to refinance existing debts – a departure from the first set of criteria released by the board.

For more information on this program, you can go to the Federal Reserve Press Release:

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200430a.htm>.



State Updates

Governor Abbott Report to Open Texas

On Friday, May 1, 2020 Texas Governor Greg Abbott has begun the process of allowing the "opening of Texas" that includes allowing restaurants, theaters, libraries and other facilities to reopen with limited capacity. The full plan with phases of action may be found below, but they still require significant consideration by Texans to practice safe and healthy social practices.

[Gov. Abbott's Plan to Open Texas](#)

Governor Lujan Grisham Extends Modified Stay-Home Order

On April 30, 2020 New Mexico Governor Michelle Lujan Grisham announced the extension of the state's emergency public health order through May 15 providing that "the COVID-19 pandemic remains a grave risk to residents of all ages and in all communities across New Mexico." This extension does not impact the previous identification of oil and gas operations as essential functions.

[Gov. Lujan Grisham's Press Release](#)

