

COMMITTEE REPORT

REGULATORY PRACTICES COMMITTEE

Mark Henkhaus, PRS, and Jimmy Carlile, Fasken Oil and Ranch, Ltd.

The Permian Basin Petroleum Association's Regulatory Practices Committee meets on the third Tuesday of each month. Meetings have been held monthly this quarter. Michael and Stephen have kept the RPC current regarding the legislative agenda in both states during the recently-ended Legislative sessions.

TEXAS

Texas Railroad Commission:

Form PR: The Railroad Commission has adopted revisions to the instructions to Form PR, Monthly Production Report. The revisions incorporate the recent changes to the RRC's regulation of flaring and venting of produced natural gas. The proposed revisions are to the Form PR Instructions and the flaring and venting codes, no changes to the form itself were made. RPC members were asked to ensure their production accounting teams were made aware of these changes.

SWR 32 Online System: The Railroad Commission has launched the online application system for Rule 32 exceptions. The system is live, and it works. Permit issuance tends to be within a few days, which is an improvement from the old data sheet filings. Additionally, the Commission staff held a webinar for the new online flare permitting system last week that was widely attended. Many good questions were asked, and a few good answers were given. It is apparent the system is working, approvals are given relatively quickly, but some usability improvements need to be made.

Opiela v. RRC Judgement: As an act of administrative review, Travis County's 53rd District Court issued a judgment in the Opiela v. RRC case on May 12, which involved a PSA permit granted by the RRC to Magnolia Oil & Gas Operating LLC. In this case, Opiela protested the RRC's grant of an allocation well. RPC members were advised of this decision and provided a copy of the judgment. The full extent and the Commission's response to this judgement is not known yet. We understand the Commission expects to continue issuing allocation and PSA permits in the meantime.

Statewide Rule 40: Operators are continuing to have issues resolving permitting and completion issues on horizontal wells despite the recent Rule 40 revisions. RPC has recommended that PBPA form a subcommittee to address these issues, possibly with the other Trades.

UIC Issues: Problems regarding new disposal well permitting and the Commission's seismic conditions, H-5 filing with well data missing, and packer setting depth issues on wells permitted under Rule 46 continue. RPC has recommended that PBPA form a subcommittee to address these issues, possibly with the other Trades.

Texas Commission on Environmental Quality

RPC participants were updated on an ongoing aerial survey project undertaken by the TCEQ to locate and document methane leaks in Ector, Andrews, and Gaines Counties.

NEW MEXICO

Oil Conservation Division

Case No. 21834 - The NMOCC issued a Notice of Hearing for Proposed Rulemaking for WildEarth Guardians petition to consider amendments to 19.15.29.6 and 19.15.29.8 NMAC to prohibit unauthorized spills or releases of oil, gas, produced water and other oil and gas waste.

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REGULATORY PRACTICES COMMITTEE CONTINUED

The proposed rule change is very narrow and simply makes oil and produced water spills a violation of OCD rules. OCD would have discretion and would use their normal processes associated with a rules violation to address spills. As proposed, it appears the change should be acceptable to industry.

OCD Waste Rule – The OCC approved the NMOCD Waste Rules at hearing on March 25th. The rule is in full force and effect. On May 21st OCD issued their final C-129 and Natural Gas Management Plan forms to industry. **Industry continues to have many questions concerning the implementation of this rule.**

Document Filings – OCD/OCC Cases – On May 28th, the OCD/OCC issued a notice that all filings by participants in cases before either body shall be accomplished through the OCD E-Permitting system.

Environment Department

Ozone Precursor Pollutants Rules – May 6th, the Environment Department issued their draft Ozone Precursor Pollutants rules for New Mexico. The rules will now go to the Environmental Improvement Board in the fall for approval. All stakeholders get an additional opportunity to provide input to the EIB. It appears this rule will require a massive amount of work and investment by industry to gain compliance. PBPA will be reviewing these and preparing comments as allowed under EIB's processes. Depending on the EIB's timing, it appears the rule will go into effect in early 2022.

State Land Office

Archaeology – The SLO a conference call with their Oil and Gas Advisory Group concerning their cultural resources program. Expect to see the SLO proposed rule out for comment in early summer.

Federal

Pipeline and Hazardous Materials Safety Administration

PHMSA – issued an advisory bulletin on June 7 urging oil and gas pipeline operators to update their inspection and maintenance plans in order to minimize methane emissions. These plans must be revised and leaks repaired by December 27, prior to implementation of new rules to be put in place in early 2022.