



PERMIAN BASIN
PETROLEUM ASSOCIATION

The Standard

Vol. 4, Issue No. 8



Members,

New Mexico has completed both its first session of the 55th regular New Mexico Legislature and an additional Special Session, and the Texas Legislature has now hit its stride with less than half a session remaining. In this version of The Standard, you'll find reports from both state houses as well as updates on several other PBPA activities and community events:

- **PBPA 2021 Spring Swing - April 12**
- **HSE Benchmarking Study Launched**
- **Texas Legislative Update**
- **New Mexico Legislative Update**
- **PBPA Membership Luncheon Review**
- **PBPA Committee Meetings**
- **EMNRD Methane Rule Finalized**
- **Unconventional Thinking in Teaching**
- **Bill Keffer: Energy is Essential**
- **PB Environmental Regulatory Seminar**
- **MC PPDC Continuing Education**
- **Live from the Stream**

Regards,

Ben Shepperd



PBPA in Action



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 today while spots are still available (limited open teams remain) and before time runs out (registration closes at 4:00 PM on Friday, April 9, 2021!

Registration

PBPA HSE Annual Benchmarking Effort

The PBPA Health, Safety, and Environmental (HSE) Committee has launched its fourth HSE benchmarking survey to allow PBPA member companies to compare their safety incident, spill performance and now environmental, social and corporate governance (ESG) statistics to blinded data obtained from peer-companies. This year we will gather data for the year 2020 as to Safety and Spill Loss of Containment. However, we are also introducing a new element to this year's survey. The survey now collects data regarding ESG efforts in the Production and Midstream segments of our industry as well. For ESG, we will be gathering data for the past two years. With the addition of important ESG data, we look forward to growing participation in this survey and working towards the improvement of HSE performance in the Permian Basin.

If your company does not participate in the HSE Committee but wishes to participate in the survey, please contact Stephen (stephen@pbpa.info) for a copy of the survey. Please note that if you do not participate, you will not have access to the information submitted by other companies. Benchmarking data will only be reported / distributed to PBPA member companies that participate in the survey. All data obtained during this study will be held confidentially and blinded by PBPA staff so that company names cannot be identified by any other participant.

Texas Legislative Session

The Texas Legislature continues to chug along towards the final stretch. With about a month to go before bill deadlines begin to set the final stage of session, the main focuses in the House and Senate remain the budget as well as addressing electricity issues following Winter Storm Uri. To that end, many of you have seen and commented on the rash of articles in Houston, Austin, and other media outlets stating that our industry was largely “escaping” regulatory reforms after the winter storm, but of course, that could not have been more off base. Despite the money and advocacy aimed at pointing fingers at our industry, [including some noted in this article](#), ERCOT has now reported, as we all knew, that fuel limitations of natural gas, were a minor portion of the greater challenges Texans saw during the storm.

Just this week [ERCOT announced](#) that the vast majority of issues faced by Texans were not caused by the lack of natural gas fuel, as had been initially claimed. Issues related to fuel limitations only accounted for 12% of the loss of power. The largest percentages, accounting for 83% of all issues include; 54% caused by “weather related issues at power plants,” 15% in “existing outages,” and 14% for “equipment issues.” In short, lawmakers are focusing on the big items that they need to, and not the agenda others are promoting.

In addition to being only a small part of that 12% of fuel limitations that caused outages, natural gas production actually increased as a portion of the fuel mix that was responsible for generating electricity during the storm. While ERCOT notes the natural gas industry was not a large part of the problem, we firmly believe that our industry is part of the solution. We are working with lawmakers to develop solutions that promote fuel stability and the continued functionality of electric generating facilities, even in extreme temperatures.

Looking toward the budget, the Texas Senate has completed their preliminary work as they adopted their version of the document that appropriates more than \$200 billion in spending for the next two years. Now, the House will have its turn to review, substitute the bill in committee, and then have the floor debate where all members will have their opportunity to propose changes. We can likely expect the House version of the General Appropriations Act, as the budget is formally known, to be adopted by the House in the next two weeks.

PBPA is focused on ensuring that the budget as adopted by the House, includes full funding for the most important agencies we work with, including the Railroad Commission of Texas and the Texas Commission on Environmental Quality are funded to ensure that as we work to obtain permits and earn regulatory approval, that they are done promptly and efficiently for the benefit of the public, and the industry at large.

As always, there are more issues than could be fit in print, so we encourage you to reach out with any questions on taxes, water, air, and anything else under the sun, so that we can continue to ensure that the Permian Basin continues to be the best place to live, work, raise a family, and develop natural resources in the world.

New Mexico's Special Session

We were barely catching our breath at the end of the first regular session of the 55th Legislature in the Land of Enchantment, when the Governor put out a call for a Special Session. The Special Session was to cover "economic and job creation items" including (1) legalizing adult-use cannabis; and, (2) expanding the Local Economic Development Act (LEDA).

The Special Session started on March 30, 2021 and adjourned on March 31, 2021 having passed the following bills:

- [HB 1](#) - Feed Bill & Other Appropriations, relating to general appropriations;
- [HB 2](#) - Cannabis Regulation Act - legalizing cannabis for recreational use by adults over the age of 21;
- [SB 1](#) - LEDA Changes - provides that a portion of state and local gross receipts and compensating tax revenue imposed on certain economic development projects may be provided as public support for the projects pursuant to the Local Economic Development Act.
- [SB 2](#) - Expungement of Certain Criminal Records - provides for expungement of arrest and conviction records for certain cannabis offenses.

Please let us know of any questions you have regarding the above bills or any legislation from the first regular session.

April Membership Luncheon



Thank you to all those members who joined us for last week's first PBPA in-person meeting in over a year. Those in attendance were treated to a great meal from the Petroleum Club, but an even better presentation by Jim Wicklund, Managing Director of Stephens Energy Investment Banking. Mr. Wicklund went blunt with the PBPA crowd as he talked about the future of the oil and gas industry, but wanted to make sure everyone took away a few key points. There is light at the end of the tunnel and, for now, there is little choice but to be optimistic about the future.

If you missed the April Membership Luncheon, you can find Mr. Wicklund's presentation in the [Members Only](#) section of the PBPA website.

And a special thank you to Lynn Krebs and Tax Advisors Group for being the sponsors for this great event.

Upcoming PBPA Committee Meetings

Electrical Coalition - April 9, 2021

Texas Legislative Committee - April 13, 2021

Regulatory Practices Committee - April 20, 2021

Texas Legislative Committee - April 20, 2021

Health, Safety and Environmental - April 28, 2021

For more information on these committees or to join a committee, please reach out to Stephen at (432) 685-6345 or stephen@pbpa.info.



Regulatory Updates



OCC Approves EMNRD's Final Natural Gas Waste Reduction Rule

On March 25, 2021, the New Mexico Oil Conservation Commission (OCC) voted unanimously to adopt the Energy, Minerals and Natural Resources Department's (EMNRD) natural gas waste reduction rules requiring oil and gas operators to capture 98 percent of their natural gas waste by the end of 2026, including on low producing or stripper wells.

PBPA worked with EMNRD and OCC throughout this rule making process to produce a rule that established actually achievable results without putting industry out of business. This work included one-on-one conversations between PBPA staff and government officials, meetings between PBPA members and regulatory leadership, as well as multiple sets of official comments. Between the OCC hearings on the rule and its final adoption, the OCC made at least the following changes to previously reviewed versions of the rule to which industry will now be subject:

- New facilities will be required to be constructed in a way to minimize waste (still reviewing the details on this requirement);
- Operators will be allowed an additional three months from what was provided previously to put reporting systems in place to “ensure high data quality”;
- Natural gas capture and flaring will be required during completion and recompletion of natural gas wells to reduce natural gas venting (this largely, if not solo, should impact northwest New Mexico and not operations in the Permian Basin);
- Additional requirements for midstream operators on report filing;
- Waste reporting and capture requirements were expanded to include controlled tanks in addition to uncontrolled tanks; and,
- A new requirement of operators to select and implement alternative beneficial uses for natural gas if a gathering system is unavailable.

The PBPA Regulatory Practices Committee, which was the focal point of PBPA work on this rule, will discuss this rule at its next meeting on April 20, 2021. If you are interested in attending this meeting, please reach out to Stephen at stephen@pbpa.info or (432) 684-6345.



News to Know

Unconventional Thinking in Teaching

PBPA member Marathon Oil is launching a new grant program – **Unconventional Thinking in Teaching** – to recognize outstanding educators in the communities where members of the oil and natural gas industry live and work.

At Marathon Oil, unconventional thinking means constantly looking for new ways to solve problems and deliver results. As part of their investment in building stronger communities through education, this program supports teachers who are bringing this same unconventional thinking to the classroom.

That’s why Marathon is inviting teachers to apply or be nominated by members of their community to receive a \$2,500 - \$5,000 grant to support the purchase of classroom resources, such as books, activity/lab materials and technology, or personal professional development.

Our hope is that, through this program, Marathon will help increase teacher retention by demonstrating support for the people who are responsible for developing our next generation of leaders, or unconventional thinkers. Marathon also hopes to encourage collaboration by asking the winning teachers to share their innovative ideas with all teachers who apply.

Applications are due by **June 15**, so please **share the attached flyer with teachers and members of your community** and visit www.marathonoil.com/teachers to learn more.

Energy, it is Essential yet Poorly Understood

An Op-Ed by friend of the PBPA and director of the Energy Law Programs at Texas Tech University School of Law, Bill Keffer, discussed the importance of energy with the Dallas Morning News. You can find that [Op-Ed here](#). For those without Dallas Morning News accounts, here are a few excerpts.

- "Energy education is not only beneficial to those who seek it, it is also absolutely critical to our collective survival."
- "The demand for dependable, continuous, affordable electricity in this high-tech world is only growing and doing so exponentially. Whether the energy sources for that electricity are natural gas, wind, solar, hydro, nuclear or all of the above, we in the developed countries expect it at all times, and those in developing countries understandably aspire to that expectation, too."
- "American universities are increasingly aware of the need to offer more courses and degrees that expand our understanding of the importance of energy and how we get it. One such tangible step is the launch of new degrees, like the master's degree recently started at Texas Tech University. The Master of Science in Interdisciplinary Studies in Energy degree program was created in direct response to the private sector's desire for universities to offer a professional degree that is premised on an interdisciplinary curriculum that prepares energy professionals for the challenges of the future."
- Get yourself educated, because "[i]gnorance leads to dependence; and dependence leads to a place none of us should want to go."



Events in the PB Community



2021 Permian Basin Environmental Regulatory Seminar

The Midland College Petroleum Professional Development Center (PPDC) and the PBPA proudly present the annual Permian Basin Environmental Regulatory Seminar.

This seminar is a proactive approach for oil and gas industry professionals to keep current on the most recent environmental regulations and policy changes. This important one-day seminar will focus on the latest state & federal regulatory updates and their operational impacts on the petroleum industry. A highlight of the event will be the presentation of the Bruno Hanson Midland College Environmental Excellence Award to a Permian Basin operator.

COST

Early Bird: \$200.00
(ends at 5:00 p.m. on April 20th)

Full Price: \$250.00
(registration closes at noon on May 19th)

Includes: Light breakfast, networking lunch,
and afternoon snacks

NO REGISTRATIONS AT THE DOOR



**0.95 CEUS (9.5 HOURS)
INCLUDES 1 HOUR OF
ETHICS!**

SPONSORSHIPS

For sponsorship opportunities,
please contact:

Erin Van Evera-Welch
(432) 683-2832

evaneverawelch@midland.edu

REGISTER ONLINE: <https://mcece.midland.edu> > Oil & Gas Training > Seminars/Luncheons
Or Call (432) 683-2832

Other 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 April:

- **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

MC PPDC announces the addition of ESG training to their extensive training portfolio.

On June 8-9, 2021 MC PPDC will offer **Environmental, Social and Corporate Governance (ESG) Fundamentals & Application** in person at their downtown Midland, TX facility. This course is designed to educate industry partners on evolving ESG criteria and reporting requirements necessary for financing operations.

The instructors will be Pat Lipovski, the Founder and CEO of Envision Group and Bob Peterson of Plano, Texas who is a Senior Partner of Envision Group.

[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://mcece.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.



