

COMMITTEE REPORTS

REGULATORY COMMITTEE

Mark Henkhaus, Apache Corporation

The Regulatory Practices Committee meets on the third Tuesday of each month. The meetings are open to RPC members only, and topics will range from local issues such as city or county regulations to federal actions which impact our business. The RPC coordinates with and receives updates from the PBPA HSE Committee and SHOC Committee from staff. These coordination and updates are to ensure that the vital information the other committees are working on are shared with the RPC while not duplicating the other committee efforts.

The RPC submits the following quarterly Committee Report detailing significant issues which are being followed by the RPC members:

Texas

- PBPA continues to participate in a small industry group with Railroad Commission staff and the other Trades to amend Statewide Rule 40. Rule 40 prohibits multiple assignment of acreage within a regulatory field. A consensus draft was distributed to the participants in June, and presented to the RPC. This version, while “wordy” solves most of the Rule 40 issues, and it does require a “good neighbor” notice. The RPC has recommended that PBPA support this version as it addresses the Rule 40 issues of concern to the membership.
- The PBPA’s outreach to the Commission has concluded. The PBPA’s RRC outreach concluded on June 5 in San Angelo, District 7C, with a well attended meeting with Commission staff. This was an outstanding effort to present a unified PBPA face to the Commission’s field staff and open lines of communication.
- Craddick’s Texas Oilfield Relief Initiative. This proposal to eliminate most annual W-10 tests generated a number of negative comments from royalty owners and several operators. PBPA participated in a meeting with Commission staff on June 5 to work out differences. In the end, W-10 tests will not be eliminated.
- The Commission at their conference June 5 adopted Statewide Rule 70, relating to pipeline safety fees and filings. This rule became effective June 25, and satisfies some of the sunset review requirements from the last legislative session.
- Commission personnel changes:
 - Craig Pearson has left the district director position in Midland, and will continue to work for the RRC on a project/part-time basis
 - Jeff Morgan, former Assistant District Director under Pearson, was named the District Director
 - Lori Wrotenbery was named Executive Director of IOGCC in Oklahoma City, and is resigning from Oil and Gas Division Director effective in July.
 - Wei Wang was named Executive Director of the Commission.
- PBPA hosted an event on June 14 with the Pecos City Chamber of Commerce and McDonald Observatory. This outreach is part of PBPA’s commitment to preserve the dark skies necessary for the observatory’s research. Approximately 50 people attended, mostly from Pecos and Reeves County and the Chamber of Commerce. PBPA’s dark skies efforts were highlighted.

New Mexico

- The new Horizontal Drilling rule is now in effect! This rule makes dual lease line spacing, or standoff, acceptable by rule. The spacing in NM now mirrors the spacing in most of the Texas horizontal fields. Additional changes include overlapping horizontal spacing units, elimination of the stranded acreage concerns in horizontal development, and allowable equal to a well's productive capability. PBPA had a seat at this table, and this new rule is a huge accomplishment for the industry and for PBPA.
- Spill rule: The hearing to implement a saltwater cleanup rule was held in June. Industry has supported this effort to formalize a cleanup standard, rather than allowing the OCD to create cleanup standards on an ad-hoc basis. This rule should go into effect in the next few weeks.
- The EMNRD Forestry Division issued a fire restrictions order on May 30. This order may affect flaring operations and provided specific conditions that flaring will be allowed..
- RPC members were advised of a new OCD disposal well review process. If any operators have disposal permit applications with volumes at or above 25,000 BWPD, they will likely be asked to provide additional notice and data. The OCD is concerned about potential for induced seismic, and the effects of high volume injection wells on surrounding wells.
- NM SLO is modifying existing surface ROWs and disposal agreements to reflect a change in rates. Currently, SLO is classifying SWD agreements based on Tier 1 (where operation of the SWD is not the grantee's primary business, such as a lease disposal well) and Tier 2 (where the operation is for profit, such as a commercial or community SWD). The annual rent and disposal royalty are going to 11 cents/bbl for Tier 2 and 5 cents/bbl for Tier 1, with an easement cost going from \$2000 to \$10,000 annually.

Bureau of Land Management

- Hydraulic Fracturing BLM Rule: The rule was formally rescinded at the end of 2017.
- BLM issued a Temporary Pipeline procedure for temporary water lines on federal surface. The policy is detailed and specifies that those in trespass, without a permit, will be required to remedy the trespass issue before additional permits are issued. A template for this application was distributed to RPC members.
- A federal judge issued a temporary stay on April 4th against implementation of the Bureau of Land Management (BLM) 2016 methane waste rules for the oil and gas industry, which imposed new standards for venting and flaring activities on federal lands. Wyoming federal judge Scott Skavdahl did not rule on the merits of the regulation at this time, but did resolve that a stay will provide certainty and stability for the regulated community and the general public while BLM completes its rulemaking process to change the policy.
- The Carlsbad Resource Management Plan is still pending. This document will govern operations on the Federal Land under the Carlsbad office for the next 20-30 years. The work group and its consultants are geared up for the release of this document which is reported to be around 1000 pages. Upon release we anticipate significant impact to the O&G industry and will recommend a subcommittee be formed to evaluate and comment on the RMP.

Endangered Species Act

- At each RPC meeting, Stephen Robertson updates the RPC on PBPA's ESA efforts and changes in the status of ESAs in our area. These updates include the lesser prairie chicken, dune sagebrush lizard, and the Texas hornshell mussel.
- Of particular concern is the dune sagebrush lizard and the Texas conservation plan, in light of the petition to list the lizard as endangered. Stephen provided an update of the petition status and the effort to update the range maps.