

# COMMITTEE REPORT

## REGULATORY PRACTICES COMMITTEE

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The Permian Basin Petroleum Association's Regulatory Practices Committee meets on the third Tuesday of each month. Meetings have been held monthly this quarter. Meetings are held in person with a Zoom participation option available.

### TEXAS

#### Texas Railroad Commission:

**UIC Issues:** PBPA continues to lead the Trades' cooperative effort to simplify the Commission's interpretation and processing rules for MIT tests, UIC applications, and associated filings. A final policy and procedure memo was received from the RRC, solving most of the issues members were experiencing.

**Rule 32 and Flaring Issues:** Several operators have reached out regarding problems in obtaining flaring permits. The issues tend to data requirements and documentation. Sometimes data requests are very specific and not necessarily as the rule requires, and backup data is questioned. If you are having issues of this nature, please let us know. PBPA worked with several other trades in solving these problems for the membership.

**SWR 65 Critical Infrastructure Rule:** Pursuant to the adoption of Rule 3.65, the Commission's deadline for filing Critical Infrastructure (CI) designations or exemptions was January 15, 2022. While many sought exemption through the filing of Form CI-X, the vast majority of exemptions were generally denied under a limited review by the Critical Infrastructure Division. At this time operators have had the opportunity to request a hearing or resubmit a modified CI-X and CI-D. PBPA has worked with the Commission to better understand the rationale for this situation and recognize the challenges this has created for operators large and small across the state. Currently the Commission is assisting PUC and ERCOT with the Texas Electricity Supply Chain Map which should be completed in the coming weeks. After this is finished, the Commission will implement rulemaking for the new weatherization rules and PBPA is staying involved in the process and will participate in the rulemaking.

**Statewide Rule 8:** We hear that the Commission is considering revising Statewide Rule 8, which applies to waste, disposal, pits, and other environmental issues. This is not confirmed but believed to be accurate.

#### **Seismic Update:**

- **Gardendale Seismic Response Area (SRA):** The commission in December withdrew injection authority on deep disposal wells in this SRA. Operators are in a rush to permit or amend permits to allow more San Andres disposal, moving from Ellenburger. An area wide Operator Lead Response Plan (OLRP) is being worked on.
- **North Reeves-Culberson SRA:** On March 1, the Commission approved the first OLRP in Texas submitted by the operator group in this area. The plan phases in over the first year, sets standards for additional wells, allows installation of monitoring stations for volume bonuses, and otherwise allows operators to continue disposing while reducing pressure on deep disposal. A significant event, M4.5+, was recorded in this area in March but does not affect the operators as the plan is not in effect, yet.
- **Stanton SRA:** The commission established a new SRA in northern Martin County. This area experienced a M4.2 event on the last day of December. There are 72 SWDs in this area. Industry has 90 days to develop a plan of action.

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## REGULATORY PRACTICES COMMITTEE CONTINUED

### **Texas Commission on Environmental Quality**

**Air Quality Monitoring:** PBPA is receiving frequent notices from TCEQ about H<sub>2</sub>S and SO<sub>2</sub> exceedances and different Midland and Ector monitoring stations. Again, if you see a notice, please ensure your nearby production is not venting or leaking.

### **University Lands:**

**University Lands announces new CEO:** William “Billy” Murphy, Jr., vice president and executive officer of King Ranch, Inc., will be the new CEO of University Lands starting early February. At King Ranch, he managed the sustained development of roughly 1 million acres that includes the largest privately owned surface and mineral operation in Texas.

## **NEW MEXICO**

### **Oil Conservation Division**

**C-115B Waste Rule Compliance:** Per OCD notice dated November 29, 2021, vented and flared gas volumes are to be reported monthly starting April 2022.

**Oil Conservation Division Administrative Penalties:** The Division is levying significant administrative penalties for paperwork violations and late filing. Several Midland-based operators have been on the receiving end of the Division’s new penalty powers.

### **EMNRD:**

**Draft Climate Bill** – A bill was circulated January 12th that is an attempt to satisfy the Governor’s climate goals that she announced at the New Mexico Climate Summit. The rules would:

- Establishing greenhouse gas emission targets in state statute, as follows:
  - 50% below 2005 levels by 2030; and,
  - net-zero emissions by 2050 and beyond. In addition to requiring all direct emissions to be fully offset in 2050 and beyond, the draft statute also caps such emissions at 10% of 2005 levels to provide a check on absolute emissions to ensure they do not increase just because they are offset.
- Annual reporting requirements from state agencies and entities across state government on emissions and emission reduction activities, including the impacts of climate change on disproportionately impacted communities.
- Annual reporting from EMNRD and NMED on the state’s progress toward meeting the greenhouse gas emissions limits established in the act, prioritizing coordination with and consideration of environmental and economic progress for, and the avoidance of impacts to, disproportionately impacted communities. The report must contain an inventory of statewide greenhouse gas emissions using best available data and progress toward achieving the limits.
- Requiring agencies to evaluate and identify annually whether additional policies and strategies to reduce emissions, such as energy efficiency opportunities for low-income households, are necessary.
- A requirement that NMED petition the Environmental Improvement Board no later than June 30, 2025 to promulgate rules to reduce greenhouse gas emissions from sources subject to the Air Quality Control Act.

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## REGULATORY PRACTICES COMMITTEE CONTINUED

### **Environment Department**

**Ozone Precursor Rule:** The Environment Department passed a new rule, to go into effect this spring, to address ozone precursors and their elimination and monitoring. PBPA is following this matter and has made comments. These rules exceed federal rules at this time.

### **Federal**

### **Department of the Interior - Bureau of Land Management**

**Moratorium on Drilling/Leasing** – The BLM has announced it is allowing some leasing activity to occur, with additional and new requirements including an increased royalty rate.

**Greenhouse Gas Review:** On Friday, October 29, 2021, the U.S. Bureau of Land Management (BLM) announced it will assess the potential greenhouse gas emissions from acreage it plans to lease for oil and gas drilling starting in early 2022. This emissions review will consider the “social cost of greenhouse gases,” analyzing how potential development would affect air and water quality, wildlife habitat and nearby communities.

### **Environmental Protection Agency**

**The US Supreme Court** has taken up a case filed by West Virginia and 18 other states to determine whether or not the EPA has the authority to regulate carbon emissions from power plants. The issue is how much authority federal agencies have to regulate absent specific guidance in a law passed by Congress. This suit resulted from the Obama era Clean Power Plan that was blocked by the Supreme Court.

**Methane Emissions:** On November 2, 2021, the Environmental Protection Agency (EPA) announced new proposed rules regarding methane emissions that will impact both new and existing oil and natural gas facilities. The public will have 60 days to provide comment on these proposed rules once they are published in the Federal Register, which has not occurred yet but is expected in the immediate future. EPA intends to issue the proposal in 2022, and to issue a final rule before the end of 2022.

**Texas Attorney General Ken Paxton** is leading a 14-state coalition challenging the Biden Administration’s Environmental Protection Agency (EPA) regulations on vehicle emissions. Paxton said Biden’s bureaucratic decrees micromanage cars’ and trucks’ greenhouse gas emissions, which exceeds the EPA’s authority and violates the Constitution’s separation-of-powers principles. The new rule seeks to promote the Biden Administration’s radical climate change agenda by promoting electric vehicle usage over fossil fuels. If left in place, the regulations will impose major economic harms by stressing electric grid and decreasing the need for gasoline by billions of gallons, effectively harming Texas’s energy industry. The suit was filed on March 1, 2022.