

COMMITTEE REPORTS

REGULATORY PRACTICES COMMITTEE

Mark Henkhaus, Permian Regulatory Solutions PLLC and
Jimmy Carlile, Fasken Oil & Ranch

The Permian Basin Petroleum Association's 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, SHOC Committee, the new Air Quality workgroup, and from PBPA staff. This coordination and the 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. Both Texas and New Mexico have issued guidance on the COVID-19 changes brought on by closing offices and reducing public exposure. Texas has announced extended deadlines and compliance dates in some cases. Both states continue to carry on business on an on-line basis from staff's homes.

TEXAS

Rule 40 Rulemaking: Rule 40 has been finalized! After three years of effort, the Commission approved the revisions to Rule 40 on February 11, effective March 3. The Committee appreciates the support given by members of the committee and PBPA for this huge accomplishment.

Completions Reminder: Jeffery Morgan, Midland District Director, again asked the RCP to pass on to operators with wells drilled, but not completed should make sure they are current and not delinquent.

RRC Lubbock District 8A office is open and running. This will be a sub-office of the Midland office and will assume the responsibilities from Abilene that were transferred to Abilene a couple years ago.

H-5 pressure tests can now be filed on-line.

Flaring and the issuance of flaring permits is becoming a Big Deal with the RRC. The message we are hearing is that flaring should no longer be considered approved automatically, and that flaring after a new drill, in cases where there is no pipeline in place, will likely be denied. This is an evolving and changing policy so please be aware.

TCEQ has contracted for additional FLIR flights over the Permian Basin to detect emissions from oil and gas facilities starting March 16.

NEW MEXICO

OCD Visitor Policy: The Division has issued a policy that visitors to the Division must have an appointment in order to see staff.

OCD New Administrative Penalty Rules: The Division, at a hearing January 2, 2020, approved rules making the administrative penalties authorized in the last session effective.

Methane Advisory Panel (MAP): this group is in action, and PBPA formally commented on their draft technical report. Over the next year or two this group will likely shape New Mexico's approach to methane emissions management.

The NMED issued a news release on January 14 outlining their ongoing FLIR camera work. They have created a methane map showing problems they have identified. Flyovers were conducted in Sept and October, 2019.

OCD Changes in Commingling Approval: OCD has informally announced that no longer will commingling applications be processed and orders granted unless communitization agreements have been completely signed and approved.

Ground Water Protection Council analyzed OCD's UIC program and found OCD needed additional resources

COMMITTEE REPORTS

REGULATORY PRACTICES COMMITTEE CONTINUED

and staff. UIC permits increased from 111 in 2015 to 538 in 2019.

OCD Hearings Guidelines and Compulsory Pooling Applications: Effective January 23, 2020, OCD requires the application to be submitted at the hearing as part of the hearing exhibits. OCD will dismiss or continue the hearing if there is a lack of evidence of published notice or the compulsory pooling application checklist is missing.

OCD's reorganization is taking more time than expected. Staffing continues to be the biggest hurdle, but OCD reports they are down to a 30% shortage in workforce from 65%.

Pore space issue is waiting on a case before the Oil Conservation Commission (OCC). That case is currently scheduled to be heard in April. The Oil Conservation Division approved an SWD permit over the objection of the SLO (potential pore space violation under SLO land), and SLO requested an OCC hearing to try and reverse that decision.

FEDERAL GOVERNMENT

The federal issues continue to affect operations. RPC members have received information on these topics and issues:

- o EPA OOOOa proposed changes
- o Withdrawal of WOTUS rule and restoration of the pre-Obama rule
- o Changes in ESA interpretation
- o Update on the Carlsbad Resource Management Plan
- o BLM's upcoming attempt to revise the NM spill rule on federal lands
- o ROW bonding issues

BLM Outreach Meeting: Carlsbad BLM has hosted meetings with industry to develop plans on illegal dumping. This plan includes a cooperative approach with agencies, industry, and the public. Per BLM, venting and flaring may be allowed if pipeline capacity is not adequate without charging a royalty.

BLM has published an Archeological Fee Schedule applicable to all federal lands.

Carlsbad Resource Management Plan is still a no show. No date on when it will be released.

Waters of the United States (WOTUS) is now Navigable Waters Protection Rule. The EPA announced the replacement of the former WOTUS rule that significantly reduces federal jurisdiction over streams and wetlands. This rule uses the Supreme Court's ruling in the Rapanos decision as its model.