



# Presentation to Legislative Finance Committee

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NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

NEW MEXICO ENVIRONMENT DEPARTMENT

October 28, 2020

# Developing New Mexico's Methane Strategy

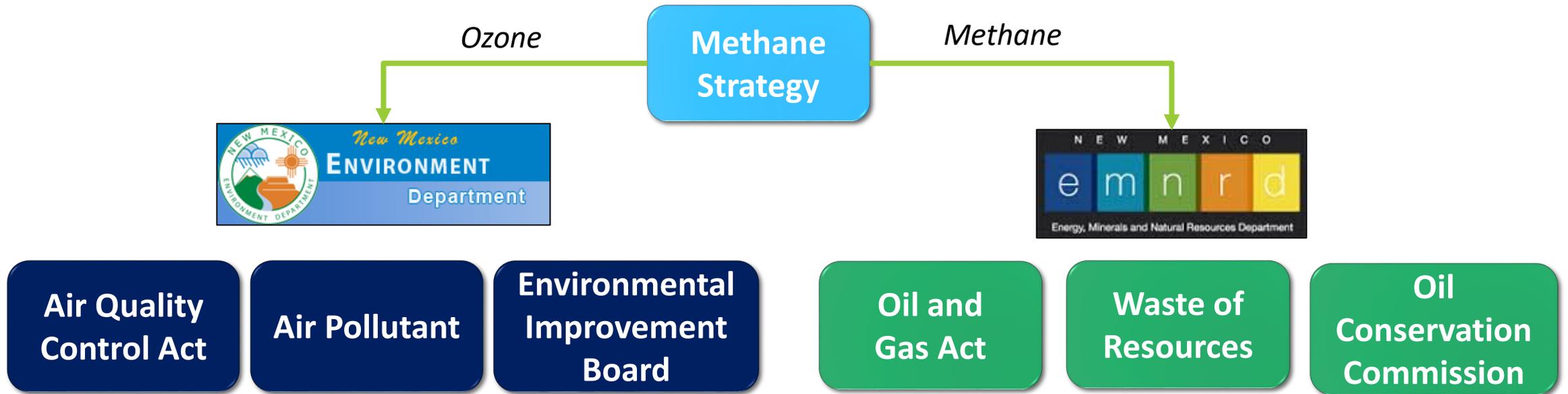
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***“EMNRD and NMED shall jointly develop a statewide, enforceable regulatory framework to secure reductions in oil and gas sector methane emissions and to prevent waste from new and existing sources and enact such rules as soon as practicable.”***

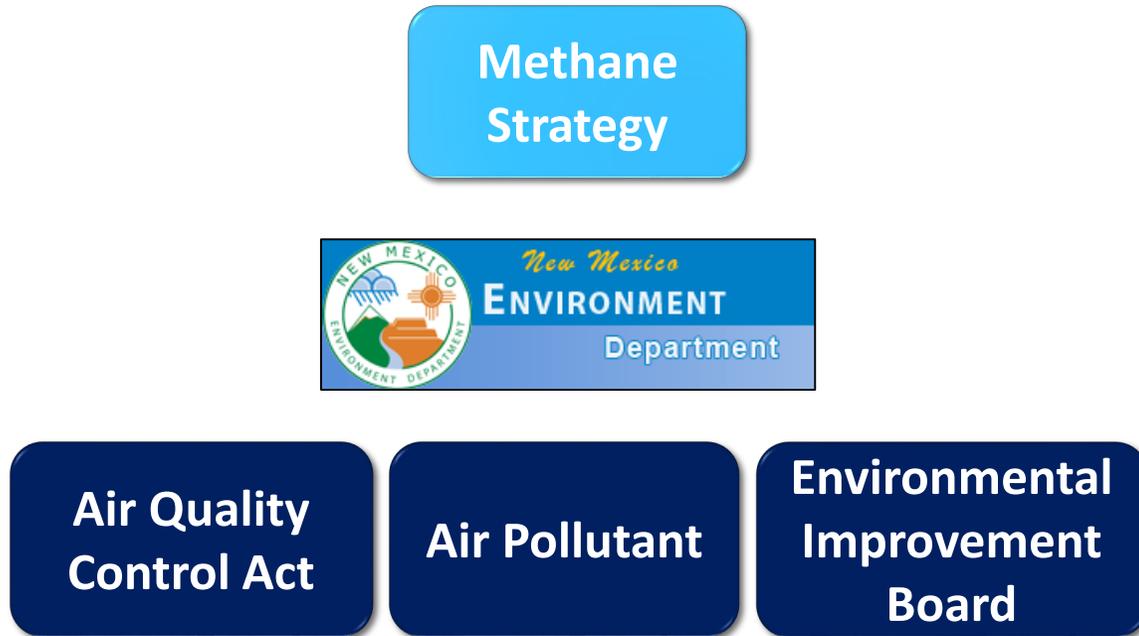
- Governor Michelle Lujan Grisham

# Developing New Mexico's Methane Strategy



# Developing New Mexico's Methane Strategy

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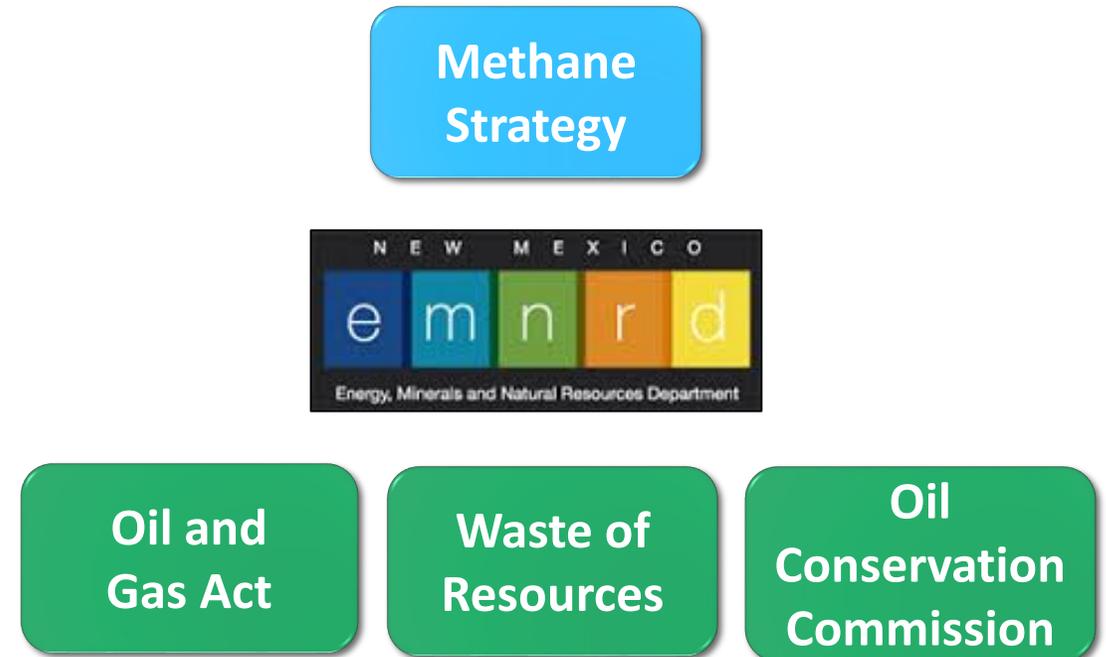


- The New Mexico Environment Department will regulate methane/VOC emissions from oil and natural gas operations.
- The Air Quality Control Act provides the legal authority for regulating ozone precursors.
- Proposed rules are reviewed and adopted through the Environmental Improvement Board.

# Developing New Mexico's Methane Strategy

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- The New Mexico Energy, Minerals and Natural Resources Department will regulate to prevent the waste of methane from oil and natural operations.
- The Oil and Gas Act provides the legal authority.
- Proposed rules are reviewed and adopted through the Oil Conservation Commission.



# Developing the Rules

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**Science:** Using the best available science to inform our decision-making in protecting public health, the environment and minimizing waste.



**Innovation:** Employing creative engineering and technological solutions to address the public health, environmental and waste challenges.

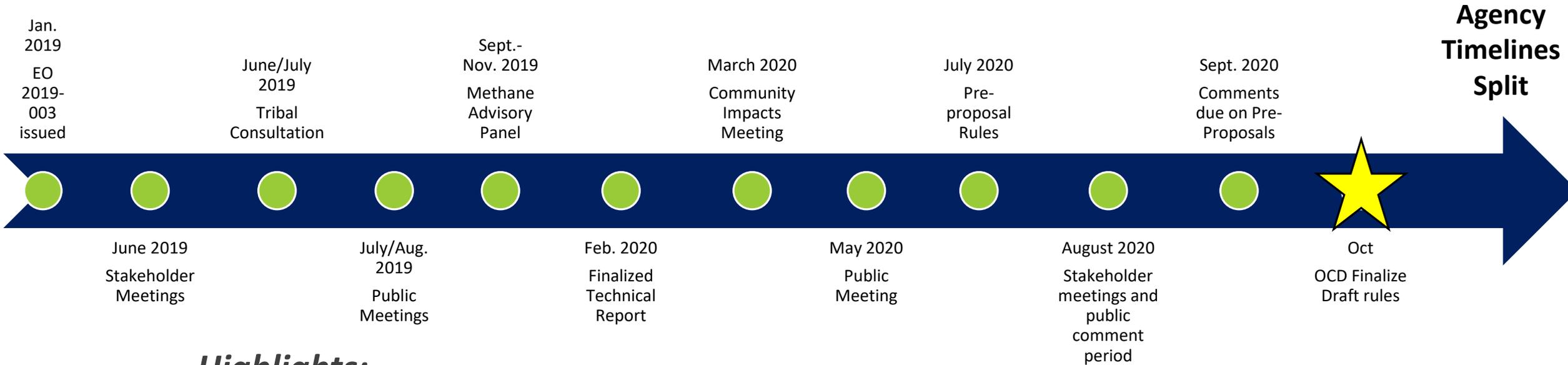


**Collaboration:** Engaging communities and interested stakeholders in our methane strategy decision-making.



**Compliance:** Ensuring meaningful compliance with state regulations and permits.

# New Mexico's Methane Strategy Timeline to Date

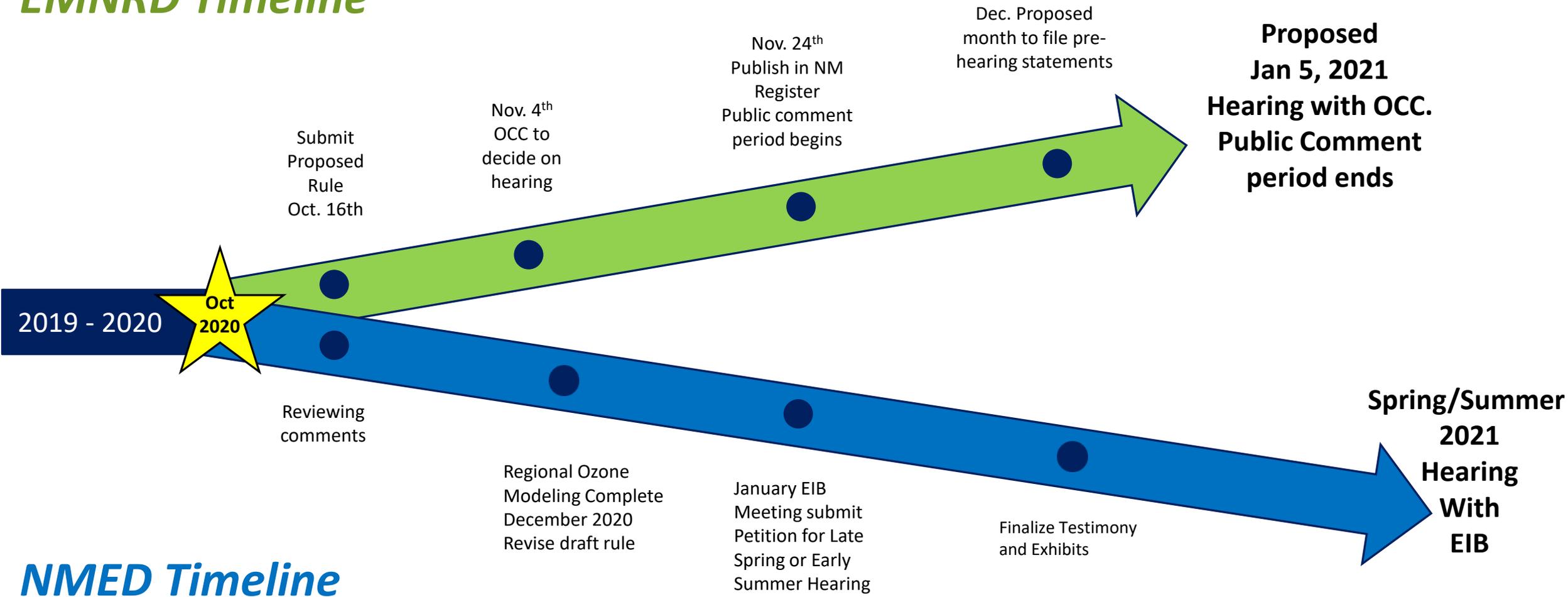


## Highlights:

- Robust stakeholder engagement throughout the past 1.5 years including:
  - Methane Advisory Panel
  - Stakeholder meetings throughout draft process
  - Extended stakeholder comment period
- Highly integrated agency interaction to produce complementary draft rules

# New Mexico's Methane Strategy Point Forward Timeline

## EMNRD Timeline



## NMED Timeline

# NMED Draft Rule Summary

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# NMED Draft Ozone Precursor Rules

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- Statute requires the EIB to adopt regulations to control emissions of ozone precursors in areas of the state that exceed 95% of the ozone National Ambient Air Quality Standard (70 ppb)
- Seven counties exceed 95% of the standard, five counties in the San Juan and Permian Basins
- Preliminary draft was released for public review input in advance
- Public and stakeholders provided feedback during the initial public input period, including feedback on the proposed language

# NMED Draft Ozone Precursor Rules

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- Hydrocarbon liquid loading/unloading: Control of VOC emissions from new and existing sources. Current requirements are zero control; rule requires 95% control
- Pig launching/receiving: Reductions of VOC emissions from new and existing sources. Current requirements are zero control; rule requires 95% control
- Glycol dehydrators: Control of VOC emissions from new and existing sources; more stringent than current state or federal standards
- Engines: Reduction in NO<sub>x</sub> and VOC emissions from new and existing sources
- Equipment leaks: Control of VOC emissions from new and existing sources
- Heaters: Reduction of NO<sub>x</sub> emissions from existing sources.

# NMED Draft Ozone Precursor Rules

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- Storage tanks: Control of VOC emissions from new and existing sources with a potential to emit greater than 2 tons per year
- Well workovers: Reduce VOC emissions from new and existing sources and notification to nearby residents
- Gas well liquids unloading: Reduce VOC emissions from new and existing sources
- Compressor seals: Control of VOC emissions from new and existing sources
- Pneumatic controllers: Control of VOC emissions from new and existing sources with incentives to use low- to no-emission equipment through monitoring, recordkeeping and reporting
- Evaporative ponds: Control of VOC emissions from new and existing sources
- Standards for stripper wells and low emitting facilities: Monitoring of actual oil/gas throughput, emissions tracking for new and existing facilities, and requirements to maintain equipment to prevent emissions

# EMNRD Draft Rule Summary

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# EMNRD Draft Waste Rule – Phase 1 Data and Reporting

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- Phase 1 timeframe: June 2021 - January 1, 2022 to establish initial baseline target, then ongoing reporting
- Accurate data is critical to establishing meaningful baselines and enforceable goals to reduce natural gas waste.
- Data currently being reported is often inconsistent.
- What does Phase 1 include?
  - Defines waste to include gas that is vented and flared;
  - Requires operators to measure and report all venting and flaring during operations;
  - Requires operators to disclose venting and flaring to mineral interest owners who own a share of the natural gas being wasted;
  - Exempts venting and flaring during specifically defined emergencies;
  - Establishes an enforceable target for Phase 2, which requires operators to reduce natural gas waste

# EMNRD Draft Waste Rule- Phase 2 Gas Capture Plan

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- Starting from the current level of natural gas waste identified in Phase 1, each operator must reduce their waste by a fixed amount each year, in one of two state regions, to achieve a gas capture rate of 98% by December 31, 2026.
- Phase 2 timeframe: January 1, 2022 – December 31, 2026 (to get to 98% Target) then perpetual.
- What does Phase 2 include?
  - Applies to operators in upstream (production) and midstream (gas gathering and boosting) sectors;
  - Includes design standards for gathering pipelines;
  - Allows each operator to decide how it will meet the statewide target, providing flexibility and opportunity for innovation in the industry;
  - Provides flexibility for marginally producing stripper wells regarding inspection timing and retrofiting but does not exempt them from the 98% gas capture;
  - Increases the statewide target each year to reduce natural gas waste over time;
  - Incentivizes methane detection flyovers; and
  - Authorizes enforcement action if operators do not meet the gas capture targets:
    - Operators may be forced to cut back on production or shut in wells.
    - Establishes new drilling permit approval criteria based on meeting gas capture targets, operators must demonstrate compliance or be at risk of not receiving new permit approval.

# EMNRD High-Level Changes Since July 2020 Draft

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- **GAS CAPTURE:** Regional Gas Capture operator targets vs. Statewide targets
- **REPORTING:** Streamlined form reporting and set thresholds for form submittal while still requiring data capture as part of larger reporting structure; reduced reporting categories
- **ALARM:** Removal of credit for disclosure of leak of another operator; extended time limit of credit and increased amount
- **GAS MANAGEMENT PLAN:** Simplified submission of Gas Management Plan when operators are meeting targets
- **PIPELINES:** Removed regulating language that would have been preempted by federal law

# Location of Proposed Rules & Contacts

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NMED's original Draft Rule is available here:

<https://www.env.nm.gov/new-mexico-methane-strategy/public-participation/>

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EMNRD's proposed Draft Rule released October 15<sup>th</sup> is available here:

<http://www.emnrd.state.nm.us/OCD/rules.html>

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