



Presentation to Legislative Finance Committee

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
NEW MEXICO ENVIRONMENT DEPARTMENT

October 28, 2020

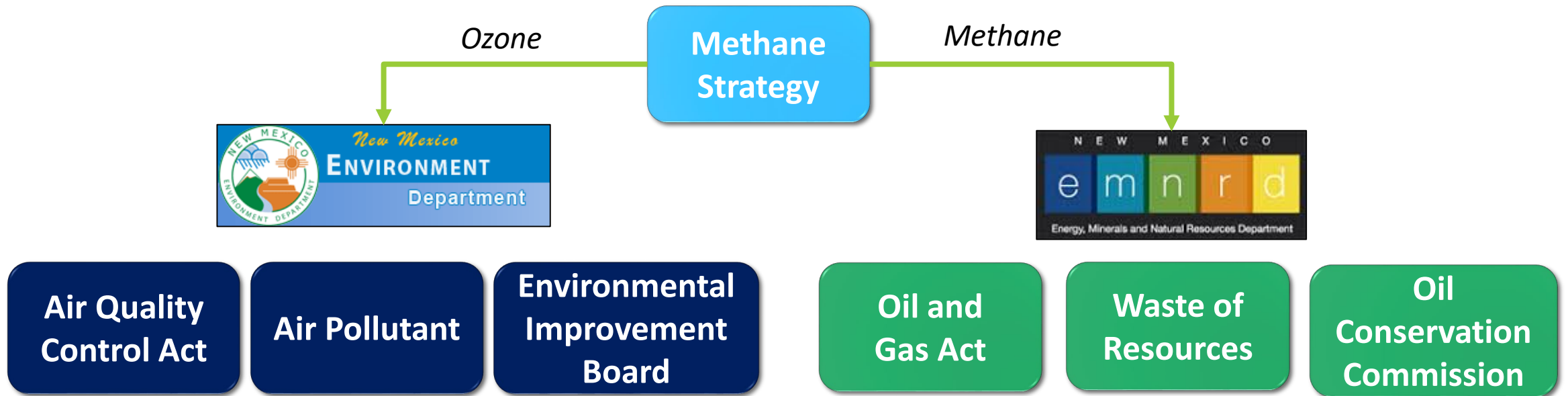
Developing New Mexico's Methane Strategy



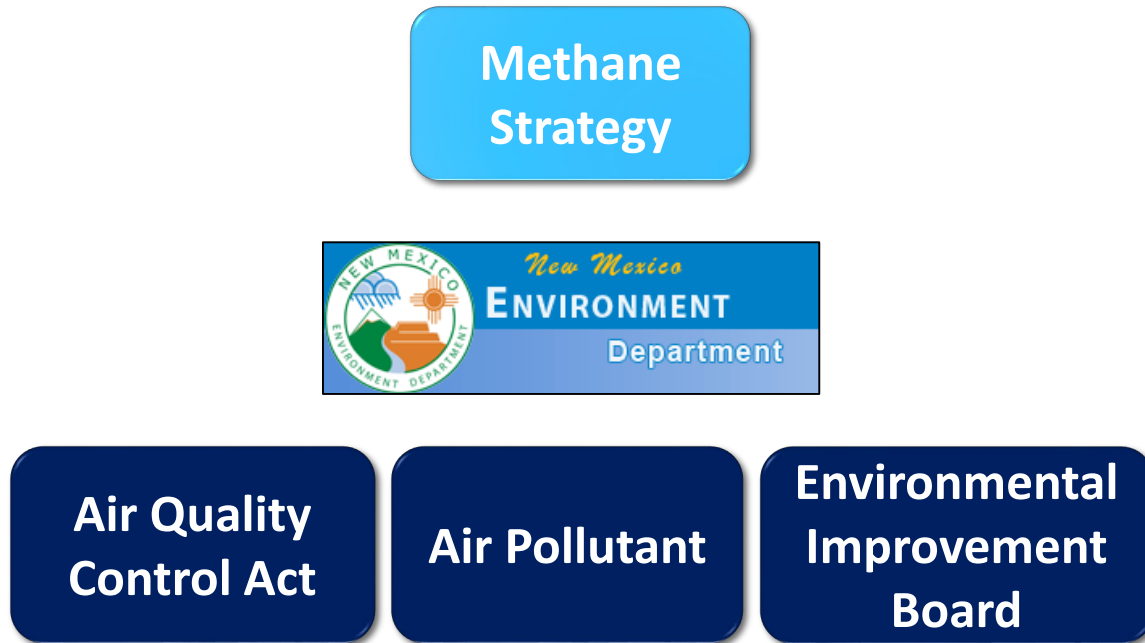
“EMNRD and NMED shall jointly develop a statewide, enforceable regulatory framework to secure reductions in oil and gas sector methane emissions and to prevent waste from new and existing sources and enact such rules as soon as practicable.”

- Governor Michelle Lujan Grisham

Developing New Mexico's Methane Strategy



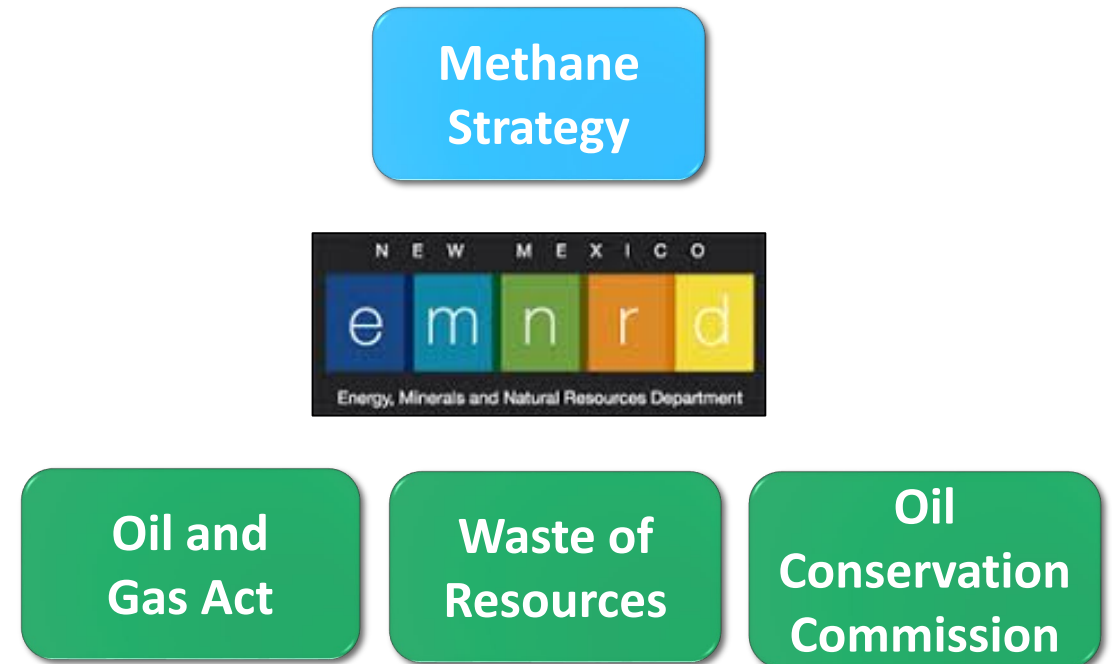
Developing New Mexico's Methane Strategy



- 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

- 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



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.

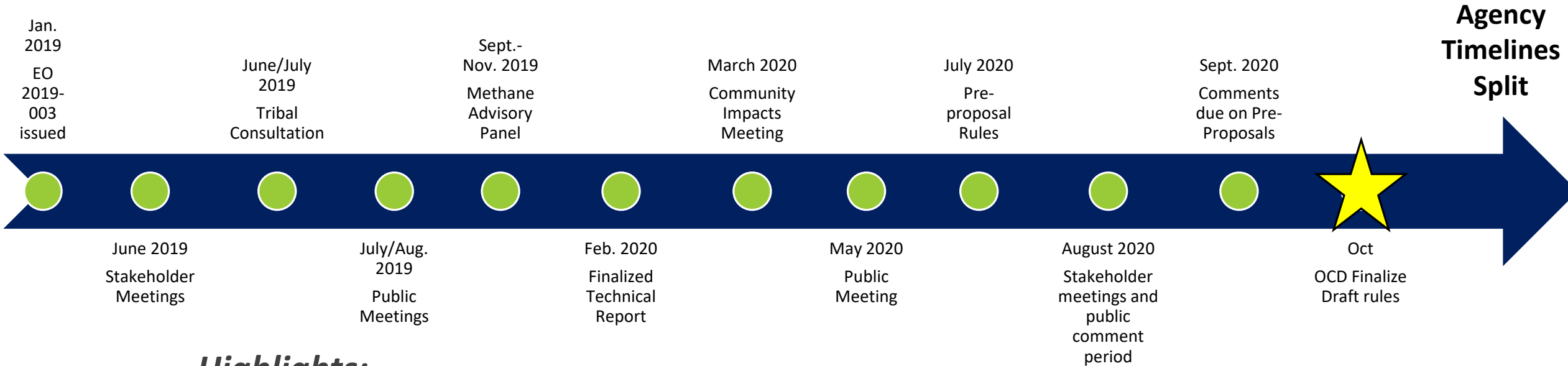


Collaboration: Engaging communities and interested stakeholders in our methane strategy decision-making.



Compliance: Ensuring meaningful compliance with state regulations and permits.

New Mexico's Methane Strategy Timeline to Date

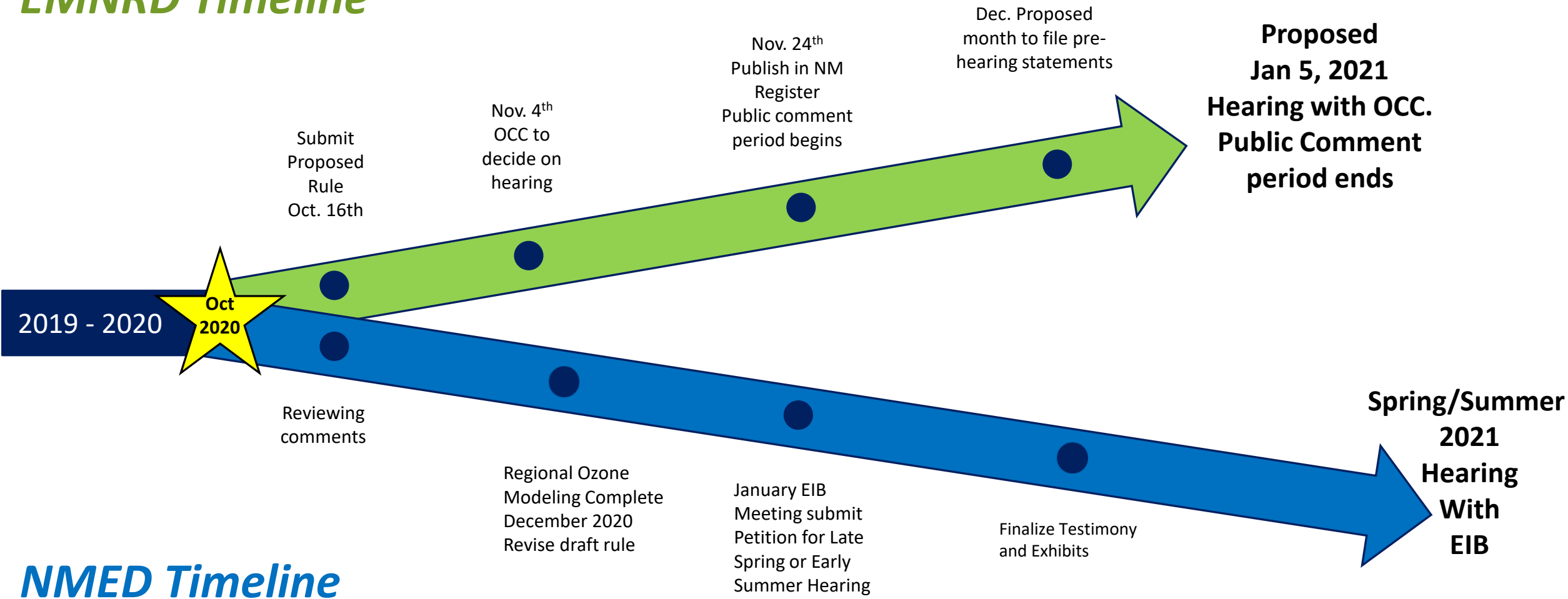


Highlights:

- 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

NMED Draft Ozone Precursor Rules

- 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

- 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_x and VOC emissions from new and existing sources
- Equipment leaks: Control of VOC emissions from new and existing sources
- Heaters: Reduction of NO_x emissions from existing sources.

NMED Draft Ozone Precursor Rules

- 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

EMNRD Draft Waste Rule – Phase 1 Data and Reporting

- 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

- 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 retrofitting 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

- **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

NMED's original Draft Rule is available here:

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

For more information: Sandra Ely, Director, Environmental Protection Division, Sandra.Ely@state.nm.us

EMNRD's proposed Draft Rule released October 15th is available here:

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

For more information: Tiffany Polak, Deputy Director, Oil Conservation Division, Tiffany.Polak@state.nm.us