

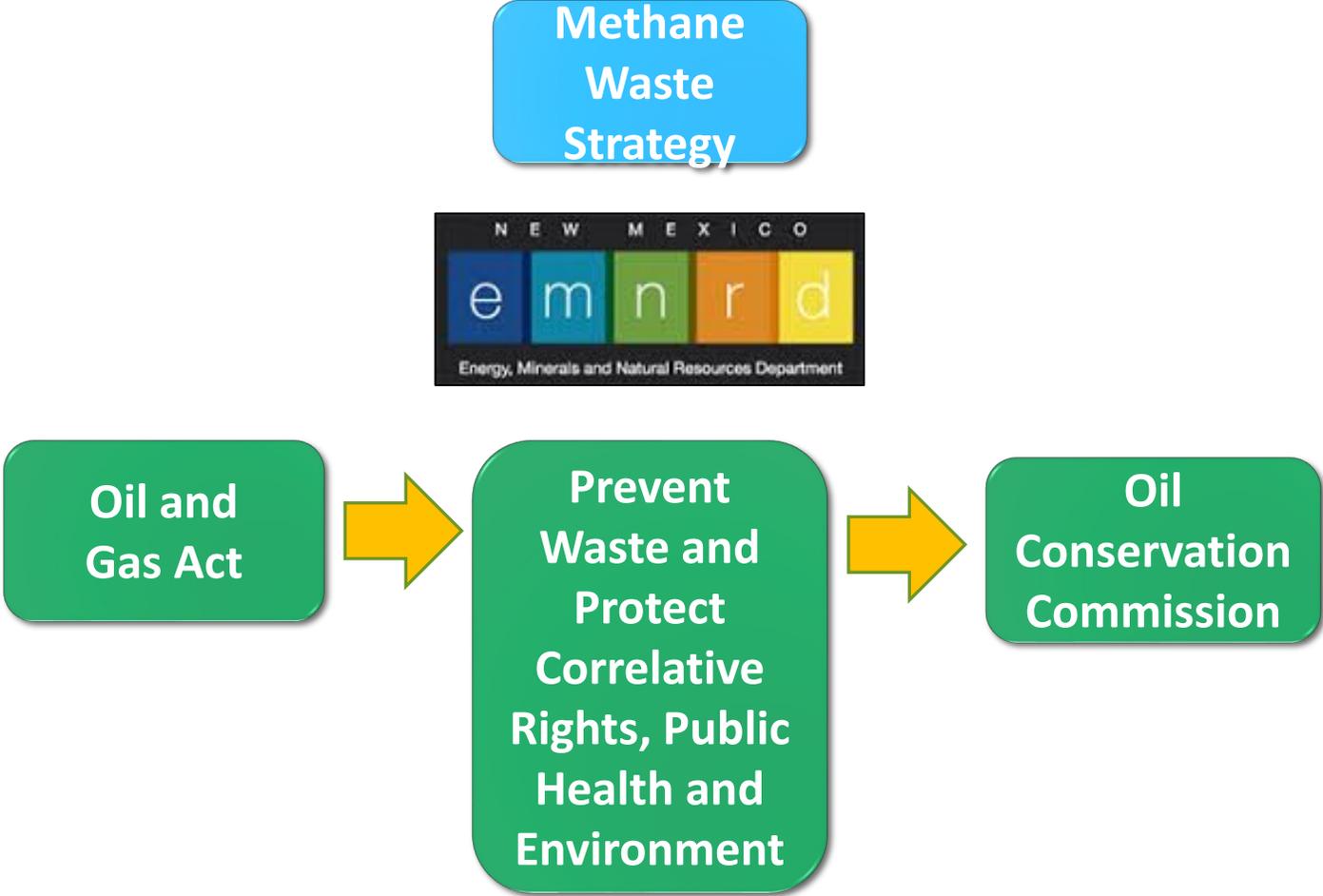
Natural Gas Waste Rule

ADRIENNE SANDOVAL

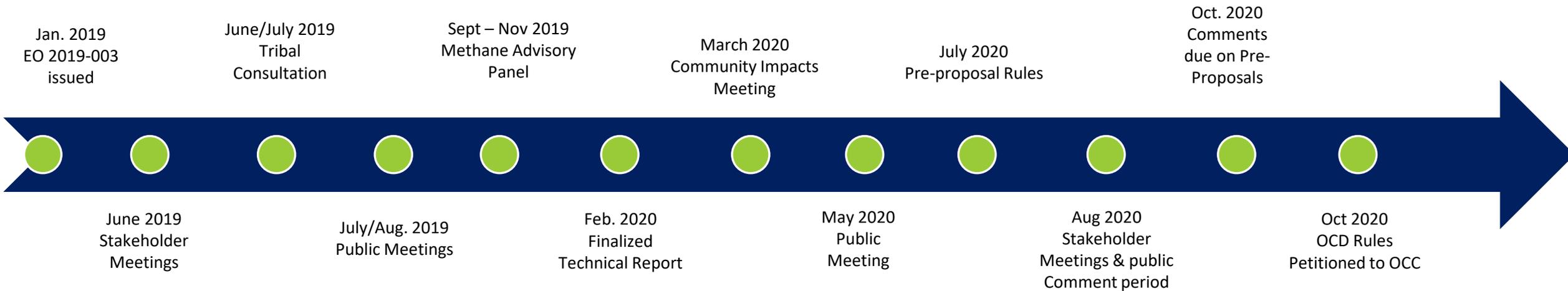
NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

July 2021

OCD Statutory Objectives



Pre-Hearing Stakeholder Engagement Timeline



Highlights:

- Robust stakeholder engagement throughout the past 2 years including:
 - Methane Advisory Panel
 - Public and Stakeholder meetings throughout draft process
 - Extended stakeholder comment period
- Highly integrated agency interaction to produce complementary draft rules

Methane Advisory Panel (MAP)

DESCRIPTION : Joint EMNRD and NMED led panel comprising a cross section of stakeholders and technical experts who discussed technical issues related to capturing methane.

WHO: 27 member team representing wide breadth of stakeholders.

WHEN: Sept – Nov 2019; Draft Report put out for public comment. Final Report issued Feb 2020

RESULTS: Technical background report related to specific oil and natural gas equipment and processes for consideration in moving forward with an enforceable methane regulatory strategy.

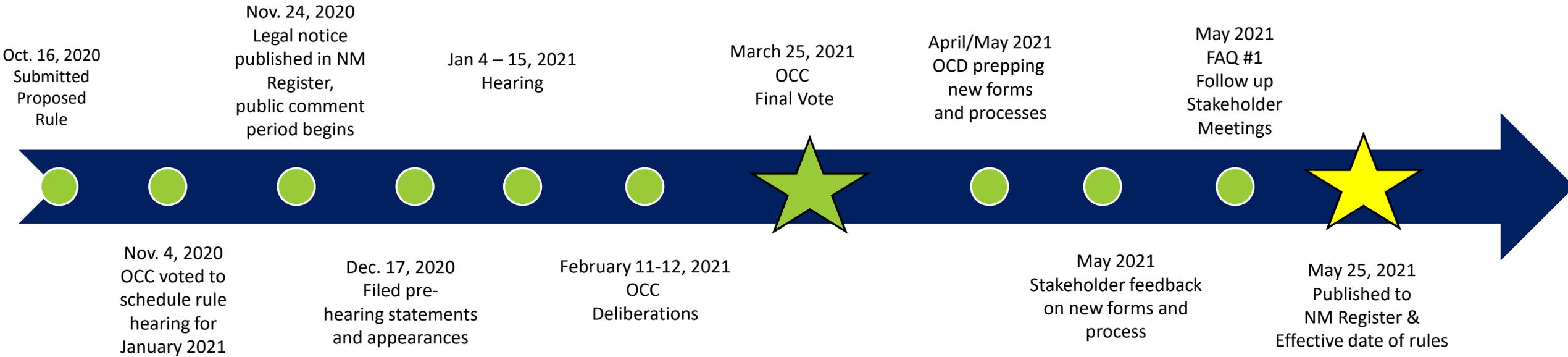
Representatives on the MAP

Aztec Well Services
Bio-cultural diversity/Healthy indigenous community's advocate
Center for Civic Policy
Chaco Canyon Coalition
Chevron
Conoco Philips
Devon
DJR
Earthworks
Enduring Resources
Environmental Defense Fund
EOG
Epic Energy
Hanson Operating
Hilcorp Energy
Lucid
Marathon Oil
Merrion Oil and Gas Corp
New Mexico Environmental Law Center
Oxy
Private Rancher/Environmental Advocate
San Juan Citizens Alliance
Sierra Club
Stakeholder Participants:
Western Environmental Law
Whiptail Midstream
XTO

Rule Pre-Proposal Stakeholder Engagement

- Rule pre-proposal released on July 20, 2020
- Initial conversations post draft rule release (Aug. 3, 2020 – Sept. 11, 2020)
- Follow up conversations to clarify feedback given in initial meetings (July 27, 2020 – October 1, 2020)
- More than 450 comments received; ~60 unique responses
- Proposed Rules filed with OCC on October 16, 2020
- Follow up conversations to clarify language and intent of proposed rules (Nov. 12, 2020 – Dec. 17, 2020)

Hearing to Effective Date of the Rule



Rule Summary

- Phase 1 – initiates a robust natural gas loss reporting program. Collecting accurate data is critical to establishing meaningful baselines to ensure progress towards establishing enforceable goals to reduce natural gas waste.
- Phase 2 – begins in 2022 and establishes enforceable targets for operators to reduce natural gas waste starting from the level of natural gas waste identified in Phase 1. This phase requires operators to reduce their waste by a fixed amount each year to achieve a gas capture rate of 98% by 12/31/2026. The rule also prohibits routine venting and flaring and regulates upstream (production wells and facilities) and midstream (gas gathering pipelines and boosting facilities) sectors – a unique feature in New Mexico’s rule.

State Regulation Comparison

Here's how New Mexico's new rules stack up against other similar oil-producing states

Rule Specification	New Mexico	North Dakota	Colorado	Oklahoma
Gas capture percentage	98%	91%	No capture percentage, requirements tracked differently in these states	
Regulations for gas gathering pipelines <i>and</i> midstream operations	Yes	No	No	No
Curtailing of production for not meeting targets	Yes	No	No	No
Prohibits routine flaring	Yes	No	Yes	No

Key Effective Dates

Date	Requirement
25-May-21	Effective Date of Parts 27 and 28
23-Aug-21	Midstream Operations Plan and GIS Map of systems take effect.
01-Oct-21	Operators must begin to gather data for quarterly natural gas venting and flaring reports.
15-Feb-22	Deadline to submit Q4 2021 natural gas venting and flaring reports to division.
01-Apr-22	Operators begin collecting monthly natural gas venting and flaring data using new form C-115.
15-May-22	Deadline to submit Q1 2022 natural gas venting and flaring reports to division.
01-Jun-22	Operators first monthly C-115B natural gas venting and flaring report due.
01-Jun-22	Operators must file a copy of form C-115B with the New Mexico State Land Office re: information about venting and flaring on division's website.
2/28/2023 & each subsequent	Operators must file a copy of form C-115B with the New Mexico State Land Office re: information about venting and flaring on division's website.
31-Dec-26	All operators must capture not less than 98% of the natural gas they produce or gather in each of the two reporting areas, one north and one south of the Township 10 North line.

Opportunities for Continued Engagement

- Not required by rule and represent the Division’s commitment to stakeholder engagement
- Ensures the intent of the rule is met while also providing least burden to industry

Form	Stakeholder Release for Feedback	Stakeholder Feedback Deadline	Effective Date
Natural Gas Management Plan	COMPLETED		25-May-21
C-129	COMPLETED		25-May-21
Midstream Report to affected upstream operators	COMPLETED		25-May-21
Midstream Operations Plan 28.8.C(1)	June/July	June/July	23-Aug-21
GIS Mapping Natural Gas Gathering Systems 28.8.9	June/July	June/July	23-Aug-21
Quarterly Reporting	August	September	1-Oct-21
C-115B	October	November	1-Apr-22
ALARM Guidance Document	September	October	1-Jan-22

Resources

➤ Rule Link

- Part 27: Production <http://164.64.110.134/parts/title19/19.015.0027.html>
- Part 28: Midstream <http://164.64.110.134/parts/title19/19.015.0028.html>

➤ Key Notices and FAQs can be found on the OCD announcement page

- www.emnrd.state.nm.us/OCD/announcements.html

■ Email address for additional follow up and questions regarding the rules

- EMNRD.WasteRule@state.nm.us