

New Mexico's Draft Oil and Natural Gas Methane Waste Rule

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

September 2020

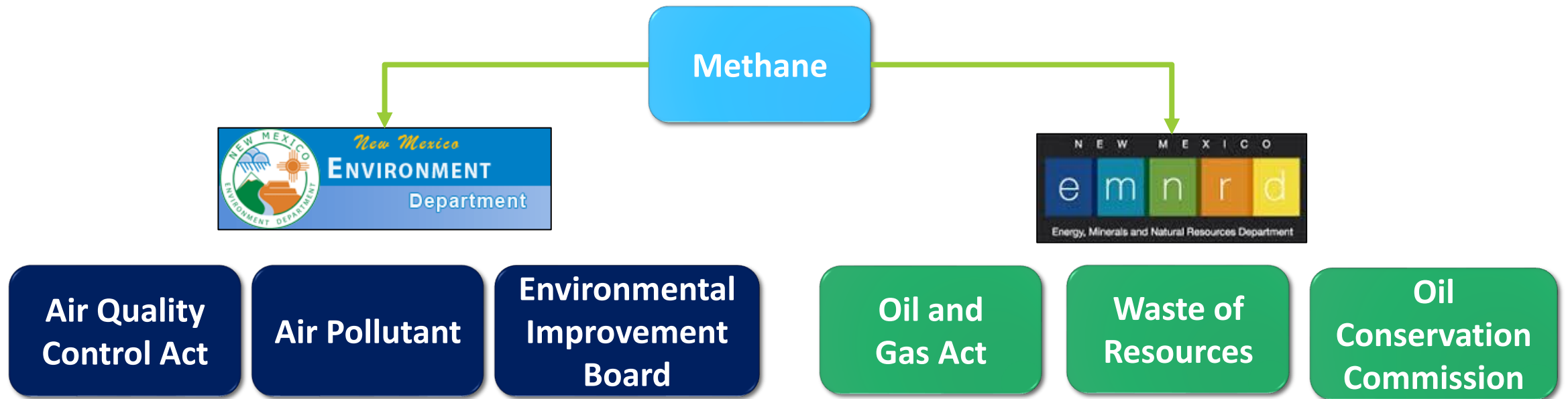
Developing New Mexico's Methane Strategy



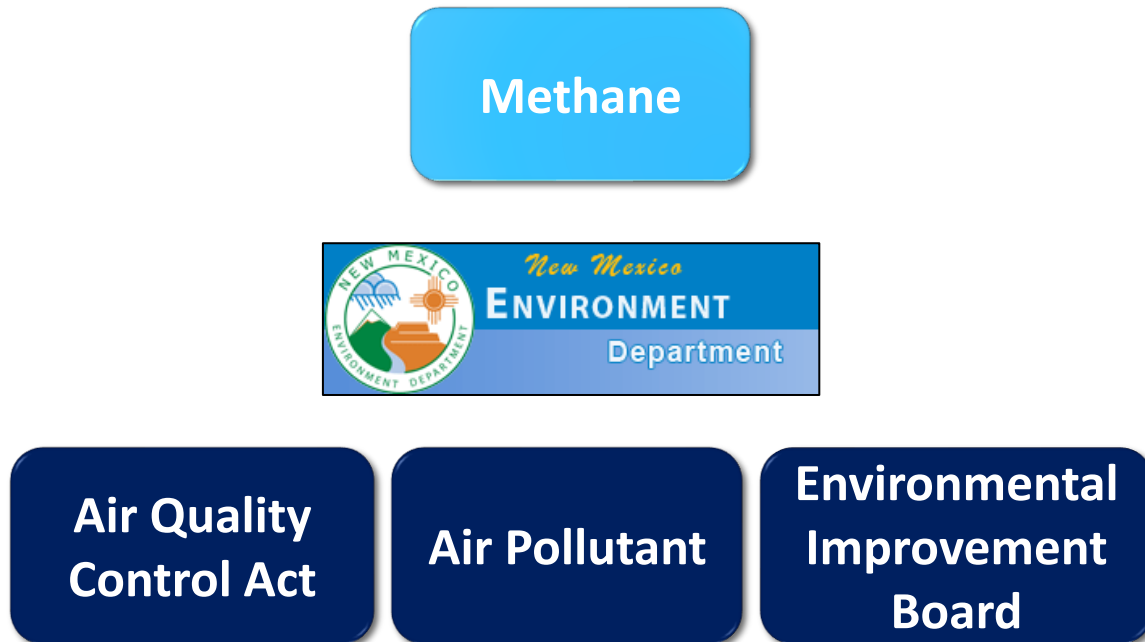
“EMNRD and NMED shall jointly develop a statewide, enforceable regulatory framework to secure reductions in oil and gas sector methane emissions and to prevent waste from new and existing sources and enact such rules as soon as practicable.”

- Governor Michelle Lujan Grisham

Developing New Mexico's Methane Strategy



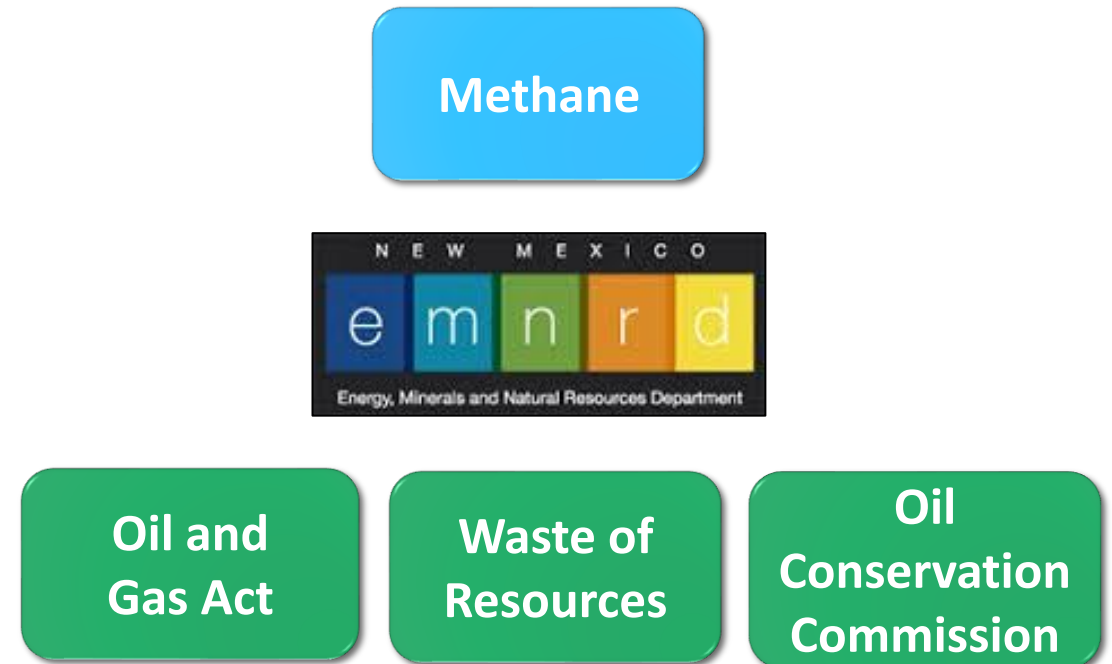
Developing New Mexico's Methane Strategy



- 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.
- 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 Rule



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.

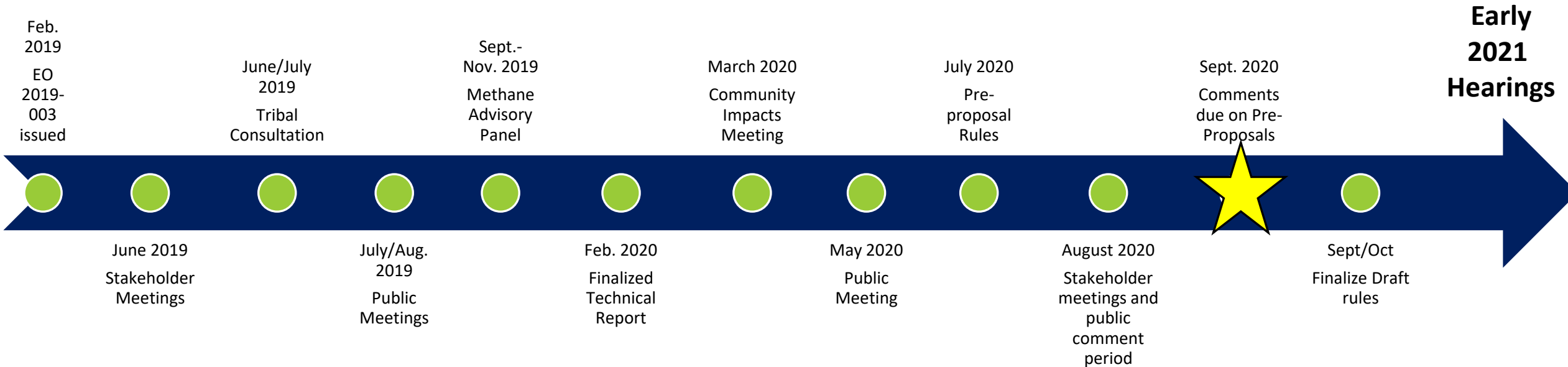


Collaboration: Engaging communities and interested stakeholders in our methane strategy decision-making.



Compliance: Ensuring meaningful compliance with state regulations and permits.

New Mexico's Methane Strategy Timeline



NMED Draft Rule Summary

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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NMED Draft Ozone Precursor Rules

- NMED's enabling statute prohibits the state from directly regulating methane
- 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)
- Currently seven counties exceed 95% of the standard. At least five of those counties are located in the San Juan and Permian Basins
- A preliminary draft was released for public review input in advance of the formal rulemaking petition with the EIB
- We invite the public and stakeholders to provide us with feedback during this initial public input period, including feedback on the proposed language
- Specifically seeking feedback on Alternative Monitoring Strategies (AMS) for to-be developed technology to have an onramp into the rule
- Need feedback on how to ensure AMS are enforceable, effective, and equivalent

NMED Draft Ozone Precursor Rules

NMED's draft rules target oil and gas industry equipment that emits VOCs and NOx. The draft rules establish requirements to reduce VOCs and NOx emissions from several types of equipment and processes:

- Hydrocarbon liquid loading/unloading: Requires control of VOC emissions from new and existing sources. Current requirements are zero control; rule requires 95% control
- Pig launching/receiving: Requires reductions of VOC emissions from new and existing sources. Current requirements are zero control; rule requires 95% control
- Glycol dehydrators: Requires control of VOC emissions from new and existing sources; more stringent than current state or federal standards
- Engines: Requires reduction in NOx and VOC emissions from new and existing sources
- Equipment leaks: Requires control of VOC emissions from new and existing sources
- Heaters: Requires reduction of NOx emissions from existing sources.

NMED Draft Ozone Precursor Rules

NMED's draft rules target oil and gas industry equipment that emits VOCs and NOx. The draft rules establish requirements to reduce VOCs and NOx emissions from several types of equipment and processes:

- Storage tanks: Requires control of VOC emissions from new and existing sources with a potential to emit greater than 2 tons per year
- Well workovers: Requires methods to reduce VOC emissions from new and existing sources and notification to nearby residents
- Gas well liquids unloading: Requires methods to reduce VOC emissions from new and existing sources
- Compressor seals: Requires control of VOC emissions from new and existing sources
- Pneumatic controllers: Requires 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: Requires control of VOC emissions from new and existing sources
- Standards for stripper wells and low emitting facilities: Requires monitoring of actual oil and gas throughput, emissions tracking for new and existing individual facilities and affirmative requirements to maintain equipment to prevent emissions

EMNRD Draft Rule Summary

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EMNRD Draft Waste Rule – Phase 1 Data and Reporting

- Having 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 emergencies;
 - Provides flexibility for stripper wells, which operate on the economic margin; and
 - 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 to achieve a gas capture rate of 98% by December 31, 2026.
- 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;
 - Increases the statewide target each year to reduce natural gas waste over time
 - Incentivizes methane detection flyovers
 - 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 off meeting gas capture targets, operators must demonstrate compliance or be at risk of not receiving new permit approval

How to Submit Comments

Comments on NMED draft rules may be submitted by September 16th to:

nm.oai@state.nm.us

NMED's Draft Rule is available here: <https://www.env.nm.gov/new-mexico-methane-strategy/public-participation/>

Comments on EMNRD draft rules may be submitted by September 16th to:

EMNRD.wasterule@state.nm.us

EMNRD's Draft Rule is available here:

<http://www.emnrd.state.nm.us/OCD/documents/NaturalGasWasteDraftRules-July202020.pdf>

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