



Anticipated Costs of New Federal Rules



Federal Rulemaking Initiatives

- 18 rulemaking initiatives over last 3 years
- Agencies' projected cost ~ \$800 million
- The perfect storm
 - Reduced commodity price
 - Increased compliance costs
- Impacts to New Mexico

Examples of Costly Federal Rulemaking Initiatives

EPA OOOOa / ICR

- OOOOa: limits methane emissions for new or modified oil and gas wells and facilities
- ICR: A two part information collection request for existing oil and gas wells and facilities

BLM Venting and Flaring

- Applies to all federal wells and facilities
- Imposes a flaring limit
- Increases recordkeeping and reporting requirements
- Increases leak detection and repair requirements

BLM Onshore Orders

- OO3: Facility measurement points, site facility diagrams, record keeping, commingling and off-lease measurement
- OO4: Oil Meter technology, measurement documentation, record keeping
- OO5: Gas measurement at production facilities

EPA: OOOOa Requirements

- Institutes performance standards for new or modified oil and gas sources
- Increases Leak Detection and Repair:
 - Leak detection using an OGI camera
 - Operator must perform surveys quarterly
 - If equipment is repaired have 30 days to resurvey
 - Operator must tag or take a digital photo of leaking equipment for recordkeeping
- Burdensome recordkeeping:
 - Submit reports detailing every inspection, repair, survey
 - Maintain logs for each well completion
 - Will cost \$4,000 / facility annually to comply with administrative requirements

EPA: OOOOa Costs

- EPA's projected cost estimate for the Rule:
 - \$250 - \$390 million in 2020
 - \$360 – \$640 million in 2025
- Actual costs and ramifications of the Rule:
 - OGI camera = \$100,000
 - Administrative requirements ~ \$4,000 / new well each year
 - Increases staff hours and training
 - Tagging requirement would apply to all equipment

EPA: Information Collection Request Requirements and Costs

- EPA is seeking to collect additional information about existing emission controls at oil and gas facilities
- Two Parts to Information Collection:
 - Part 1 – Operator Survey
 - Sent to every onshore oil and gas operator
 - Cost = \$700 / facility or \$16,476,182 industry-wide
 - Part 2 – Detailed Facility Survey
 - Sent to a selected number of oil and gas facilities
 - Cost = \$7,000 / facility or \$23,673,312 industry-wide
- Expected to result in another rule from EPA to reach existing wells and facilities
- Another rule will further reduce economic viability of marginal wells

BLM: Venting and Flaring Requirements

- Royalty on flared gas – this is already being paid per NTL-4A approvals
- Waste Minimization Plans:
 - Well identification
 - Map showing pipelines
 - Data about pipeline capacity
 - Projections of prices and volumes
- Leak Detection and Repair:
 - Use of OGI cameras
 - Increased inspections
 - Increased recordkeeping
- 1,800 Mcf / month / well limit for flaring

BLM: Venting and Flaring Costs

- BLM's projected cost estimate for this rule is \$1 – 1.8 million annually
- NMOGA estimates that 10% of production will either be shut-in or plugged throughout New Mexico
- Actual costs and ramifications of the rule:
 - Reduces production to 17 bod
 - Purchase and construction costs for a gas line ~ \$220,000 / mile
 - OGI camera ~ \$100,000 / camera plus operator time and training
 - Thermal gas flowmeters ~ \$5,000 / federal tank battery

BLM: Onshore Order 3: Site Security

- Rule Requirements:
 - Commingling and Off-Lease Measurement Requirements
 - Increased detail for Site Facility Diagrams
 - Apply for Facility Measurement Point designation
 - Expands rule to transporters and purchasers
- BLM's anticipated cost of the rule is \$63.3 million
- Actual costs and ramifications of the rule:
 - New completion requirements will increase cost 15-30%
 - Will require new LACT meters = \$75,000 / meter and installation
 - New commingling requirements may existing cause wells to be plugged

BLM: Onshore Order 4: Oil Measurement

- Rule Requirements:
 - Changes oil tank measurements
 - Decreases the allowed uncertainty levels
 - Dictates metering and measurement requirements
- BLM's anticipated cost of the rule is \$2.1 million + \$558,000 annually
- Actual costs and ramifications of the rule:
 - Meters ~ \$8,000 / tank battery
 - Increases staff hours and training
 - Retroactively applies to all wells

BLM: Onshore Order 5: Gas Measurement

- Rule Requirements:
 - Increases operator inspections
 - Smaller measurement increments
- BLM's own anticipated cost of the rule is \$46 million annually
- Actual costs and ramifications of the rule:
 - To achieve a 1% measurement improvement is \$50,000 / facility
 - Penalty increased to \$10,000 / day

Federal Rulemaking Initiatives will Impact New Mexico

- Rules increase equipment, monitoring, and administrative costs often without significant environmental benefit
- \$50 oil hinders ability to absorb these costs
- Results in operating wells being shut-in or prematurely plugged and abandoned and new wells not drilled
- Limits revenue and taxes for New Mexico

Questions

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Appendix



Proposed Federal Rulemaking and Projected Impacts

TITLE	AGENCY	SYNOPSIS	CURRENT ACTION	PROJECTED COST BY AGENCY
BLM				
Royalty Rate for New Federal Onshore Competitive Oil and Gas Leases	DOI/BLM	Solicits public input on ways BLM could implement regulatory changes concerning royalty rates, rental payments, minimum acceptable bids, bonding requirements and civil penalties	Pre-Rule BLM reviewing solicited comments to issue proposal Notice of proposed rulemaking anticipated	Unknown until Rule is published
Hydraulic Fracturing	DOI/BLM	Provide for public disclosure of chemicals used in hydraulic fracturing on public land, strengthen regulations relating to well-bore integrity and address recovered water issues	Rule published and would have been effective 6/24/15 but the District Court of Wyoming has issued a stay (Civil Case Nos. 15-CV-43-SWS and 15-CV-41-SWS) which is currently in effect	\$32 million annually

Proposed Federal Rulemaking and Projected Impacts

TITLE	AGENCY	SYNOPSIS	CURRENT ACTION	PROJECTED COST BY AGENCY
Venting and Flaring Waste Prevention and Use of Produced Oil and Gas for Beneficial Purposes	DOI/BLM	Establish requirements and incentives to reduce waste of gas through venting, flaring and leaks from onshore wells on lands under Federal or Indian leases and clarify when royalties apply to such gas	Proposed Rule published February 8, 2016 Comment period closed 04/08/16	\$1 - \$1.8 million annually
Onshore Oil and Gas Order 1: Approval of Operations	DOI/BLM	Expand current Order Number 1 requirements for all approvals of proposed oil and gas exploratory, development or service wells on all Federal onshore oil and gas leases to require electric submission of APDs & NOSs	Proposed Rule anticipated Summer 2016	Unknown until Rule is published
Onshore Oil and Gas Order 3: Site Security on Federal Oil and Gas leases	DOI/BLM	Update existing Order to clarify and strengthen Agency security procedures at production facilities on Federal lands; create uniform standards for locating, tracking and reporting facility measurement points; create new reporting requirements for purchasers and transporters; clarify theft and fraud reporting to ensure accurate measurement of and accounting for oil and gas produced	Proposed Rule published 07/13/15 Comment period closed October 2015 Final action anticipated Summer 2016	\$63.3 million

Proposed Federal Rulemaking and Projected Impacts

TITLE	AGENCY	SYNOPSIS	CURRENT ACTION	PROJECTED COST BY AGENCY
Onshore Oil and Gas Order 4: Oil Measurement	DOI/BLM	Update existing Order to reflect technological advances allowing for more accurate measurement and reporting of liquid hydrocarbons	Comment period closed November 2015 Rule anticipated June 2016	\$2.1 million one-time cost, plus \$558,000 annually
Onshore Oil and Gas Order 5: Gas Measurement	DOI/BLM	Update existing Order establishing minimum standards for measuring and reporting gas to reflect technological advances allowing for more accurate measurement, establish minimum standards for areas not currently measured and establish more detailed reporting requirements	Comment period closed November 2015 Rule anticipated June 2016	\$46 million annually
Resource Management Planning **	DOI/BLM	Implement administrative changes to allow the BLM to better plan and respond more readily to local and broader area conditions	Proposed Rule published February 2016. Comment period closed May 2016	Agency assumes no major cost increase
** ASSOCIATED GOVERNMENT UNDERTAKINGS				
Carlsbad RMP		The Reasonably Foreseeable Development Scenario has been updated; have developed "initial affected environment" and "environmental consequences" sections of Draft EIS	Complete proposed RMP anticipated June 2016	Unknown until RMP published

Proposed Federal Rulemaking and Projected Impacts

TITLE	AGENCY	SYNOPSIS	CURRENT ACTION	PROJECTED COST BY AGENCY
FWS				
National Wildlife Refuge System; Oil and Gas Regulations/ Management of Non-Federal Oil & Gas	DOI/FWS	Determine and impose “reasonable controls” on oil or gas operations within a NWRS Unit to prevent or minimize damage, including damage to visitor values and management objectives	Proposed Rule published December 2015 Comments closed February 2016	Cost of Rule is less than \$100 million but will cost industry an additional 17,534 annual hours to comply with its requirements
EPA				
Greenhouse Gas Reporting: Revisions to the Petroleum and Natural Gas Systems Source Category (Methane Omissions from the Oil & Gas Sector)	EPA/AR	Revise Petroleum and Natural Gas Systems source category (Subpart W) to build on existing data collection in the source category to ensure appropriate coverage of the sector and that data collected is representative of industry	Rule finalized October 2015	\$7,190,235 annually

Proposed Federal Rulemaking and Projected Impacts

TITLE	AGENCY	SYNOPSIS	CURRENT ACTION	PROJECTED COST BY AGENCY
Oil & Natural Gas Sector: Emission Standards for New and Modified Sources Sector (OOOOa)	EPA/AR	Further amend the 2012 new source performance standards for the sector via evaluation of emission sources cited in 2014 white papers addressing hydraulically fractured oil wells, leaks, pneumatic devices, compressors and liquids unloading operations, as well as addressing the remaining issues received via reconsideration petitions	Comment period closed December 2015	\$250 - \$390 million in 2020
Information Collection Request (ICR) Regarding Methane Emissions from the Oil & Gas Sector Existing Sources	EPA/AR	<p>The ICR is the first step towards establishing emissions regulations for existing oil & gas sector sources. The ICR has two parts:</p> <p>Part 1 is an operator survey which will be sent to every onshore oil & gas operator to better understand the number and types of equipment at production facilities; and</p> <p>Part 2 is a detailed facility survey which will be sent to select operators</p>	Comments due August 3, 2016	<p>Part 1: \$700/facility</p> <p>Part 2: \$7,000/facility</p>

Proposed Federal Rulemaking and Projected Impacts

TITLE	AGENCY	SYNOPSIS	CURRENT ACTION	PROJECTED COST BY AGENCY
Source Determination for Certain Emissions Units in the Oil and Natural Gas Sector	EPA/AR	Define a term used to make stationary source determinations within the Prevention of Deterioration (PSD) Nonattainment New Source Review (NNSR) and Title V programs as they apply to the oil and gas sector as some existing terms are unclear and have resulted in confusion for both the regulated community and the permitting authorities, including EPA's regions	Comment period closed December 2015 Rule finalized May 2016	Agency assumes no major cost increase
Control Techniques Guidelines for the Oil and Natural Gas Sector	EPA/AR	Provide guidelines for requiring reasonably available control technology to achieve VIC reductions from existing oil and gas sources. States would have to address these sources as part of state plans for ozone	Comment period closed December 2015 Rule finalized May 2016	\$1,668,433
Effluent Guidelines for Oil and Gas Extraction Point Source Category	EPA/ Water	Strengthen existing federal controls on pollutant discharges generated from unconventional oil and gas resources (UOG) at certain oil and gas extraction facilities (i.e., wells completed using hydraulic fracturing and horizontal drilling processes) by establishing pretreatment standards that would prevent the discharge of pollutants in process wastewater from onshore unconventional oil and gas extraction facilities to publicly owned treatment works (POTW)	Proposed Rule EPA reviewing comments Final Rule anticipated August 2016	Agency assumes no major cost increase because the oil & gas industry does not send wastewater to POTWs

Proposed Federal Rulemaking and Projected Impacts

TITLE	AGENCY	SYNOPSIS	CURRENT ACTION	PROJECTED COST BY AGENCY
ONRR				
Reporting & Paying Royalties on Federal Leases on Takes or Entitlement Basis	DOI/ONRR	Address reporting & payment requirements for oil and gas production removed or sold from Federal lands	Rule anticipated August 2016	\$643,378 - first year \$7,544 - annually thereafter
Federal Oil & Gas Valuation	DOI/ONRR	Simplify and clarify valuation of Federal oil & gas; consolidate definitions for oil & gas product valuation into a single subpart	Rule anticipated June 2016	Agency assumes no major cost increase