



# SUMMARY AND FAQs OF OCD'S NATURAL GAS WASTE RULE

In accordance with Governor Lujan Grisham's Executive Order 2019-003, the Energy, Minerals and Natural Resources Department (EMNRD) has released the Oil Conservation Division's (OCD) proposed natural gas waste rules as part of New Mexico's statewide, enforceable regulatory framework to secure reductions in oil and gas sector emissions and to prevent natural gas waste from new and existing sources. OCD's rules provide a nation-leading, innovative approach to reducing natural gas waste with a co-benefit of reducing methane emissions in the oil and gas sector. This document provides a summary of the main points of OCD's proposed rule, which is available [here](#).

## TIMELINE

### What part of the rulemaking process are we in?

Following an extensive stakeholder engagement period, the Oil Conservation Division submitted a formal proposal to the Oil Conservation Commission on October 15th to meet deadlines for an early January 2021 hearing.

### What comes next?

The Oil Conservation Commission will meet to determine if and when to set a public rulemaking hearing and will discuss the hearing and public notice procedures.

## TECHNICAL FOCUS OF PROPOSED RULE

### Phase 1 - Data & Reporting

The rule proposes a robust natural gas loss reporting program. Having accurate data is critical to establishing meaningful baselines and enforceable goals to reduce natural gas waste. Questions regarding data quality were raised many times during the stakeholder engagement process. For this reason, a key focus of the draft rule is data collection.

#### Specifically, the proposed rule:

- Defines waste to include venting and flaring, which will strengthen the state's ability to collect royalty and severance taxes.
- Requires operators to report all venting and flaring during operations, including operation disruptions or malfunctions that result in fugitive gas loss.
- Requires operators to disclose venting and flaring to mineral interest owners who own a share of the natural gas being wasted.

### Phase 2 - Gas Capture and Management Plan Requirements

Based on the data collected in Phase 1, the rule establishes an enforceable target for operators to reduce natural gas waste. Starting from the level of natural gas waste identified in Phase 1, in 2022 operators must begin reducing their waste by a fixed amount each year to achieve a regional gas capture rate of 98% by December 31, 2026. Operators must also prepare a natural gas management plan that describes their efforts to obtain takeaway capacity and to reduce the frequency and magnitude of venting and flaring.

#### Specifically, the proposed rule:

- Applies to operators in upstream (production) and midstream (gas gathering pipelines and boosting facilities) sectors.



- Allows each operator to decide how it will meet the regional targets, 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 technologies by giving credits to operators who detect and promptly fix natural gas leaks at their own facilities.
- Authorizes enforcement action if operators do not meet the gas capture targets:
  - Operators may be fined or forced to curtail or shut in wells.
  - Establishes new drilling permit approval criteria based on meeting gas capture targets, and operators must demonstrate compliance or be at risk of not receiving new permit approval.

## FAQS:

**Does the rule define venting and flaring as waste?** Yes. The definitions of venting and flaring as waste strengthens the state's ability to collect royalty and severance taxes and ensures that waste is properly addressed in operators' natural gas management plans.

**Does the rule allow exceptions for venting and flaring?** Yes, but only for emergencies as strictly defined in the rule.

**Why does the rule include any exceptions?** So that operators are not penalized for events beyond their control or that jeopardize worker safety. The proposed rules includes additional parameters to reduce flaring even during an emergency.

**Are operators expected to measure and report ALL venting and flaring during all phases of operation?** Yes, this helps better define the magnitude of volumes and potential waste as well as set appropriate baselines for gas capture plans.

**Does the rule provide any flexibility for stripper wells?** Yes, in limited circumstances, but they are still held to the 98 percent capture goal on the same 2026 timeframe as all other operators. The rule does provide flexibilities on inspection and flare retrofits as well as metering requirements.

**Which sectors of the oil and gas industry must have a gas management plan?** These requirements apply to operators in upstream (production) and midstream (gas gathering pipelines and boosting facilities) sectors.

**Does each operator have its own individual gas capture targets ramping up to 98% by the end of 2026?** Yes. This allows each operator to decide how it will ramp up to meet the ultimate target of 98% by December 31, 2026, providing flexibility and opportunity for innovation in the industry.

**What methods of enforcement is the OCD authorized to use if operators do not meet the gas capture targets?**

The rule is crafted to foster innovation to help operators meet their gas capture requirements, however, the OCD has statutory authority to require operators to pay penalties, require operators to curtail or shut in production, and deny drilling permits.

**How many public comments were submitted?** The OCD received over 500 comments. The comments are available on the [OCD website](#), and the final rule reflects feedback provided during the public process.

