Phase 1 initiates a robust natural gas loss reporting program. Collecting accurate data is critical to establishing meaningful baselines and enforceable goals to reduce natural gas waste.

Based on the data collected in Phase 1, Phase 2 establishes an enforceable target for operators to reduce natural gas waste. Starting from the level of natural gas waste identified in Phase 1, Phase 2 begins in 2022 and requires operators to reduce their waste by a fixed amount each year to achieve a gas capture rate of 98% by December 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 feature pioneered in New Mexico’s rule.

**State Regulation Comparison**

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

<table>
<thead>
<tr>
<th>Rule Specification</th>
<th>New Mexico</th>
<th>North Dakota</th>
<th>Colorado</th>
<th>Oklahoma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas capture percentage</td>
<td>98%</td>
<td>91%</td>
<td>No capture percentage, requirements tracked differently in these states</td>
<td></td>
</tr>
<tr>
<td>Regulations for gas gathering pipelines and midstream operations</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Curtailing of production for not meeting targets</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Prohibits routine flaring</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>
Is routine venting and flaring prohibited?
Yes, routine venting and flaring is prohibited. The rule narrowly defines exceptions for when it is permissible to vent or flare.

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.

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.

Which sectors of the oil and gas industry must have a gas management plan?
These requirements apply to operators in upstream (production wells and facilities) 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 the flexibility to determine how it will ramp up to meet the ultimate target of 98% by December 31, 2026, giving operators the opportunity for innovation and the ability to make decisions that best fit their own specific operating scenarios.

What methods of enforcement is the OCD authorized to use if operators do not meet the gas capture targets?
The OCD has many mechanisms within their statutory authority, including requiring operators to pay penalties, requiring operators to curtail or shut in production, or denying drilling permits.

What problem will the rule solve?
By requiring 98% gas capture, New Mexico will directly address waste that contributes to climate change and ensure a cleaner environment.

What is unique about New Mexico's approach?
New Mexico's regulations were crafted after years of public stakeholder feedback and encompass multiple unique components. The 98% capture requirement is one of the highest in the nation, the rule applies to midstream and upstream operations, and gas loss is required to be recorded at every step in the process leading to a holistic approach to track and regulate waste. The rules also encourage the use of new technology.

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