



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

In accordance with Governor Lujan Grisham's Executive Order 2019-003, the New Mexico Energy, Minerals and Natural Resources Department (EMNRD), through the Oil Conservation Division (OCD), and the New Mexico Environment Department (NMED) have jointly developed draft rules to secure reductions in oil and gas sector methane emissions and overall waste. This document provides a summary of the main points of OCD's draft rule. The draft rule is available [here](#).

STAKEHOLDER ENGAGEMENT

What part of the rulemaking process are we in?

We are in a pre-rulemaking phase to collect public comment on our draft rules. EMNRD believes that this is the best way to create alignment and solicit valuable feedback and ideas from all stakeholders.

How do stakeholders provide comments on the draft rule?

The draft rule is available [here](#). Stakeholders have until 5:00 p.m. MT on August 17th to submit comments to the OCD at EMNRD.wasterule@state.nm.us

What comes next?

After this round of public comments are due August 17th, we will consider how to incorporate the feedback as we finalize the draft. Then we will propose the draft rule to the Oil Conservation Commission. At that time, there will be another, formal public comment period after the rule has been proposed to the Oil Conservation Commission.

KEY PROVISIONS OF THE DRAFT RULE

Phase 1 - Data & Reporting

The draft rule proposes a robust methane data reporting program. Having accurate data is critical to establishing meaningful baselines and enforceable goals to reduce natural gas waste. It was recognized during the extensive [Methane Advisory Panel \(MAP\)](#) process that OCD's current data and reporting is incomplete for venting and flaring. For this reason, a key focus of the draft rule is data collection.

FAQS:

Do the draft rules 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.

Do the draft rules allow exceptions for venting and flaring? Yes, but only for emergencies as strictly defined in the rule.

Why does the draft rule include any exceptions? So that operators are not penalized for events beyond their control or that jeopardize worker safety.



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.

Do the draft rules require operators to disclose venting and flaring to mineral interest owners who own a share of the natural gas being wasted? Yes.

Does the draft rule provide any flexibility for stripper wells? Yes.

Phase 2 - Gas Capture and Management Plan Requirements

Based on the data collected in Phase 1, the draft 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 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.

FAQs

Which sectors of the oil and gas industry must have a gas capture plan? These requirements apply to operators in upstream (production) and midstream (gas gathering and boosting) sectors and includes design standards for gathering pipelines.

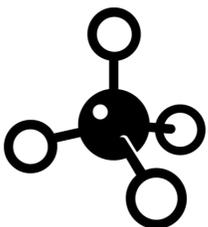
Does each operator have its own individual gas capture targets ramping up to 98% by 2026? Yes. This allows each operator to decide how it will ramp up to meet the ultimate target of 98% by December 31, 2026, providing flexibility and opportunity for innovation in the industry.

Does the target stay the same each year? No. The proposal increases by a set amount each year to reduce natural gas waste over time, resulting in 98% gas capture by December 31, 2026.

What is ALARM? Advanced Leak and Repair Monitoring. This is a program that incentivizes methane detection flyovers by giving credits to operators who detect and fix methane leaks in their own facilities and inform other operators of leaks discovered.

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

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



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