

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

**APPLICATION OF NEW MEXICO OIL CONSERVATION
DIVISION TO ADOPT 19.15.27 NMAC AND 19.15.28 NMAC,
AND TO AMEND 19.15.7 NMAC, 19.15.18 NMAC, AND
19.15.19 NMAC; STATEWIDE**

CASE No. 21528

**NEW MEXICO OIL CONSERVATION DIVISION'S
NOTICE OF ADDITIONAL CHANGES
TO FINAL PROPOSED RULES**

The New Mexico Oil Conservation Division ("OCD") gives notice that it has identified additional changes to the Final Proposed Rules as presented in OCD Exhibits 2C and 3C:

PART 27

Section 8(G)(3)(a)

(a) To calculate the lost natural gas on a volumetric basis, the operator shall deduct the volume of natural gas sold, used for beneficial use, vented or flared during an emergency, ~~and vented or flared because it was not suitable for transportation or processing~~ due to N₂, H₂S, or CO₂ concentrations, vented as a result of normal operation of pneumatic controllers and pumps if reported pursuant to Subparagraph (i) of Paragraph (2) of Subsection (G) of 19.15.27.8 NMAC, or vented or flared from an exploratory well with division approval, from the natural gas produced.

OCD's Rationale: OCD proposes to correct an oversight by deducting natural gas vented in the normal operation of pneumatic controllers and pumps from the natural gas produced. The accounting procedure in Part 27 clearly reflects OCD's intent to allow operators to deduct this venting. *See* 19.15.27.9(B)(3) NMAC (deducting natural gas vented from normal operation of pneumatic controllers and pumps pursuant to 19.15.27.8(G)(2)(i) NMAC.)

Section 8(G)(3)(b)

(b) To calculate the ~~lost~~ natural gas captured on a percentage basis, the operator shall deduct the volume of lost gas calculated in Subparagraph (a) of Paragraph (3) of Subsection G of 19.15.27.8 NMAC from the total volume of natural gas produced and divide by the total volume of natural gas produced~~add the volume of natural gas sold, used for beneficial use, vented or flared during an emergency, and vented or flared because it was not suitable for transportation or processing, due to N₂, H₂S, or CO₂ concentrations, and divide by the total volume of natural gas produced.~~

OCD's Rationale: OCD proposes to simplify the formula for operators to calculate the natural gas captured on a percentage basis by replacing the list of deducted volumes with a reference to the lost gas calculation in subparagraph (a).

Section 9(B)

B. Accounting. No later than February 15 each year beginning in ~~2022~~2023, the operator shall submit a report certifying compliance with its statewide gas capture requirements. ~~The operator shall determine compliance with its statewide gas capture requirements by deducting any ALARM credits approved pursuant to this subsection from the aggregated volume of lost gas calculated for each month during the preceding year pursuant to Subparagraph (a) of Paragraph (3) of Subsection G of 19.15.27.8 NMAC, deducting that aggregated volume of lost gas from the aggregated volume of natural gas produced for each month during the preceding year, and dividing that volume by the aggregated volume of natural gas produced for each month during the preceding year. The operator's volume of vented and flared natural gas shall be counted as produced natural gas and excluded from the volume of natural gas sold or used for beneficial use in the calculation of its statewide natural gas capture requirements, except that~~

~~_____ (1) _____ the operator may exclude from the volume of produced natural gas the volume of natural gas vented or flared pursuant to Subparagraphs (a) and (h) of Paragraph (2) of Subsection G of 19.15.27.8 NMAC for which the operator timely filed, and the division approved, a form C-129; and~~

~~_____ (2) _____ the operator may exclude from the volume of produced natural gas the volume of natural gas reported as a beneficial use or vented or flared from a delineation well and reported on the operator's form C-115.~~

~~_____ and _____~~

~~_____ (3) _____ the volume of natural gas vented or flared pursuant to Subparagraphs (h)(i), (i), or (l) of Paragraph (2) of Subsection G of 19.15.27.8 NMAC.~~

OCD's Rationale: OCD proposes to simplify the formula for operators to determine compliance with their gas capture requirements by replacing the list of deducted volumes with a reference to the lost gas calculation in 19.15.27.8(G)(3)(a) NMAC. OCD also proposes to add a reference to ALARM credits to ensure their proper accounting in the formula. As a result of the deletion of subparagraphs (1-3), the remaining paragraphs of Subsection (B) must be renumbered.

PART 28

Section 8(F)(3)(a)

(a) To calculate the lost natural gas on a volumetric basis, the operator shall deduct the volume of natural gas used for beneficial use, ~~and~~ vented or flared during an emergency, ~~or vented as a result of normal operation of pneumatic controllers and pumps and ALARM credits authorized by Paragraphs (5) and (6) of Subpart B of 19.15.28.10 NMAC,~~ from the volume of natural gas gathered reported on its form C-115B ~~for the calendar year.~~

OCD's Rationale: OCD proposes this change for the reasons stated above for Part 27. OCD also proposes to clarify that lost natural gas is deducted from the natural gas gathered and to reflect that form C-115B is submitted monthly, not annually.

Section 8(F)(3)(b)

(b) To calculate the ~~lost~~ natural gas captured on a percentage basis, the operator shall deduct the volume of lost gas calculated in Subparagraph (a) of Paragraph

~~(3) of Subsection F of 19.15.28.8 NMAC from the total volume of natural gas gathered and divide by the total volume of natural gas gathereddeduct the volume of natural gas reported on its form C-115B for the calendar year, but not including the volume of natural gas used for beneficial use and, vented or flared during an emergency and ALARM credits authorized by Paragraphs (5) and (6) of Subpart B of 19.15.28.10 NMAC, from the total volume of natural gas gathered, and divide by the total volume of natural gas gathered.~~

OCD's Rationale: OCD proposes this change for the reasons stated above for Part 27.

Section 10(B)

B. Accounting. No later than February 15 each year beginning in ~~2022~~2023, the operator shall submit a report certifying compliance with its statewide gas capture requirements. ~~The operator shall determine compliance with its statewide gas capture requirements by deducting any ALARM credits approved pursuant to this subsection from the aggregated volume of lost gas calculated for each month during the preceding year pursuant to Subparagraph (a) of Paragraph (3) of Subsection F of 19.15.27.8 NMAC, deducting that aggregated volume of lost gas from the aggregated volume of natural gas produced for each month during the preceding year, and dividing that volume by the aggregated volume of natural gas produced for each month during the preceding year. The operator's volume of vented and flared natural gas shall be counted as lost natural gas and excluded from the volume of natural gas gathered or used for beneficial use in the calculation of its statewide natural gas capture requirements, except that the operator may exclude from the volume of gathered natural gas:~~

~~_____ (1) the operator may exclude from the volume of gathered natural gas the volume of vented and flared natural gas pursuant to Subparagraph (a) of Paragraph (2) of Subsection F of 19.15.28.8 NMAC for which the operator timely filed, and the division approved, a form C-129; and~~

~~_____ (2) the operator may exclude from the volume of gathered natural gas the volume of natural gas reported as a beneficial use pursuant to Subparagraphs (d) or (h) of Paragraph (2) of Subsection F of 19.15.28.8 NMAC, provided that the operator identifies the volume of vented natural gas, the reason that the operator vented the natural gas rather than capturing it and any other relevant information requested by the division; and~~

~~(3) aAn operator that used a division-approved ALARM technology to monitor for leaks and releases may obtain a credit against the volume of lost natural gas if it discovered the leak or release using the ALARM technology, and the operator....~~

OCD's Rationale: OCD proposes to simplify the formula for the reasons stated above for Part 27. As a result of the deletion of subparagraphs (1-2), the remaining paragraphs of Subsection (B) must be renumbered.

Respectfully submitted,



Eric Ames
Assistant General Counsel
New Mexico Energy Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
(505) 476-3463
eric.ames@state.nm.us

CERTIFICATE OF SERVICE

I hereby certify that a copy of this pleading was mailed electronically on February 5, 2021 to:

Michael H. Feldewert, Esq.
Adam Rankin, Esq.
Kaitlin Luck, Esq.
Holland & Hart
P.O. Box 2208
Santa Fe, New Mexico 87504
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
kaluck@hollandhart.com

Attorneys for New Mexico Oil & Gas Association

Tannis Fox, Esq.
Erik Schlenker-Goodrich, Esq.
Western Environmental Law Center
208 Paseo del Pueblo Sur, #602
Taos, New Mexico 87571
fox@westernlaw.org
eriksg@westernlaw.org

Attorneys for Center for Civic Policy, Conservation Voters New Mexico, Dine C.A.R.E., Earthworks, Natural Resources Defense Council, San Juan Citizens Alliance, Sierra Club, and 350 New Mexico

David Baake, Esq.
2131 North Main Street
Las Cruces, New Mexico 88001
david@baakelaw.com

Attorney for Sierra Club

Elizabeth Paranhos, Esq.
deLone Law Inc.
1555 Jennine Place
Boulder, CO 80304
303 442-0610
elizabethparanhos@delonelaw.com

Attorney for Environmental Defense Fund

Ari Biernoff
General Counsel
New Mexico State Land Office
P.O. Box 1148
310 Old Santa Fe Trail
Santa Fe, NM 87504
abiernoff@slo.state.nm.us

Attorney for Commissioner of Public Lands and New Mexico State Land Office



Eric Ames