



## Regulatory Brief

May 11, 2021

### NEW MEXICO STATEWIDE 98 PERCENT NATURAL GAS CAPTURE REQUIREMENT

On April 28, 2021, the New Mexico Oil Conservation Division (OCD) filed Waste Rules, **19.15.27 (Operators – production wells and facilities)** and **19.15.28 (Midstream – gas gathering pipelines and booster facilities)** NMAC, with the New Mexico State Register for publication on May 25, 2021. Provisions take effect on May 25, 2021.

The new rules prohibit routine venting or flaring at new and existing facilities. Part 19.15.27.9 “Statewide Natural Gas Capture Requirements” states, “commencing April 1, 2022, the operator shall reduce the annual volume of vented and flared natural gas to certify mandated annual gas capture targets by February 28, 2023 and achieve a gas capture rate no less than 98% of the natural gas produced from their wells by December 31, 2026”.

### WHAT THE NEW RULES MEAN FOR E&P OPERATORS (PRODUCTION CURTAILMENTS)

At risk are stranded well sites and production pads located in areas underserved by infrastructure. The operator shall submit for OCD’s approval a new or revised venting and flaring plan containing the information specified in Paragraph (5) of Subsection D of 19.15.27.9 no later than 20-days after the operator becomes aware that the well is stranded, the natural gas gathering system it planned to connect is unavailable or will not have firm capacity to transport 100% of the production from the well. The OCD has statutory authority to require operators to pay penalties, curtail or shut-in production or deny drilling permits.

#### References:

[OCD Part 27 Final Rules](#)

[Waste Rule Upcoming Deadlines and Deliverables](#)

### CALL COLDSTREAM ENERGY FOR “LIQUIDS REMOVAL ON LEASE”

**ColdStream Energy has a solution!** Let our team assist with your gas management plans and accelerate the value of your well. Our fleet of portable, modular mechanical refrigeration units are built with patented technology to remove valuable natural gas liquids (NGLs) from associated gas streams of **500 - 10,000 Mscfd** and integrated with on-skid dehydration, mechanical refrigeration, stabilization and a J-T valve. Each deployment is optimized to your unique gas composition and site conditions to maximize NGL extraction as a revenue stream and to meet HHV specifications for a sales pipeline while minimizing LHV for fuel conditioning, thereby improving engine site rating and operational expenses.

Benefits of onsite natural gas liquids processing:

- Maximize oil recovery
- Minimize flaring and reduce waste
- Avoid curtailment of oil production
- Extract valuable Y-grade NGLs
- Achieve ESG goals

### THE “BENEFICIAL USES”

The new rules promote “**beneficial uses**” which include “**liquids removal on lease**”. Section D, Part (5) states:

“If the operator determines it will not be able to connect a natural gas gathering system in the general area with sufficient capacity to transport 100% of the anticipated volume of natural gas produced on the date of first production from the well, the operator shall either **shut-in the well** until the operator submits the certification required by Paragraph (4) of Subsection D of 19.15.27.7 NMAC or **submit a venting and flaring plan** to the division that evaluates and selects one or more of the potential alternative **beneficial uses** for the natural gas until a natural gas gathering system is available, including: (a) power generation on lease; (b) power generation for grid; (c) compression on lease; **(d) liquids removal on lease;** (e) reinjection for underground storage; (f) reinjection for temporary storage; (g) reinjection for enhanced oil recovery; (h) fuel cell production; and (i) other alternative beneficial uses approved by the division.

**Contact us today to learn more about New Mexico’s gas capture regulations and Coldstream Energy’s solution.**

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