

Michigan Oil & Gas News

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EPA rollback of Obama-era methane rules provides welcome relief for the nation's small, independent producers

On August 13, 2020, the U.S. Environmental Protection Agency (EPA) issued two final rules related to the New Source Performance Standards (NSPS) for the Oil and Natural Gas Industry.

According to the agency, these rules will provide significant benefits to our small oil and natural gas producers that make up over 80% of the industry.

With these rules, the EPA says it is restoring the rule of law, cooperating with the states, making it simpler and less burdensome for the oil and natural gas industry to comply, and easing implementation of new and better

emissions reductions technologies.

"I am proud to announce that the EPA is issuing two final regulations to streamline reporting requirements and reduce the regulatory burden for the natural gas industry. This is especially important to smaller energy operators who are the backbone of the energy industry in this country. These rules are representative of a much larger effort to help domestic companies produce energy here, in this country, and not import energy from overseas."

Andrew Wheeler, EPA Administrator

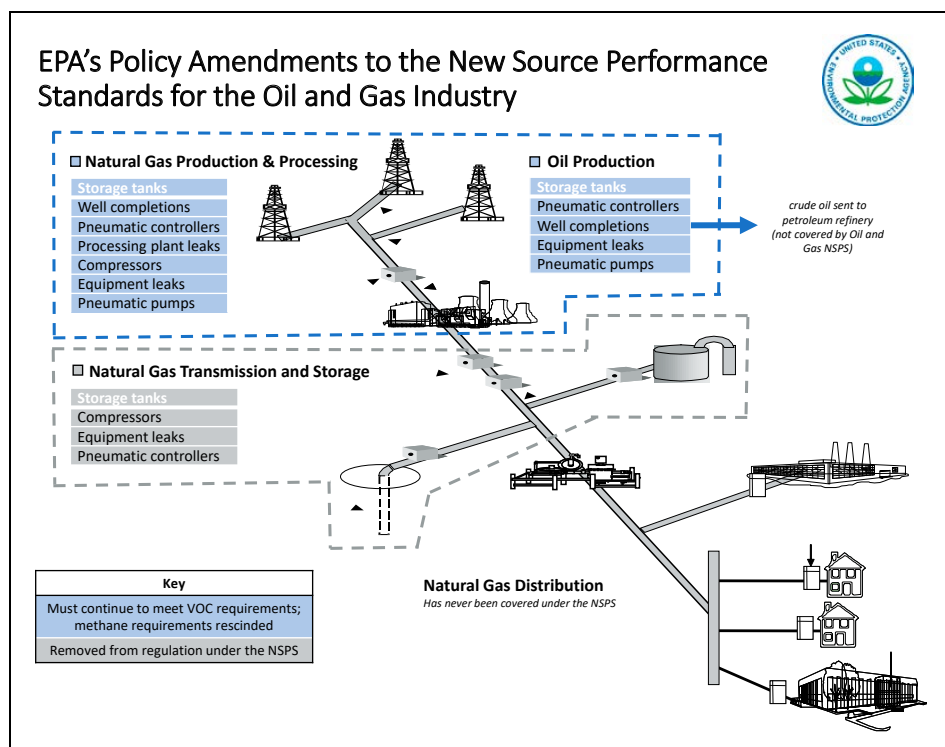
The amendments as cited in the U.S. EPA Final Policy and Technical Rules for the Oil and Natural Gas Industry Overview Fact Sheet – which can be found at michiganoilandgas.org/blog – are as follows:

Policy Amendments

The policy amendments, which were issued in response to President Trump's Executive Order on Promoting Energy Independence and Economic Growth, are accomplishing the following:

- Restoring rule of law to the NSPS by removing the transmission and storage segment of the oil and gas industry from regulation and rescinding emissions standards for that sector. The Clean Air Act requires EPA to make a formal finding that a pollutant contributes significantly

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to air pollution before setting NSPS requirements. Since the Obama EPA did not make this finding, the addition of the transmission and storage segment to the oil and gas category and the additional methane control requirements in the 2016 rule were inconsistent with the law. These additional regulatory requirements are thereby removed from NSPS regulation.

- Rescinding ineffective, redundant methane standards for the production and processing segments. The Obama EPA's regulation of methane was improper, because it was directed at a source category that included transmission and storage, and because the Agency did not establish criteria to support its significant contribution finding. Pollution controls used to reduce VOC emissions also reduce methane emissions making clear that the separate regulation of methane imposed by the 2016 rule was both improper and redundant.

Technical Amendments

The technical amendments revise overly burdensome federal overreach from the 2016 NSPS. These amendments include commonsense changes to the NSPS that will directly benefit smaller oil and gas operators who rely on straightforward regulatory policy to run their businesses and provide Americans with reliable, affordable energy, by:

- Exempting low-production wells from expending significant funds to monitor leaks (leaks are called "fugitive emissions" in the rule). These low-producing wells are usually owned and operated by small businesses that do not have the same access to capital as

larger companies. This change respects the differences between wells that produce large amounts of oil and gas per day and those that produce less than 15 barrels of oil equivalent (BOE) per day instead of treating them the same.

- Reducing monitoring of leaks at gathering and boosting compressor stations from quarterly to twice a year.
- Improving cooperation with states by allowing industry to meet certain states' requirements instead of complying with EPA's requirements. This change means that owners and operators in those states only have to comply with one set of regulations.
- Removing burdens to utilize new and more efficient emissions reductions technologies to allow industry to innovate.
- Updating the required schedule for repairing leaks to respect the realities of the oil and gas industry, such as allowing repair deferral if a repair within 30 days is not technically feasible.
- Changing recordkeeping and removing certain convoluted reporting requirements, reducing the cost burden by an estimated 25% per site.
- Other technical changes that will simplify compliance.

Since the adoption of the Obama-era methane rules in 2016, MOGA has worked in close partnership with IPAA, API, oil and gas associations of the states surrounding Michigan, and 42 state attorneys general for the removal of unnecessary and duplicative regulatory burdens that have disproportionately impacted the nation's smaller, independent producers.

"The oil and gas sector is a 'food chain industry,' and the regulatory burden would fall on the smallest producers, which tend to operate the lowest production wells."

Lee Fuller, IPAA Executive VP

Fuller also said operations in most large oil and gas producing states, including the entire state of Pennsylvania, for example, would still be covered under VOC-only regulations, even if rules don't directly curb methane."

Common sense reforms, like today's rules, are needed to slash unnecessary red tape and give Michigan's small, independent energy producers needed regulatory certainty to continue to provide reliable and affordable energy.

Given that methane is the largest component of natural gas, oil and gas operators not only have the desire to enhance environmental performance, but have the incentives to improve their financial wellbeing.

The traditional "one-size-fits-all" approach to regulating the industry is inappropriate and disproportionately impacts conventional operations and small businesses. Overburdening Michigan's producers prevents investment and does little to further the voluntary emissions reductions already well underway.

Across the country, independent oil and natural gas producers have made great strides in reducing our carbon footprint by cutting emissions while providing domestic energy security. With these new rules in place, Michigan's small, local oil and gas producers can continue to provide safe, affordable, and reliable energy.

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