

**New Mexico Environment Department
Greenhouse Gas Reporting Stakeholder Process
Oil and Gas Work Group Call/Meeting**

April 12, 2007

Health Policy Commission, 2055 S. Pacheco St., Santa Fe

Introductions. There were a wide range of participants in person and on the phone; the attendance list is attached to the end of these notes. Please let Brad Musick know of any corrections or omissions to this list.

Discussion about Phase I and Phase II—No decisions have been made. There was discussion about whether the regulation could capture phase 1 and future phases. It was brought up that determining future phases is desirable for planning purposes for industry. On the other hand, we may not know what is needed for completing the inventory until we complete an inventory under phase 1. NMOGA suggested that Phase 1 could include Title V only, not top producers, and that we could have multiple tracks of rulemaking going for the various phases.

Phase 1

Regarding the graphs, spreadsheet and table that Brad sent out (OCD top 100 producers, and NMED Title V permit holders in oil & gas sector): Conoco-Phillips and BP are the only 2 companies that appear on the producer and Title V list [post-meeting correction by NMED: ConocoPhillips, Marathon, and Yates Petroleum appear to be the companies on both lists] . There is not a lot of overlap between producers (upstream) and Title V (mostly midstream). This was verified by industry reps.

Erik Schlenker-Goodrich and Tom Singer questioned the lack of 3rd-party verification and general purpose and direction of mandatory reporting rule. Will the mandatory reporting follow the same format as the multi-state registry? Lany and Brad indicated that the multi-state registry will have two functions: 1) voluntary registry with entity-wide reporting, strict protocols and third-party verification, and 2) serve as a policy-neutral platform for any state's mandatory reporting program. The NM mandatory program as proposed would not include some of the voluntary multi-state components, such as 3rd party verification. The NM mandatory program to be established by this rulemaking is for emissions inventory improvement. Third-party verification is needed for baseline protection and/or emissions trading, which will not be supported by the mandatory reporting created by this rule. Emissions trading, when it's developed, will likely require additional rulemaking in the future.

Brad outlined 3 categories:

1. Top oil and gas producers entity-wide: industry representatives present confirmed that it would be reasonable to report producer emissions entity-wide. Some proposed site-by-site reporting; this was objected to by IPA because of privacy issues and the onerous nature of this request. Emissions from Tribal lands is not required, but could be accepted if producers do not want to break out this entity-wide data.

CO2 is only pollutant inventoried in Phase 1.

Mandatory reporting of NMOGA's proposed list of equipment.

Threshold for engines—it appears there is a gap in the distribution of data between 350 and 450 hp range, so would 400 hp be a more appropriate cut-off? NMED asked for information on the justification of the 500 hp cut-off. Jennifer Knowlton explained that cutoffs were selected to include sources already subject to federal recordkeeping requirements, such as for MACT rules and that it would be less burdensome to add another reporting requirement to these pieces of equipment.

Potential cutoff for top producers—Brad's graphs show distribution. NMED is interested in input on this. Threshold based on total BOE—would this lose too much data? It was suggested that possible cutoffs could be: 1) cutoff at #6 on total BOE, which gives 51% of BOE production, and/or 2) next break is at #20 on total BOE, which gives 75% of BOE production. A question was raised asking whether production in BOE could be well correlated to emissions; the answer is not known, but the mandatory reporting results will likely offer indications.

It was suggested that there are 2 different geological areas in NM (San Juan vs. Permian). The top 8 companies cross 3 of the 4 subsectors in the industry (oil/gas, SJ/Permian). NMED noted that reporter data would be most useful in estimating non-reported emissions if reporting entities included a range of types of production, field characteristics, etc, and distinguish in their reports between emissions from each subsector.

Ownership vs. operational control. BP proposed reporting only equipment for which the company has 100% operating interest. NMOGA's proposal might not address this issue.

Production company position (on OCD ranking) may vary from year to year and change a company's standing under a production-based applicability threshold. What effect will this have on company planning and on usefulness of reported data to the agency? Further investigation of the turnover of the top producers may clarify the importance of the issue.

2. Title V sources - three approaches are possible:
 - a. Only report CO2 emissions from equipment and operations at Title V facilities,
 - b. Report on CO2 emissions at Title V facilities and also report emissions from all other facilities owned by that entity or
 - c. Report on CO2 emissions at Title V facilities and also report emissions from all equipment owned by the entity in New Mexico that would be reported by the top producers

The group preferred requiring Title V companies to report all CO2 from all combustion sources included in Title V EI reports, all CO2 vented at Title V source, and entity-wide reporting of NMOGA equipment list. For refineries, evaluate emission points to be included based on available protocols – we will do this in more detail in a separate meeting.

3. CO2 production and transport
 OCD does not include CO2 production in compiling their top producer list. NMED would like the rule to include major producers and transporters of CO2 even if they are not Title V or on OCD top producer list. NMED solicits ideas for an applicability threshold for this category. NMED envisions that applicable sources in this category would report all CO2 from combustion and venting/leaks.

Next steps

NMED will try to get out a new strawman proposal ASAP.

Related NMED Initiative

NMED will meet with stakeholders on April 25 to discuss their study of GHG emissions reductions measures for oil and gas production and processing. NMED originally thought we would do this at 3 PM, immediately following the OCD meeting on CO2 capture and sequestration. NMED is trying to get our meeting moved to before the OCD meeting, for convenience of those not attending the OCD meeting.

Meeting Attendance List :

| | Name | | |
|----------|------------|-----------|---|
| Present? | LastName | FirstName | Organization Name |
| ✓ | Aaboe | Erik | NMED Air Quality Bureau |
| phone | Bock | Craig | El Paso Production |
| phone | Canory | Rebecca | BP |
| phone | Cortez | Naomi | El Paso Western Pipelines |
| ✓ | Ely | Sandra | NM Environment Dept. |
| ✓ | Foster | Karin | Independent Petroleum Association of New Mexico |
| phone | Frye | Andrew | Zia Engineering & Environmental |
| ✓ | Girand | Dan | Mack Energy |
| ✓ | Greening | Lorna | Energy and Environmental Economics |
| ✓ | Horn | Claudette | PNM Resources |
| ✓ | Knowlton | Jennifer | Agave Energy Company |
| phone | | Mark | Williams |
| ✓ | Musick | Brad | NM Environment Dept. |
| phone | O'Connor | Mike | XTO Energy |
| ✓ | Ramanathan | Brinda | Serafina Technical Consulting |
| phone | Salgado | Dan | Kinder-Morgan |

| | | | |
|-------|--------------------|---------|-----------------------------------|
| phone | Samora | Vanessa | Occidental Permian |
| ✓ | Schlenker-Goodrich | Erik | Western Environmental Law Center |
| ✓ | Schluep | Martin | Kleinfelder |
| phone | Seligman | Deborah | NMOGA |
| ✓ | Singer | Tom | Natural Resources Defense Council |
| ✓ | Smith | Darren | Devon Energy |
| phone | Smith | Reid | British Petroleum |
| phone | Tullos | Evan | Enterprise Production |
| ✓ | Uhl | Mary | NM Environment Dept. |
| phone | Wallis | Donnie | Chesapeake Energy |
| ✓ | Weaver | Lany | NM Environment Dept. |
| ✓ | Whaley | Don | Navajo Refining |