June 28, 2024

The Honorable Mike Simpson
Chairman
Subcommittee on Interior, Environment,
Environment,
and Related Agencies
House Appropriations Committee
Washington, D.C. 20510

The Honorable Chellie Pingree
Ranking Member
Subcommittee on Interior,
Environment,
and Related Agencies
House Appropriations Committee
Washington, D.C. 20510

Dear Chairman Simpson and Ranking Member Pingree:

This letter is submitted on behalf of the organizations listed below. These organizations want to express serious concerns regarding the impact of the Environmental Protection Agency's (EPA) new methane emissions regulation (Subpart OOOOc) on oil and natural gas marginal well owners. We write to request that targeted regulatory relief be included in Title II of the report accompanying the Subcommittee on Interior, Environment, and Related Agencies' FY 2025 appropriations bill. Specifically, we seek a tailored accommodation from the U.S. Environmental Protection Agency's new final rule entitled, "Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review," 89 Fed. Reg. 16,820 (Mar. 8, 2024) (the "Final Rule").

The Final Rule fails to adequately consider many important factors, including the extraordinary damage it will cause to thousands of marginal oil and gas wells (i.e., those that produce less than 15 barrels of oil per day and less than 90 Mcf of gas per day) that are vital to the energy security of our states and country. Many of these small family businesses will be forced to close their wells, resulting in the loss of thousands of good paying jobs, and harming the millions of people who rely on their energy output. Prior rulemakings in this area have recognized that accommodations for marginal wells are necessary, and we believe such careful balancing in this rule would have been appropriate, as well.

We understand the following report language has been submitted for your consideration, and we respectfully request its inclusion in your Subcommittee's FY25 appropriations package:
Title II (EPA), Science and Technology Account. Oil & Natural Gas Emissions – The committee is concerned about the U.S. Environmental Protection Agency's ("EPA's") Standard of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review, 89 Fed. Reg. 16820 (March 8, 2024) (the "Final Rule") because the Final Rule fails to adequately consider the realities of operating small, marginal wells and imposes overly

burdensome restrictions on these marginal wells as if they were large, horizontal wells despite the fact that these marginal wells emit significantly less methane. In particular, the committee is concerned about the Final Rule's very short timeframe for compliance; unnecessary and costly fugitive emission monitoring and reporting requirements including but not limited to quarterly and semiannual monitoring using expensive optical gas imaging technology, which will generate significant quantities of reports that EPA and the relevant states involved cannot review in a timely fashion; and restrictions on flaring associated gas, likely leading to the closure of many marginal wells. The committee directs EPA to provide an exemption from flaring restrictions for marginal well owners; allow marginal well owners to continue pre-Final Rule monitoring and reporting practices; and delay the compliance deadline for marginal well owners by five (5) years to allow EPA time to make these changes to the Final Rule and to allow industry time to address any remaining issues with EPA before the Final Rule takes effect for marginal wells.

On the next page, please find definitions of industry terms mentioned above.

Thank you very much for considering this request. We are grateful for your leadership. We are standing by to provide any additional perspective or information you may require on this.

Sincerely,

Arkansas Independent Producers and Royalty Owners
California Independent Petroleum Association
Domestic Energy Producers Alliance
Energy Workforce and Technology Council
Gas and Oil Association of West Virginia
Independent Oil and Gas Association of New York
Independent Petroleum Association of America
Independent Producers Association of New Mexico
Indiana Oil and Gas Association
Kansas Independent Oil and Gas Association
Kentucky Oil and Gas Association
Louisiana Oil and Gas Association
Michigan Oil and Gas Association
Montana Petroleum Association
National Stripper Well Association
New Mexico Oil and Gas Association
New York State Oil Producer Association
North Dakota Petroleum Council
Ohio Oil and Gas Association
Oil and Gas Workers Association
Panhandle Producers and Royalty Owners Association
Pennsylvania Independent Oil and Gas Association
Permian Basin Petroleum Association
Petroleum Association of Wyoming
Southeastern Ohio Oil and Gas Association
Texas Alliance of Energy Producers
Texas Independent Producers and Royalty Owners
Utah Petroleum Association
Western Energy Alliance

Definition of Terms:

Marginal Wells Defined

Marginal wells are defined as wells that produce no more than 15 barrels/day of oil equivalent (90 Mcfd of natural gas). Nationally, according to the Energy Information Administration, these wells average about 2 barrels/day and 18 Mcfd. There are about 750,000 of these small wells divided roughly equally between oil and natural gas wells. Significantly, about 600,000 of these wells produce no more than 6 boe/d and about 300,000 of these wells produce no more than one boe/d. Operations of these wells differ from large wells. Many do not operate continuously, particularly as their production declines. Wells may operate on timers such that they only pump a few hours per day; others may only operate a few days or one day per week. The 1994 National Petroleum Council Marginal Wells study observed that wells in the one boe/d or less category were dominated by these intermittent operations.

Regulatory Applicability to Marginal Wells

There have been limited emissions data collected focused on marginal wells, and very few studies have included onsite measurements. The most notable effort was funded by the Department of Energy, Quantification of Methane Emissions from Marginal (Small Producing) Oil and Gas Wells. This study produced key findings that are important regarding the potential regulatory burdens being imposed by EPA.

Approximately ten percent of the wells accounted for ninety percent of emissions.

Emissions from wells below 6 boe/d rarely exceeded the three tons/year threshold of methane emissions that EPA proposed as the cutoff for Leak Detection and Repair (LDAR) regulations in its 2021 Subpart OOOOc proposal.

The predominant sources of emissions were from tanks (open thief hatches, poor seals), faulty pneumatic controllers, and inadvertently opened vents.

These results demonstrate that targeted actions to reduce emissions from these few sources from larger marginal wells would manage the meaningful environmental impacts of these wells. Nevertheless, EPA continues to fail to apply common sense solutions.

Subparts OOOOc

Subpart OOOOc is intended to define Emissions Guidelines (EG) for existing sources of methane emissions from oil and natural gas facilities. For oil and natural gas production operations, there are about one million wells that would be affected, including the 750,000 marginal wells described previously. States are supposed to take these EG and develop a plan to implement them. While the Clean Air Act (CAA) provides significant flexibility for states to develop their own regulations, EPA wrote this regulation to limit that flexibility. The CAA rightly recognizes that each state has unique situations that require flexibility to ensure a regulation is reasonably applied, but EPA is attempting to prevent its use. If states are forced to adopt the EG without changes, there will be significant consequences for marginal wells. Subpart OOOOc regulations pose serious and direct threats to hundreds of thousands of marginal wells. These threats have not been addressed in the current regulatory actions completed by EPA. We need Congress to support the budget language submitted to provide much-needed relief for marginal oil and natural gas wells from the methane rule.