



NEW MEXICO OIL AND GAS ASSOCIATION

Water Reuse and Recycling
Water and Natural Resources Committee
October 13, 2017

Produced Water and the Oilfield Boundary:

Maximizing New Mexico's Water Recycling Capabilities

The Goal:

- ▶ Creating an environment that promotes oilfield water recycling
 - ▶ Promoting injection alternatives
 - ▶ Identifying outlets for re-use
 - ▶ Agriculture, manufacturing, technology
 - ▶ Building a new economic driver for New Mexico

The Method:

- ▶ Using technological advances
 - ▶ Produced water can be treated to secondary drinking water standards in other states where incentives exist
 - ▶ The development of disposal alternatives and the commoditization of what is currently classified as a waste product in New Mexico is possible
 - ▶ Multiple opportunities exist for re-use, including reintroduction into the hydrologic cycle

Challenges to Recycling:

- ▶ Multiple jurisdictions and New Mexico's "Checkerboard"
 - ▶ Difficult to maximize economies of scale
 - ▶ Diverse ownership impedes development of large-scale projects
 - ▶ Transportation access is critical yet uncertain
 - ▶ Regulatory uncertainty via multiple agencies, highly discretionary approval processes

Challenges to Recycling:

- ▶ Regulatory impediments
 - ▶ Conflicting agency directives impact operational flexibility
 - ▶ Agency fresh water protections in direct conflict
 - ▶ Unclear jurisdictional environment
 - ▶ Lack of incentivization
 - ▶ Very limited ability to use recycled water outside of the oilfield
 - ▶ Cost inefficiency is the natural result

The Solutions:

- ▶ Regulatory improvements
 - ▶ Agency rule changes to allow produced water to be used for industrial uses outside of the oilfield
 - ▶ Cooperative agency approaches to permitting facilities and associated infrastructure on a project level
 - ▶ The creation of a favorable regulatory environment for recycling projects on a regional basis

The Opportunity:

- ▶ New Mexico can proactively lead the way on this critical issue
 - ▶ Oil and gas operations can convert from net users to net suppliers of water
 - ▶ Although the industry uses only approximately 1% of industrial water in the state, the ability to supply other industrial sectors in New Mexico could incentivize co-location of manufacturing and renewable energy projects



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Thank you....questions?