

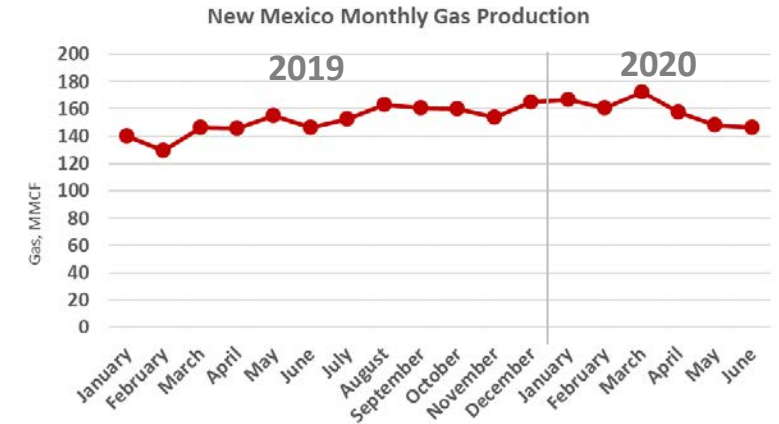
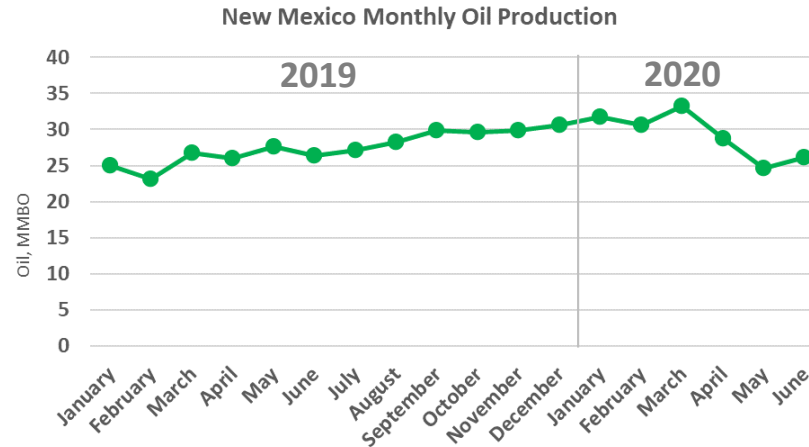
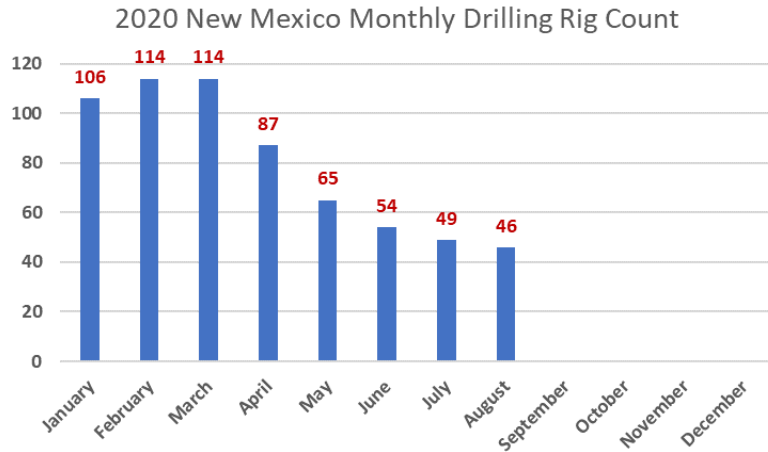
Market Activity Effects

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

Oil Conservation Division (OCD) Mission

- **OCD is a division of the Energy, Minerals, and Natural Resources Department (EMNRD)**
- **OCD regulatory body charged with administering the NM Oil and Gas Act (“Act”)**
- **The Act requires the OCD to:**
 - Protect correlative rights of O&G mineral rights owners
 - Prevent waste of O&G natural resources
 - Protect fresh water, human health and the environment
 - 70-2-1 through 70-2-38 NMSA 1978
- **The OCD’s workload is affected by market forces, but OCD doesn’t track or regulate the O&G market**

2020 Downturn Effects on Activity



- **Drill rig activity dropped 60% in 2020**
- **Current volumes generally inline with early 2019 volumes; ebb and flow is typical for various reasons**
- **2020 production decreases since March due to less completion activity and increased shut in requests**

What does this mean for the OCD?

- **Volume of work and complexity has drastically increased**
 - Large volume of well shut in requests
 - Processing numerous extension requests which are reviewed on a case by case basis
 - Managing compliance and enforcement issues
- **OCD implementing large scale rulemakings; produced water and waste**
- **Creating comprehensive data collection and management systems**