

# **NM Oil Conservation Division Presentation To The Legislative Finance Committee June 15, 2016**



- **Current Industry Activity**
- **Plugging Activity & the Reclamation Fund**
- **Bankruptcies**
- **FY-16 Inspections & Violations**
- **Spill & Leak Data**
- **Roswell Ground Water Basin Update**
- **New Enforcement Efforts**



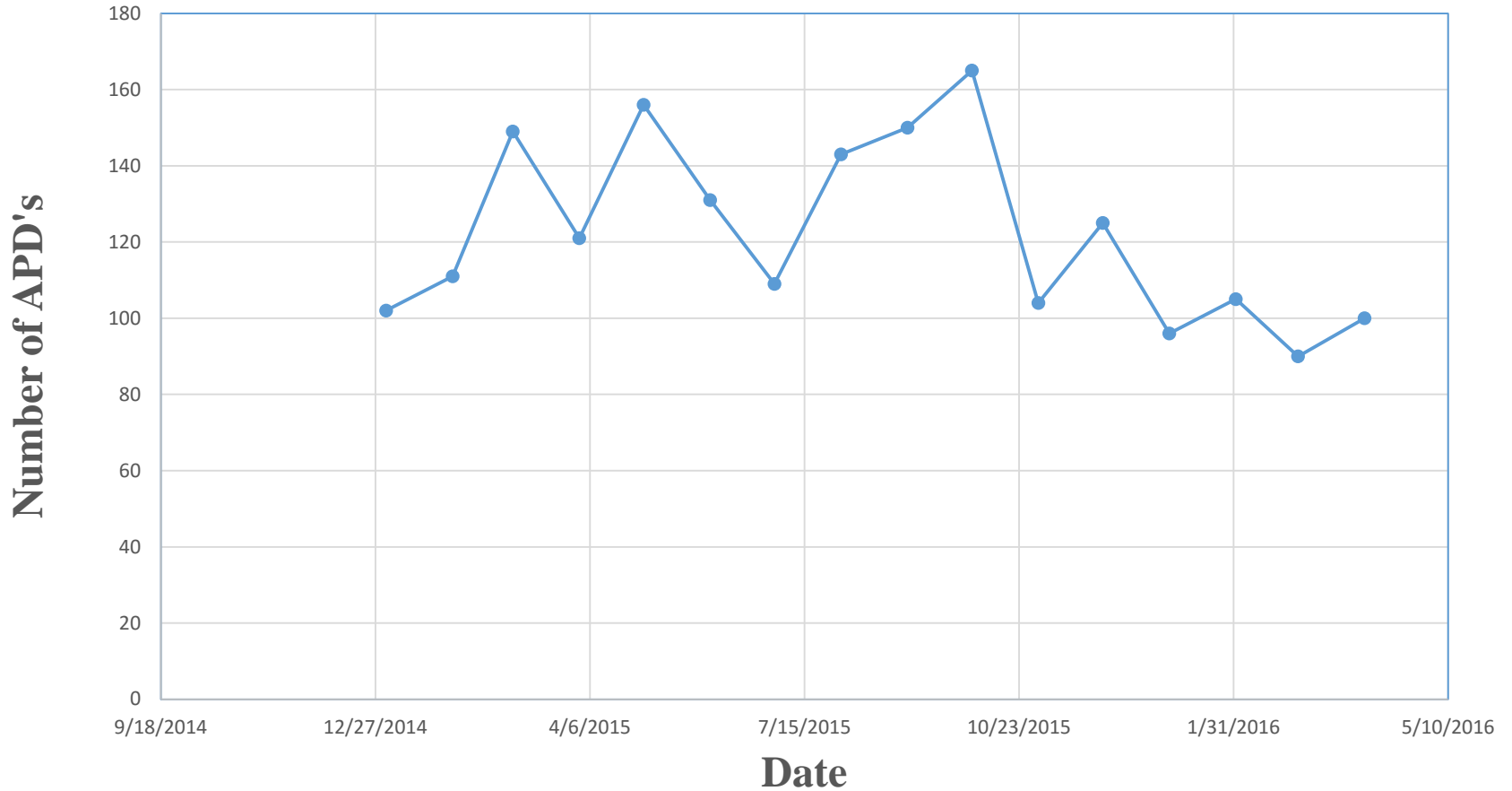


# *NMOCD LFC Presentation*

## *Current Activity*

24

### Applications to Drill: Jan 1, 2015-April 1, 2016

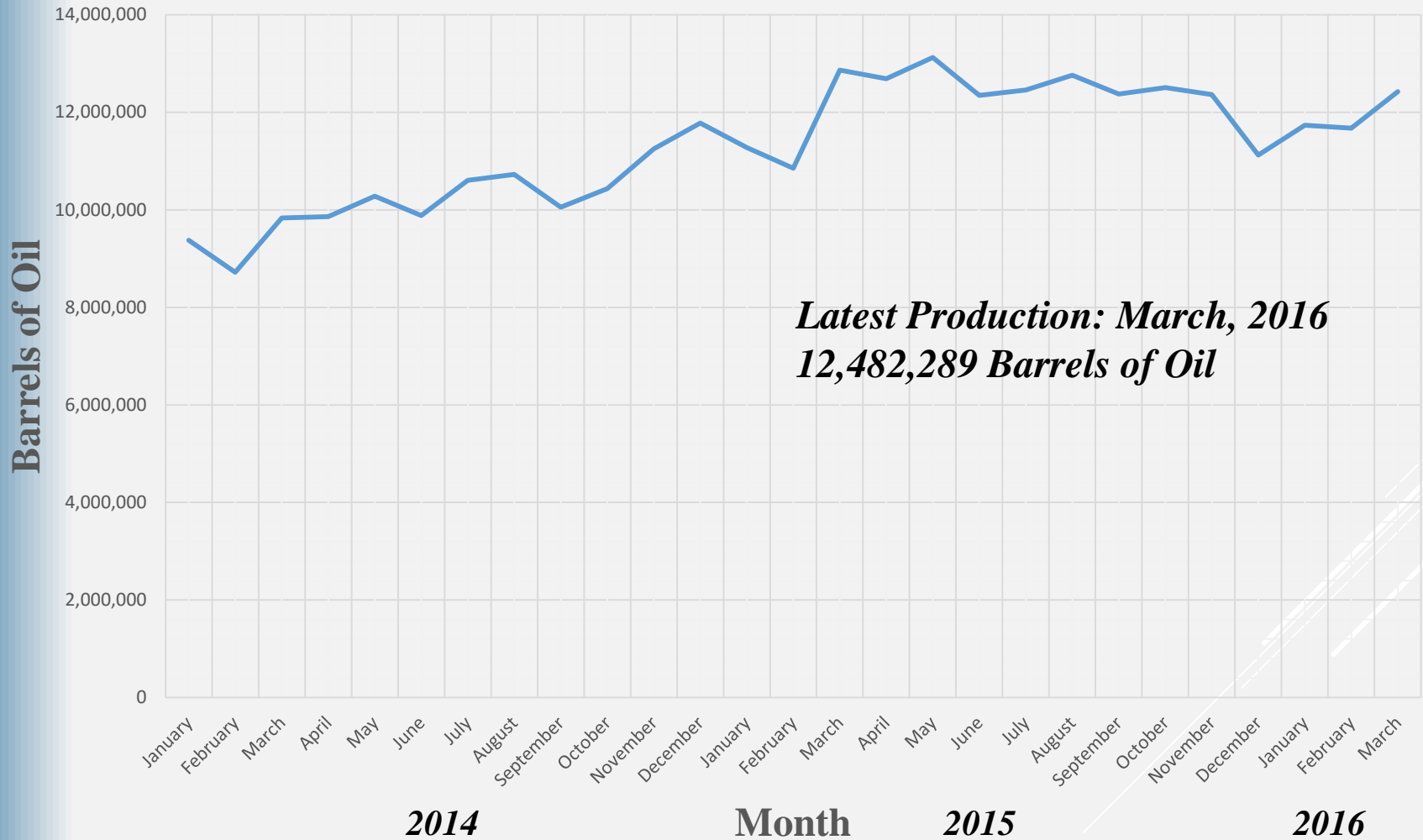




# *NMOCD LFC Presentation*

## *Current Activity*

### **Oil Production: January, 2014-March, 2016**





*NMOCD LFC Presentation*  
*Plugging Activity & Reclamation Fund*

***OIL RECLAMATION FUND & FEDERAL GRANT***  
***PLUGGING EXPENDITURES***

	<b>FY-14</b>	<b>FY-15</b>	<b>FY-16</b>
<b>NUMBER OF WELLS PLUGGED</b>	<b>45</b>	<b>23</b>	<b>25-State 10-Federal</b>
<b>PLUGGING EXPENDITURES</b>	<b>\$1,529,215</b>	<b>\$774,891</b>	<b>\$778,472-State \$318,295-Federal</b>



*NMOCD LFC Presentation  
Plugging Activity & Reclamation Fund*

***NUMBER OF ORPHANED/ABANDONED WELLS  
ON OCD'S ACTIVE PLUGGING PROGRAM  
(CURRENT LIABILITY)***

- **Wells on State Land: 97**
- **Wells on Fee Land: 61**
- **Wells on Federal Land: 43**
  
- **Total: 201**



*NMOCD LFC Presentation  
Plugging Activity & Reclamation Fund*

## **Bureau of Land Management Plugging Grant**

- **OCD Submitted an Application for a BLM Federal Plugging Grant in 2015**
- **OCD was Awarded Grant on 10/1/2015**
- **Total Grant Award is \$5.0 MM**
- **Grant Duration is 5 Years, with \$1.0 MM to be Disbursed to OCD on an Annual Basis**
- **Funds are to be Utilized to Plug and Abandon Orphaned Oil & Gas Wells on Federal land**
- **In FY-16, OCD has Plugged 10 Wells and Spent \$318,295.00**



*NMOCD LFC Presentation  
Plugging Activity & Reclamation Fund*

## **Bankruptcies**

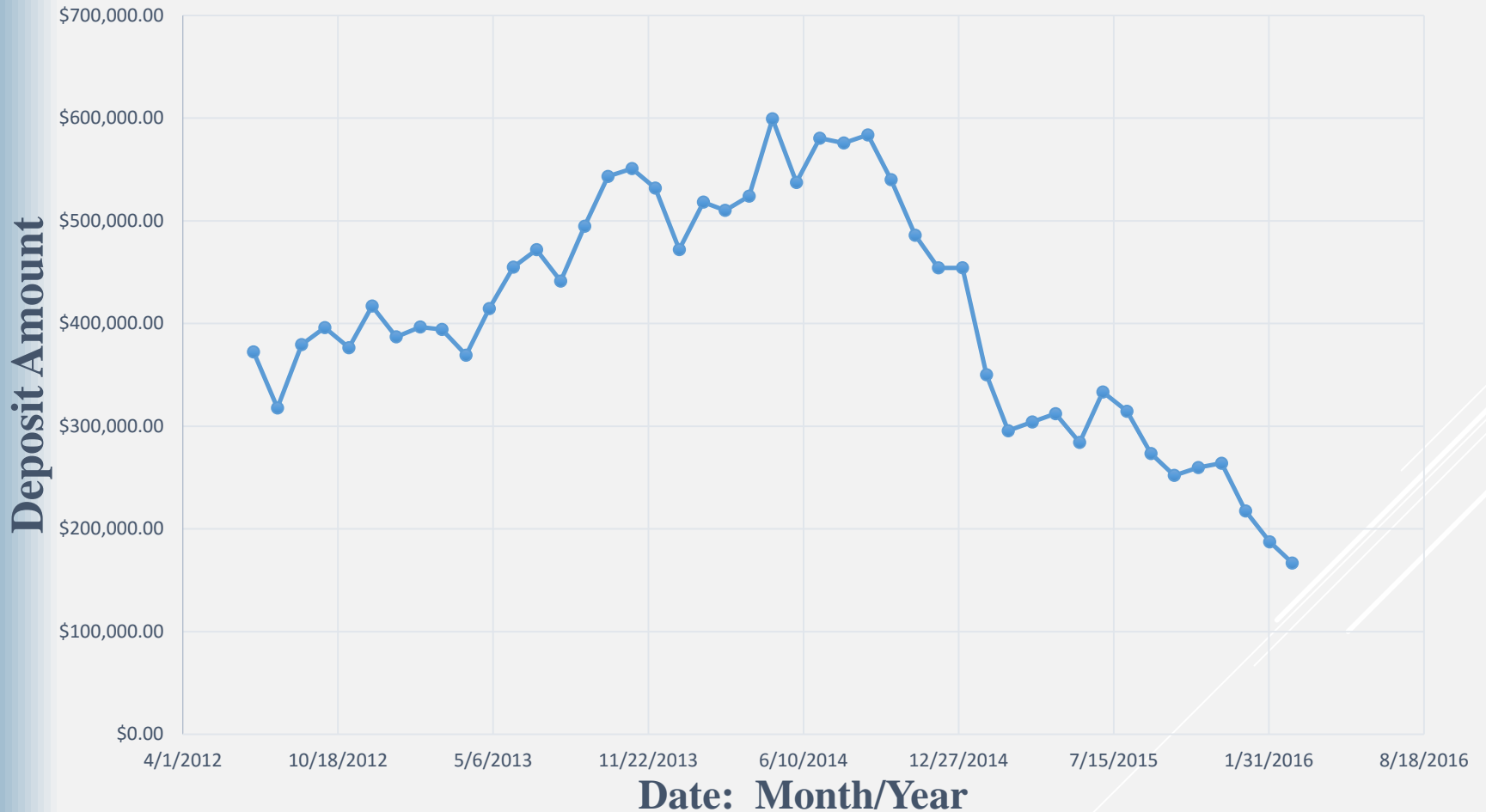
- **OCD Has an Interest in 10 Active Bankruptcies Across the United States (4 in Texas, 2 in Delaware, 1 in Colorado, 1 in New York, 1 in New Mexico)**
- **OCD Does Not File Any Sort of Claim or Track Bankruptcies in New Mexico in Which an Operator Only has Federal or Tribal Lease Wells (e.g. Priority Energy, LLC Filed for Bankruptcy in May)**
- **OCD has Taken Measures to Reduce Potential Liabilities by Being Proactive in all Bankruptcies**
- **As Noted by State Land Commissioner, Oil Conservation Division, Senator Papen and Others, Increased Federal Regulations Will Result in Additional Costs to Producers.**





*NMOCD LFC Presentation*  
*Plugging Activity & Reclamation Fund*

# Reclamation Fund Monthly Deposit



# Inspection Statistics by Inspection Type For the Period from 7/1/2015 thru 5/26/2016

<u>Inspection Type</u>	<u>Performed</u>	<u>Violations</u>
Complaint Response	2	0
Compliance Verification	10	0
Drill / Deepen /Re-Entry	381	0
Final Restoration	238	0
Initial Incident Inspection	517	124
Inactive Well Verification	4	0
Bradenhead	4,269	6
Pressure Test	1,442	2
MIT Witnessed - Other	173	4
File and Compliance	332	0
Plug / Plug Back	746	0
Pit Closure	43	0
Phone call	107	0
Plugging Witnessed	99	1
Rig	12	0
Routine/Periodic	36,713	650
Plugged Well Surface	255	1
Work Over	22	0
<b>State Totals</b>	<b>45,365</b>	<b>788</b>

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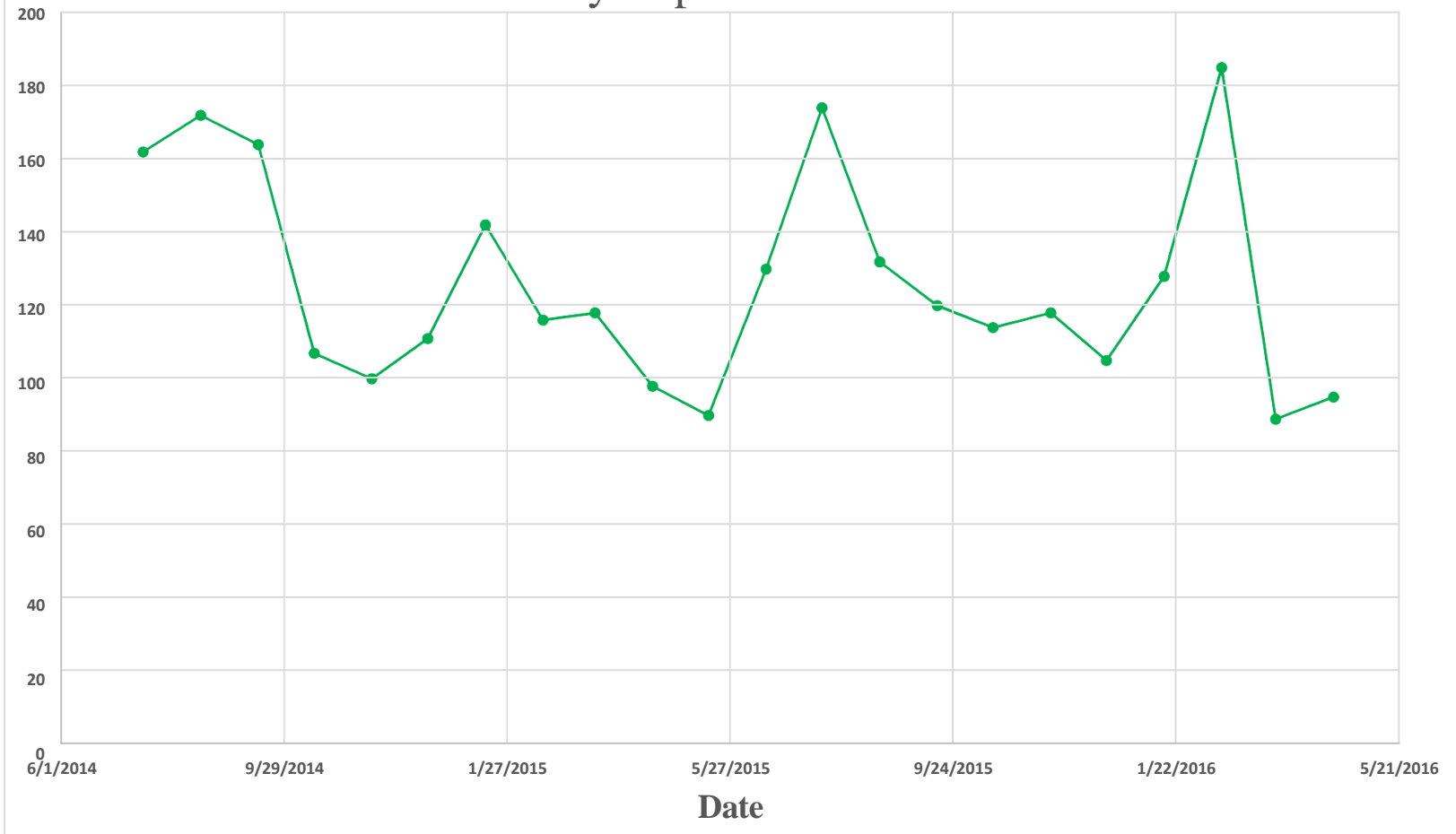
	District I (Hobbs)	District II (Artesia)	District II (Aztec)	District IV (Santa Fe)
<b>No. of Inspectors:</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>1</b>



# *NMOCD LFC Presentation*

## *Leak & Spill Data*

### Monthly Reported Releases Statewide

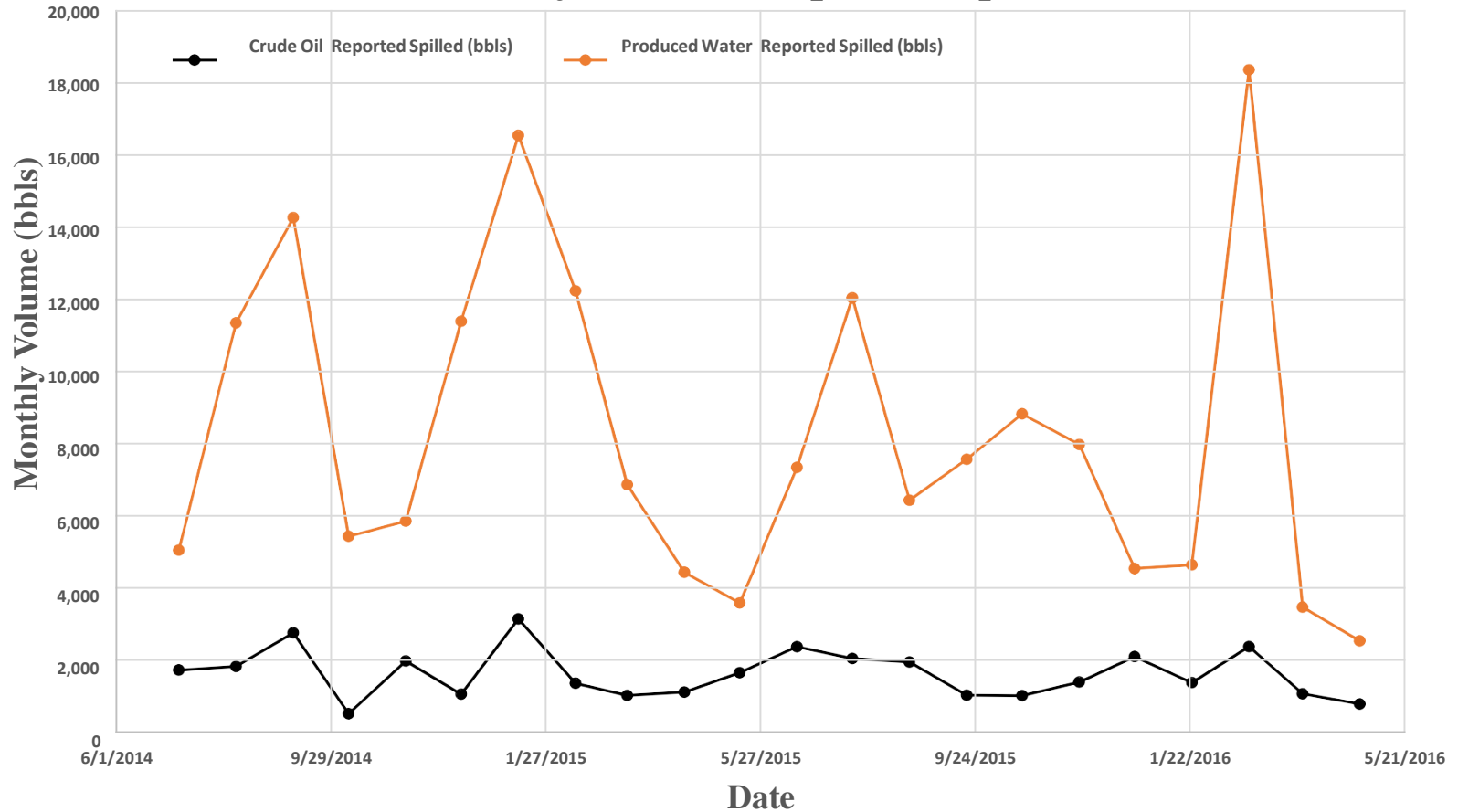




# NMOCD LFC Presentation

## Leak & Spill Data

### Monthly Volume of Spilled Liquids



***NMOCD LFC Presentation  
Leak & Spill Data  
Quarterly Report Posted on  
OCD Website***

State of New Mexico  
Energy, Minerals and Natural Resources Department

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

**UNAUTHORIZED RELEASE  
Statistics Summary Report**

**1/1/2016 thru 3/31/2016  
(1<sup>st</sup> Quarter of 2016)**

**Release Totals and District Breakdown**

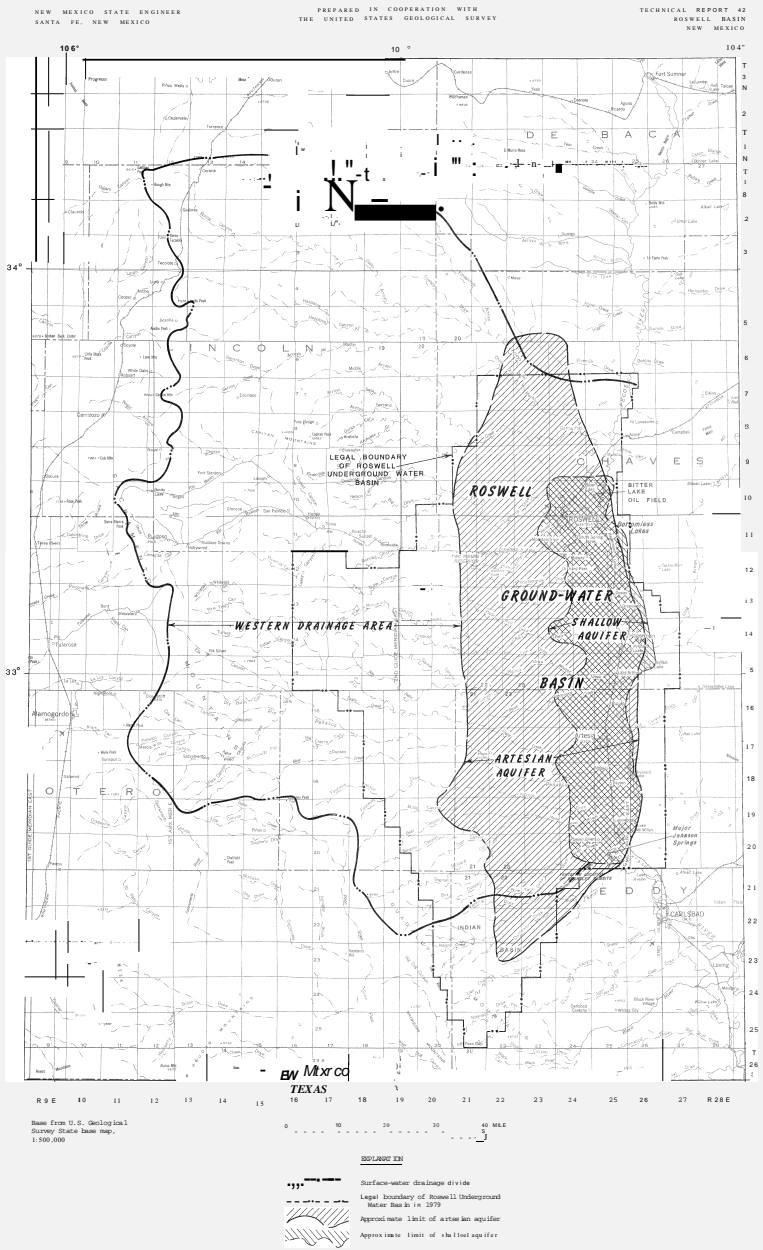
Month	Days	Releases	Releases				
			per day	District 1	District 2	District 3	District 4
January	31	128	4.1	53	54	20	1
February	29	185	6.4	112	50	23	0
March	31	89	2.9	42	27	20	0
<b>Total</b>	<b>91</b>	<b>402</b>	<b>4.4</b>	<b>207</b>	<b>131</b>	<b>63</b>	<b>1</b>

**Volumes of Material Involved**

Month	NGLs Reported Spilled (bbls)	NGLs Reported Recovered (bbls)	NGLs Reported Lost (bbls)	Crude Oil Reported Spilled (bbls)	Crude Oil Reported Recovered (bbls)	Crude Oil Reported Lost (bbls)	Produced Water Reported Spilled (bbls)	Produced Water Reported Recovered (bbls)	Produced Water Reported Lost (bbls)	Natural Gas Reported Released (mcf)
January	157	0	157	1406	1014	392	4666	3694	972	67933
February	468	75	393	2405	1284	1121	18375	5763	12612	208282
March	222	10	212	1100	814	286	3495	2571	924	233609
<b>Total</b>	<b>847</b>	<b>85</b>	<b>762</b>	<b>4911</b>	<b>3112</b>	<b>1799</b>	<b>26536</b>	<b>12028</b>	<b>14508</b>	<b>509824</b>

## ***ROSWELL GROUND WATER BASIN (RGWB)***

- **Large Area Defined by the Office of the State Engineer**
- **Approximate Area: 120 Miles North to South  
66 Miles East to West**
- **Within a Portion of the RGWB There Exists Two Fresh Water Aquifers. Shallow Aquifer: 450' & Deeper Artesian Aquifer: 1200'-1400'**
- **Remaining Portion of RGWP: Deeper Aquifer Only**
- **OCD Initially Contacted by Representative Townsend**
- **Initial Reports Indicated Possible Water Contamination**
- **OCD Attended 2 Public Meetings with Pecos Valley Conservancy District, Office of the State Engineer & Various Legislative Members**
- **At Issue is Whether a Single Casing String Set Through Both Aquifers Provides Adequate Protection**



# NMOCD LFC Presentation

## Roswell Ground Water Basin Map

Figure 1. Map showing the surface drainage, legal boundary, and aquifer limits of the Roswell ground-water basin, southeastern New Mexico.



*NMOCD LFC Presentation  
Roswell Ground Water Basin*

***ACTIONS TAKEN BY OCD***

- **OCD's Primary Concern: Protection of Fresh Water**
- **All Approved Applications To Drill Within the RGWB Suspended by Emergency Order E-42 dated 4/25/16. Extended by E-42-A dated 5/4/2016**
- **Hearing to Extend APD Suspension Held May 10<sup>th</sup>.**
- **Drilling is Allowed Within the RGWB Provided that OCD Approves Revised Casing Programs**
- **OCD is Conducting a Hearing in August to Establish:**
  - **A Clearly Defined Area for the RGWB**
  - **A Casing/Cementing Program for Oil & Gas Wells That Will Provide Protection of the Shallow Aquifer & Deeper Artesian Aquifer & Prevent Communication Between These Aquifers**





*NMOCD LFC Presentation*  
*Enforcement*

# New Enforcement Efforts

- **Working to Train Law Enforcement**
- **Work with District Attorneys**
- **Financial Assurance Compliance Enforcement**
- **Prioritizing Enforcement Cases**
- **Working with Operators out of Inactive Well Compliance**

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OCD Website:

<http://www.emnrd.state.nm.us/oed>



OCD Well Information and Operator Data:

<https://wwwapps.emnrd.state.nm.us/oed/oedpermitting/Data/Wells.aspx>