

An Update on Oil & Gas Status in New Mexico

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Oil Conservation Division
Energy, Minerals & Natural Resources Dept.**

**Economic & Rural Development Committee
Grants, NM
July 13, 2016**

Energy, Minerals & Natural Resources Department (EMNRD)

- ✓ ***State Forestry Division***

Fights Fires & Protects Watersheds



- ✓ ***State Parks Division***

Manages 35 State Parks



- ✓ ***Energy Conservation & Management Division***

Encourages Alternative Energy Use



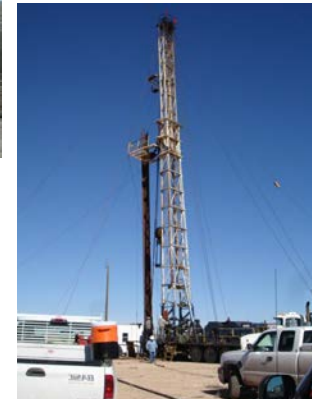
- ✓ ***Mining & Minerals Division***

Regulates Coal & Hard Rock Mining



- ✓ ***Oil Conservation Division***

Regulates Oil & Gas Drilling and Production





Presentation Outline

- **Oil Conservation Division Duties & Responsibilities**
- **New Mexico Energy Background**
- **Current Industry Activity**
- **Key Oil & Gas Issues in a new State Energy Plan**
- **Gas Capture Committee**



OCD Duties & Responsibilities

- **Regulate oil & gas drilling, production & injection activities in New Mexico**
- **Permit new wells and recompletions**
- **Enforce the Division's rules and New Mexico's Oil & Gas Statutes**
- **Make certain abandoned wells are properly plugged to protect ground water and prevent communication between oil, gas & water zones**
- **Ensure the land is responsibly restored**



NM Energy Production Rankings

	U.S. Ranking
Net energy supplier to nation	3
Total energy production	10
Oil production	5
Natural gas production	7
Coal production	12
Wind installed capacity	19
Solar installed capacity	10
Renewable power* generation	24

NM Energy Resource Rankings

	U.S. Ranking
Proved oil reserves	5
Proved natural gas reserves	8
Recoverable coal reserves	9
Wind potential	11
Solar potential	3
Geothermal resources	6
Uranium reserves	2

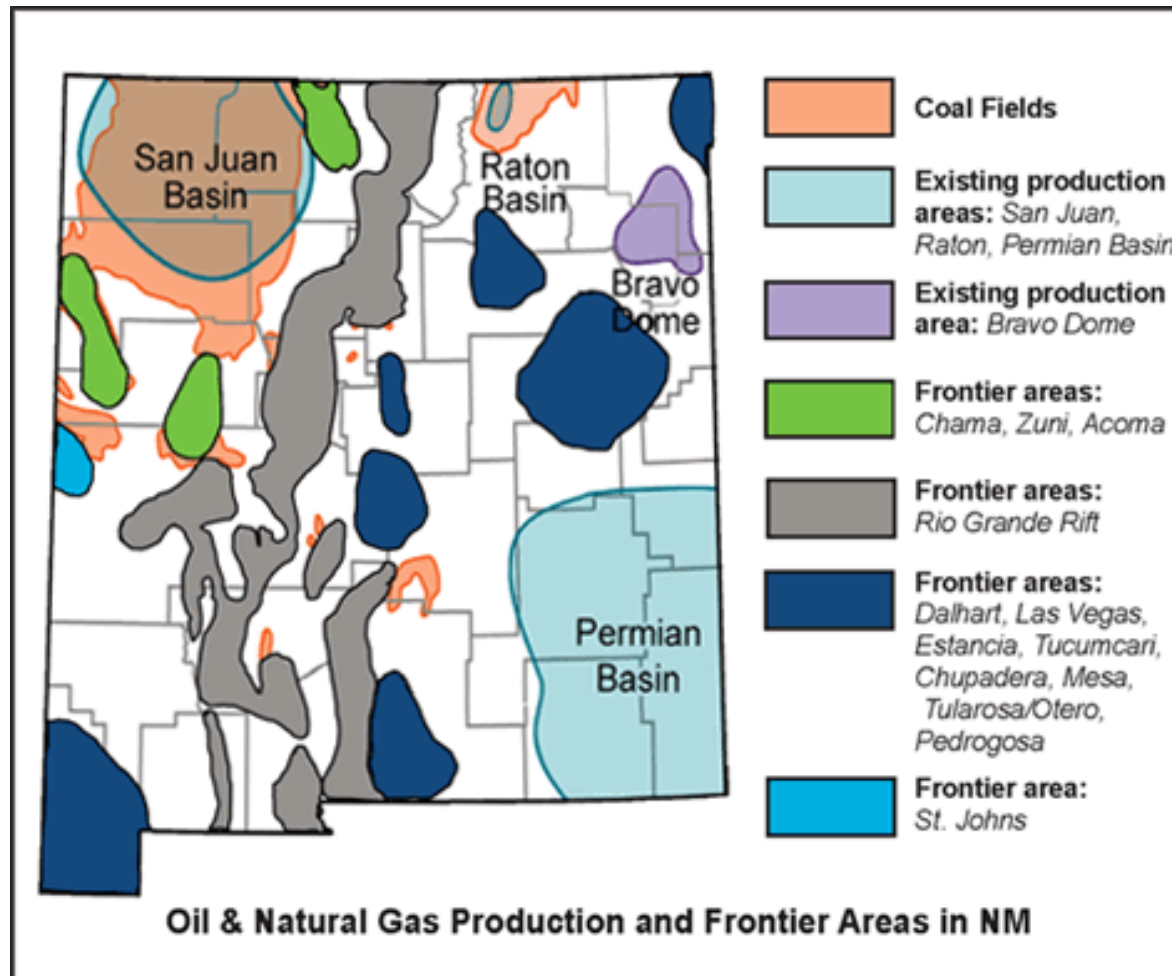
* Excluding hydropower

Note: Rankings out of 51 and include the District of Columbia

Sources: EIA, AWEA, NREL, UNM BBER, BLS



Oil & Gas Producing & Frontier Regions in New Mexico



General Fund Revenue Attributed to Oil & Gas Industry

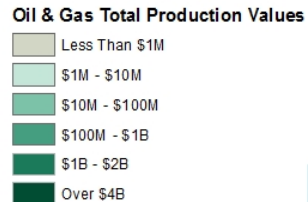
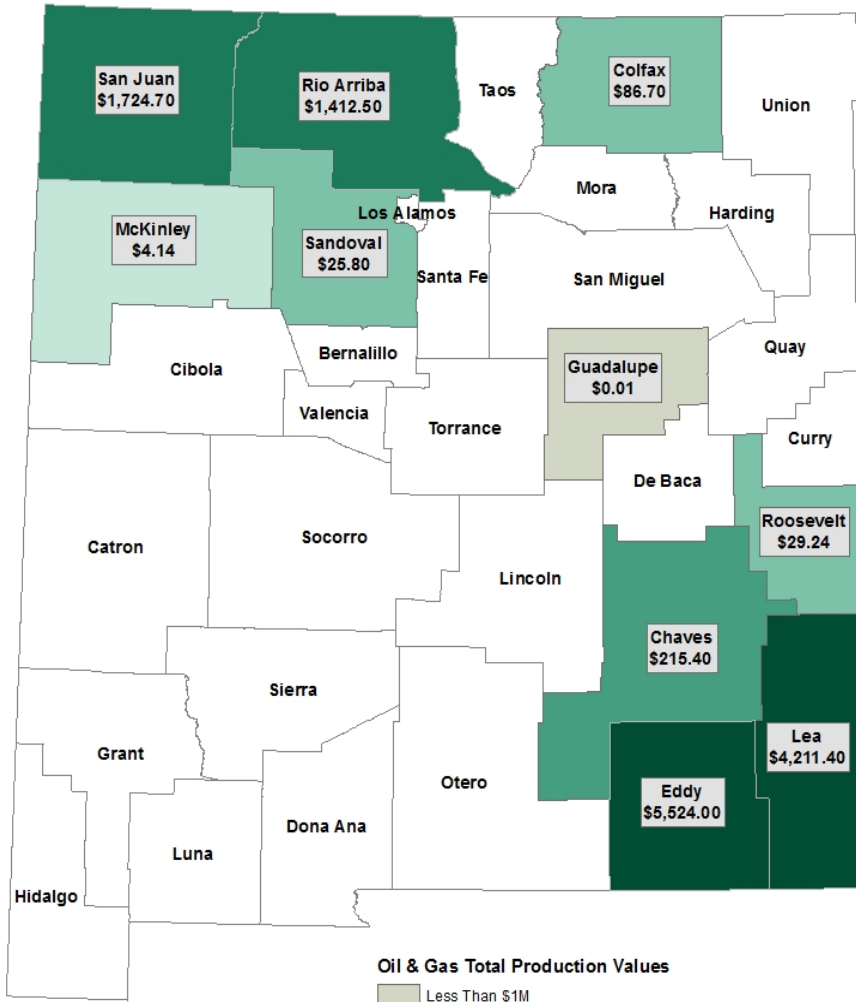
FY 13 Land Grant Permanent Fund Balance	\$13.28 billion*
FY 13 LGPF interest from oil & gas to general fund	96.6%*
Severance Tax Permanent Fund Balance	\$3.87 billion*
FY 13 STPF interest from oil & gas to general fund	86.0%*
FY 13 Contribution to total general fund revenue	31.5%*
(\$1.7 billion direct to general fund)	
FY 14 Contribution to total general fund revenue	38.0%**

*New Mexico Tax Research Institute, Fiscal Impacts of Oil and Natural Gas Production in New Mexico, January 2014

**Dr. Tom Clifford, "Oil and Gas Contributions to State and Local Revenues and 2014 State Budget Update,"

IPANM Annual Meeting, Albuquerque, August 7, 2014

NM Oil & Gas Production Value by County (FY 2013)

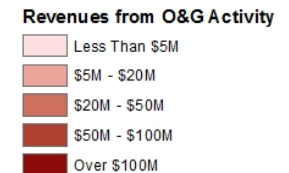
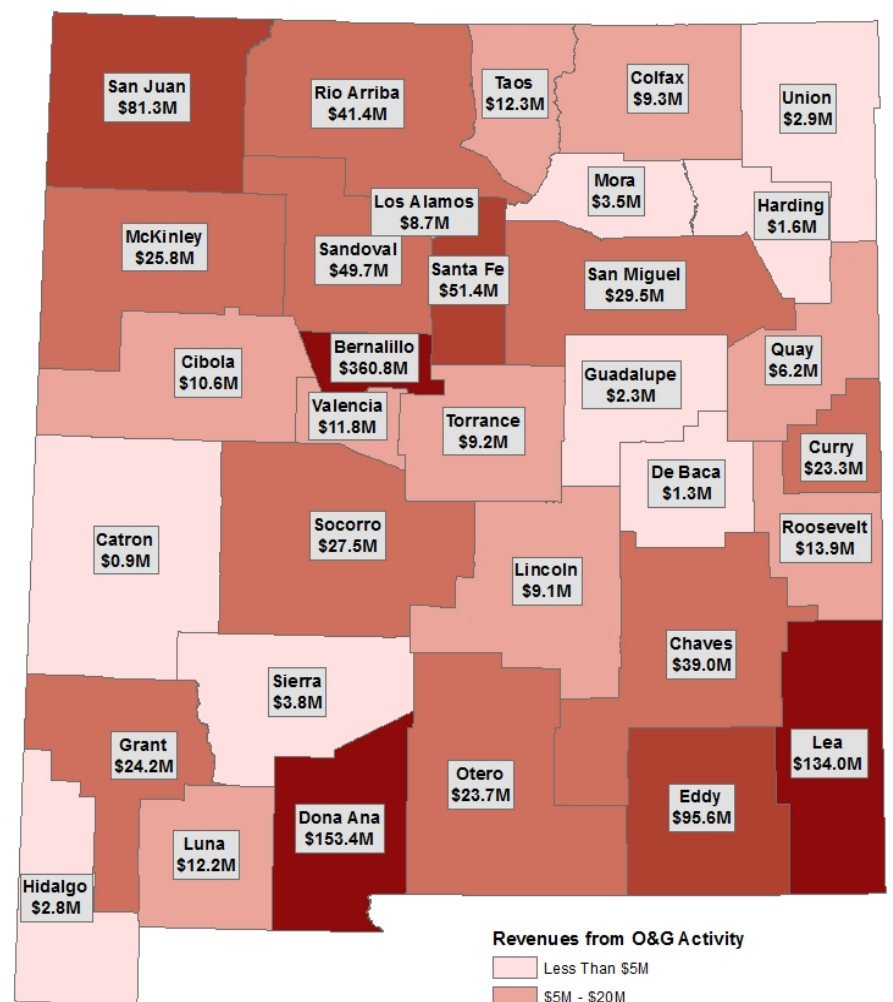


Note: Labels in \$Millions
 Source: New Mexico Tax Research Institute, 2013, Fiscal Impacts of Oil and Natural Gas Production in New Mexico, Preliminary Report



Date: 7/3/2014

County Revenues from Oil & Gas Activity (Fiscal Year 2013)

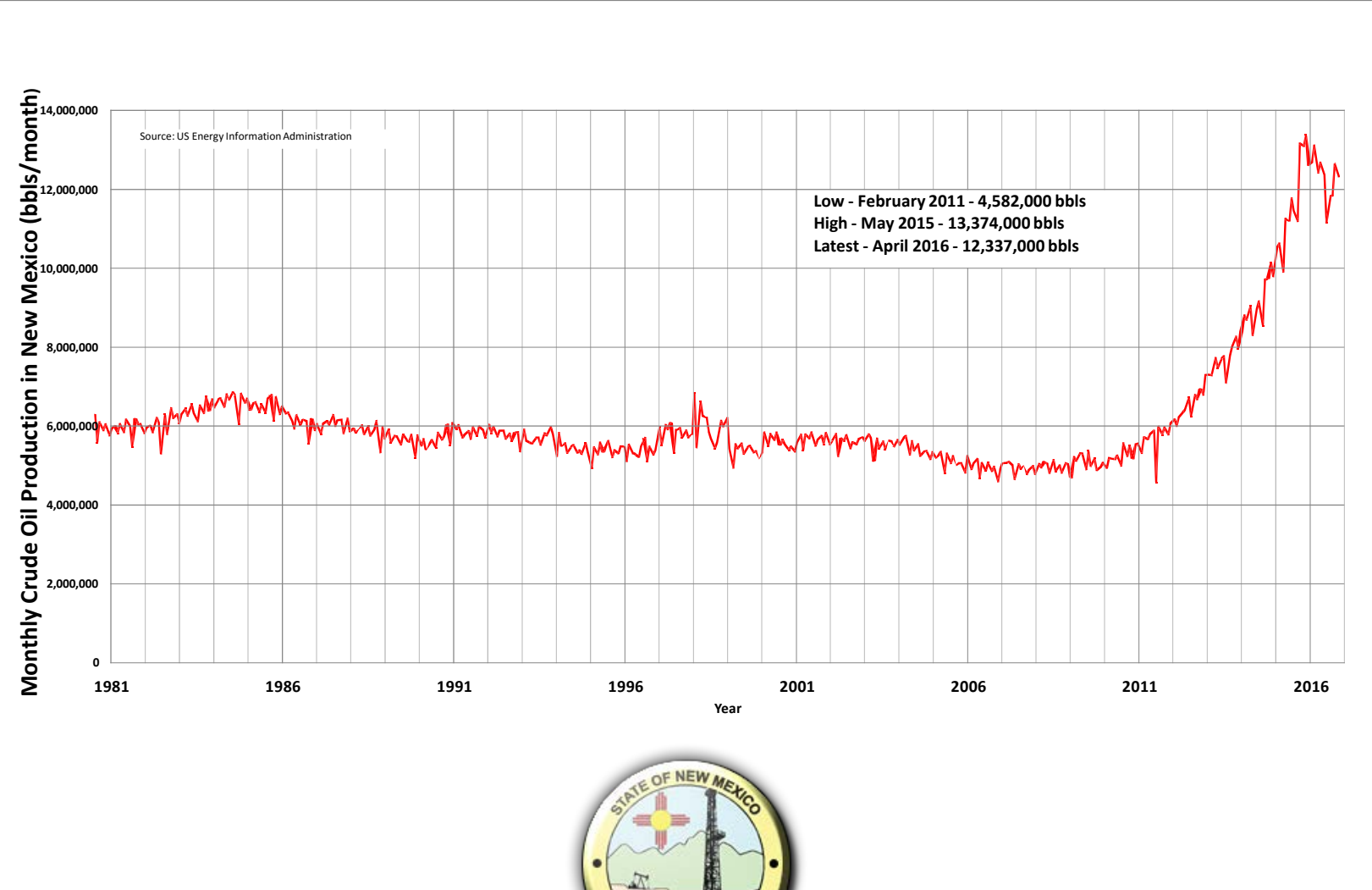


Note: Data from NM Tax Research Institute, 2014, Fiscal Impacts of Oil and Natural Gas Production in New Mexico. Revenue derived from state general fund education appropriations attributable to oil and gas (K-12 and higher education), capital allocations and severance tax bonds attributable to oil and gas, gross receipts tax attributable to oil and gas that are returned to the county, and ad valorem production and ad valorem production equipment taxes in producing counties.

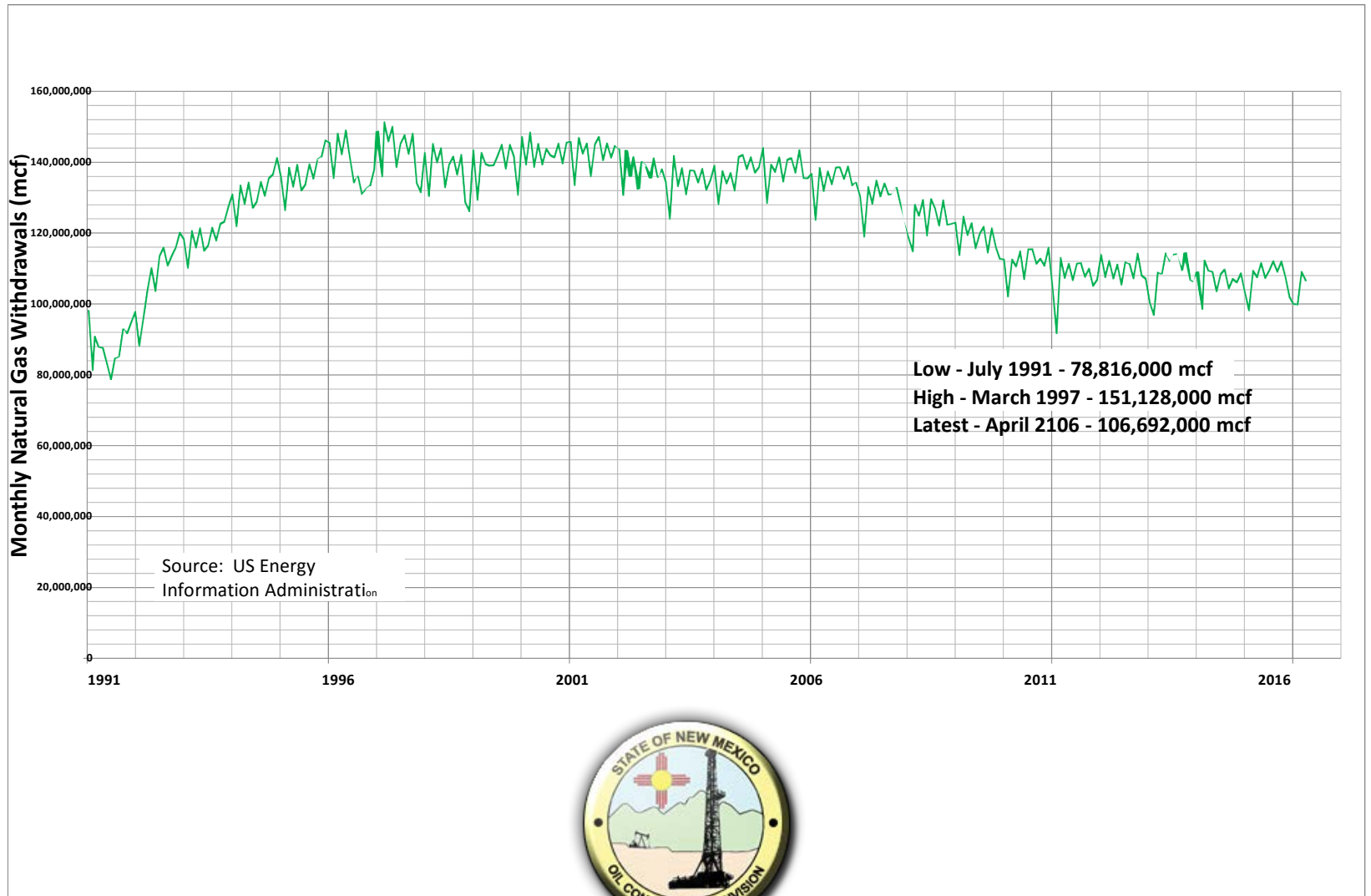


Date: 7/8/2014

Monthly Crude Oil Production in New Mexico Since 1981

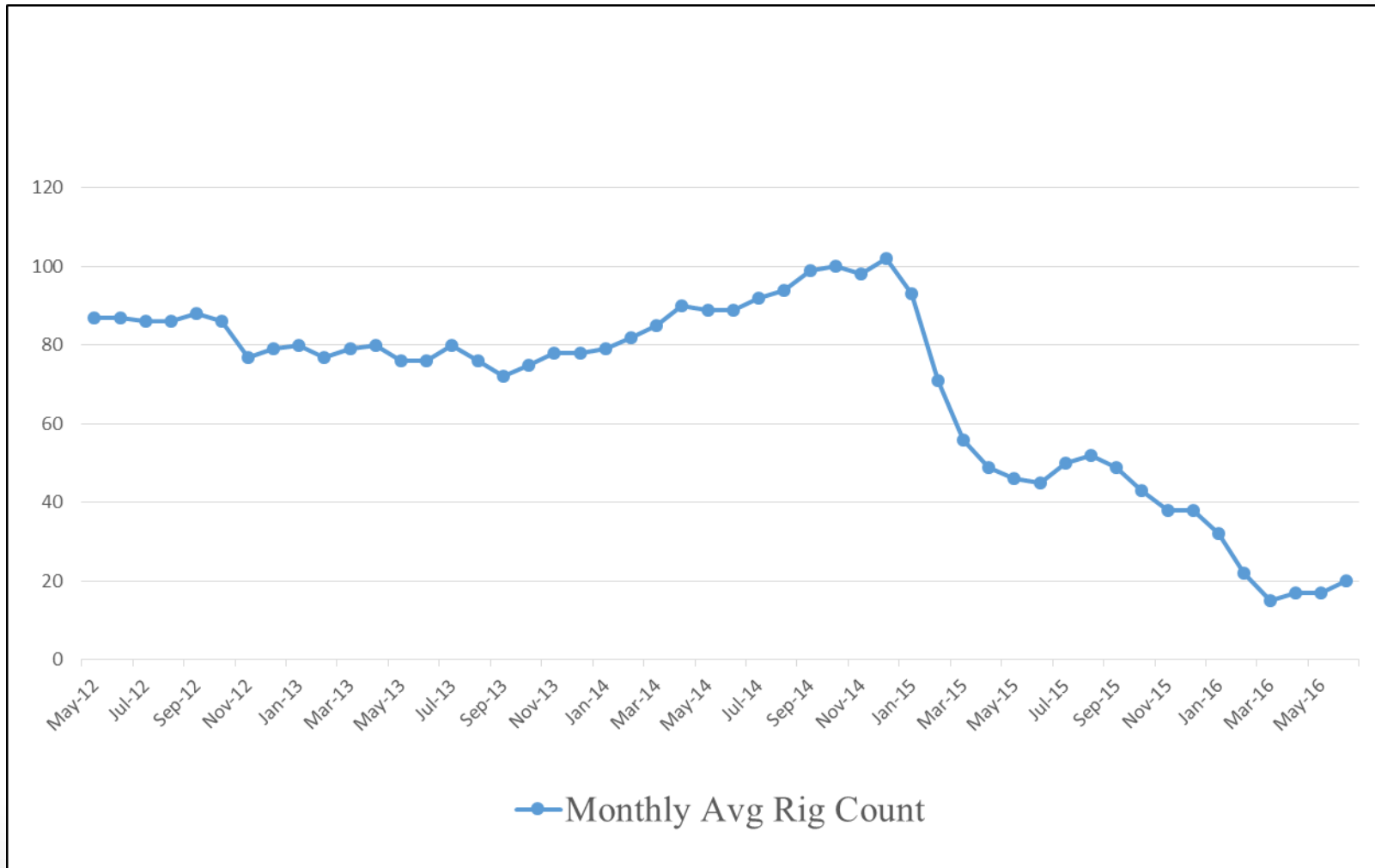


Monthly Natural Gas Production in New Mexico Since 1991

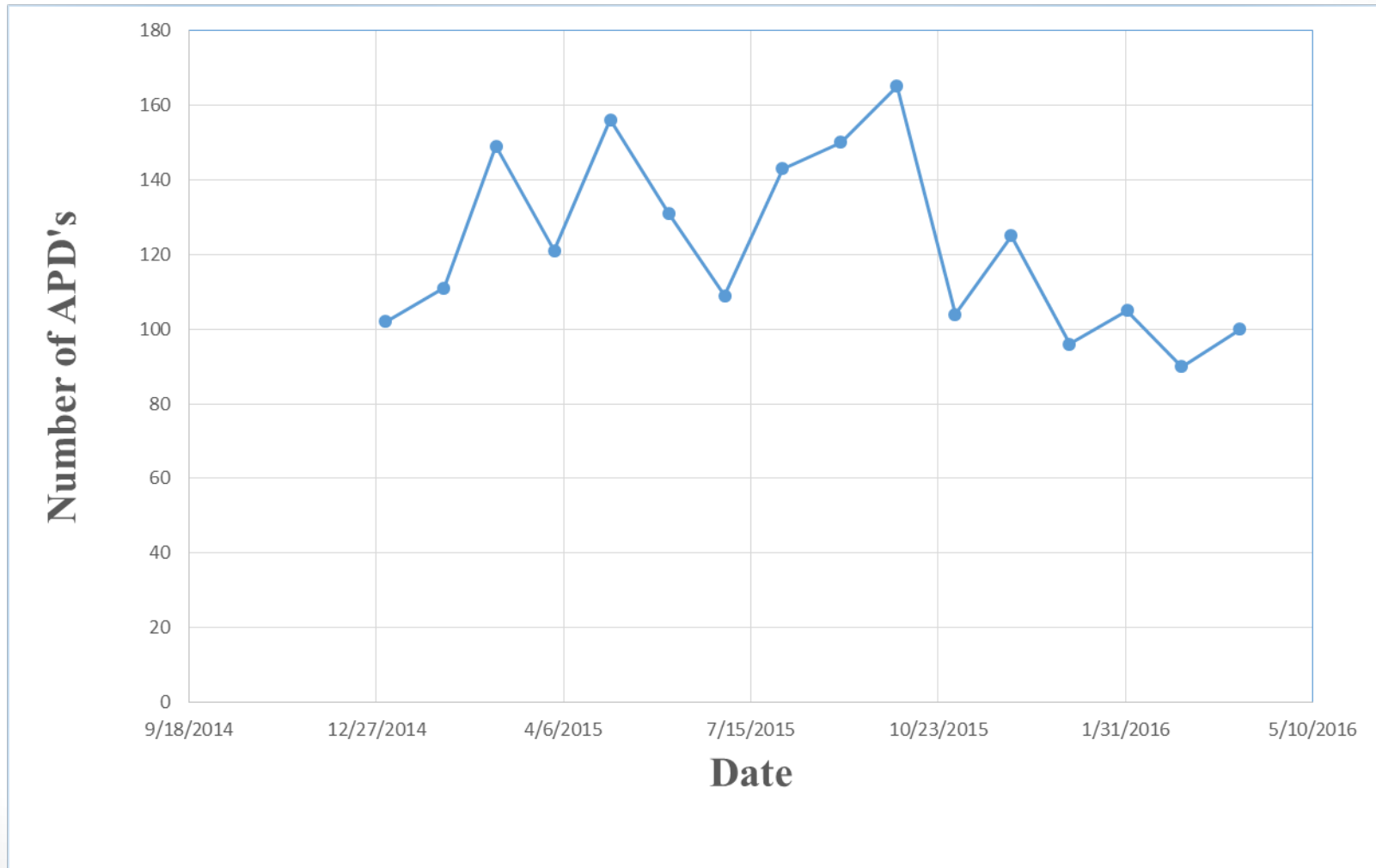


New Mexico Rig Count

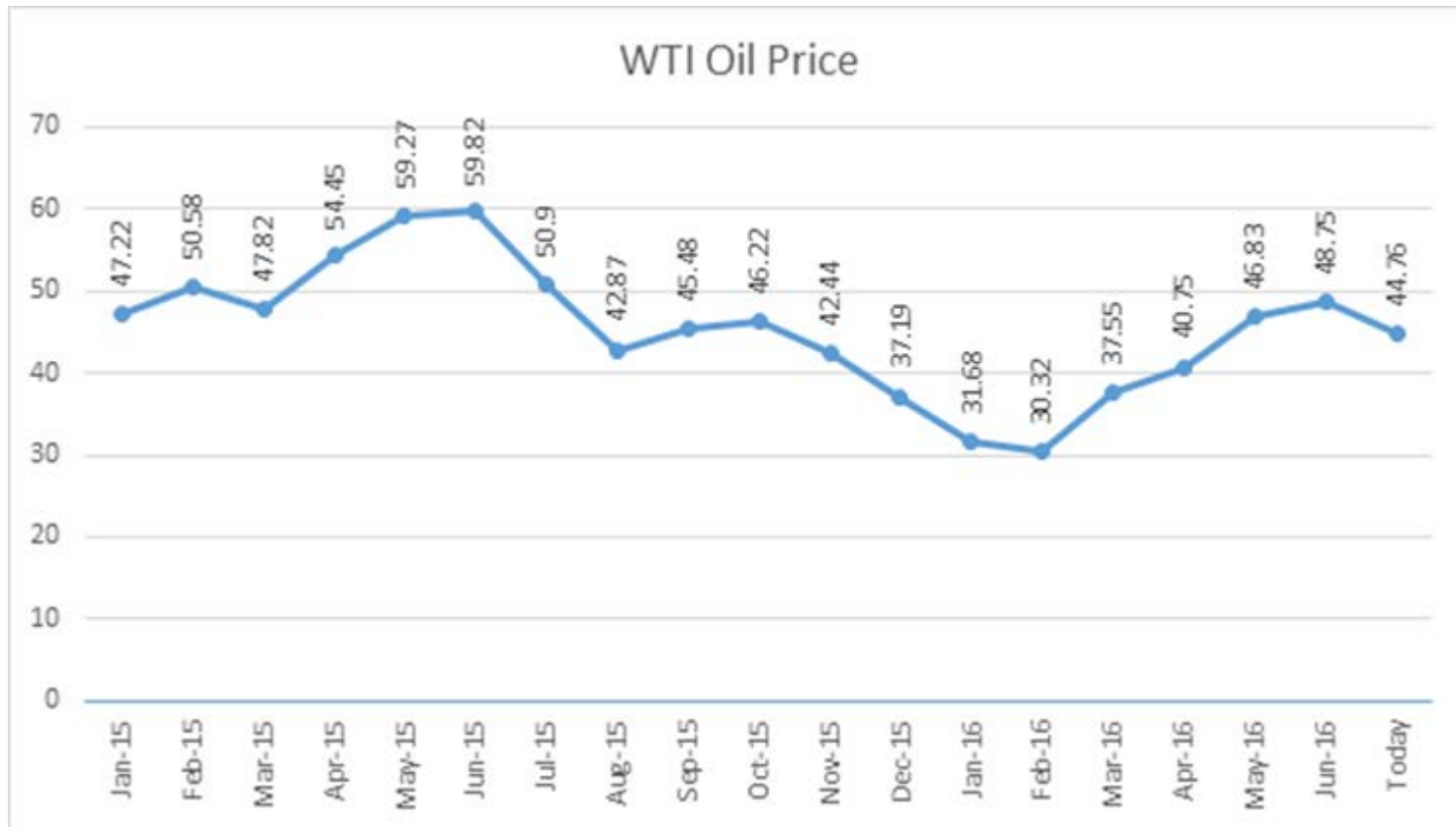
May, 2012 to June 3, 2016



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



West Texas Intermediate Oil Price



New Mexico Oil & Gas Industry Data

Direct, Indirect, Induced Jobs*	68,838
Avg. Annual Salary (Extraction & Production)**	\$70,666
Percentage of all Employment*	9%
Percentage of Gross Domestic Product*	11.6%
Avg. Annual Salary (Extraction & Production)***	\$70,666
FY13 Prod'n. Value***	\$12.82 billion
Prod'n. Value Apr '13 to Mar '14***	\$15.62 billion

Sources:

* "Economic Impact of New Mexico's Oil and Gas Industry," C. Meghan Downes, Ph. D. (2012)

**American Petroleum Institute (2013)

***New Mexico Oil Conservation Division from EIA Data

Education

Objective: Provide science and technology-based information and data about the energy sector to the public and elected officials

Workforce Training

Objective: Develop initiatives with state and local colleges and universities to improve workforce training for the energy sector



New Mexico Oil & Gas Training Opportunities

- San Juan College in Farmington offers Petroleum Production Operations & Advanced Petroleum Production Operations Degrees/Certificates
- New Mexico Junior College in Hobbs offers an Energy Technology Degree that highlights petroleum technology as an emphasis area
- New Mexico Institute of Mining & Technology offers B.S, M.S. and PhD degrees in Petroleum Engineering

Seizing our Energy Potential: Creating a More Diverse Economy in New Mexico



New Mexico Energy Policy & Implementation Plan



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Energy Policy & Implementation Plan

- Last Official Energy Policy (1991)
- New Focus: State Revenue & Private Sector Jobs
 - Access to Federal Lands
 - State Collaboration with Federal Agencies
 - Streamline Regulatory Requirements
 - Infrastructure Needs
 - Energy Education (Oil and Gas)
 - Energy and Water Nexus
 - Carbon Standards

Principles of a New NM Energy Plan

- All energy sources will be included
- Will not promote specific technologies – let the marketplace sort it out
- Economic growth and job creation is key – good paying, private sector jobs
- Pursue economic development and manufacturing
- Consider appropriate incentives that could increase market potential
- Facts and science will drive any recommendations

**The entire 2015 New Mexico Energy Plan
can be found online at:**

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

Methane Emissions

Last year, Governor Martinez directed EMNRD to develop plans to reduce flaring of natural gas for all new drilling permits and well recompletions

- Gas Capture Committee formed by OCD in 2015
- Members include representatives from OCD, Industry, Bureau of Land Management (BLM), State Land Office (SLO), New Mexico Environment Department (NMED) and Energy Conservation and Management Division (ECMD)
- Committee developed a Gas Capture Plan Form that is to be filed with all new APD's and Recompletions effective May 1, 2016
- Committee will continue working to develop a phased-in reduction of vented/flared gas volumes

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OCD Website:<http://www.emnrd.state.nm.us/ocd>

OCD Well Information and Operator Data:

<https://wwwapps.emnrd.state.nm.us/ocd/ocdpermitting/Data/Wells.aspx>



Energy, Minerals and Natural Resources Department