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FISCAL IMPACT REPORT

SPONSOR:	Pearce	DATE TYPED:	1/24/00	HB	25
SHORT TITLE:	Recycle Produced Water in Lea County			SB	
				ANALYST:	Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
	\$ 100.0			Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Bill 25 appropriates \$100.0 from the general fund for the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (EMNRD) to conduct a research and demonstration project to apply reverse osmosis or another appropriate technology to recycle produced water from oil or gas well drilling. The appropriation would be applicable to projects that occur within Lea County.

Significant Issues

During the process of drilling and producing oil or natural gas, a significant amount of water is produced, which is contaminated with salt and hydrocarbons. Consequently, the water is unusable and must be re-injected back into a subsurface salt zone. This re-injection process is costly and prohibitive when oil prices are low. Researchers have had success in other parts of the country by processing the produced water to a level suitable for boiler operations. House Bill 25 seeks to apply the same technical concepts to production operations in Lea County, as an effort to test the feasibility of this approach.

FISCAL IMPLICATIONS

House Bill 25 will have a one-time non-recurring fiscal impact of \$100.0.

ADMINISTRATIVE IMPLICATIONS

The Oil Conservation Division does not employ researchers or scientists, who are capable of carrying out the scope of this project. The division would have to contract this project out.

POSSIBLE QUESTIONS

- Have oil and gas companies pursued or have an interest in a project of this type in Lea County or in New Mexico?
- The New Mexico Petroleum Recovery Research Center (PRRC) at the New Mexico Institute of Mining and Technology (NMIMT) is devoted to addressing with research solutions problems in the oilfield. Has this research center completed studies that already address this problem?

MFV/njw