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## FISCAL IMPACT REPORT

SPONSOR Stell DATE TYPED 2/26/05 HB 1002

SHORT TITLE Oil & Gas Production Water Recycling SB \_\_\_\_\_

ANALYST Aguilar

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$100.0			Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

New Mexico Environment Department (NMED)

### SUMMARY

#### Synopsis of Bill

House Bill 1002 appropriates one hundred thousand dollars from the general fund to the Energy, Minerals and Natural Resources Department (EMNRD) for research and development of reverse osmosis technologies to purify and remove hydrocarbons from water produced as a byproduct of oil and gas exploration.

#### Significant Issues

Produced water is high in total dissolved solids, salts such as sodium and chloride, and often contains other contaminants such as dissolved hydrocarbons that could be detrimental to the state's aquatic ecosystems. Large volumes of produced water are generated in New Mexico each year during the drilling and production of oil and natural gas. The poor quality of produced waters limits the options for disposal or reuse due to the potential for contamination of fresh waters from these salts. Most produced water is disposed of by deep well re-injection, often into current or former oil producing formations.

Reverse osmosis is a technology that is commonly used to remove salts from water. However, due to the high salt levels in oilfield produced water it is costly to treat these waters to levels that would make it suitable for beneficial use. These high treatment costs make reverse osmosis technology uneconomical compared to conventional disposal of produced water as a waste. If these produced waters could be economically treated to a quality necessary for other uses, it would be a significant benefit to the state to reuse these waters and offset the use of New Mexico's fresh water aquifers.

The Environment Department notes New Mexico Institute of Mining and Technology and the Department of Energy have been working with EMNRD, oil producers, and land management agencies to develop cost effective reverse osmosis technologies such that these waters could be put to a beneficial use and not be disposed of as a waste.

### **FISCAL IMPLICATIONS**

The appropriation of \$100 thousand dollars contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2006 shall revert to the general fund.

**PA/yr:lg**