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WEEKLY REPORT OF THE OIL AND GAS LEASING ACTIVITIES IN THE STATE OF NEW MEXICO, TEXAS, OKLAHOMA AND KANSAS AS TAKEN FROM THE RECORDS IN THE UNITED STATES DEPARTMENT OF THE INTERIOR, BUREAU OF LAND MANAGEMENT, STATE OFFICE AT SANTA FE, NEW MEXICO.

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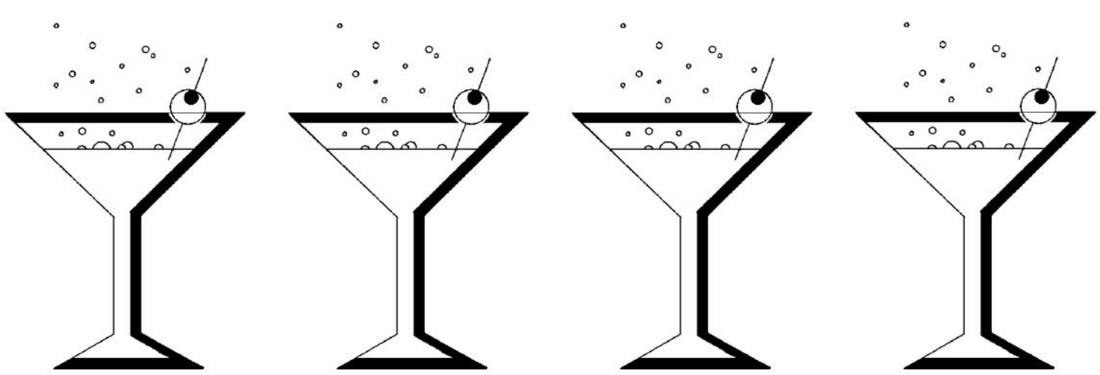

Gov.'s energy plan 'all of the above'

Kevin Robinson-Avila | Albuquerque Journal
Published September 14, 2015

Gov. Susana Martinez on Monday unveiled a broad "all-of-the-above" plan to develop New Mexico's energy resources, the first such comprehensive policy outline for the state in 25 years.

The governor recommended a broad array of strategies and policies that includes traditional fossil fuels, such as oil, natural gas and coal, and renewables, such as wind and solar, and new technologies, such as "small modular reactors," to harness nuclear energy.

It's all about building and diversifying New Mexico's economy to provide well-paying jobs, Martinez said. "New Mexico is one of the most energy-rich and energy-diverse states in the nation, and we have an excellent opportunity to utilize this position to grow our economy and create more jobs," Martinez said in a prepared statement.

"Improving our energy infrastructure, responsibly developing and producing energy of all types and better preparing our workforce for the needs of our energy sector are all critical components not only of a strong economic future, but of helping lead America to energy independence."

Responses to the plan are likely to be varied, given the broad range of policies it promotes.

Environmental organizations, for example, could take issue with some fossil fuel development strategies, such as a recommendation to export coal from New Mexico mines to sustain that industry as coal consumption by local utilities declines.

Potential future deployment of small modular reactors — an emerging technology that must still be approved by the federal Nuclear Regulatory Commission — also could prove controversial.

"Anytime you say 'nuclear,' it creates adverse reactions — kind of a knee-jerk reaction — but people need to study it first," said State Energy, Minerals and Natural Resources Secretary David Martin. "Others complain about fossil fuels and many consider 'fracking' a bad word. So there will for sure be some pushback and maybe some groups with positions that we can't totally overcome."

But the plan also includes recommendations that environmental groups and clean energy advocates are likely to embrace, such as efforts to deploy new battery storage technologies and more transmission to better facilitate the development of solar and wind power.

And the traditional energy industry, particularly oil and gas producers, will likely welcome the plan's efforts to shore up infrastructure and find new markets to sustain production.

Among other things, the plan emphasizes the need for new rail lines to transport goods in and out of the San Juan Basin in northwestern New Mexico, and more pipelines, refineries, and road construction and repair to manage heavy industrial traffic.

"I applaud the administration for taking a balanced, practical look at the future and for trying to meld everything together in a comprehensive way," said New Mexico Oil and Gas Association President Steve Henke. "This can help shape partnerships between the government and the private sector to develop New Mexico's vast energy resources in a coordinated, comprehensive way."

The governor unveiled the plan at the opening of the 2015 Southeastern New Mexico Mayor's Energy Summit in Carlsbad, where industry leaders and government officials are meeting to discuss energy development. The conference included an opening address by the governor and a keynote presentation by T. Boone Pickens, chairman of BP Capital Management.

Martin said the new plan represents the state's first comprehensive effort to build a road map for energy development since 1991, when Bruce King was governor. It was developed after extensive public listening sessions that solicited input from local officials, industry, community organizations, concerned citizens and others.

"More than 450 people participated in the sessions throughout New Mexico," Martin said. "We worked with policy experts to develop a comprehensive document that now includes 12 broad objectives and 89 specific recommendations."

Some recommendations could be implemented through executive action, Martin said. Others will need legislative approval, and many initiatives will require interagency involvement among state and federal entities.

Proposal's objectives

- Infrastructure development, including new rail lines, pipelines and refineries to move resources in and out of the state's oil and gas zones in the northwestern and southeastern corners of the state; electric transmission projects to help harness solar and wind potential; road construction and repair to better manage heavy industrial traffic in development zones.

- An "all-of-the-above" approach to energy development, with heavy emphasis on "low-carbon" sources. That includes efforts to deploy new storage technologies for intermittent solar and wind generation, reducing "soft costs" for siting renewable projects, such as permitting processes and tax credits to build demand for natural gas consumption in transportation and industry. It also could include expanding the "renewable portfolio standard." An expanded standard would instead emphasize low-carbon energy in general, encouraging use of natural gas and nuclear generation, as well.

- Improving energy workforce training at colleges and universities by better aligning curricula with industry needs.

- Aligning fresh water conservation policies with energy production. That includes policies to encourage recycling and reuse of "produced" industrial water, use of brackish water and new technologies to clean industrial wastewater for reuse.

- Streamlining regulatory processes, including greater collaboration among state agencies, and between state and federal authorities.

- Exploring and developing new energy opportunities, such as new storage technologies for renewables, small modular nuclear reactors, energy efficiency upgrades in public buildings and considering new markets for state resources, such as exporting coal to other markets.

- The full plan, titled "Seizing Our Energy Potential: Creating a More Diverse Economy in New Mexico," is available at http://www. emnrd.state.nm.us/EnergyPolicy/.

Commissioner of Public Lands Doubles Minimum Bids

The minimum acceptable bids for state lands offered for oil and gas leasing will double beginning at the next State lease sale on October 20, 2015.

According to the State Land Office's October lease sale notice, the minimum acceptable bid for 12 of the 16 tracts offered will start at $10,000. These tracts are located in Chaves County. Bids on the single tract located in Eddy County will start at $9,000 and three tracts in San Juan County will start at $8,000.

In a statement emailed to Federal Abstract Company, Commissioner of Public Lands Aubrey Dunn said bids have not been adjusted since 1986. Doubling the bids brings them close to, but not up to, the equivalence of 1986 prices, if they were adjusted for inflation.

For more information on bidding please call Federal Abstract Company, 505-982-5537.

Opportunity to Comment on Proposed BLM Regulation Changes
Deadline to comment is October 9, 2015

Dear Member:
The AAPL Public Lands and Land Access Committee would like to bring your attention to a hot-button issue regarding proposed changes to Bureau of Land Management (BLM) regulations that may adversely affect your business. We encourage you to review the following Committee summary on the proposed rulemaking changes to BLM Onshore Order No. 3 and invite you to submit a public comment that supports your business interests by the October 9, 2015 deadline. For your convenience, we have also provided a direct link to the Proposed Rule as well as information on how to submit a comment electronically or by mail.

Background
The BLM initially sought comment on their proposed "Rule to Modernize Oil and Gas Regulations", which will replace Onshore No. 3, for a 60-day period, through September 11, 2015. The BLM since extended the comment period for an additional 28 days, until **October 9, 2015**, to provide the public with an opportunity to review and comment on the proposed rule. Click HERE to view the proposed rule.
The BLM is proposing these rule changes in an attempt to modernize oil and gas regulations, many of which have not been updated since 1989. While we agree that many of the rules are outdated and in need of updating, the BLM did not, in our opinion, conduct adequate outreach to the industry and affected stakeholders. Moreover, although the BLM will be replacing Onshore Order No. 3 with this new rule, many of the definitions in this Proposed Rule apply to Onshore Order Nos. 4 and 5, which the BLM plans to release separately. We believe all of these proposed rule changes should be published simultaneously in order to provide affected stakeholders an opportunity to fully understand the cumulative effects of this comprehensive rulemaking regime.
There are also concerns that the Proposed Rule would result in substantial changes to the way domestic onshore oil and gas operations are conducted, causing cost increases and burdens to domestic oil and natural gas producers, potentially causing delays in oil and gas exploration and development, and significantly impacting tax and royalty revenues that benefit private mineral owners, public school districts, county infrastructure, and state taxing authorities. Additionally, the BLM has not provided affected stakeholders with a cost-benefit analysis of the Proposed Rule. Other key provisions are as follows:

Key Provisions
Part 3160 – Onshore Oil and Gas Operations, Sec. 3161.1, Jurisdiction:
The Proposed Rule requires BLM Approved Permits to Drill (APDs) on private and/or state minerals within an approved Communitization or Unitized area. This would expand the need for federal APDs to include non-federal wells in federal units and under Communitization Agreements (CAs). As written, all of Part 3160 would apply to non-federal wells within units and CAs. Because the rule requiring federally approved APDs is contained within Part 3160, this would mean that operators would need to obtain federal APDs for non-federal wells within a unit or CA. (Currently a federal APD is only necessary when the drill-bit penetrates federal minerals within the federal unit or communitized area.) We believe the rule should be revised so that the authority of the BLM is not expanded to include non-federal lands.

Part 3170 – Onshore Oil and Gas Production, Sec. 3173.12, Applying for a facility measurement point:
The Proposed Rule would establish a nationwide process for designating and approving the point at which oil and natural gas must be measured for the purpose of determining royalties. This rule would be applicable retroactively to existing facilities with only nine to 27 month compliance periods determined by the volume of production from a well. We believe the new rule for such Facility Measurement Points should not be applicable to existing facilities, and if they must be, more time will be necessary in order for operators to comply.

Part 3170 – Onshore Oil and Gas Production, Sec. 3173.14, Conditions for commingling and allocation approval (surface and downhole):
The Proposed Rule allows the BLM to prohibit the commingling of production from unit Participating Areas (PAs) and Communitized Areas (CAs) unless all properties within the CA or PA are 100 percent federal or leased 100 percent by the same Indian tribe, and at the same fixed royalty rate because of the Proposed Rule's provision requiring a Communitization Allocation Agreement (CAA) prior to the issuance of a CA. This would mean that many of the wells in areas with fee, state, and federal minerals within the pooled units (CAs or PAs) would not be drilled because there would be no way to separate out and measure the federal oil from the non-federal and state oil. The vehicle currently in place for this type of production is the Communitization Agreement or Participation Area, under an Exploratory Unit. The Proposed Rule also requires retroactive compliance on old facilities to meet new commingling, measurement, and site-security requirements. We believe the current vehicle works well and should not be changed, and adding another layer to this process, which would give the BLM more authority on commingling at a time when they are already years behind in CA approvals, would not be a step forward **.**
Moreover, the rule change also does not allow for off lease measurement. With many of the horizontal wells, the wellbore of the two-mile lateral is not located on the lease itself in order to get maximum production from the lateral. The result is that there may be situations where compliance with this rule will be rendered impossible.

Part 3170 – Onshore Oil and Gas Production, Sec. 3170.7, Required recordkeeping, records retention, and records submission:
We believe the Proposed Rule's expansion of recordkeeping to transporters and purchasers, in addition to operators, is unreasonable and unnecessary.

P art 3170 – Onshore Oil and Gas Production, Sec. 3173.29, Immediate assessments:
The Proposed Rule expands the number and type of violations that would be subject to immediate assessments and proposes that the assessment fee be increased from $250 to $1,000 per violation. In our opinion, immediate assessments should not be expanded but rather the ability to explain and achieve compliance should take precedence over fees and incidents of non-compliance.

How to Submit a Public Comment
The following methods may be used for submitting public comments:

1. **Federal eRulemaking Portal:** http://www.regulations.gov/#!docketDetail;D=BLM-2015-0003 or search by Regulation Identification Number, **RIN 1004-AE15**, at http://www.regulations.gov.

2. **Postal Mail Delivery:** U.S. Department of the Interior, Director (630), Bureau of Land Management, Mail Stop 2134 LM, 1849 C Street NW, Washington, DC 20240; Attention: Regulatory Affairs.

3. **Personal/Messenger Delivery:** Bureau of Land Management, 20 M. Street SE, Room 2134 LM, Attention: Regulatory Affairs, Washington, DC 20003

*****Please use the above steps to leave any comments. Do not reply to this email.*****

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www.landman.org
(817) 847-7700

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