# <u>FEDERAL ABSTRACT COMPANY</u>

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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.**


**Report No. 2651** **March 14, 2015 thru March 20, 2015**


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# The May State Oil and Gas Lease Sale will be held in Roswell, New Mexico.

# Tuesday, May 19, 2015

# Daniels Leadership Center, NMMI

# 201 W. 19th Street, Roswell

**The following are the results of the Oil and Gas Lease Sale held by the Commissioner of Public Lands at Santa Fe, New Mexico, Sale held March 17, 2015.**

| TRACT # | DESCRIPTION | LEASE # | BID AMOUNT | PRICE PER ACRE |
|---|---|---|---|---|
| VO-001 | T. 09 S. – R. 35 E. | V0-9886 | | |
| | Sec. 36 – N2 | | | |
| | Tierra Oil Co. LLC | | $19,840.00 | |
| | Slash Exploration LP | | $19,880.00 | $62.13 |
| V0-002 | T. 09 S. – R. 36 E. | V0-9887 | | |
| | Sec. 16 – N2 | | | |
| | Tierra Oil Co. LLC | | $13,440.00 | |
| | Slash Exploration LP | | $19,880.00 | |
| | Centennial LLC | | $24,108.80 | $75.34 |
| V0-003 | T. 10 S. – R. 35 E. | V0-9888 | | |
| | Sec. 1 – Lots 1,2,3,4, S2N2 | | | |
| | Tierra Oil Co. LLC | | $19,840.00 | |
| | Slash Exploration LP | | $19,880.00 | $62.13 |
| V0-004 | T. 14 S. – R. 32 E. | | | |
| | Sec. 5 – Lots 1,2, S2NE, SE4 | | | |
| | WITHDRAWN | | | |
| V0-005 | T. 15 S. – R. 32 E. | V0-9889 | | |
| | Sec. 22 – SE4 | | | |
| | Slash Exploration LP | | $2,960.00 | |
| | Featherstone Development Corp. | | $3,628.00 | $22.68 |
| V0-006 | T. 25 S. – R. 32 E. | V0-9890 | | |
| | Sec. 25 – E2 | | | |
| | Slash Exploration LP | | $8,750.00 | $27.34 |
| V0-007 | T. 15 S. – R. 32 E. | V0-9891 | | |
| | Sec. 36 – E2 | | | |
| | Slash Exploration LP | | $5,490.00 | $17.16 |
| VB-001 | T. 19 S. – R. 27 E. | VB-2501 | | |
| | Sec. 25 – SWSW | | | |
| | Loma Hombre Energy LLC | | $2,899.99 | |
| | Yates Petroleum Corp. | | $7,123.20 | |
| | Slash Exploration LP | | $9,880.00 | |
| | Featherstone Development Corp. | | $49,628.00 | |
| | Federal Abstract Company | | $60,000.00 | $750.00 |
| VB-002 | T. 17 S. – R. 36 E. | VB-2502 | | |
| | Sec. 10 – NE4 | | | |
| | Loma Hombre Energy LLC | | $2,899.99 | |
| | Featherstone Development Corp. | | $10,479.00 | |
| | Slash Exploration LP | | $17,280.00 | |
| | Yates Petroleum Corp. | | $26,726.40 | |
| | Turner Oil & Gas Properties | | $76,320.00 | $477.00 |
| VB-003 | T. 18 S. – R. 37 E. | VB-2503 | | |
| | Sec. 22 – W2NW | | | |
| | Loma Hombre Energy LLC | | $1,799.99 | $22.50 |
| VB-004 | T. 18 S. – R. 38 E. | | | |
| | Sec. 16 – N2NW, SENW, SW4 | | | |
| | WITHDRAWN | | | |

| TRACT # | DESCRIPTION | LEASE # | BID AMOUNT | PRICE PER ACRE |
|---|---|---|---|---|
| VB-005 | T. 25 N. – R. 12 W. | VB-2504 | | |
| | Sec. 33 – NE4, N2SE, SESE | | | |
| | Dugan Production Corp. | | $14,422.80 | |
| | Yates Petroleum Corp. | | $21,571.20 | |
| | Doug J. Schutz | | $70,001.00 | $250.00 |
| V0-O-001 | T. 09 S. – R. 35 E. | V0-9892 | | |
| | Sec. 36 – S2 | | | |
| | Tierra Oil Co. LLC | | $5,000.00 | $15.63 |
| V0-O-002 | T. 09 S. – R. 36 E. | V0-9893 | | |
| | Sec. 16 – S2 | | | |
| | Tierra Oil Co. LLC | | $88,000.00 | $275.00 |
| V0-O-003 | T. 11 S. – R. 38 E. | V0-9894 | | |
| | Sec. 6 – Lots 1,2,3,4, S2 (All) | | | |
| | Tierra Oil Co. LLC | | $6,500.00 | $16.56 |
| V0-O-004 | T. 14 S. – R. 32 E. | | | |
| | Sec. 5 – Lots 3, 4, S2NW, SW4 | | | |
| | WITHDRAWN | | | |
| V0-O-005 | T. 15 S. – R. 32 E. | V0-9895 | | |
| | Sec. 22 – SW4 | | | |
| | Featherstone Development Corp. | | $5,000.00 | $31.25 |
| V0-O-006 | T. 15 S. – R. 32 E. | | | |
| | Sec. 25 – W2 | | | |
| | WITHDRAWN | | | |
| V0-O-007 | T. 15 S. – R. 32 E. | | | |
| | Sec. 36 – W2 | | | |
| | WITHDRAWN | | | |
| VB-O-001 | T. 17 S. – R. 36 E. | VB-2505 | | |
| | Sec. 10 – SE4 | | | |
| | Turner Oil & Gas Properties | | $30,000.00 | $187.50 |
| VB-O-002 | T. 18 S. – R. 35 E. | VB-2506 | | |
| | Sec. 16 – NE4 | | | |
| | SDX Resources Inc. | | $180,000.00 | $1,125.00 |
| VB-O-003 | T. 18 S. – R. 37 E. | VB-2507 | | |
| | Sec. 22 – S2 | | | |
| | Chase Oil Corporation | | $11,000.00 | $34.38 |
| VB-O-004 | T. 18 S. – R. 38 E. | | | |
| | Sec. 16 – E2 | | | |
| | WITHDRAWN | | | |
| VB-O-005 | T. 25 N. – R. 12 W. | VB-2508 | | |
| | Sec. 33 – N2NW, SENW | | | |
| | Doug J. Schutz | | $7,000.00 | $58.33 |

# Oil industry says new rule will lower use of freshwater

**By Staci Matlock** The New Mexican

A new rule approved by the state Oil Conservation Commission will allow oil and gas producers to reuse water produced during drilling.

Industry officials say the rule, which allows companies to store drilling water in open pits, will lead to a reduction in the use of fresh water for drilling and hydraulic fracturing.

"I think this rule is a win-win that will protect groundwater while reducing the use of fresh water," said Wally Drangmeister, a spokesman for the New Mexico Oil & Gas Association.

Critics complain that before the rule was approved March 13, neither the industry nor the state clearly explained to the public the benefits and potential drawbacks of the technical rule.

The rule could simply amount to a way for companies to store contaminated water more cheaply than putting it in tanks, as required under the current rule, said Pete Dronkers, with the nonprofit Earthworks. "The economics are quite simple. If it is cheaper to buy fresh water, they'll do that," Dronkers said. "If it is cheaper to treat and reuse produced water, they'll do that. What matters to the operators is the bottom line."

"The goal here should be no freshwater withdrawals at all, which should be saved for farmers," Dronkers said.

David Martin, Cabinet secretary of the state Energy, Minerals and Natural Resources Department, said some companies have told him they hope to use 100 percent produced water and no fresh water for operations within 18 months after the rule takes effect March 31.

"The rule has taken longer than I had hoped," Martin said, "but I think we have a really good one."

Information about the amount of produced water pumped into each pit and how much is reused for fracturing in a well will eventually be available to the public on the Energy, Minerals and Natural Resources Department website, Martin said.

Whether drilling a new well or pumping an existing well, oil and gas operations produce water. "For every barrel of oil that's produced, there will be from half a barrel to several barrels of water produced, too," Drangmeister said.

The water brought to the surface during drilling can be as salty or saltier than seawater.

The produced water may also contain chemicals such as benzene. Treated, the water can be used to drill and fracture more wells, instead of using fresh water, Drangmeister said. Contaminants removed from produced water are stored with other drilling waste and eventually removed to a waste facility.

In 2013, the industry in New Mexico used 5,325 acre-feet of water to fracture oil and gas wells, according to the Oil Conservation Division. That equaled about the same amount of water delivered by the city of Santa Fe to 10,000 residential and commercial customers for six months.

One acre-foot of water is 325,851 gallons of water. Fracking each oil or gas well required from 313,572 gallons to 1.45 million gallons of water.

If they don't use produced water, companies buy or lease water. In some counties, like Lea, that has led to companies leasing water rights, which has prompted protests from other water users.

Under the new rule, companies will install double-lined open pits to store produced water. The pits, which can be used for five years at a time, will have leak-detection systems. The pits also have to be fenced and screened to prevent migratory birds and wildlife from wandering into them.

If a company doesn't use the produced water in the pits, "it will be taken and put in an injection well as we do now," Drangmeister said.

The rule also will require companies to notify property owners about new pits. State Land Commissioner Aubrey Dunn, one of three members of the Oil Conservation Commission, initially voted against the new rule because it lacked landowner notification. He said he voted for the rule after the notification provision was added.

Dronkers and other conservation groups are taking a wait-and-see attitude about the rule. They want proof that the rule actually leads to oil companies using less fresh water. "I think the public will want to know the freshwater savings are genuine," Dronkers said.

*Contact Staci Matlock at 986-3055 or smatlock@sfnewmexican.com. Follow her on Twitter @StaciMatlock.*

**On the Web**

• The state Oil Conservation Commission's new rule on storage of water produced during oil and gas drilling can be read at www.emnrd.state.nm.us/MMD/ under "Information." Click on "Rules," then "Chapter 15," and look for rule number 12.15.34 for "Produced Water."