

Sept. 30, 2019

Members:

Per a new directive from the New Mexico State Land Office, “the State Land Office has begun objecting to SWD injection applications at the OCD when the well is located within half a mile of State Trust Land.” IPANM learned of this development at a meeting with State Land Office administrators in Hobbs on September 26, 2019. The SLO further writes “The basis of the SLO’s objection is that the injected water will be stored in SLO’s pore space. SLO has an obligation to ensure compensation to its beneficiaries for any use of its lands.”

IPANM and all other industry representatives present at the Sept. 26<sup>th</sup> meeting objected to this latest development, however, the SLO is claiming they have the right to use the half-mile radius per OCD’s notice requirement for injection wells set forth in NMAC 19.15.26.8(B)(2).

SLO’s valuation for pore space storage “is primarily a function of the injection formation and distance from state land. In the Devonian formation, the per barrel charge begins as follows:

- 0-1.8 mile from State Land: .04 cents/barrel
- 1/8-1/4 mile from State Land: .02 cents/barrel
- 1/4-1/2 mile from State Land: .01 cents/barrel”

Per the SLO, “The State Land Office will consider certain factors that may affect valuation, including pertinent geology, geometry of the well location & state land, and other technical factors.” In other words, the above fee schedule is their first attempt to collect such fees. The SLO has yet to present technical evidence to support their fee schedule. We also are not aware of fee schedules for other geologic formations yet.

Several notices of the challenge have already been mailed to applicants. Several SLO challenges have been outright objected by the OCD due to the SLO not presenting any technical evidence to support their challenge. It is our understanding that at least one applicant may have discussed options with the SLO, and that a financial “settlement” may have been negotiated. We also believe one applicant may have withdrawn their application after it was challenged.

Obviously, these challenges are problematic on many fronts. IPANM is reviewing options to challenge this new fee, and we will report back on our findings. We are also looking to pen a formal letter to get our opposition on record for various reasons.

Any member who comes across this situation should contact IPANM Board President Kyle Armstrong at [kaa@armstrongenergycorp.com](mailto:kaa@armstrongenergycorp.com).