

# Hicks-Ray Associates



September 6, 2012

TO: WESTCAS Membership

FROM: Fred B. Hicks and Tom Ray

SUBJECT: The Impact of Energy Production Fracking on Water Supplies in the Arid West

Here is a link to a fascinating article which appeared in today's New York Times titled, "For Farms in the West, Oil Wells Are Thirsty Rivals."

[http://www.nytimes.com/2012/09/06/us/struggle-for-water-in-colorado-with-rise-in-fracking.html?\\_r=1&emc=eta1](http://www.nytimes.com/2012/09/06/us/struggle-for-water-in-colorado-with-rise-in-fracking.html?_r=1&emc=eta1)

The focus of the article is the State of Colorado and how the needs of fracking are competing with more traditional needs such as agriculture. We were particularly interested in the description of how WESTCAS member the City of Aurora has created an innovative arrangement to sell treated effluent to Anadarko Petroleum over a period of five years. As reported by the New York Times, this will provide the City with \$9.5 million over the five year period in exchange for 2.4 billion gallons of effluent.

As with all issues involving water in the Arid West, the growing demand of energy production will certainly impact settled arrangements that have been in place for many years. But as the City of Aurora has demonstrated, there are fascinating possibilities as well as challenges in meeting this demand.

We would enjoy hearing more from our membership with regard to this emerging issue. We also plan to address it during the Legislative portion of the fall conference in Tucson.

Here are some highlights of the NY Times article:

- Individual oil and gas wells can require as much as 5 million gallons.
- In Colorado annual use of water for fracking is approximately 6.5 billion gallons.
- But this represents only .1% of total while agriculture accounts for 85%.
- Agricultural interests pay about \$30 an acre foot for their water.
- Energy companies are willing to pay several thousand for the same water.
- City of Aurora has sold 2.4 billion gallons of effluent to energy companies for \$9.5 million.
- City of Greeley reserved 1,200 acre feet of its supply in 2011 and 1,800 acre feet this year for sale to energy producers.

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- And these companies are paying \$3,300 an acre foot for this water producing \$4 to \$5 million in annual revenue.

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