New Mexico Pit Hearing
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Exhibit 2

National Onshore Rig Count

- 2007 - 1,695
- 2008 - 1,814 +7%
- 2009 - 1,046 -42%
- 2010 - 1,514 +45%

- Energy Information Administration-Annual Energy Review 2010

New Mexico and Colorado Rig Count As of July of Each Year

- 2007: NM - 83 □□ CO - 106
- 2008: NM - 82 -1% CO - 109 +3%
- 2009: NM - 41 -50% CO - 43 -61%
- 2010: NM - 69 +68% CO - 63 +47%
- 2011: NM - 81 +17% CO - 69 +10%

- From NM Tech

National Natural Gas Wellhead Prices
As of July of Each Year

• 2007	$6.21	
• 2008	$10.79	+74%
• 2009	$3.45	-68%
• 2010	$4.44	+29%
• 2011	$4.27	-4%

- Energy Information Administration-Monthly U.S. Natural Gas Wellhead Price

New Mexico Citygate Natural Gas Price As of July of Each Year

• 2007	$6.48	
• 2008	$10.45	+61%
• 2009	$3.04	-71%
• 2010	$4.34	+1%
• 2011	$4.79	+10%

- Energy Information Administration-Monthly Natural Gas Citygate Price in New Mexico

New Mexico Natural Gas Production As of July Each Year

- 2007 - 131,237,869
- 2008 - 128,533,164 -2%
- 2009 - 117,405,692 -9%
- 2010 - 113,136,756 -4%
- 2011 - 107,632,600 -5%

New Mexico Oil Conservation Division-Natural Gas and Oil Production(December 31, 2011)

New Mexico Oil Prices As of July Each Year

- 2007 - $70.57
- 2008 - $130.64 +85%

- 2009 - $60.58 -54%
- 2010 - $72.06 +19%
- 2011 - $93.17 +29%

- Energy Information Administration New Mexico Crude Oil First Purchase Price

New Mexico Oil Production
As of July Each Year

- 2007 - 4,893,164
- 2008 - 5,073,209 +4%
- 2009 - 4,970,283 -2%
- 2010 - 5,542,287 +12%
- 2011 - 5,944,239 +7%

- New Mexico Oil Conservation Division- Natural Gas and Oil Production(December 31, 2011)

New Mexico Wells Spudded

- 2007 - 1,728
- 2008 - 1,646 -8%
- 2009 - 967 -41%
- 2010 - 1,173 +21%
- 2011 - 990 -16%
- (as of 11/28/2011)
- New Mexico Oil Conservation Division Statistics

New Mexico Permits

- 2007 - 2,338
- 2008 - 2,355 +1.0%
- 2009 - 1,413 -40%
- 2010 - 1,729 +22%
- 2011 - 1,483 -14%
- (as of 11/28/2011)
- New Mexico Oil Conservation Division Statistics

Historic Stats

ITEM	2007	2008	%	2009	%	2010	%	2011	%
NATIONAL RIG COUNT	1,695	1,814	7.02%	1,046	-42.34%	1,514	44.74%		
NEW MEXICO RIG COUNT	83	82	-1.20%	41	-50.00%	69	68.29%	81	17.39%
COLORADO RIG COUNTY	106	109	2.83%	43	-60.55%	63	46.51%	69	9.52%
NATIONAL WELLHEAD PRICES	$6.21	$10.79	73.75%	$3.45	-68.03%	$4.44	28.70%	$4.27	-3.83%
NEW MEXICO GAS PRICES	$6.48	$10.45	61.27%	$3.04	-70.91%	$4.34	42.76%	$4.79	10.37%
NEW MEXICO GAS VOLUMES	131,237,869	128,533,164	-2.06%	117,406,692	-8.66%	113,136,756	-3.64%	107,632.600	-4,87%
NEW MEXICO OIL PRICES	$70.57	$130.64	85.12%	$60.58	-53.63%	$72.06	18.95%	$93.17	29.30%
NEW MEXICO OIL VOLUMES	4,893,164	5,073,209	3.68%	4,970,283	-2.03%	5,542,287	11,51%	5,944,239	7.25%
NEW MEXICO SPUDS	1,728	1,646	-4,75%	967	-41.25%	1,173	21.3%	990	-15.60%
NEW MEXICO PERMITS	2,338	2,355	.73%	1,413	-40.00%	1,729	22.36%	1,483	-14.23%

Lifetime Production Per Well (lifetime is 25-30 years)	Price	Total Income over Lifetime	Total Cost of Well ($1,700,000 to drill plus $1,500 per month lease operating expenses)	Net Expected Per Well	Total Deductions for Taxes, Transportation Gathering, Marketing (at 25% rate)	Net Income Expected Per Well
1,000,000 mcf (an mcf is 1,000 cubic feet)	$3.00	$3,000,000.00				
55,230 Barrels of Oil (based on % of oil production in 2011 to gas production)	$90.00	$4,970,700.00				
Totals		$7,970,700.00	$2,240,000.00	$5,730,700.00	$1,432,675.00	$4,298,025.00
				results in	$143,267.50	net income per year
Total Producing Wells in New Mexico	49,530	average net	income for	all producers in	New Mexico	$7,096,039,275.00

Average Well Income and Costs
7,200' TD

The Texas Railroad Commission Findings on Closed Loop Systems

- "The turn-key contract was incrementally more expensive. However, because of reduced drillsite construction and closure costs; reduced waste management costs; and reduced surface damage payments, the operator realized a savings of about $10,000 per well. Also, the operator reduced the potential for environmental impact and associated potential liability concerns."

http://www.rrc.state.tx.us/environmental/environsupport/wastemin/wasteminchdrillingops.php

Oklahoma Department of Environmental Quality Findings

- "The hole-size reduction, use of air drilling and closed loop system reduced wastes by close to 1.5 million pounds. A material and disposal cost savings of $12,700 was achieved."

http://www.deq.state.ok.us/csdnew/P2/Casestudy/oxyusa~1.htm

Cost Comparison

METHOD	ROAD AND PITS	DRILLING WATER	COMPLETION WATER	TRUCKING	SAVINGS ON MUD REUSE	RENTAL OF CLOSED-LOOP ($5,000/DAY X 16 DAYS)	TOTAL
EARTHEN PITS	$46.500	$15,710	$30,000	$6,500			$98,710
CENTRAL PITS	$46,500	$15,710	$30,000	$48,500			$140,710
CLOSED LOOP	$20,500	$ 3,142	$6,000	$1,300	-$17,212	$80,000	$93,730

Lost Economics to the State of New Mexico For Earthen Pits

- Personal Property Tax on any Closed Loop Tanks and Equipment
- Property Taxes from Centralized Pits
- Jobs

Earthen Pits Create Waste

- Hydrocarbons removed from the well are buried in the pit when reclaimed
- 1,000 barrels of condensate wasted has a value of $90,000.

The Cost of Clean-Up of Earthen Pits

- At $100 per hour for trucking costs for hauling off contaminated soils, the cost of clean-up for pits could exceed $100,000.
- This cost would be diverted to the citizens and government of New Mexico in the future.