

City of Bloomfield

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October 4, 2007

Joanna Prukop
Cabinet Secretary
Energy, Minerals and Natural Resources Department
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: Comments from the City of Bloomfield to the draft rule regarding oil and gas drilling pits (the Pit Rule) recently issued by the New Mexico Oil Conservation Division (NMOCD).

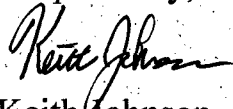
Dear Madame Secretary:

The oil and gas industry has had a greater impact on the State of New Mexico than any other single industry in this state. Whether it is the number of high paying jobs or royalties and taxes that are paid to local and state government, we could not ask for a better partner. From Capital Outlay to the cities and counties, the Permanent Fund and schools all benefit from the fact that we are blessed to have this tremendous resource in New Mexico. The City of Bloomfield and San Juan County depend on the production and exploration of oil and gas to help fuel their local economies and this draft Pit Rule threatens that balance. I was a member of the Pit Rule Task Force and I am disappointed in what was produced. I believed that we would use sound scientific principles to help us come to an appropriate conclusion but that was not the case. The panel was stacked against the oil and gas industry, and to their credit they conceded in several areas to help create a win-win situation. Requiring the use of closed loop systems for drilling, and then the subsequent hauling away of the cuttings for disposal at NMOCD landfills will have a dramatic impact on the cost of drilling wells.

Over the last several years, due to the work of the oil and gas industry the State of New Mexico has had surplus income in their budget so that they could address much needed improvements to our infrastructure including roads, water systems and schools. At the same time many other states were

faced with large deficits in their budgets. There are two factors that are critical in this picture and they are both interrelated - production and exploration. For example: if exploration does not continue at the current or higher levels then production will begin to decrease which in turn lowers taxes and royalties that the state receives. The economies of the City of Bloomfield and San Juan County are tied to both production and exploration, and this draft of the Pit Rules threatens both. When drilling costs rise significantly, as they will with this rule, then the number of wells that are drilled each year will decrease, jobs will be lost and the production of natural gas will go down. Those that are pushing for these stringent restrictions are not using sound scientific principles as a guide but are rather of the belief that due to the higher prices that are being paid for oil and gas, the industry can afford to absorb these costs. You must remember that it wasn't but just a few short years ago that both oil and gas prices hit bottom. If these restrictions had been in place at that time, the industry and the state would have been even more impacted. Markets are cyclical and prices will most likely drop dramatically again. This draft will only punish those companies that are, and have been good neighbors. Stricter rules aren't what is needed but rather more enforcement of the current rules. The NMOCD should be given a budget that will enable them to do the job that you are trying to accomplish with this draft, and hire more employees so that they can monitor the "patch". As a City Manager and County Commissioner I represent the citizens and businesses of our city and county and part of that responsibility includes job creation and development. This rule will have a significant impact on the costs associated with drilling and in turn will hurt our economy. We also realize that these valuable resources will be gone someday and we are working to diversify our economy to help us through that transition. Thank you for your consideration.

Respectfully,



Keith Johnson

City Manager of the City of Bloomfield
San Juan County Commissioner

Cc: Director Mark Fesmire
Ms. Florene Davidson ✓