



State of New Mexico
House of Representatives
Santa Fe

JAMES R. J. STRICKLER

R - San Juan County
District 2

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COMMITTEES:

Energy & Natural Resources
Taxation & Revenue
Enrolling & Engrossing (B)

October 26, 2007

Secretary Joanna Prukop
1220 S. Saint Francis
Santa Fe, NM 87505

Dear Secretary Prukop,

Overregulation stifles business and economic development. The proposed new Pit Rules, along with other proposed rules, seriously damages the oil & gas business in our State. These new rules, if adopted, will add \$150,000 to \$300,000 in additional drilling costs per new oil and gas well. These added costs would render 25% to 50% of oil and gas drilling inventories uneconomic.

The San Juan basin is the largest producing natural gas field in the United States. Our local oil & gas industry safely produces vital clean burning, natural gas as the fuel of choice for America. Area producers already face drilling inflation and higher costs for material, labor and services that have nearly doubled over the past few years. The added expense of meeting superfluous regulatory requirements adds insult to injury. As oil & gas companies lose revenue, they will take their investment elsewhere, moving to friendlier States or overseas. The lack of new drilling will negatively impact our local economy. The service companies will feel the impact first, but the lay off of employees in all sectors is inevitable. Small mom & pop companies will be the hardest hit. Many of us remember the industry layoffs of 1987, 1996 and 2000.

This entire fuss is over the disposal of drilling fluids. The main ingredients for drilling fluids in our area are fresh water, clay, ground up cedar bark and drill cuttings (sand and shale), all of which are natural or biodegradable. In fact, you could manufacture bricks out of this stuff! The New Mexico Oil Conservation Division has been given legislative authority to adopt reasonable rules, not license to put a crucial industry out of business. These Pit Rules are tantamount to requiring a builder to put four roofs on your house when one is sufficient.

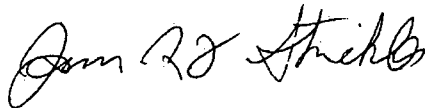
The oil & gas Industry is the 'cash cow' for New Mexico, providing over \$2.8 billion dollars (FY 2006) to the State's Treasury in taxes and royalties. This amounts to 35% of the State's total budget! Education takes up to 60% of this budget, so who will suffer?

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These excessive pit rules, if adopted, will devastate our state's economy, with little to no environmental gain. An economic impact study of the proposed rules, for some unknown reason, has not been conducted.

As a freshman legislator and a 30-year veteran in the Oil & Gas Industry, I know such regulation would never survive the legislative process. It is poorly thought out, ineffective, and a huge threat to our state economy. Should The NMOCD approve the new Pit Rules, legislators will be pressured to raise income, property and gross receipts taxes in an effort to replace lost revenue. We don't want that and neither do you.

Sincerely,

A handwritten signature in black ink, appearing to read "James Strickler". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "Strickler".

James Strickler,
Representative, District 2
Independent Landman

CC: Governor Bill Richardson
Speaker of the House Ben Lujan