



State of New Mexico
House of Representatives
Santa Fe

PATRICIA A. LUNDSTROM
D - McKinley and San Juan Counties
District 9

3406 Bluehill Avenue
Gallup, NM 87301

Office Phone: (505) 722-4327
E-Mail: patricia.lundstrom@nmlegis.gov

November 29, 2007

COMMITTEES:
Appropriations & Finance
Vice Chair - Transportation

INTERIM COMMITTEES:
Economic & Rural Development &
Telecommunications
Indian Affairs
Legislative Council
Legislative Finance
New Mexico Finance Authority Oversight

The Honorable Bill Richardson,
Governor, The State of New Mexico
The State Capitol, Room 400
490 Old Santa Fe Trail
Santa Fe, NM 87501

Dear Governor Richardson:

The Oil and Gas industry is the most important economic engine for all of New Mexico. All communities across the state share in the revenues derived from the extraction industries. As you are well aware, the majority of these industries are located in the San Juan Basin of the Four Corners region. This area has over 22,000 wells within the basin and over 350 inside the City of Farmington. This industry is one of the most regulated in the United States. The oil and gas producers have proven to be good environmentally responsible neighbors in the Four Corners communities, especially Farmington.

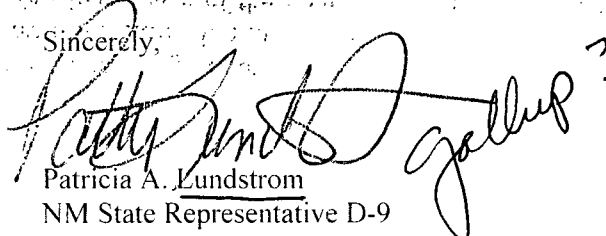
It troubles me deeply that we are considering new regulations concerning the "pit rules" that would increase the cost of drilling new oil and gas wells as much as \$150,000 to \$300,000 per well. These regulations will more than likely cause the industry to decrease operations, making almost 25% to 50% of the current oil and gas drilling inventories economically unfeasible to pursue. Downturn in this industry at a critical time when energy shortages are affecting the economy of the entire country does not make economical sense.

This industry provides over \$2.8 billion dollars in taxes and royalties to the State of New Mexico's treasury; that equates to over 35% of needed revenues that can only be replaced by raising property and gross receipt taxes on our citizens.

The environment has always been important to those of us who live, work and raise our families in the City of Farmington. That includes the members of our community that work in the oil and gas business. This industry has been regulated and has managed well drilling with a minimum of invasiveness on our citizens and the environment.

Governor, as New Mexico State Representative District 9 and for the sake of economic stability in times of uncertainty, I urge you to ask the NMOCD to abandon the effort to implement these new "pit rules". These regulations can only serve to hurt our communities.

Sincerely,


Patricia A. Lundstrom
NM State Representative D-9