



State of New Mexico
House of Representatives
Santa Fe

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August 30, 2012

Honorable Kenneth L. Salazar
Secretary of the Interior
c/o Tony Herrell, Dep. State Director
Bureau of Land Management
New Mexico State Office
301 Dinosaur Trail
Santa Fe, NM 87508

Re: Draft Secretary of the Interior Order on "Oil, Gas and Potash Leasing and Development within the Designated Potash Area of Eddy and Lea Counties, New Mexico" noticed in the Federal Register Vol. 77, No 135, pgs 41442-41444, July 13, 2012

Dear Mr. Secretary:

As a current member of the New Mexico House of Representatives serving on the House Energy Committee, I feel compelled to comment on the referenced draft Order.

It should be noted that oil and gas severance taxes provide an extremely significant portion of the revenue of the state of New Mexico. Because of variations in price and other factors, the percent of the state recurring revenue from oil and gas extraction varies; however, this source generally provides 15 to 19 percent of the recurring state revenue. It is the third largest source of revenue for the state of New Mexico. Taxes on corporate income, personal income of oil field workers, and gross receipts taxes (sales taxes) on purchases related to oil and gas activities provide additional revenue to the state of New Mexico. It is estimated that this industry could be responsible for up to 40 percent of the state's revenue.

The draft Order deals with oil and gas operations in the "Potash Area" of southeastern New Mexico. This is an area within the Permian Basin. It should be further noted that the area impacted is exclusively within the boundaries of the state of New Mexico.

The oil and gas potential in this region was established in the PRRC Report 09-07, "Oil and Gas Potential Analysis of the Secretary of the Interiors' Potash Area, Southeastern New Mexico," by the Petroleum Recover Research Center, New Mexico Tech. It was estimated that this area contains 1.4 billion BOE (barrels of oil equivalent) and 5 TCF of natural gas. It is calculated the

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value of these minerals is in the range of \$7.5 to \$15.8 billion for the state of New Mexico alone. The annual budget for the state of New Mexico is approximately \$5.5 billion. Thus, it is obvious the potential impact on the New Mexico state government from the draft Order is significant.

As you are well aware, there has been a long running effort to resolve conflicts between potash mine operators and oil and gas operators. The draft Order truncates the efforts of the JITC (joint industry technical committee) to resolve this conflict in a scientifically appropriate manner. While the prudence of the decision to go forward with the draft Order is questionable, the need for careful serious and sober review by the state of New Mexico is not. The potential impact of this major change from the 1986 Order is so significant that it needs to be reviewed by the New Mexico State Legislature.

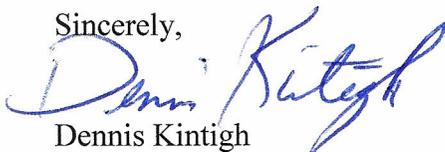
The next regular session of the legislature will begin in January of 2013. I request that this draft Order be held in abeyance until the conclusion of the next session of the New Mexico state legislature in March of 2013. Furthermore, complete documentation needs to be made available to the New Mexico Legislative Finance Committee and to executive agencies of the state government.

The initial 30 day comment period, subsequently extended to 45 days, is completely inadequate to accommodate the needs of the State of New Mexico and the legislature to evaluate the effect of the draft Order and provide valid and valuable comments.

I cannot stress too strongly the seriousness of the potential impact upon the state's recurring revenue and overall fiscal condition. There is no compelling need for haste in this matter. Failure to accommodate the concerns of, and to coordinate with, the state of New Mexico would be arbitrary and capricious.

Should you or any of your staff have any questions regarding this matter, please feel free to contact me.

Sincerely,



Dennis Kintigh