



New Mexico is still in the worst drought in the last 50 years.

The rivers and reservoirs are all drying up and we have not even started the planting season, when the farmers need the water to irrigate their crops. It is comical that the Government has asked that water be released from Cochiti Dam above Albuquerque so that the endangered silvery minnow can survive. Never mind what is going to happen to the farmers along the Rio Grande Valley, and how they are going to grow crops.

New Mexico's economy is still in the tank except for a few areas that are showing a booming economy. The Las Cruces area is showing a big surge and is being driven by the huge growth in trade from Mexico at the Santa Teresa Crossing. The trucking and railroad industries are having a hard time keeping up with both exports and imports of goods. Southeastern New Mexico is seeing an oil and gas boom that has not been seen since 1970.

From the Albuquerque Journal May 10, 2014 – *“The oil boom in southeast New Mexico just keeps growing, and there's no end in sight.”* Oil production jumped by another 17 percent in 2013, according to the latest statistics from the state Oil Conservation Division. That puts New Mexico production back to 1973 levels. And this year, experts project another 18 to 20 percent increase.

“Déjà vu,” said Daniel Fine, associate director of the Center for Energy Policy at the New Mexico Institute for Mining and Technology in Socorro. *“We're now back in the early 1970s, which was a period of energy self-sufficiency and independence. It's a remarkable energy revolution.”*

Output reached 99.1 million barrels last year, up from 85.1 million in 2012 and 71.3 million the year before. That represents two straight years of double-digit growth that have pushed production up 39 percent since 2011.

Overall, oil output has grown 67 percent since 2008, when the state first began to reverse a three-decade decline that had begun in the early 1970s. This year, the Center for Energy Policy expects production to expand to between 117 and 119 million barrels.

“We're at about 270,000 barrels per day now, but we project that to reach between 320,000 and 325,000 per day in 2014,” Fine said. *“That would give us the equivalent of about two-thirds of all the oil production in Alaska. In just a few years, we'll be back at our all-time peak of 129 million barrels, which was achieved in 1969.”*

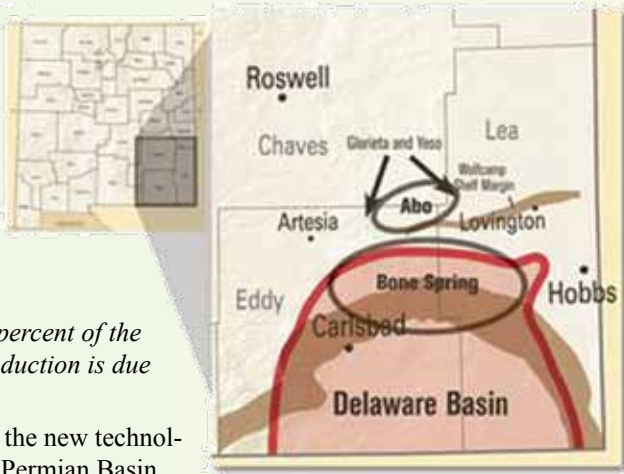
The industry's newfound fortune comes from modern drilling techniques, including three-dimensional imaging to pinpoint pools of oil and natural gas that producers ignored in the past, hydraulic fracturing to bust open extremely tough shale rock formations, and horizontal drilling to push sideways into hydrocarbon deposits.

Those techniques have opened up vast new oil and gas plays around the country, while giving new life to aging basins, such as the Permian in West Texas and Southeast New Mexico, where production originally dates back to the 1920s. Horizontal drilling in particular has allowed producers to slice into layers of shale bed, where huge pockets of liquids and dry gas are trapped.

“That's made a huge difference,” said New Mexico Tech geologist Ron Broadhead. *“More than half the active wells in New Mexico have been drilled horizontally.”*



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About 40 percent of the state's production is due to that."

Thanks to the new technologies, the Permian Basin is now estimated to contain some of the largest underground deposits of oil in the world, Fine said.

That's good news for New Mexico, where royalties and taxes on oil and gas production account for about 31 percent of the state's general budget, according to a new study released in January by the New Mexico Tax Research Institute. Last year, that amounted to \$1.7 billion of the state's \$5.5 billion general fund. Still, sustaining industry momentum depends on a number of things, especially adequate infrastructure. Road repair, construction of new pipelines and refineries, and more housing for workers are all critical.

"Oil production in New Mexico is no longer a drilling issue; it's a matter of infrastructure development," Fine said. *"We need to work on that or it will begin to affect production."*

Oil prices are also a wildcard. They remain high – at about \$99 per barrel for benchmark West Texas Intermediate.

But New Mexico producers get substantially less than that for the medium sour crude that's typically produced here. And in

the coming months, prices are expected to fall, which could change the oil outlook over time.

"But for now, it remains very economical to drill in New Mexico and most producers are optimistic about the future," said Raye Miller, a veteran oil

man who heads Regeneration Energy Corp. in Artesia. *"At this point, if prices hold, we see just unbelievable potential,"* Miller said. *"Producers continue to find so many new locations that look to be extremely productive. I'm optimistic that things will remain strong for a long time."*

The 2014 Primary is just around the corner, June 3. There are only 15 contested seats in the Primary — 11 Democrat seats and 4 Republican seats. The House has 70 members, with the Democrats in control by a 37-33 margin. There is a very real chance that the Republicans can win control of the House for the first time in 75 years. The Senate is not up for re-election until 2016, so it will remain 25-15 with the Democrats in control.

Upcoming Events

The 2014 NMPMA Convention & Trade Show will be held **August 19 and 20** at the **Marriott Pyramid North**, 5150 San Francisco Rd NE, Albuquerque, NM, 87209, (505) 821-3333. The Golf Tournament will be held at **Isleta Eagle Golf Course**.

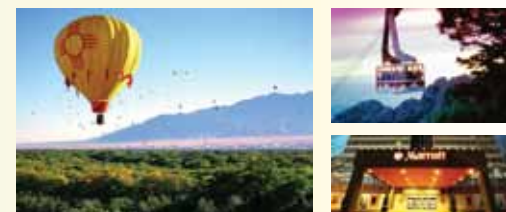


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