

RESOLUTION NO. 2016-1585

A RESOLUTION OPPOSING THE BUREAU OF LAND MANAGEMENT'S PROPOSED ONSHORE ORDERS 3, 4 AND 5 AND "VENTING AND FLARING RULE" WHICH, IF APPROVED, WILL BECOME ONSHORE ORDER 9

WHEREAS, the Bureau of Land Management (BLM) has proposed Onshore Orders 3, 4 and 5 and "Venting and Flaring Rule," which, if approved, will become Onshore Order 9 ("proposed regulations"), that would add a profound and significant risk to the financial viability of a substantial portion of San Juan County's oil and gas industry resulting in accelerated closure of wells beyond what is already occurring naturally due to the stresses of low prices; and

WHEREAS, oil and gas production is a major driver of San Juan County's economy, together with approximately 25,000 associated direct and indirect jobs and tax revenue streams fund major portions of the budgets of our local governments, community college and public schools; and

WHEREAS, the New Mexico oil and gas industry has suffered due to record low prices. Oil prices have declined from over \$100 per barrel in July 2014 to the mid \$30's or less today and natural gas prices have been extremely low for years and recent prices are approaching \$1.50 per MCF; and

WHEREAS, San Juan County's geographic isolation from major commodity market centers result in far higher transportation costs to get San Juan Basin oil and gas to market; and

WHEREAS, the number of active drilling rigs operating in the San Juan Basin has gone from 43 in 2007 to one or two today; and

WHEREAS, the number of completion and workover rigs operating in the San Juan Basin has gone from 126 in 2007 to 20 today; and

WHEREAS, capital spending associated with drilling is practically zero compared with 2007; and

WHEREAS, in 2015 Farmington had the highest rate of unemployment growth of any city in the country rising 2.1 percent with an estimated loss of 1,250 direct jobs and an unknown number of indirect and secondary jobs directly attributable to the fallout from low energy prices; and

WHEREAS, in the current low price environment, 25 percent of San Juan Basin's 20,000 gas wells are cash flow negative at \$2.00 per MCF prices and another 12.5 percent would become cash flow negative with the addition of just a modest \$5,000 per year in operating cost increases; and

WHEREAS, large numbers of operating wells in the San Juan Basin are at risk of premature closure; and

WHEREAS, fewer wells mean even fewer jobs, less production and lower tax and royalty revenues to Federal, State of New Mexico and local governments and agencies; and

WHEREAS, once a well is closed, plugged and abandoned, future employment and tax benefits of production, once prices recover, are lost forever; and

WHEREAS, ill-advised regulatory actions which add just \$5,000 of annualized operating costs per well threaten to permanently and substantially shrink our regional economy; and

WHEREAS, the additional damage to the oil and gas industry that will occur from implementation of the BLM's proposed regulations (in their current form) threatens to not only put the northwest region of New Mexico into a state of long-term and potentially permanent economic decline, it also threatens the State of New Mexico's budget for years to come; and

WHEREAS, BLM's proposed regulations are of particular importance and potential negative impact to all of New Mexico and its economic vitality because 63 percent of New Mexico's natural gas production and 54 percent of oil production originates from federal mineral leases; and

WHEREAS, BLM regulations, both existing and proposed, effectively impact almost all industry activity regardless of whether that activity occurs on Federal, State or privately held land; and

WHEREAS, the proposed rules are duplicative and contradictory, the venting and flaring rule, by government estimates, imposes up to \$161 million in costs to collect \$17 million in royalties, which is about 0.4 percent of the \$4.1 billion total value of federal and Indian mineral royalties; and

WHEREAS, the oil and natural gas industry has delivered significant greenhouse gas reductions through voluntary means; methane emissions from oil and gas production have declined by 21 percent since 1990 without federal regulation, even as natural gas production has increased by 47 percent and the industry is no longer the largest source of U.S. anthropogenic methane emissions; and

WHEREAS, the oil and natural gas industry has been continuously innovating and developing new technologies to reduce emissions, this success along with the market incentives to capture and sell as much natural as possible will continue without the proposed regulations from the BLM; and

WHEREAS, the BLM itself is a cause of higher levels of flaring and venting on federal and Indian lands because of delays in approving rights of way for gas gathering lines and could quickly and easily reduce flaring by simply processing rights of way in a timely manner rather than embarking on a time-consuming new regulatory process that will take years to complete; and

WHEREAS, a significant share of the \$901 million of the 2015 federal mineral royalties collected from oil and gas production in New Mexico and the \$432 million of that total revenue shared with the State to the benefit of the employees and citizens served by communities in the San Juan Basin are at stake.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF FARMINGTON, that the City opposes the implementation of the BLM's proposed regulations.

BE IT FURTHER RESOLVED that the City urges the BLM to consider the negative effects on the local economy that would be caused by the implementation of their proposed regulations.

BE IT FURTHER RESOLVED that City staff is directed to distribute a copy of this resolution to: the BLM (National Operations Center, New Mexico State Office, and Farmington Field Office); Senators Tom Udall and Martin Heinrich; Congressmen Ben Ray Lujan and Steve Pearce; Congresswoman Michelle Lujan Grisham; and Four Corners Economic Development, Inc.

PASSED, APPROVED, SIGNED AND ADOPTED this 22nd day of March, 2016.


Gayla A. McCulloch, Mayor Pro Tem

SEAL

ATTEST:


Dianne Smylie, City Clerk