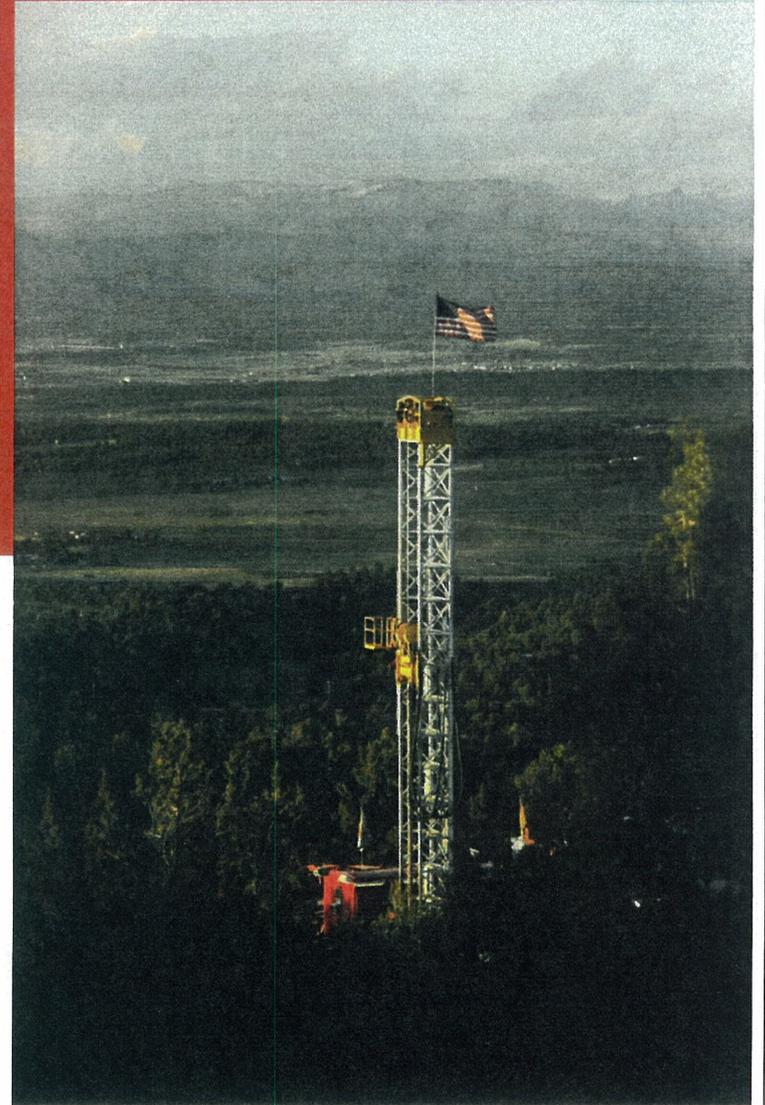


Developing NM Natural Gas for you, for us for NM.

The New Mexico Economic and Rural Development Legislative Interim Committee looking at the economic impact of Natural Gas development and the impacts for NM.



THE AZTEC WELL FAMILY

Family-owned, founded in 1963 with Aztec Well Services Co.



- Son of Jerry Sandel who was 30 year legislator and Chairman of the House Taxation and Revenue Committee.
- Executive Vice President of the Aztec Well Family of Companies.
- Farmington City Councilor - District 4.
- Immediate past Chairman of New Mexico Oil and Gas Association.
- Selfishly and shamelessly promoting an active state policy promoting the development, consumption and export of Natural Gas which primarily benefits rural communities of Northwest New Mexico, but has a broader impact for the entire state.
- Using round numbers in my presentation.
- Husband, Father and all around good guy -- despite the above.

Introduction: Jason Sandel 2



Nat Gas Economic Impact in NM

Direct Jobs: 14,534
Indirect & Induced Jobs: 31,527
Total Jobs: 46,062
5.4% of total state employment



Direct Investment: \$4.3B
Indirect & Induced Investment: \$3.1B
Total Investment: \$7.4B
9.3% of total state economy



- IHS Global Insight Report, Contributions of Natural Gas Industry to U.S. National and State Economies

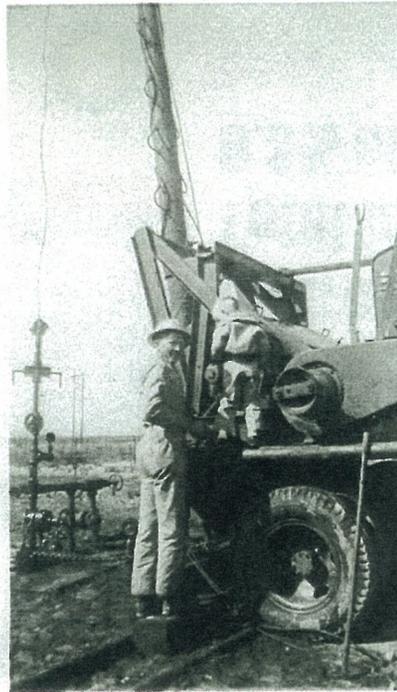
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- Founded in 1963 as one of the original J.P. “Bum” Gibbins spin-offs when Wayne, Sally and Jerry Sandel began with Aztec Well Servicing with 7 “pole” units.



Aztec Well

Humble Beginnings

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**COMPLETE
OIL AND GAS
SERVICES**



**13 STATES
AND COUNTING**



Triple S Trucking

Operations Today



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Thursday, July 12, 12

- 13 drilling rigs
- 33 well servicing units
- 88 fluid and equipment hauling trucks
- 100% utilization for 10 years
- 400% organic growth as a company
- 100% in the San Juan Basin

Home of the Professional Roughnecks.

Pre October 2008

6



- Once the global economic crisis caught up with energy prices, we experienced an immediate 75% shut down of our equipment in the San Juan.
- Our 750 jobs dwindled to less than 225.
- We scrambled in order to stay alive. Our gross revenue fell from over \$100MM to \$50MM. At an average of 2.5% in local GRT this is an impact of \$2MM in local GRT collection from our business alone.

2008 - 2011 AWS

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- The City of Aztec's total Gross Receipts Tax (GRT) collection fell from \$5.6MM (FY09) to \$4.1MM (FY11) while increasing the overall tax rate from 7.625% to 7.750%
- The City of Farmington's total GRT collection dropped from \$54MM to \$43MM.
- July of 2010 marked the Farmington MSA being the 3rd highest unemployment in metropolitan areas in the US.

2008-2011 Community

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- On Site Jobs: 30
 - Operator
 - Drilling Contractor
 - Air/Mud
- Associated Field Jobs: 10
 - Location Building
 - Fluid Trucking
 - Equipment Hauling
 - Cement
 - Fisherman
 - Tools
 - Well Servicing
 - Production Facilities



- Office Jobs: 10
 - Admin. Assistant
 - Engineer(s)
 - Various Levels of Management
 - HSE Professionals

Average of \$75,000 per year X 50 people associated per rig = \$3,750,000 in direct local wages per rig working.

Local Impact: Jobs

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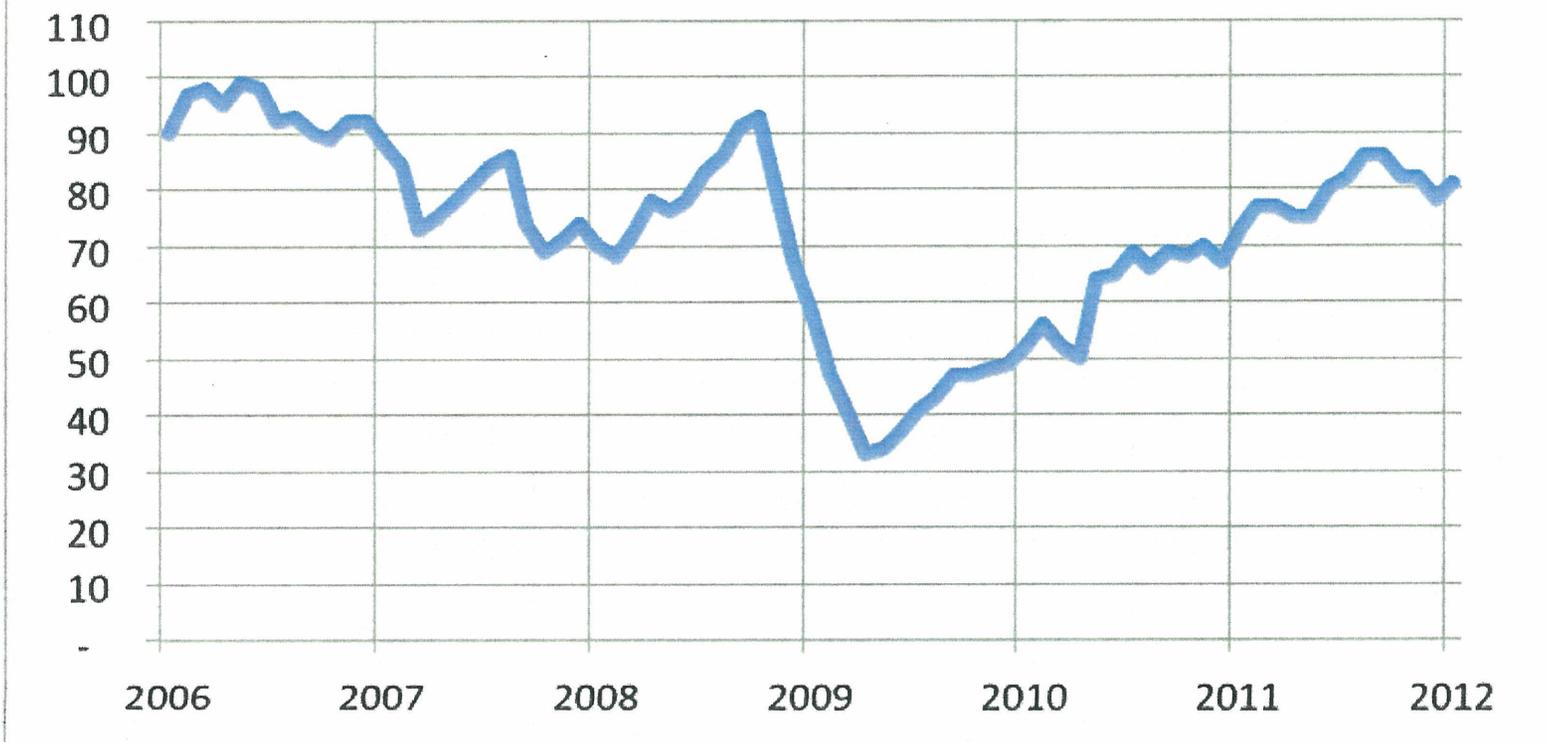
- Well Cost = \$1.0 to \$4.0 MM of capital investment whereby the local community receives gross receipts taxes.
- 50 people associated with each rig working and generating \$3,750,000 in local wages.
- 25+ years of sustainable economic activity to maintain the initial capital investment.
- In the case of natural gas: a clean burning next generation fuel.

The Local Value

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New Mexico Rotary Rig Count

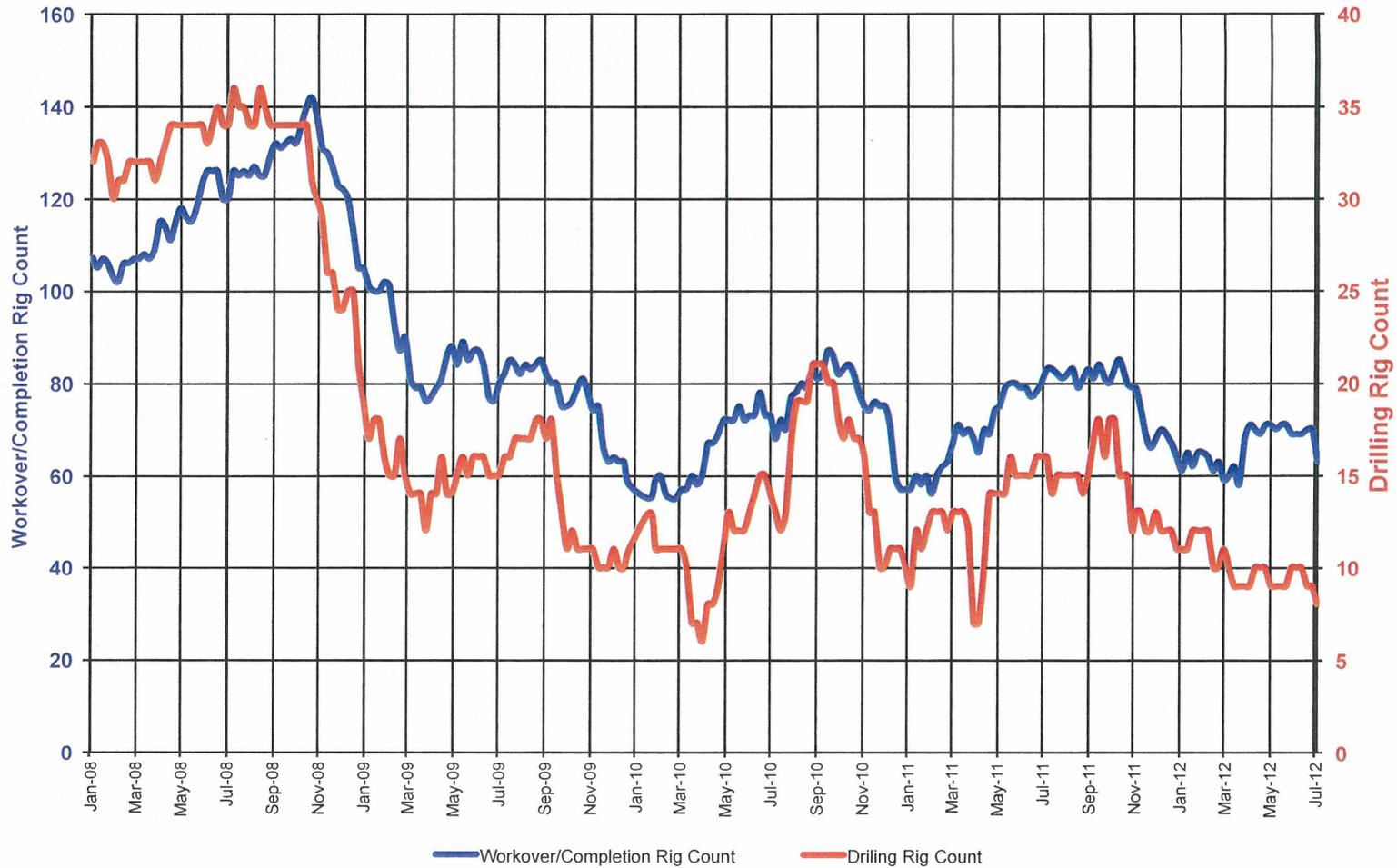


NM Rig Count

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San Juan Area Weekly Rig Report



San Juan Rig Count

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Oil, gas flip-flops hit state's revenue

Drilling up, prices down, N.M. wary of squeeze

Updated: Wednesday, 30 May 2012, 7:01 PM MDT
Published : Wednesday, 30 May 2012, 7:01 PM MDT

ALBUQUERQUE (KRQE) - Crude oil prices have been dropping, so has natural gas, but what's good for consumers has state number crunchers worried that could impact state revenues.

New Mexico is seeing a switch due to the changes in the fuel industry, according to John Felmy, chief economist for the American Petroleum Institute, who was in New Mexico Wednesday.

Natural gas prices are at a 10-year low, and this winter crude oil was more than \$100 a barrel. So crude oil drilling exploded in New Mexico.

Output has doubled for crude oil here compared to this time last year. That should be great news for state revenue, but crude oil prices have dropped almost 20 percent to below \$90 a barrel.

Nationally, there is a 44 percent increase in rigs drilling in the U.S. this year over last, and here in New Mexico, there are 89 oil rigs online right now. That's the highest number since January 2009.

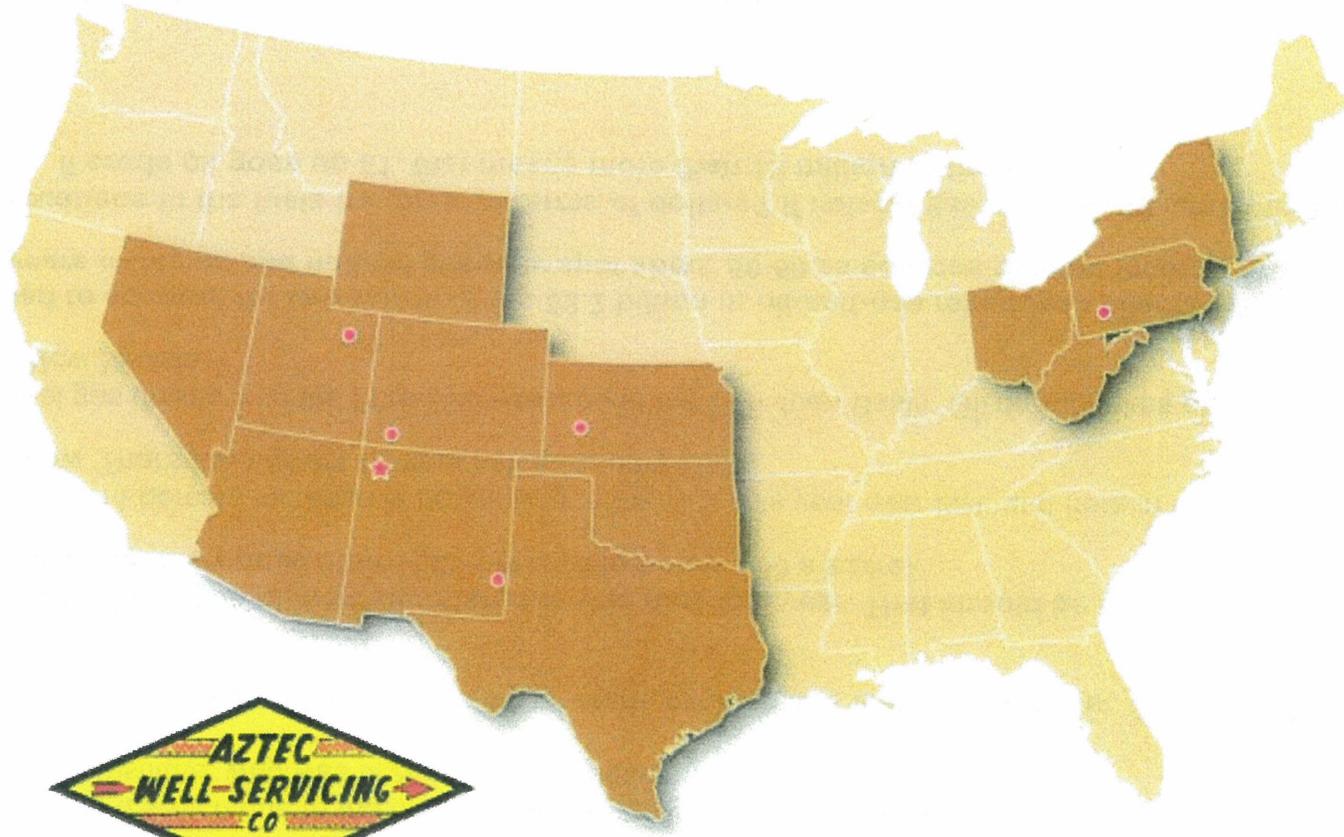
Most of the natural gas drilling is in the Four Corners area in the San Juan Basin. Oil drilling takes place in the Permian Basin in southeastern New Mexico.

Natural gas used to account for two-thirds of the \$2.2 billion in oil-and-gas revenues collected by the state. But over the last three years crude oil and natural gas now split about 50-50 as sources of state income.

So how do fluctuations in the fuels translate in terms of dollars? If natural gas goes up 10 cents, that means more than \$16 million. If crude oil goes up \$1, that means more than \$9 million to the state.

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Aztec's Scenario Today

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What to Do?

At this point we have a demand problem that has its roots in many identifiable causes including historical instability, lack of infrastructure, public fear campaigns, and powerful lobbies (including some in our own industry).

But, only look at the following headlines as what other states are doing to address these same issues.

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PA bill to subsidize conversion of fleets to natural gas

Thursday, March 15 2012

House Bill 2251, introduced by House Majority Whip Stan Saylor, calls for \$6m to be allocated to fund grants supporting the conversion of commercial vehicle fleets to natural gas.

Pennsylvania Has Natural Gas Conversion Grants

June 5, 2012

To promote the use of abundant supplies of Pennsylvania natural gas, the Commonwealth is offering \$20 million in grant funding to assist in the conversion of vehicles to natural gas.

Five large trucking cos converting to natural gas

Monday, July 02 2012

Low fuel costs and new technology have prompted five more national or regional trucking companies to use compressed or liquefied natural gas, Clean Energy Fuels said Friday.

Clean Energy said each of the companies will be using public natural gas fueling stations it operates, **Gas Business Briefing** understands.

Texas to offer \$18m in grants for NGV conversions

Tuesday, July 10 2012

The Texas Commission on Environmental Quality is offering \$18m in grants to eligible businesses, governmental entities, school districts, and individuals to replace older, medium-duty or heavy-duty gasoline or diesel vehicles with natural gas vehicles, or to repower the vehicles with natural gas engines.

Gas fires half of new power plants added January-May

Thursday, July 12 2012

A total of 5,627.1 MW of new, domestic generating capacity went into operation in the January-May period, with 50%, or 2,815.4 megawatts, gas-fired capacity, and none of it coal-fired.

Headlines

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- Codify the Governor's MOU pertaining to Natural Gas vehicle purchases by the State — essentially mandating a certain percentage of new government cars be natural gas fueled.
- Utilize non-recurring general fund monies, that will become available due to the dip in oil prices, to fund a capital loan program to build natural gas infrastructure: fueling stations, power plants, and fleet vehicle conversions.
- Not much different than what was done in 1999 with the Stripper Well Tax incentive in response to low energy prices, impacting state budget and taking action to increase oil and gas activity.

And, for New Mexico

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**Thank You
from Jerry and
Jason Sandel
and the 750
employees from
our entire family
of companies!**



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Thursday, July 12, 12