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Newspaper published every Friday
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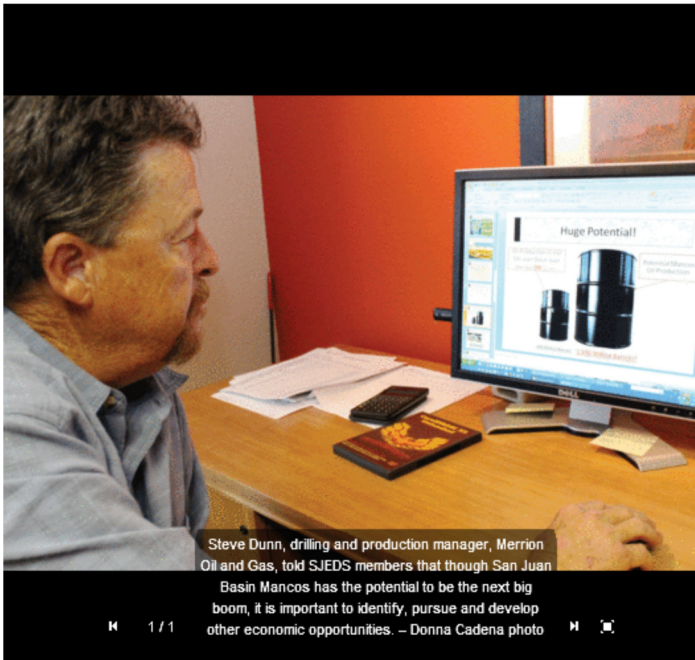
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OUR ECONOMIC FUTURE

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PUBLISHED 08/18/2011 - 2:37 P.M. MST

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Steve Dunn, drilling and production manager, Merriion Oil and Gas, told SJEDS members that though San Juan Basin Mancos has the potential to be the next big boom, it is important to identify, pursue and develop other economic opportunities. — Donna Cadena photo

Donna Cadena
Tri-City Tribune

ABOUT THE AUTHOR

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T. Greg Merriion, president, and Steve Dunn, drilling and production manager, Merriion Oil and Gas, spoke to members of the San Juan Economic Development Service. Dunn's presentations centered on the potential boom of the Mancos Shale in the San Juan Basin. Merriion discussed E>P's efforts to identify and diversify San Juan County's economy San Juan Basin Mancos

The Mancos shale was deposited about 100 million years ago when the Western Cretaceous Seaway inundated the western interior of the U.S. In his presentation, Dunn said the Mancos is a big deal and as the single largest shale deposit in the western U.S., it has the potential to produce 1,500 million barrels of oil. He said, "Over the last 90 years, in the San Juan Basin, we have produced 300 million barrels of oil. Everybody wants oil now because the price is so high."

Work to extricate the oil buried within the Mancos shale is still relatively new. Dunn said, "Not much has been done yet, but there are people out there looking at it. To date, Williams Company has drilled two wells, EnerVest has drilled two wells and Black Hill has drilled one well. Williams Company wells are near Navajo Lake in the dry gas area. Both wells have been online for three to four months and both are making about \$7 million a day. Merriion Oil and Gas won't be drilling any wells, but we have acreage and are working on partnering with someone. There have been a number of companies that have come to talk with us and they want to make a deal.

"If the potential of the Mancos shale can be realized, it is huge and that is why people from outside the area are interested in it. This basin is pretty much leased up and there are not a lot of open acreage available. A company not already here has to buy their way in and those are the folks that are coming to talk to us. They are looking for oil, they think it is here, and they are talking to us about doing something on our acreage.

"We are talking big companies that are already active in other areas in shale. They have been working in shale development and they know what they are doing; they are not newcomers. To date, the Bokken Shale in North Dakota is the big oil play, but I think the Mancos Shale has the potential to even bigger."

All your eggs in one basket

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"Economically this could be a big deal. If everything worked out, there could be a lot of wells drilled; there could be a lot of tax dollars. Of course," said Dunn, "members of SJED wanted me to tell them when it was going to happen and if it was going to be successful. My belief is that we will see drilling next year and if the results are encouraging, things will pick up rapidly from there.

"My point to the group was that even if it does happen and it turns out to be what I think it could be, we still need to continue our efforts to diversify. The Mancos boom would just be a reprieve; it would give us a little breathing room, a little more time to diversify our economy. We can't lose our momentum because all of a sudden we have tax dollars flowing in. Absolutely this effort that the E>P group started and that SJED will be some part of needs to continue."

And while the potential for another economic boom has caught the attention of SJED and community leaders, Dunn and Merrion stress that while that may be true, more importantly, it would give SJED and E>P members time to develop and implement a sustainable economic plan. As a privately funded effort, members of E>P work to help diversify the local economy and guide it in directions other than energy. "That has been our problem all along," said Dunn, "we are an energy-based economy. Regardless of whether it happens, we need to diversify the local economic base. Energy is a finite supply, so eventually, we have to diversify."

Dunn identified the ups and downs of commodity prices and the energy business' response to those prices as huge swings in tax revenue. He said, "It is great to have it, but we need to even it out so that we can weather the lows."

Cautionary tale

Dunn said, "We have been in a recession since 2008; it is driven by commodity prices. The power plants, which are coal based, are being targeted by EPA and the Obama administration is trying to force the country to go to renewable energy. When energy based jobs are lost, there is that multiplier and trickle-down effect." The need to diversify San Juan County's economic base is pure economics, as Dunn said, "Energy is a finite resource."

In his presentation, Merrion said consultants had identified five sectors: energy/manufacturing, agriculture, location neutral (someone who can set up shop in their home), medical/health and tourism as directions for economic diversification.

The road to economic development independence

Whereas SJEDS' economic development program has been run, more or less, as part of the government, other cities/county's economic development programs are independent of their local governments. Citing Tupelo, Mississippi's economic development's efforts, Merrion said that city's pioneering efforts in economic development has resulted in a budget of about \$4 million a year. San Juan County's economic development budget is about \$120,000 to \$130,000 a year. Recapping Merrion's discussion, Dunn said, "Most of Tupelo's economic development is private money, whereas most of SJEDS's money is government money. Tupelo's economic development program is privately driven and it is run like a business. Here to fore, SJEDS's economic development endeavors have been run as part of the government.

"Those are things we will be talking about and trying to figure out how to organize the community to do economic development. They (SJEDS) are at a point now, where they need to involve more and more stakeholders and work together to figure what model we want use. The key point is that is has to be able to respond quickly. Governments don't respond quickly, so, it needs to be run like a business. E>P is kind of a catalyst to try and make something happen, but it is not going to be the entity that does it."

Research gather indicates that you have to create 500 new economic-based jobs every year in order to keep the economy greater than the populations. And that is a tall order for an economy that has put most of its eggs in the energy industry basket.

Whether you like it or not, everybody is in it. If you are going to live here, you have to help," said Dunn.

Burbridge sees challenging times

City of Aztec Mayor Sally Burbridge was appointed SJEDS Executive Committee president with an effective date of July 1. Her term runs through June 2012. In response to Dunn and Merrion's presentations she said, "I think we have some very challenging times. We also have some great opportunities to look at some things a little differently and ask ourselves, how do we do it better; what changes do we need to make in the organization?"

"The executive board is on the same page and I think we have a lot to look forward to. Over the next year, maybe even two years, we are going to be looking at a very different type of organization and I am excited about that. SJEDS has been a player in E>P, but I think we are ready to step up and take some of the information that has come from E>P and incorporate it into what we are doing. We all know we are in different economic times than we were a few years ago, so how do we revamp this organization to better meet those needs. We are really looking forward to that partnering and working together and meeting the needs of the community."



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