

PRESS RELEASE

Moongate Water Company, Inc.'s Response to City's Condemnation

August 3, 2010

Moongate wishes to thank our customers for their overwhelming support in this matter, including those who spoke at the City Council meeting, those who have written and called into the newspaper and those who have contacted us. Providing those customers with safe, clean water at reasonable rates has been our family's goal and mission.

Moongate has been serving the East Mesa since 1971 – almost 40 years. Moongate has met the requirements and needs of residents of the East Mesa as it has grown. Moongate has often been the only provider willing to extend service to areas in need, including areas the City has refused to serve.

Moongate's service now spans the East Mesa from the northern end of Holman Road (8 miles north of Highway 70) to the San Augustin Pass on the east to Talavera on the south and the Dona Ana exit on I-25 on the west. To serve the people living in that area, Moongate has constructed over 220 miles of pipeline, over 5,600,000 gallons of storage, has 9 wells in both the Jornada basin and the Mesilla bolson, and has facilities in 66 sections. Moongate serves over 14,000 residents through 4,600+ meter connections.

The City first sought to restrict Moongate from serving persons in need within the City limits back in 1987 when it sent its police officers out on Veterans' Day to arrest Moongate's work crews that were installing water lines to the VFW building in the Mesa Development area. Moongate sought and received a permanent injunction to keep the City from interfering with Moongate providing service.

The City, not Moongate, represents the only real threat to the Jornada Basin. In 1996, the City

sought to drill large production wells in the Jornada basin to export water into the City. Through Moongate's efforts, the City's ability to mine the Jornada basin for use in downtown Las Cruces was limited. Still, between 1996 and 2007, the City has drilled 6 large production wells in the Jornada basin, with plans for 7 more, and pumps more water from the Jornada basin than all other water providers combined. Moongate, not the City, has acted to provide water to those on the East Mesa whose shallow wells have been made unusable by the City's pumping of its large production wells.

In 2004, Moongate filed suit against the City for cherry-picking high-density developments from Moongate. The City has elected to condemn Moongate in an attempt to avoid the consequences of that litigation.

In the past, Moongate has proposed boundary agreements that would provide for its continued growth, which is necessary for Moongate to continue to improve service to all its customers. The City rejected all such proposals.

Moongate shares the concerns expressed by the East Mesa residents at the City Council meeting of August 2, 2010, including the lack of trust in the City. The City's claims of possible lower rates are unrealistic given that the City has consistently refused to place its utility under the jurisdiction of the New Mexico Public Regulation Commission, which, with its statewide authority, could protect County residents who were served by a City system and unrepresented on the City Council. The City appoints the members of its own Utility Board to determine its own utility rates.

For example, when considering service to the La Mancha subdivision located outside the City, the City's plan was to charge the County residents an out-of-city rate that was higher than the City water rates. This does not promote trust on the part of Moongate's County customers who would be forced

into the City system where their rates will be determined by the City's self-appointed Utility Board.

The customers' concerns about the City's ability to operate a rural area water system are supported by the City's history of refusing to serve areas which didn't have what the City considered "sufficient density" of customers, or in other words, areas which would not generate what the City considered to be sufficient revenue. On many occasions, those areas turned to Moongate for service. Moongate now has a system which serves adequately and well the East Mesa from the San Augustin Pass to Interstate 25, while the City's system can serve nothing east of or at a higher elevation than Holman Road.

Moongate operates an integrated multi-pressure zone system that is constantly expanding and upgrading. Moongate's service meets or exceeds the requirements of the New Mexico Environment Department, the New Mexico Public Regulation Commission, and the New Mexico Office of the State Engineer, and exceeds the evolving fire flow standards for City and County subdivisions. Moongate's water conservation numbers are far better than the City's and are among the best in the area in meeting the State Engineer's standards.

Again, we appreciate the support of our customers, and we urge them to continue to express their views.