

## **IMPORTANCE OF THE OIL & GAS INDUSTRY TO NEW MEXICO**

Good morning. I consider it an honor to be able to share a couple of things with you this morning as a non-oil and gas person, as someone who is not in the industry, so to speak. And it's interesting, when Jay Paul reached out to me and was kind enough to ask if I would be willing to speak at this wonderful conference, my initial thought was, if I'm being entirely honest, was to respond by saying thanks, but no thanks. Not because I do not support the industry, as I most certainly do. But rather, in a room full of industry experts, innovators, and leaders, what does an outsider have to impart that could be in anyway meaningful? Then I realized that sometimes having an outside perspective is helpful not in terms of industry specifics, or even in terms of solving industry problems; but, rather, in terms of re-aligning your purpose of not just getting into the energy industry, but staying in the energy industry. Even in a society, or dare I say especially in a society, that seeks to crucify your industry at every turn. And so, that's what I hope to impart with you in my short time with you this morning, to nudge you along in your journey of energy exploration and innovation.

I have this terrible habit of waking up at 3:30AM. When the alarm goes off it's just awful. I wouldn't recommend getting up that early unless you want to outwork your competitors and crush the person you were a year ago. It's not uncommon for me to go for a run on these early and quiet mornings. It's completely dark and nothing is out at that time of the morning other than racoons and mountain lions. And this morning I happened to run by Aztec High School. Aztec, if you are not familiar, is a small community just fifteen minutes east of here. I was born and raised there. It's a wonderful little northern New Mexico community—make sure you stop and spend lots of money there on your way out of town. But as I was running by Aztec High this morning in 34 degree weather, my mind began to wonder as it often does on my early morning

runs. And I thought, what would that school look like if there was no oil and gas industry; if some in our state got their way and were successful in eradicating your industry from New Mexico. What impact would that have on our public schools? On kids who's only hope in receiving an education is that public school located down the street in their neighborhood?

I imagined a child named Claudio, well because that's my son's name. I imagined Claudio *instead* being born into a single-parent household, being raised by a single mom. And that single mom loves Claudio and works her tail off for him, but she got pregnant with Claudio while she was still in high school. And so, having no formal college, she works an hourly job that barely allows her to make ends meet. And so Claudio attends public school, having no other opportunities in a state as poor as New Mexico.

And instead of having an elementary class size of twenty students, because of a severe lack of funding for public education, Claudio has to attend elementary school with a class size of forty students. And Claudio loves his teacher, but unfortunately because of the oversized class and the reality that there are only twenty-four hours in a day, his teacher is not able to commit much individual attention to Claudio, if at all. And school has never come easy for Claudio. He doesn't mind going, he enjoys seeing his friends, but he's not particularly motivated to over-achieve, in part because he's always struggled with reading. And of course, his school cannot afford a reading interventionist because, well, there's a severe lack of funding for public education in this world with no oil and gas contributions to the state of New Mexico. And so, Claudio slips a little further behind his classmates each year and a lot further behind his peers on a global scale.

And my mind fast-forwarded to a time where Claudio is now in high school. He walks to school everyday because his family owning a second vehicle is out of the question and he prefers the solitude of walking as opposed to riding the crowded and unreliable public school bus. Besides,

he doesn't have to worry about carrying a heavy back-pack to school, since his school cannot afford enough books to allow students to take their books out of the classroom. And Claudio likes to throw rocks on his walk to school, pretending that he is on the high school baseball team; but, of course, all athletic programs were cut long ago in an effort to save funds. So were the music programs, and drama, and most of the elective courses come to think of it. And forget anything about learning technology in the classroom; that doesn't even enter Claudio's mind because it's never been even a part of his education. He doesn't dare dream of one day attending college, as he can barely pass his high school classes and doesn't believe anyone like him could ever pass college. He has a fleeting interest in welding, but since his school has no welding program and there is no demand for welders in the New Mexico he lives, he knows this isn't realistic. And so, he goes back to throwing rocks, his only escape from reality each day.

Now let's leave this terrible reality in which Claudio finds himself and, less I be accused of speaking in complete hyperbole, let me share with you some pesky facts. I obtained data going back to 2005 and have every year through what is forecasted for fiscal year 2023. The data I am going to share with you is the annual total of all contributions the oil and gas industry makes to the general fund for the state of New Mexico. So, this includes federal and state mineral leases, severance taxes, GRT contributions, and permanent fund contributions. The results? In 2005, the state of New Mexico received \$1.7 billion dollars, which equated to 34.7% of the total general fund. For fiscal year 2023, by comparison, the estimated contribution to the state is expected to be \$3.9 billion or 44.5% of the total general fund. And if the prices of oil and natural gas stay high, there's a realistic chance that number will exceed \$4 billion. Since 2005, the average total of all contributions of the oil and gas industry to the state of New Mexico amounts to \$2.47 billion or 38.5% of the total general fund.

Let's look at fiscal year 2021 and you will see why I spoke of the impact to public education should the oil and gas industry become non-existent in New Mexico. The total of all contributions for fiscal year 2021 from the oil and gas industry amounted to \$3.1 billion or 39% of the total general fund. Guess how much was spent on public education, not including higher ed, in fiscal year 2021? \$3.15 billion. If you don't believe that the oil and gas industry has a direct impact on the amount of dollars that flow to public education then you do not understand the New Mexico budget.

The impact that the oil and gas industry has on the state of New Mexico's budget is staggering. I know there has been a lot of discussions about renewables at this conference, and for good reason. But the dialogue around renewables should really take place on two fronts: one is energy production, which is where the conversation tends to be solely focused. But the other front, and one of significant import to the state of New Mexico, is revenue contributions. Here's what I mean: the vast majority of the revenue stream to the state of New Mexico that is spoken of in the context of renewables is actually in the form of construction. Once the construction piece of renewables is over, the revenue stream to the state of New Mexico is shocking. Let's take wind generation for example. The annual estimated revenue contributions to the state of New Mexico through wind generation are estimated to be \$20 million. Now, \$20 million is nothing to shake your head about but it doesn't even scratch the surface of what the state receives in terms of revenue from the oil and gas industry. To put that \$20 million into perspective, even if you just count the direct contributions of the oil and gas industry and discard the GRT and permanent fund contributions, for fiscal year 2023, that \$20 million from wind generation is literally only 1 percent of what the oil and gas industry will bring to the state of New Mexico. So, we can have a conversation about renewables replacing the oil and gas industry in the context of energy

production. However, it is irresponsible and immoral to speak of renewables as replacing revenue to the state of New Mexico. We can continue to stab the oil and gas beast until it finally dies or become irrelevant, but which of our elected officials are willing to cut 38.5% of the state's budget? My guess is you're not going to find any politicians waiting in that line.

Why do I bother sharing these things with you this morning? It is in part to challenge you and in part to encourage you. The challenge first.

There is one criticism of the oil and gas industry that I am going to share with you this morning. This is from the perspective of an outsider of the industry; and precisely because it is from the perspective of someone not in the oil and gas industry is why you should take it seriously. My criticism for you this morning is this: **the oil and gas industry has done a poor job of branding itself**. I don't mean to be rude but I'm not sure how else to get what I believe is a very important point across to you this morning. You have done a poor job of branding yourself and what your industry does. Instead, you have allowed fringe groups to successfully label you in the public's eye as a bunch of greedy corporations who care for nothing but turning a profit at the expense of raping and pillaging the earth. You are one of the only industries that is starting from the negative in people's eyes whenever they are being taught about your industry. And it's wild to me that so many in your industry are okay with having this villainous starting point. Not that you want to be the villain or stay the villain, but that so many of you have just accepted that this perception is just the way it is. And it's also wild to me that you have a product that literally touches every human life at some level and yet still has a horribly negative connotation. Whether it's an automobile that we drive or how we heat or power our homes, fossil fuels have touched each of our lives in an overwhelmingly positive way.

And the flipside to this coin of criticism is meant to encourage you. Your industry matters. It truly does. I mentioned I went for a run this morning in 34 degree weather. Guess what I came home to? A warm home thanks to natural gas. I didn't have to rub two sticks together in order to get a fire lit and then proceed to breath in all that smoke. Your industry matters. Stop accepting the starting point that your critics like to label you with.

Here's something that puzzles me about the oil and gas industry: why you do not brand yourself as an industry that exists to help improve the life of the poor is beyond me. You are not the enemy of the poor and underserved. Instead, you are the ally of the poor and underserved.

Natural gas is one of the cheapest ways to heat your home. That translates into more money for groceries and other basic necessities. You should be proud of that. The oil and gas industry provides good jobs to people across New Mexico, in many cases right out of high school without the need for prior experience or costly student loans, which are often times barriers to lower income families. The median household income in New Mexico is just under fifty thousand dollars. That's household mind you. The average oil and gas job pays seventy-one thousand dollars in New Mexico. You should be proud of that.

The oil and gas industry has made so many aspects of life more convenient and more affordable well beyond just fuel and jobs. The list of consumer products derived from petroleum is staggering. Phones. Eyeglasses. Contact lenses. Crayons. Toilet seats. So many of our clothes. Electrical tape. Cleats. Trash bags. I could literally fill up my time with just listing off consumer products. And in many cases, the abundance of the fossil fuel industry has driven down the price of these consumer products to make them actually affordable for those living on tight incomes. You should be proud of that.

I will leave you with this sentiment: you have no reason to hang your head about being in the oil and gas industry. Your industry has a positive impact on the lives of New Mexicans every day. Your industry is not one of the past, but the present and leading the way in the future. Fringe group policies always come on the backs of the poor. My colleagues and I in the Roundhouse, when we pass bills that cause the price of gasoline to rise to four and five dollars per gallon, we can afford those prices. We may not like them but we can afford them. The average New Mexican who is just trying to make ends meet every month cannot afford that increase. Sometimes as politicians we forget these things. You can never forget, though, that you exist to help make life affordable for every day New Mexicans. Thank you.