FOR IMMEDIATE RELEASE
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GOP lawmakers back bipartisan opposition to MLG oil and gas restrictions

Santa Fe – House Republican lawmakers today added their voice to bipartisan opposition for Lujan Grisham's proposed oil and gas restrictions that would substantially harm both the operations of New Mexico's oil and gas industries and state and local government revenues. On September 20 and 21, the NM Environment Department is scheduled to present to the Environment Improvement Board these proposed industry restrictions. In a letter to NM Environment Department Secretary James Kenney, 23 Republican State Representatives expressed their concerns and joined the bipartisan leadership of the Legislative Finance Committee in calling for a substantial review of the economic and fiscal impacts in order to ensure these proposed regulations do not negatively impact New Mexico schools and other government functions with the expected reduction of revenue.

The economic research firm of John Dunham and Associates estimates these ozone rules could cause as many as 37 percent of current operating oil wells and 87 percent of operating natural gas wells to become uneconomical after accounting for increased regulatory costs. Those increased costs, according to the research firm, could total $3.2 billion in the first year and $3.8 billion over the course of the five years. In turn, the New Mexico Tax Research Institute estimates that the annual cost of this new proposed rule could cost state and local governments $730 million --- $569 million would be lost in state revenue and a $160 million loss of revenues for local governments.

House Republican Caucus Chair Rebecca Dow had a stark perspective on Governor Lujan Grisham's attempt to shut down the oil and gas industries, while also slashing the state's operating budget, "*The fact of the matter is NMED regulators are carrying forward the Governor's progressive anti-oil and gas agenda to help her curry favor with her out-of-state donors, rather than assisting the people of New Mexico who depend upon the jobs and the economic activity the oil and gas industry provides for this state. Can you imagine the turmoil we would be in if we had to slash school budgets because political appointees, at the direction of the Governor, decided to shut down the one industry in New Mexico which generates nearly 45 percent of state revenues and provides economic opportunity for hundreds of thousands of New Mexicans?*"

The Governor's proposed regulations to reduce oil and gas operations would be a major blow to the oil and gas industry, especially the small and independent producers operating low-volume oil and gas wells across the state. While the proposed ozone rules contain a "small business exemption," the language in the proposed rule is so restrictive that few, if any, small oil and gas producers would qualify. The House Republican letter calls on the NM Environment Department to modify the "small business exemption" in order to provide the regulatory relief these small producers need in order to keep their operations continuing.

"*You cannot have it both ways. The out of touch progressives are both demanding more money for education while simultaneously shutting down the revenue source,*" **said State Representative Larry**

Scott (R-Hobbs). "*This is what happens when politicians who have no sense of budgeting gain power- lots of rhetoric and glossy ideals but no substance or understanding of how the real world works. It is unfortunate that so-called progressives put their energy into destroying the industry that provides so much for our students and teachers without assessing the negative outcomes of their political gamesmanship.*"

A copy of the House Republican letter is attached.

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State of New Mexico
House of Representatives

State Capitol
Santa Fé

September 15, 2021

The Honorable James Kenney
Cabinet Secretary
New Mexico Environment Department
1190 Saint Francis Drive, Suite N4050
Santa Fe, New Mexico 87505

Dear Secretary Kenney:

We are writing to join a number of our legislative colleagues in expressing major concerns about your department's proposed new rule to reduce volatile organic compounds (VOCs) and the negative fiscal impact this new rule will have on New Mexico's oil and gas industries, especially on small and independent producers operating low-volume oil and gas wells. Similarly, we share the concerns of the bipartisan leadership of the Legislative Finance Committee as to the large negative fiscal impact this new proposed rule will have on state revenues that are derived from New Mexico's oil and natural gas production.

Therefore, we strongly encourage your department to review closely the analyses conducted by John Dunham and Associates (JDA) and the New Mexico Tax Research Institute (NMTRI) as to the financial and fiscal impact of this new proposed rule. As you may already know, the JDA study estimates that 37 percent of currently operating oil wells and 87 percent of operating natural gas wells would become uneconomical after accounting for increased regulatory costs associated with the proposed new ozone precursor rule. Equally alarming was the estimate by the NMTRI which projected that the total annual cost to state and local governments of the proposed rule would be $730 million --- $569 million in lost revenue to state government and $160 million in lost revenue for local governments.

These analyses should result in a comprehensive review of the new proposed ozone precursor rule as neither the state or local governments can afford such a major loss in revenue during the uncertain economic times associated with the ongoing spread of COVID-19. Granted, recent revenue estimates are showing a significant amount of new revenues in Fiscal Years 2022 and 2023, yet history has taught state legislators that those projected revenues can quickly evaporate due to domestic and international events that can dramatically reduce fossil fuel prices and which are completely outside of New Mexico's control. Thus, any environmental-oriented rule which could add to the oil and gas industries' cost of production and lessen state revenues must be carefully considered for all of its negative effects.

Further, this review of the new proposed ozone rule should also take a second look at the "small business exemption" as it is our understanding the current definition is so limited that few, if any, oil and gas operators would qualify. If the intent of the "small business exemption" is to truly provide needed regulatory relief for small oil and gas producers, then the definition must be modified in order to achieve the stated goal.

Finally, we encourage your department to address the various questions and concerns expressed in the Legislative Finance Committee's letter dated August 25, 2021 when the proposed new rule is presented to the Environmental Improvement Board on September 20, 2021. The future sustainability of New Mexico's oil and gas industries, as well as state and local governments' revenue bases, could well be threatened if the proposed ozone precursor rule is poorly drafted and creates a number of negative unintended consequences.

Thank you for your consideration of our concerns and we look forward to future changes to the proposed new rule that protects the environment, but also allows New Mexico oil and gas industries to operate successfully.

Sincerely yours,

Rebecca Dow
House Republican Caucus Chair

James G. Townsend
House Republican Leader

Rod Montoya
House Republican Whip

James R. J. Strickler
State Representative District 2

Cathrynn N. Brown
State Representative District 35

Larry R. Scott
State Representative District 62

Gail Armstrong
State Representative District 49

Jane E. Powdrell-Culbert
State Representative District 44

Martin R. Zamora
State Representative District 63

Jack Chatfield
State Representative District 67

Alonzo Baldonado
State Representative District 8

Stefani Lord
State Representative District 22

Luis M. Terrazas
State Representative District 39

T. Ryan Lane
State Representative District 3

Rachael A. Black
State Representative District 51

Candy Spence Ezzell
State Representative District 58

Kelly K. Fajardo
State Representative District 7

Greg Nibert
State Representative District 59

William R. Rehm
State Representative District 31

Randall T. Pettigrew
State Representative District 61

Zachary J. Cook
State Representative District 56

Jason C. Harper
State Representative District 57

Joshua Hernandez
State Representative District 60