

Mayor Lori Blong
Energy and Commerce Committee
Subcommittee on Energy, Climate and Grid Security
February 16, 2023

Good morning and thank you, Chairman Duncan, for holding this important hearing. My thanks to the members of the subcommittee and our Congressman Pfluger. Welcome to Midland, the energy capital of Texas...and arguably, the energy capital of the United States. It's an honor to address you today on the critical subject of how energy expansion improves our local economies and communities' way of life, addressing the challenges facing America today. We believe the secure, affordable, reliable and responsibly produced oil and gas of the Permian Basin is a critical component to promote human flourishing, both domestically and abroad.

My name is Lori Blong and I serve as the co-founder and managing partner of Octane Energy, a Midland, Texas - based, privately held exploration and production company that operates and stewards over 300 wells across 35,000 square miles of West Texas and SE New Mexico for ourselves and fellow independent oil and gas companies, as well as for other investor groups. I also have the distinct privilege to serve as the first female Mayor of America's energy epicenter, Midland, TX.

Our company, Octane Energy was founded and bootstrapped ten years ago this spring in response to the energy renaissance our country was experiencing at the time. Since then, our team has grown, our organization has matured and become more resilient, and we have been responsible for drilling, completing and producing over 2,000 wells. Currently we have a core team of 35 employees and contractors (down from 140 at our largest, pre-Covid), as well as countless other vendors that we depend on to unleash American energy.

Today, the perspective I hope to share is not as a representative of a special interest group or research firm, but instead from the perspective of a small businesswoman and community leader, a wife

and, most importantly, a mother to three very spirited West Texans. I am a second generation Midlander, having graduated from high school just a few blocks from where we currently sit here. I am also second generation in the oil and gas industry, having experienced the impacts of booms and busts, innovations and progressions during my decades here in our fair city. Mine is a boots-on-the-ground perspective and I am deeply conscious that I could see our region and my own business very well succeed or fail, based upon the policies you advocate and adopt.

Midland is truly an American gem with some of the most entrepreneurial and pioneering minds in our nation. American values are alive and well here and you can't help but feel it in the West Texas air. That's been true here for at least a century. In fact, this May we celebrate the 100th anniversary of the Santa Rita #1, the well that really started it all here in the Permian.

A lot has occurred in the industry since production began in the Permian in the early 20th Century. Admittedly, oil and gas are principally attributed to the robust transportation sector of our economy. However, these hydrocarbons are also responsible for creating the highest standard of living of any society in human history, as components in as much as 96% of the products we use every day, from pharmaceuticals, clothing, electronics, and cosmetics, to name a few. I am sure everyone in the room has a mobile phone – please note that the part of your phone that breaks when it is dropped is the part not derived from petroleum products.

Our City of Midland and our company have been on the front lines of the energy resurgence for some time now. We see firsthand how this energy renaissance has positively impacted jobs, how it has created greater sustainability in a historically cyclical business, and how it is helping to achieve energy security for our country. But we also see unnecessary hurdles that could limit the opportunities for US businesses. I would like to divide the remainder of my testimony into two parts, to discuss hurdles to and the benefits of American oil and gas production in the Permian Basin:

First, the pipeline and infrastructure permitting headwinds, current SEC driven ESG movement, and the current administration's vow to "put an end to fossil fuels" are all creating growing market distortions and need to be reversed. These policies prevent individual Americans and American businesses from growing as we otherwise could, prevent us from creating jobs as we otherwise could, and most importantly prevents our country from being energy secure as it otherwise could.

Many members of this subcommittee have stated that energy security is national security. I could not agree more. Russian aggression toward a sovereign neighbor, the People's Republic of China brutally repressing its own citizens and testing the resolve of the United States – these are not chapters in a history book. These are today's newspaper headlines. History shows us that conflict is brought about by the desire of one or more sides to gain the resources of another. We have the energy we need right here in the Permian Basin, to keep American homes warm, to provide electricity to hospitals and schools, and to keep our country and allies safe. But we must have federal advocacy and support for the energy production we require.

If the Federal Government truly wants to work with energy companies to positively impact the environment, one tangible suggestion is to significantly invest in technologies for beneficial reuse of produced water from oil and natural gas extraction. The technology for beneficial reuse of produced water already exists; we simply need to find ways to make that technology economically scalable, to benefit the millions of Americans in everyday communities in the central and western states, where abundant clean water is a game-changer on so many levels. Federal efforts in this case could help to accelerate our beneficial reuse efforts, rather than the federal efforts we have seen to restrict our industry but which do not ultimately benefit our communities.

The messages, virtue signaling and rhetoric that have come from the federal level lately tell us oil and gas is evil or not on the side of average American or on the side of care for our environment. This could not be further from the truth. Responsible operators in the Permian are committed to paying

excellent wages for the flourishing of our people and committed to ever-improving technology for the flourishing of our surrounding environment.

Directly underneath our feet, where we sit for this hearing, oil and gas is presently being produced from a depth of 10,000 feet below ground, extracted two and a half miles from here on the south side of Midland (see exhibit A attached). The men and women in our industry know how to safely find, recover, and process these natural resources; we have been doing so for decades. Our Permian advances in science, engineering, methods, and processes have yielded the safest, most environmentally responsible barrel of oil in the world. Considering the regulatory framework at the federal and state levels, a barrel of oil produced in Permian Basin is the “greenest” barrel of oil produced in the world. I can see drilling operations taking place close to my neighborhood where my children sleep. Knowing that industry best practices are being employed gives me reassurance that our local environment is protected.

Another tangible benefit the City of Midland is currently experiencing is record sales tax collection, much of it attributed to activities related to the oil and gas industry. According to the Texas Association of Oil and Gas, in 2022, the oil and the gas industry employed 443,000 Texans who earned an average \$115,300 each—roughly 40% higher than the average pay in other private sectors. And for every direct job in the industry, conservative estimates indicate that an additional 2.2 indirect jobs are created. In total, 1.4 million Texans’ jobs ultimately derive from the state’s oil and natural gas industry. An 18-year-old with a commercial driver’s license can earn six figures a year.

In yet another example of positive impact from oil and gas on our local community, roughly five years ago, twenty oil and gas companies came together to voluntarily form the Permian Strategic Partnership (PSP). These companies work continuously with local and regional leaders to explore and find solutions to challenges in education, healthcare, housing, road safety, and training the future workforce. Using education as an example, PSP member companies have invested over \$47 million in

education initiatives across the Permian Basin, supporting local public schools, universities, teachers, and students. The partnership has brought a STEM center to every elementary school in the Permian Basin. This type of commitment to a region of the county is unprecedented. These are real dollars committed by these companies voluntarily to guarantee the Permian Basin has a long and robust life. Imagine the possibilities of what could be achieved in partnership with the federal government, alongside the resources provided by this private sector creation. That is harnessing American potential and it is all right here.

So today, in this basin, America finds itself at another critical crossroads. Do we continue to vilify and restrict American oil and gas production or do we unleash US hydrocarbons and American ingenuity and innovation? At a time when inflation remains rampant and tech companies are laying off tens of thousands, the American energy sector has sustained and even added jobs for millions of Americans – both directly and indirectly through energy extraction and production, as well as its required support services, increased domestic manufacturing, service and hotel businesses, residential and commercial construction just to name a few. In fact, the unemployment rate in the Permian Basin is currently 2.6% and has averaged 3.9% for the last decade compared to more than 5% nationally.

No person can travel across our country without being deeply stirred by the innovation, ingenuity and pure grit of the American people – qualities that are the hallmark of America's energy industry and the communities. It is also clear that the future is bright for Midland and the Permian Basin. I do not say that all problems are solved. Far from it. But I do believe that we must stand together as faithful and wise stewards of our abundant natural resources and imagine greatly if we are to fulfill our common inheritance. The United States is our common bond and our emphasis must be not on rivalry, self-interest or conflict but on cooperation, collaboration, trust and a shared vision of the future for the flourishing of all mankind. We have a crucial ingredient to enable that flourishing; secure, responsible, reliable, and plentiful American oil and gas. By unleashing US hydrocarbons particularly in

the context of our free market system, U.S. lawmakers can secure our energy future and that of our allies.

Today, I ask you to take a stand for a fundamental principle -- that the role of government is to secure our endowed and unalienable rights among which are life, liberty and the pursuit of happiness. We must enable and empower our people, removing unnecessary headwinds and roadblocks that stand in the way of extraordinary American ingenuity and productivity so that all Americans may thrive and flourish.

I thank you for your time.

Midland Texas – Horizontal Drilling

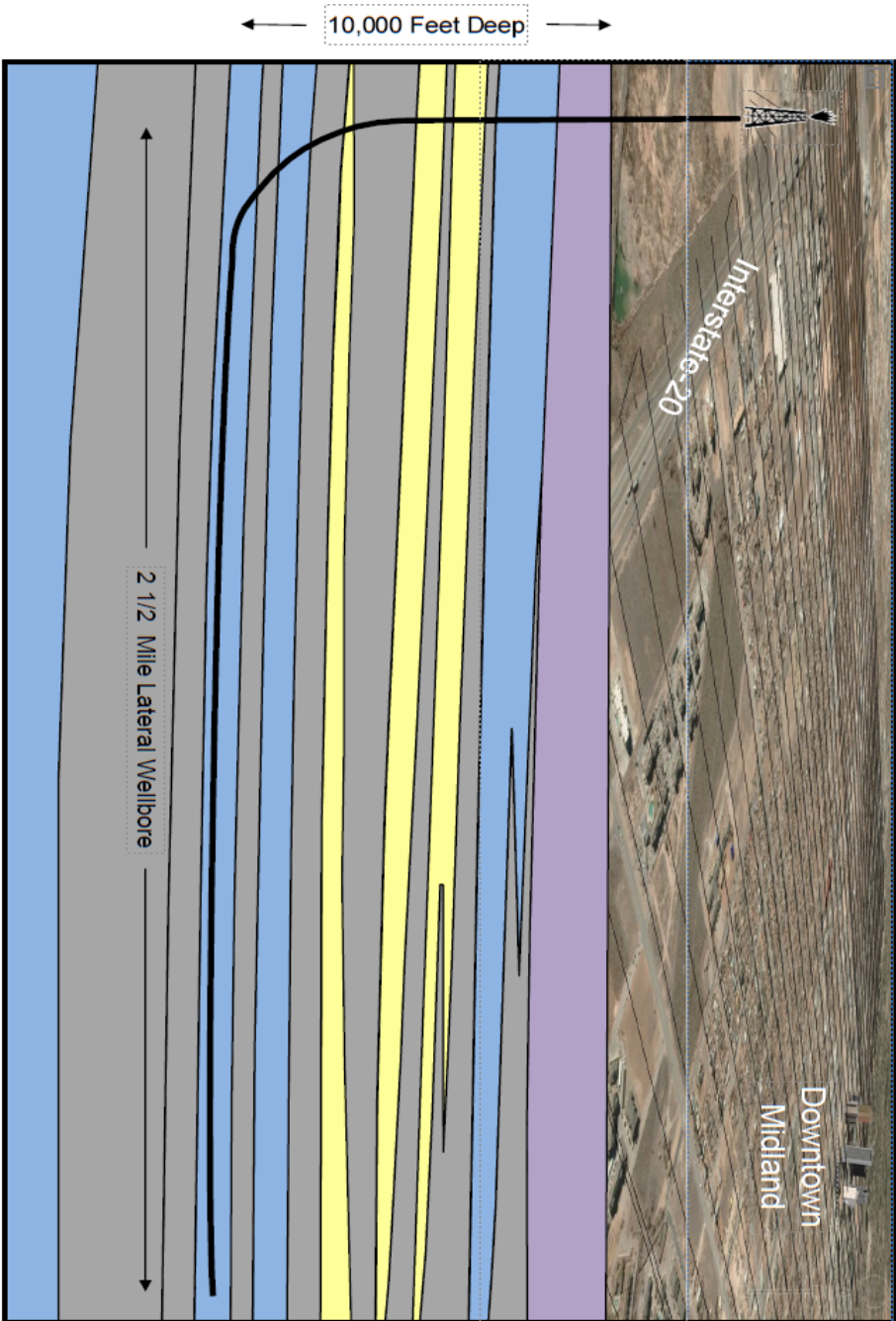


Exhibit A:

Midland Texas – Horizontal Drilling

