Questions from Rep. Stauber for Mr. Mark Murphy:

Q1a. *You mentioned in your testimony that your business employs 16 people. What is the average number of employees among independent oil and gas operators in New Mexico?*

A1a. In New Mexico, I estimate, there are approximately 100 independent oil and gas operators. The average number of employees for these businesses is about 6-7.

Q1b. *Are these bills and recent Administrative directives such as the federal leasing moratorium going to have a disproportionate impact on small businesses throughout the region?*

A1b. Yes, the impacts from these bills would most certainly be harder on small businesses and small independent operators nationwide than other sectors of our industry. The Biden ban and these bills will devastate New Mexico and our local communities. These bills are misguided and will create bigger problems than they could ever hope to resolve. Like the Biden ban, these bills would be more effective at killing New Mexico jobs than they could ever offer to help our environment or climate.

Q2. *You also discuss in your testimony the impacts of federal energy development in the west on every region of the country, not only in terms of energy supply, but also job creation throughout numerous supply chains and industries. Can you explain the cascading impacts of energy production on federal land on communities across the country, and how these bills and the recently imposed leasing moratorium could affect regions beyond the west?*

A2. The Biden ban alone will impact tens of thousands of jobs in New Mexico and it is estimated that an additional hundred thousand workers will lose their jobs in other states that have federal lands and waters leased for oil and gas production. The economic devastation resulting from the ban and these bills will be felt far beyond the targeted federal lands. The American petroleum industry supply chain reaches into every corner of the United States. Raw materials, goods and services, such as steel, sensors, downhole motors, electrical cables, computer processing and vehicles are provided by businesses located in California, Michigan, Illinois, Wisconsin and Minnesota, just to name a few. These businesses are typically small, independent, or family owned and many have skilled union workers.

Q3. *The leasing moratorium imposed by the Biden administration will have an impact on state budgets and local schools. Can you discuss the impact of mineral revenues on the budget in New Mexico and on the public school system?*

A3. I appreciate the question, but I believe this is best answered by our educators. Here are couple of public statements that are notable:

- Stan Rounds, Executive Director of the New Mexico Coalition of Educational Leaders:
    - "While you appreciate the green policies for environmental issues, you can't strangulate the revenue streams in New Mexico. So we're very concerned."

- Jessica Sanders, 2019 New Mexico Teacher of the Year:
    - "New Mexico spends an estimated $11,500 to $12,000 per child, and the state is actually on the lower end of the spectrum on per-child spending. Oil and gas in New Mexico have provided a critical $1.37 billion for education, accounting for over one third of the state's education budget. That money helps support education-related expenses like teacher salaries, workforce benefits and developing curriculum."

    - "...oil and natural gas production and development on federal lands in New Mexico accounted for $1.5 billion in revenue and 18% of total state spending in fiscal 2020. Further, the Department of the Interior notably distributed over $8 billion in tax revenue back to states from energy production on federal lands; New Mexico notably collected $706.96 million in fiscal 2020, more than any other state in the nation. For those of us working in public education, this tax revenue is critical for our livelihoods."

Q4. *This legislation codifies the Obama-era Master Leasing Plans (MLPs), a practice that the Trump administration ended. What is a Master Leasing Plan, what was the intended outcome of implementing these plans and, in reality, what was the outcome of requiring this MLP process?*

A4. I believe that the MLP pursued in the Obama Administration was good intentioned, but it led to problems. This proposed legislation would codify the Obama MLP, a process that ran its course and in the end was proven to be a failure. Before any oil and gas action is taken, as a producer I have to go thru three levels of federal NEPA review. This is on top of the state and local processes. The Obama MLP added an additional fourth layer of federal NEPA process. The fourth layer review reinvolved the same people and offices that were involved in the previous three review stages. At the time, the Administration's intent was to avoid growing litigation that was resulting from ongoing lease sales. The result was that it only slowed the process down and didn't stem the campaign of lawsuits.

Q5. *My colleagues claim these bills are necessary to help our environment. Would the bills considered at the hearing improve the environment of our federal lands in any meaningful way?*

A5. I do not see that these bills will improve the environment of our federal lands. These bills will ultimately force small companies out of business, shifting the ability to meet consumer demand to overseas. Foreign oil and gas sources are of out of the reach of the US government's environmental and climate laws, operating under sub-standard conditions and with little to no regard for the environment. In the end, America returns to being dependent on other countries for domestic energy needs and also reliant on them to protect our environment and climate.

__Q6.__ *You said in your testimony that methane emissions have been consistently decreasing over the past 8 years while production has gone up. How has this been made possible?*

A6. Technological improvements are already developed and deployed by industry in the oil field. Evidence clearly indicates that oil and gas producers have achieved success in capturing more methane than ever before due to these technological advances, just look here in New Mexico. Methane in the San Juan Basin fell by 47% from 2011-2016, according to the EPA; Methane emissions in the Permian Basin have fallen by 6% from 2011-2016, according to the EPA. In 2017, New Mexico state regulators reported a drop of more than 50% in methane vented or flared. Stats released in 2018 indicate emissions from oil and gas operations in New Mexico's Permian and San Juan basins dropped by another 6 percent between 2016 and 2017, total emissions fell by nearly 830,000 metric tons, according to the EPA's greenhouse gas reporting program. That lowered overall releases in both basins from a combined 13.78 metric tons in 2016 to 12.95 metric tons last year. As the statistics above point out, overall methane emissions have fallen over the past 8 years while production has increased substantially during that same time period.

__Q7.__ *HR 1503 reinstates the Obama-era "fracking rule." How would the sudden imposition of a top-down, federal framework to regulate fracking affect operators?*

A7. Fracking is a uniquely American success story that has provided immense benefits around the nation. By safely unlocking America's abundant natural resources, fracking has created millions of American jobs, reduced energy prices, brought cleaner air by significantly reducing U.S. greenhouse gas emissions to 25-year-lows, strengthened our national security, and transformed the United States into a global energy superpower.

Fracking fluid is about 99.5% water and sand. The rest is a mixture of chemicals similar to household products found under the kitchen sink or in the garage. Operators disclose the chemicals used in fracking on FracFocus.org or in accordance with state regulation. The entire oil and natural gas industry, including fracking, represents about .025% of total U.S. water use.

Fracking is a proven drilling and extraction process that is safely used to increase the recovery of oil or natural gas. Fracking involves injecting liquid and materials at high pressures into wells to open up shale formations to stimulate production. Fracking has been used safely for over 70 years, enabling the United States to greatly increase well production. The EPA has repeatedly indicated that fracking has led to NO documented cases of contaminated drinking water, notably an initial draft report came out in 2015 during the Obama Administration confirming that fracking has not caused "widespread, systematic impacts on drinking water resources."

<u>Q8.</u> *In addition to the drastically increased royalty and rental rates, HR 1503 also proposes to decrease the length of typical lease terms from 10 years to 5 years. Why is a 10-year lease term necessary and how will the change to 5-year terms impact operations and investment?*

<u>A8</u>. 10-year lease terms are not an arbitrary measurement of time. This period was established after consideration of the time, money, investment that companies put into getting the lease and the ability to recoup costs. Cutting the period of time for a lease would gut market competition in the lease bid stage as many companies would not seek operations on federal lands because they would not be able to recover invested costs. Driving leases off of federal lands result in the loss of revenue to the American taxpayer and thus less money would go to the states to be available for education and health care funding.

To compare the lease term or royalty rate on federal lands to that on state or private lands is also inequitable. The time needed for a business to complete all the required surveys (archeological, biological, hydrological, NEPA, etc.), comply with regulations, acquire the necessary permits and rights-of-way, etc., takes years longer than it does on state or private lands.

<u>Q9.</u> *HR 1503 reduces the number of required lease sales per state to 3 times per year, rather than quarterly, and requires each BLM office to hold only one sale per year. How will this change impact leasing and access to federal lands?*

<u>A9.</u> Reducing the amount of lease sales to one per region is a death sentence to the state, our children and residents whom rely on public and charity services supported from the revenue of oil and gas production. Lessees will be forced to pursue state and private lands and not bid on federal properties. As stated in my previous answer, this also extends the time that it would take to piece a project together. Having to wait a year each time to add a piece to the puzzle would deter companies from putting projects together on federal lands.

<u>Q10</u>*. HR 1503 eliminates all options for noncompetitive leasing. In what circumstances does it make sense to have noncompetitive leasing?*

<u>A10.</u> All onshore leases are currently competitive. It is just that not all lease offerings result in multiple bids. If a sale brings in an offer of money, and that offer meets the minimum requirements that were stipulated at the time of the offer, and the sale process followed all regulations and law, why would you not want the BLM to accept that offer?

<u>Q11.</u> *HR 1503 directs the Secretary to ensure fair market value is returned to the taxpayer with each lease sale. How do you think this would play out in practice?*

<u>A11.</u> The Secretary, thru their delegated authority to the Director of the BLM, has this responsibility now. This legislation would provide a back door for political motivated pursuits to subvert the current established public regulatory process. Allowing a Secretary or their political designee to take consequential actions without public input and comment is inviting corruptible future decisions.

<u>Q12</u>. *HR 1503 makes a significant change to the process by giving the Secretary discretion over whether to even issue a lease, even when there are acceptable bids from operators after a lease sale. How does this change the incentive to participate in BLM lease sales and how does that, in turn, impact our ability to optimize return to the taxpayer?*

<u>A12</u>. The Secretary, thru their delegated authority to the Director of the BLM, has this responsibility now. This legislation would provide a back door for political motivated pursuits to subvert the current established public regulatory process. Allowing a Secretary or their political designee to take consequential actions without public input and comment is inviting corruptible future decisions.

<u>Q13.</u> *HR 1503 allows the Secretary to cancel a lease if it is determined that it was improperly issued. How is the authority to cancel lease sales in this manner going to impact operators?*

<u>A13.</u> The American public process and transparency needs to be maintained. To establish a subjective factor of "improper" in which a Secretary arbitrarily make consequential decisions based on factors outside the scope of the law is dangerous. Currently, decisions are made after a public scoping process, public input, valuation, economic studies, etc. This bill takes the tool of public process and makes it a weapon that will benefit political agendas, not the American taxpayer.

<u>Q14a</u>. *What would be the effect on production on federal lands if bond levels were raised to the extent required in HR 1505?*

<u>A14a</u>. Simply, those lands would not be leased, forcing many small businesses to pursue leases on state or private lands. In many cases, businesses would be forces to cease operations, resulting in loss of the jobs they created.

Q14b. *In turn, what would be the impact on job creation?*

A14b. Any business having to cease or cut back operations would result in job losses.

Q14c. *Would this actually help ensure a decrease in the number of orphaned wells?*

A14c. This will not address the issue of physically plugging "orphaned" historical wells, which should be the priority. In the United States today, there are estimated to be about 1.7 million active oil and gas wells. Approximately, 63,000 of those are onshore and on federal lands. There are roughly 56,000 documented "orphaned" wells on all federal lands in the United States. In many states, such as New Mexico, operators pay a percentage of their proceeds into a fund that is intended to be used to plug orphaned wells. Any future concerns are being addressed now thru the current regulatory process. The focus of any new policy or legislation should target its efforts at resolving the historical orphaned wells, which the majority in this country are on private lands, not BLM or federal lands.

The Interstate Oil and Gas Compact Commission studied idle and orphan oil and gas wells for many years and published reports on the issue in 1992, 1996, 2000, and 2008. In their 2020 supplement to the Orphan and Idle Wells report, they determined that "A large majority of the documented orphan wells occur on private lands. Lesser numbers occur on state lands or federal/tribal lands." Further, "For 2018, in the 26 states that could categorize wells based on land ownership, 92 percent of the documented orphan wells were on private land, five percent on state land, and three percent on federal/tribal land. Of those 26 states, 23 states provided 2019 data categorized by land ownership. There were no significant changes in the percentages between 2018 and 2019. In the 24 states that provided data for both years, the total number of documented orphan wells rose by 4,879 wells, or 13 percent, from 2018 to 2019. The increase was primarily due to California's recent efforts to document its orphan wells."

Questions from Rep. Herrell for Mr. Mark Murphy:

Q1. *In Fiscal Year 2018, the BLM Leasing Program generated a record $1.1 billion in revenues from lease sales alone. New Mexico received a payment of $467 million from just one sale that year, enabling our state to give raises of almost 12% to their public sector workers, including teachers. This kind of funding is especially needed now, as the country is trying hard to get its kids back to school. How will these bills impact revenue sharing payments to the states?*

A1. I appreciate the question, but I believe this is best answered by our educators. Here are couple of public statements that are notable from education experts:

- Stan Rounds, Executive Director of the New Mexico Coalition of Educational Leaders:
    - "While you appreciate the green policies for environmental issues, you can't strangulate the revenue streams in New Mexico. So we're very concerned."

- Jessica Sanders, 2019 New Mexico Teacher of the Year:
    - "New Mexico spends an estimated $11,500 to $12,000 per child, and the state is actually on the lower end of the spectrum on per-child spending. Oil and gas in New Mexico have provided a critical $1.37 billion for education, accounting for over one third of the state's education budget. That money helps support education-related expenses like teacher salaries, workforce benefits and developing curriculum."
    - "...oil and natural gas production and development on federal lands in New Mexico accounted for $1.5 billion in revenue and 18% of total state spending in fiscal 2020. Further, the Department of the Interior notably distributed over $8 billion in tax revenue back to states from energy production on federal lands; New Mexico notably collected $706.96 million in fiscal 2020, more than any other state in the nation. For those of us working in public education, this tax revenue is critical for our livelihoods."

Q2a. *The taxpayers aren't going to get a better return under this bill, the states aren't going to get a better return under this bill, what about the operators? Are they going to see more efficiency and certainty in return for paying higher fees?*

A2a. Government delays to approve operator permits already contributes to higher methane emissions. Independent producers face high costs because regulatory agencies (specifically federal) take nearly a year to approve infrastructure permits and/or rights of way permits to install or retrofit equipment. Regulatory approval delays leave producers no choice to vent or flare while awaiting approvals. Producers have already pushed regulatory agencies to speed up the process, as industry has an economic incentive to capture and sell methane. The federal government and the states can best contribute to a reduction in methane emissions by providing for streamlined permitting processes and rights of-way to ensure maximum gas capture.

Q2b. *As a matter of fact, the operators began paying higher fees for the processing of Applications for Permit to Drill years ago to assist in making permitting more efficient. Have these increased processing fees resulted in more efficient and predictable permitting timelines?*

A2b. Government delays to approve operator permits already contributes to higher methane emissions. Independent producers face high costs because regulatory agencies (specifically federal) take nearly a year to approve infrastructure permits and/or rights of way permits to install retrofit equipment. Regulatory approval delays leave producers no choice to vent or flare while awaiting approvals. Producers have already pushed regulatory agencies to speed up the process, as industry has an economic incentive to capture and sell methane. The federal government and the states can best contribute to a reduction in methane emissions by providing for streamlined permitting processes and rights of-way to ensure maximum gas capture.

Q3. *In addition to possible increased flaring, what are other side effects are you seeing in operations in New Mexico due to the current permitting freeze at BLM?*

A3. As America has begun its climb out of the pandemic lockdown, the BLM New Mexico raised $4,076,273 in its quarterly oil and gas lease sale held Jan. 14, 2021. Nearly 50% of the revenue from that sale will go to our state - while the rest will go to the U.S. Treasury. For this sale, the BLM offered leases on 37 parcels totaling 6,850.72 acres. The highest bid per acre was $15,101, which sold for 80 acres in Lea County. The same parcel also received the highest bid per parcel with a total of $1,208,080. One of the more historic lease sales in September 2018 brought in almost $1,000,000,000, and we could now be on our way to a recovery that will once again achieve these astonishing sales numbers.

But this is now in jeopardy since the oil and gas ban put in place by the Biden Administration. No state is impacted more than New Mexico. It is only the tip of the iceberg of what is to come as the ban is made permanent or morphs into other policies and regulations like the bills before you today. New Mexico is losing 20% of its state budget. That is $1.5 billion lost that goes to schools, fire houses, police stations, community organizations, main street businesses, tribal businesses. 62,000 jobs lost. Blue collar jobs. Union jobs. Jobs that paid high wages with good benefits, that were held predominately by America's minorities, estimated to be more than 50%.

The impact on all state coffers will lead to spending cuts. In New Mexico, State Sen. George Muñoz, a Democrat who chairs the senate's finance committee, said while he supports Mr. Biden's environmental initiatives generally, he wished New Mexico had been given more time to prepare for the order's potential repercussions in an already tough time for his constituents. His office estimates New Mexico will take a hit of up to $400 million in revenue the next fiscal year, which begins in July, and up to a $500 million loss the following fiscal year. This is the reality we face as a result of unplanned actions.

In a report submitted to President Biden earlier this year, the US Department of Energy analyzed the effects of a hypothetical United States ban on high-volume hydraulic fracturing technology used with any new or existing onshore wells starting in 2021 through 2025. Such a ban, the report predicts, would result in the loss of millions of jobs, price spikes at the gas pump, and higher electricity costs for all Americans, which disproportionately affects lower income families. Notably, it would cause higher emissions since a reduction in natural gas consumption would result in greater use of sources emitting higher levels of greenhouse gases. As the report indicates, “natural gas [has] serve[d] as an important enabler for integrating low-carbon intermittent renewables like wind and solar.” Emissions of CO2, NOx, and S02 would rise 16%, 17%, and 62% by 2025, respectively. With limited domestic opportunities, oil and gas companies would likely invest in oil and gas production in foreign countries, thus increasing global energy dependence on Russia and OPEC.