

NMOGA President Transcript
"NMOGA ED Address"

(1:47)

Thank you so much for coming to NMOGA's 89th annual meeting. Really, I can't tell you how good it feels to be standing in Santa Fe in front of a room with 1000 people and have them not carrying signs or booing. For one weekend a year I've got more friends than opponents. And it is a pleasure to have you all here in town.

I want to start by talking about New Mexico and our industry. And the news that we have been making over the past year. New Mexico is making international news for all the right reasons. Last year we saw the resurgence of the Permian Basin in southeast New Mexico. A story that was well documented in national publications and international publications with words like crown jewel and epicenter and centerpiece of the US oil and gas industry being used to describe the Permian basin right here in Southeast New Mexico. We've also had some nice bright spots and positive stories in northwestern New Mexico where we have record setting wells both in terms of production as well as engineering. In the past year we've seen 13 billion dollars in acquisitions alone invested in New Mexico. This is incredible. Just as context, our state's budget is 6.3 billion dollars. We've seen more than double our state's budget invested in the state over the past year. And with these investments comes increased production. In fact the number of drilling rigs up and running today is more than 4 times what it was in march of 2016. We have more than 69 drilling rigs up and running today. This production is remarkable in light of some of the challenges we've continue to face in terms of operating in a low price environment. And our ability to continue to thrive in New Mexico is a testament to your resilience. You are efficient, and you are continuing to find new ways to do more with less. And as you heard me tell (4:11) ... that doesn't mean short changing any of the safeguards for protecting our environment. Or protecting our workers. We're able to operate more efficiently without compromising our [inaudible] and that's really a tribute to you., the people on the ground. And just as our industry has continued to evolve and adapt over the last year, NMOGA has continued to evolve. **A year ago I told you that NMOGA was going to evolve, we were going to influence, and NMOGA was going to become the most powerful organization in the state again. And I am really proud to tell you that we are well on our way to reaching this** [inaudible]. (4:53) first and foremost, the new NMOGA has a new team in place and I will take a minute and make sure I introduce each one of our members. Like any great team, you build it around your superstar. And for more than 2 decades...[inaudible], We also identified a gap in terms of our operational experience as well as our regulatory expertise. So we went out and we were able to attract Patrick Hudea as our deputy director, to come over from the state land office to join our team. And Patrick has been working primarily as our regulatory policy expert on staff, working with the committees that are truly doing remarkable work to help protect our licence to operate in the state(5:51). We've also added Amy ..., who came to us from the department of tourism. Amy is managing our stakeholder engagement and external affairs, and she has been a tireless worker, and you've seen amy in Farmington, you've seen her in Hobbes, and she is there more, quite honestly than she is in Santa Fe. And that is a testament to her work ethic. Finally, we've gone out of state, to lure a blue chip recruit, and that is Robert Macintyre, who is our director of communications. Robert has experience working on presidential campaigns as well as gubernatorial races, and he has been in the center of fire in New Mexico for the last couple of years, serving as the director of communications for the public education department, which, I'm sure a (sic) couple of state legislators that are in the audience can attest is a, has not exactly been a quiet place to be over the last couple of years. In addition to our new team, we've got a new logo. We've done away with the

drop and flame, and we've embraced an image that more closely connects our organization with the state that we represent. We also have some new colors, we've moved away from the blacks and browns, and we've embraced blues and greens. Warmer more inviting colors will make people attracted a little bit more to our organization. And finally, most importantly, we've got a new tagline. We want to really connect what our industry means to the state of New Mexico. A stronger economy, a brighter future. And that's really what oil and gas means to New Mexico. We are the bedrock of New Mexico. We provide high paying jobs, and the revenue that all of our state depends on. We are also instrumental to a successful future for New Mexico. Our industry funds our most precious resources, and that's our schools for educating our children. Our industry also supports their families by providing high paying (sic) jobs. [inaudible] (8:00). And that tag line is supposed to connect our industry with the state of New Mexico. So people who don't live in southeast new mexico, and northwestern New Mexico understand exactly what we mean and what we bring to the state. But that changes to our image and the way that we interact externally with the public is not nearly as important as the changes to the values that we have identified as being critical to our success moving forward. And first and foremost, our first value, starts with you. We have renewed our commitment to our members. We don't lead the industry from Santa Fe, you lead the industry from southeast and northwestern New Mexico, and we know we work for you. And that's why you see us constantly in southeastern New Mexico and in northwestern New Mexico, making sure we are understanding your operations, we are connecting with your employees, so we can bring your story back up to Santa Fe. Second is a new attitude. (9:00) **NMOGA is going to be the most powerful organization in the state of New Mexico, period. We are going to compete with our opposition at every single level, and in every single arena, and we are going to win these fights as we move forward. We are not going to try hard, we are not looking for participation trophies, we are looking to influence the narrative and win these disputes as we move forward. Third is a sense of urgency. We are not going to wait for policy to come to us, and push us in one direction or another. We represent the most innovative industry in the world. And we need to act with a sense of urgency to ensure that we are driving the policy discussions. We're driving public discourse, we're driving election discussions and debates. We're not just waiting for the dust to settle and being pushed in one direction or another.** And finally NMOGA is focused on the drivers of change. And for us, this really means asking ourselves a simple question, each and every time we are trying to confront an issue or make a decision, and that's how will this benefit the oil and gas industry? Just as you have to operate in a tough environment, in a competitive environment, and be resilient and efficient, your trade association needs to do the same. And if it doesn't benefit our industry, then we are not going to do it. Whether it's a communications effort, or expenditure of our resources. We're going to focus on what matters in regards to moving the industry forward. I tell you that this new NMOGA, this new commitment has come at the perfect time. **Because our state and our industry is facing unprecedented challenges in New Mexico. New Mexico truly is the tip of the spear when it comes to anti industry rhetoric and mobilized opposition. Our industry operates in a constantly shifting environment. And two of the greatest challenges we consistently face are political uncertainty, more regulatory risk, as well as a well established extremely well funded activist machine operating in the state of new Mexico. (11:19) We have seen millions of dollars over the last few years pour into New Mexico, to support their issues and efforts in order to oppose our industry. And the two biggest issues that we are seeing right now and we will see over the next year center around hydraulic fracturing, as well as methane**

emissions. So let me tell you a little bit more about what our opposition looks like in New Mexico. And talk to you a little bit about what's happening at the federal level. Well with respect to political uncertainty, certainly the last election was a breath of fresh air for New Mexico in terms of federal policy in New Mexico. We've seen the trump administration embrace science based policies. Their appointments, whether it be Secretary Zinke for department of interior, or Scott Pruitt at EPA, have embraced science based approaches that look to streamlining permitting processes and elimination bureaucratic red tape. It's important to not though that these are just the promises that have been made. And while we are certainly grateful for the messages, and we are optimistic about the direction the new administration, the key is going to be turning these messages and these communications into actionable results that we can feel right here in New Mexico. BLM's permitting processes, or rather the inefficiencies of the permitting process cost our state 2.3 million dollars a day under our current governor (sic). (12:48) And if it's costing our state that much money, think about how much it is costing you. **And so, we've lost 10 months so far, and we're only guaranteed three more years with an administration that supports our industry. And NMOGA needs to act now to make sure we are influencing federal policy.** In order to help eliminate inconsistency. In addition, in Santa Fe, we've been the beneficiary of 7 years of relative stability in our industry. Susan Martinez, my former boss, she's embraced an all of the above approach to energy policy. **Probably the most consistent benefit to our industry over the last 7 years is that we don't have to worry when we walk into each legislative session about a harmful piece of legislation getting signed into law. The governor has served as a backstop to prevent harmful legislation from being passed that would make extremely difficult challenges for our industry. But, we have an election coming up in a year. And with an election comes again, regulatory uncertainty and political uncertainty as we try and figure out what is going to happen in 2019.** (14:09). And our opponents in the state, they recognize this. And they are constantly at work pushing back against our industry. I want to talk to you a little bit about who exactly are our opponents in New Mexico? We have an environmental activist network here that is mobilized constantly. Around the clock. Literally, if there is an issue, they are there with bodies, in meetings, in hearings. They are active in the press, they are active on social media, and they are active with our political leaders. If they step off of message, you bet they hear it. I've talked to a number of leaders who have told me if they don't embrace a particular position of one of these activist groups, they will immediately receive over 500 emails within 24 hours. And they are threatening them, we are going to run, we're going to primary you, we are going to run someone else to oppose you. In addition to being mobilized 24/7, Our opposition is deeply embedded in local communities. They are very closely linked to progressive grassroots organizations, they've got a sophisticated network constantly at work, pushing issues that are important to them and potentially harmful to us. The other thing that is remarkable is that our opponents are constantly young. They are not just in college campuses they are in high schools. They are in middle schools. They are out there looking to add more and more bodies to mobilize and be part of this discussion. I was in Sandoval county, last week, and ... 150 people (16:00) to a public meeting in Sandoval county, which is considered one of the more conservative areas in the state. Their ability to mobilize is something that we have to take seriously and combat. And finally, our opposition has become a political force in New Mexico. First and foremost they are spending millions of dollars (16:22) in elections. We were able to track over 2 million dollars alone in the last

election cycle, from groups that are aligned with the anti fossil fuel agenda. For a state like New Mexico that's a lot of money, that's only what we were able to track and that is a huge amount of money pouring in from outside of the state. They are also recruiting candidates, and participating at a grassroots level in city council races, county commission races, state legislative races. Now, who are these opponents? (17:01) Well, you can't go anywhere in New Mexico without tripping over an activist group. In fact, we have more activist organizations per capita in New Mexico, than any other state in the country. And What's remarkable is when we start to look at these organizations, at the agenda they are pursuing, it's not a forward looking pro environmental agenda, we all are committed to protecting our water, to protecting our air, to operating in an environmentally responsible fashion. But when you look at their literature they are not trying to work with us and find a sensible balance. You look at these websites and their messages are end fossil fuels. End development. Beyond oil and gas. Keep it in the ground. One such group, that you are going to hear a lot of, a lot from, is a group called (inaudible) that was just formed (18:03) in New Mexico. And their #1 issue is methane. And their #1 target is the oil and gas industry. They've made a huge investment in PR and communications work over the next year. And their stated goal is to show how our industry is failing the state. Now, I want to be clear, this is no more than an election year hit piece designed to influence the political discourse around our industry moving forward. The goal is to move moderate candidates as far away from our industry and as close to their positions as possible. The types of issues that you see (sic) and other organizations really centering on in New Mexico are first and foremost hydraulic fracturing. Hydraulic fracturing and opposition to hydraulic fracturing presents the greatest threat to our industry. And to our license to operate moving forward. This is obviously not a science or fact based discussion. It's an emotional discussion. But unfortunately our polling reveals that over 55% of New Mexicans are opposed to hydraulic fracturing. This transcends party lines. We have a lot of people who are pro oil and gas but opposed to hydraulic fracturing. And this shift is remarkable when you look back to where we were on this issue just a little over two and a half years ago. Two and half years ago we had a majority of New Mexicans that were in favor of hydraulic fracturing. But we've lost 16 point today, if we went to the polls right now, we would see an overwhelming majority of new Mexicans take action to prohibit hydraulic fracturing. And our opponents aren't having this discussion in the abstract. What they are doing is using certain places and issues as a rallying cry to have this debate. Look at Chaco canyon. If you drive around Santa Fe or walk around today, I'm sure you will see a don't frack Chaco bumper sticker. And really this strategy of to tie a specific area, a culturally significant resource with an issue, that they use to rally their base and to position oil and gas against some of our indigenous communities. In addition to Chaco, New Mexico will constantly see water policy discussions manifest themselves in the debate about hydraulic fracturing and oil and gas. And any New Mexican will tell you debates about water policy are extremely important to our state. We are an arid state. We depend on water and water policy debates in the state always generate a huge amount of interest. Unfortunately this issue draws a lot of kinda I think cheap maneuvers by politicians looking to try and fan the flames of fear about our industry using an issue that polls extremely well. Now oil and gas, for context, we use less than 1% of the water in New Mexico on an annual basis. Agriculture is our number 1 user as a stake of water, about 82% of (21:45) of water is consumed for agricultural uses each year. Oil and gas and mining account for a little over 1 % of our water use. But more and more when you see our opposition, or

political leaders talk about this issue, they focus solely on one industry, and one industry's use of water. And that is oil and gas. And as we move forward we must continue to provide context but we must also continue to highlight all the amazing work that you're doing in order to recycle, and reuse and protect our water resources. **In addition to the debate around hydraulic fracturing, methane is an issue that we are going to be (22:28) hearing quite a bit about in New Mexico over the next year (sic). We're calling it kind of the new hydraulic fracturing issue for our time. And as you saw from that Chaco (sic) campaign, which is extremely well funded, we have a number of other groups like Environmental Defense Fund who are using methane as a wedge issue in the next political cycle. But one good thing about the methane issue is that New Mexicans haven't really made up their mind about methane. And they don't quite understand the issue. So we believe we absolutely can win this fight.** (23:03). But we need to be proactive and we need to make sure we are communicating once again all the great things our industry is doing to reduce emissions, to innovate and to stay ahead of the curve. So these are some of the threats our industry is facing. And I want to finish by talking to you a little bit about what NMOGA is doing to address these threats. I think our board made some really amazing decisions over the last year. To really anticipate where the threats are coming from, and to empower our organization to adapt and evolve. We are going to start by communicating our message early first and foremost. We need to communicate better with the public in order to advance a pro industry narrative. Throughout the state and move people closer to us. The red and greens are nice but solid messages that people understand and utilize each and every day are ultimately going to draw people to our industry and understand our values in the state. **We also need to build an army (24:18) We can't come to public meetings and our opponents turn out 150 people, and we only have 8 people there supporting our industry. We need to fight power with power. We absolutely need to mobilize an army of advocates who can make their voices heard in discussions. In addition, we are going to engage politically. We can't let our opponents drive election narratives and participate in the process while we sit on the sidelines. Finally, we are going to continue to fight for good policy and regulations (ATTENDEE: get your war paint on)... (sic) communications, because that has been the hallmark of the new NMOGA over the last year. In February our board approved a strategic communications plan that's really formed the base of how we approach our communications with the public. This is a data driven campaign that focuses on a message that will resonate most effectively with New Mexicans.** And in fact, when you hear from us, you will always hear us referencing certain core messages that really resonate in the state of New Mexico. Our core messages, first and foremost, is the fact that our industry provides 1/3rd of the budget to the state on an annual basis. You may not live in a producing region, but you sure as heck receive some benefits from state government. Your children may arrive on buses, you know a teacher down the street. One in three teachers salaries are funded directly by the revenue provided by our industry. Our second message that we will consistently communicate is the jobs our industry provides. We have 1.8 million people in the state of New Mexico and our industry is responsible for creating over 100,000 jobs in New Mexico. Which dwarfs any other industry in the state. **Third, New Mexicans are tired of hearing how we are last in this last, we are last in that list.** We have a homegrown success story right here in the state. Our oil and gas industry is a national leader. This industry is something that each and every New Mexican should take pride in. We aren't OK, at oil and gas (26:45) production, we are great at oil and gas production. And we should be proud of an industry that serves as a national leader. **And that optimistic message is something that truly resonates with New Mexicans, we are tired of**

feeling like we are last in this and last in that. And finally as you can see, our messages center around the economy. And how we drive the economy. If you ask in poll after poll, if you ask New Mexicans what is the number one issue for them, what are they most concerned about, what do they care most about, time and time again it's the economy. Number one, by far and away. And we have a great story to tell, when it comes to the economy. This is an issue that we win on. When we are talking about our economic contribution to the state of New Mexico. And so when you hear NMOGA communicating, when you are receiving messages from us on social media, when you see our op-eds, any time you see NMOGA putting out a message about our industry, you are seeing us fall back on these core messages, which have proven to move New Mexicans toward a more favorable view of our industry. The second point I mentioned before was **we are going to build an army (27:56). We are going to assemble the largest pro industry database in New Mexico, and we are going to use that database to make our voices heard in Santa Fe. We are doing this through digital engagement, but we are also doing it by pounding the pavement and showing up in Southeast New Mexico, in Northwest New Mexico, in Albuquerque. With direct person to person interaction as well as through a sophisticated digital acquisition strategy.** Now the cornerstone for building that army is finding the right people to tell our story. And really getting the people like you who have the most at stake in our industry, it has to be part of our discussion moving forward. We need the men and women who depend on this industry economically to tell your story to people up in Santa Fe who quite frankly don't get to see everyday. **We have a number of politicians who represent your community and they do an excellent job of telling your stories. But we need more. We need more voices joining in to help them advocate more effective policy in Santa Fe. Second to last, we are going to engage politically. NMOGA, tomorrow, the membership will be voting (29:18) on limiting a prohibition on NMOGA from having any sort of political engagement. We know that policy is not formed when legislators enter the round house, it is formed on the campaign trail. We have to be competing in this space. Otherwise we are ceding ground to our opponents.** We cannot when this fight if we are not competing in a political space. And really when we compete, **We are talking about making sure that we are pushing not a republican strategy, not a democratic strategy, but we are pushing policy makers to embrace the energy industry.** And that has been something that as an industry we haven't adapted to in New Mexico as successfully as we need to. **We cannot tie ourselves to a single political party. We have too much at stake to allow ourselves to be shifting back and forth when the state's political landscape changes. We must pursue an energy majority in New Mexico. And that means supporting the politicians who have consistently supported us. But it also means reaching out and reaching across the aisle and try to recruit and attract other politicians who maybe want to support us if they knew more. Because if we are tied to one single political party, and we have an election, it has consequences. And we simply can't afford to ... back and forth depending on which political party is in power.** Finally, the last thing our organization is going to do is we are going to keep doing something that we have done an outstanding job on for years. NMOGA's committees have been a huge strength of this organization. As a former state regulator I can tell you I have been behind the scenes talking to staff about you. About NMOGA and what you bring. And I can tell you, NMOGA really, NMOGA as a brand is one of technical credibility and know how. When you come to the table to engage on different regulatory issues, you bring subject matter experts. We don't engage in emotional debates with regulators. We come in with staff and resources to really understand what their concerns are and come up with sensible policies that can actually move us forward.

So we are going to double down on the work of our committees. We are going to continue to build on all the success of our committees over the last few decades and we are going to more aggressively push forward. **We've got a window right now over the next year to really put in place the pro industry narrative at the federal level, and at the state level.** And our committees right now are doing excellent work in the regulatory remit to make sure that our industry has greater consistency to protect our license to operate moving forward. And so that's what NMOGA is going to do. **We are going to communicate better with the public, we are going to build an army, which is currently coming along very well, we are going to engage politically, and we are going to double down on the good work of our committees and continue to fight for good policy.** Like I told you a year ago I promised when I came in and took this job that NMOGA was not going to rest. We are not a country club for oil and gas, we are not a chamber of commerce. We represent the most important industry to the state and you deserve an association that can levy the type of power that is commensurate with your contribution. We are going to be the most important and influential organization in the state and I thank you for your continued support. Thank you.