



Energy for New Mexico

The culture and scenery across the Land of Enchantment has captivated explorers, artists, visitors, and residents for decades. It's not just the sweeping plateaus or the awe-inspiring sunsets and sunrises – New Mexico also has a vast supply of natural resources, which have played a large role in the state's richness. These resources have not only helped provide funding to the state, but also enabled New Mexico families and businesses to save over \$3.4 billion statewide due to the low cost of natural gas between 2006 and 2016.¹

Since energy is so readily available, people typically do not stop to consider how these resources affect our daily lives. For example, in 2016, 35 million visitors traveled to New Mexico to tackle its spectacular mountain skiing, watch hot air balloons lift off, check out the art, and view important historical sites.² These millions of tourists relied on air, rail, or highway transportation that, for many, would not be possible without affordable energy. Energy also enables us to light our homes at night and heat them as temperatures begin to dip as we approach the holiday season. In addition, affordable energy allows New Mexico farmers to fertilize and harvest their crops without breaking their budgets. In short, access to affordable and reliable energy supports just about everything we do in New Mexico, and it should not be taken for granted.

Affordable Energy for New Mexico

Many American families struggle daily to pay for rising energy costs. According to a 2015 survey by the U.S. Energy Information Administration, nearly one-third of American households struggled to pay their energy bills to light, heat, and cool their homes. The survey found that roughly "one in three households reported reducing or forgoing basic necessities like food and medicine to pay an energy bill, and 14 percent reported receiving a disconnection notice for their energy service. Households also

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\$3.4
BILLION

Natural gas and oil production in New Mexico helped save families and businesses more than \$3.4 billion.



used less energy than they would prefer to – 11 percent of households surveyed reported keeping their home at an unhealthy or unsafe temperature.”³

Unfortunately, New Mexico is no exception. On average, each resident of New Mexico spent \$3,088 to meet their energy needs in 2016.⁴ For the almost 19.6 percent of New Mexicans living at or below the poverty line, this translates to at least one-quarter of their income going toward energy expenses.⁵ That’s over 401,000 New Mexicans who live in poverty, enough people to fill Isotope Park more than 30 times. Fortunately, development of New Mexico’s energy resources helps benefit the most disadvantaged among us by reducing the cost of basic necessities such as energy, freeing up resources to pay for adequate housing, clothing, and food.

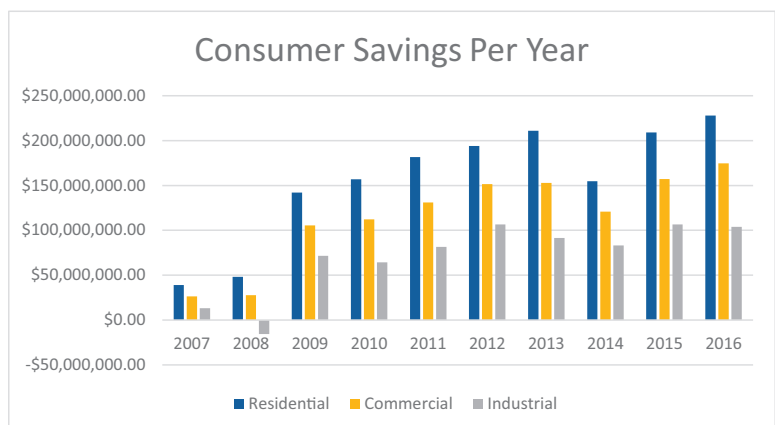
Importantly, it’s not just lower income families that face energy insecurity. Across the nation, more and more families are living paycheck to paycheck – with little to no savings. A January 2018 survey by Bankrate found only 39 percent of Americans had \$1,000 saved to cover a financial emergency.⁶ CNBC recently reported that “69 percent of Americans had less than \$1,000 in total savings and 34 percent had no savings at all.”⁷

New Mexico’s Role in Powering America

Though New Mexico accounts for less than 1 percent of our nation’s population,⁸ it is the seventh largest supplier of energy, primarily because of the state’s abundant reserves of natural gas, natural gas liquids, petroleum, and coal. In fact, the state is responsible for almost 5 percent of the nation’s annual crude oil production, and about 4 percent of its total natural gas output.

Recent advances in drilling and hydraulic fracturing have made the growth in New Mexico energy production possible by expanding natural gas production across the state, allowing New Mexico consumers to save over \$3.4 billion between 2006 and 2016 due to the increased availability of resources. Residential users alone saved almost \$1.6 billion, while commercial and industrial users saved over \$1.86 billion.

Crude oil production has expanded rapidly since 2009, and while operators have relied on some new and expanded pipeline systems to transport products to refineries along the Gulf Coast, adequate pipeline infrastructure has yet to be developed. This is important because only about one-fifth of the natural gas produced in New Mexico is actually consumed within the state. Due to these infrastructure constraints, producers have increasingly relied on railroads and highways to transport crude oil supplies,



Source: Energy Information Administration; calculations developed by Orion Strategies



which results in a substantial loss of revenue to businesses and the state overall. When pipeline capacity is available, the rest of these resources are transported via the Blanco Hub -- one of the nation's major interstate pipeline connection and trade points⁹ -- to markets in Arizona and Texas.

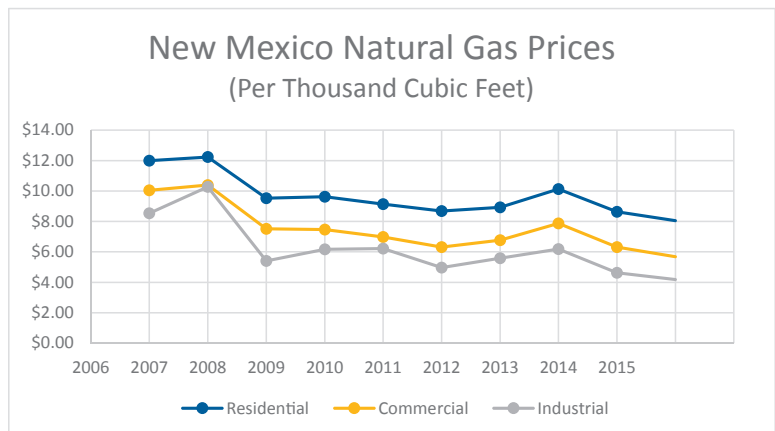
\$90 MILLION
\$49.6 MILLION

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New Mexico Energy Resources Power the State's Economy

New Mexico's oil and gas industry accounts for a total economic impact of \$12.8 billion and provides more than 100,000 jobs across the state, employing one out of every eight New Mexicans, directly or indirectly.^{10 11} Additionally, according to the Legislative Finance Committee, New Mexico receives about \$2 billion annually via severance and property taxes. This figure includes royalties from production on state and federal lands as well as rental income. Sales and income taxes on oil and gas drilling and service activity generate an additional \$300 million for the state. Based on the production in any given year, revenue generated from oil and gas production makes up between 15 to 25 percent of New Mexico's total general fund revenue and is used to support permanent funds benefiting things like state environmental improvements, public schools, and hospitals.¹²

New Mexico also has notoriously low educational attainment - with 18 percent of children in New Mexico coming from families that lack a high school diploma.¹³ The oil and gas sector in the state is working to turn this around. In FY 2017, the industry provided \$711 million to public schools and almost \$223 million to colleges and universities.¹⁴



Source: U.S. Energy Information Administration

Agriculture is a significant driver of New Mexico's economy. With 23,000 farms and ranches across the state, the total value of agricultural production statewide was over \$3.22 billion in 2016. That same year, the agricultural industry spent almost \$90 million for fuels and oils, and an additional \$49.6 million for electricity,¹⁵ which is necessary to power farm equipment, manufacture fertilizer in order for our state's farmers to maintain crop and livestock production, and transport products to stores.

Tribal lands are also an important part of our state's culture, and oil and gas production in New Mexico has helped benefit two of the state's largest reservations. One of those is the Jicarilla Apache Reservation in the



Four Corners Region, the largest mineral rights holder in the San Juan Basin, excluding the federal government. Its eponymous privately held company, the Jicarilla Apache Energy Corporation, manages 2,000 oil and gas wells in the region.¹⁶ Similarly, Navajo Nation Oil & Gas Company, integrated and owned by the Navajo Nation, logged 2014 revenues of \$155 million. In 2013, the company provided \$46.9 million in payments to the Navajo Nations, and between 2003 and 2013 contributed an additional \$1.4 million in scholarships to Navajo Nation children.¹⁷

Looking Ahead

Despite all of these positives that oil and natural gas production bring to the state, the future of New Mexico's energy resources, and its critical pipeline network is under attack by out-of-state activists, who continue working to eliminate the production and transportation of safe, affordable sources of energy. These anti-development efforts lack solutions to help meet consumer demand and threaten our environmental goals.

Rigorous environmental standards and energy production can and do coexist. U.S. energy-related CO₂ emissions have declined during seven of the past ten years, and are now 14 percent lower than in 2005.¹⁸ In December 2017, the oil and gas industry announced its Environmental Partnership to further reduce emissions of methane and volatile organic compounds.¹⁹ These improvements are occurring at a time when our country has catapulted forward to become the world's leading producer of oil and natural gas.²⁰

Consumer Energy Alliance works to support and advocate for the continued development of natural gas and other traditional and alternative energy sources as well as transportation infrastructure like pipelines and transmission lines that move this energy throughout New Mexico. With the savings that have occurred in recent years, New Mexico's policymakers, regulators, and leaders must continue to come together in support of local energy production and infrastructure that will continue to help the state thrive, and ensure that hard-working families, seniors, households, and small businesses can continue to enjoy the benefits that low prices are bringing to these communities.

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- 1 Calculations developed by Orion Strategies. \$706.6 million saved by industrial users, \$1.56 billion saved by residential users, and \$1.159 billion saved by commercial users. This number was calculated by using the annual average price per thousand cubic feet of natural gas for residential, commercial, and industrial consumers. This EIA price was then applied to the total MMcf consumed in New Mexico, also sourced by EIA. The Consumer Price Index utilized by the Bureau of Labor and Statistics was applied to each year's price in order to adjust each price to 2016 dollars. 2016 was used as a cutoff date as it was the last year for which residential and industrial data were released.
- 2 https://assets.simpleviewcms.com/simpleview/image/upload/v1/clients/newmexico/2017_NMTD_Annual_Report_c003e9c9-c869-404c-9084-d461b301c7c5.pdf
- 3 <https://www.eia.gov/consumption/residential/reports/2015/energybills/>
- 4 https://www.eia.gov/state/seds/sep_sum/html/pdf/rank_pr.pdf
- 5 Based upon 2018 HHS Poverty Guidelines. <https://aspe.hhs.gov/poverty-guidelines>
- 6 <https://www.bankrate.com/banking/savings/financial-security-0118/>
- 7 <https://www.cnn.com/2018/01/18/few-americans-have-enough-savings-to-cover-a-1000-emergency.html>
- 8 <https://www.census.gov/quickfacts/nm>, <https://www.census.gov/popclock/>
- 9 <https://www.eia.gov/state/analysis.php?sid=NM>
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- 13 <https://www.nmvoices.org/archives/9631>
- 14 https://d3n8a8pro7vnm.cloudfront.net/nmoga/pages/319/attachments/original/1517255305/NMOGA_Binder-compressed.pdf?1517255305
- 15 <http://www.nmda.nmsu.edu/wp-content/uploads/2017/12/2016-Ag-Stats-Final.pdf>
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- 19 <https://theenvironmentalpartnership.org/>
- 20 <https://www.eia.gov/todayinenergy/detail.php?id=36292>