

**Statement of Lea County Commissioner Ron Black  
Elected Member of the County Commission of Lea County  
New Mexico  
Before the U.S. House of Representatives  
Committee on Natural Resources, Subcommittee on Energy  
and Mineral Resources  
Oversight hearing “American Energy Jobs – Opportunities  
for States and Localities”  
1334 Longworth House Office Building**

**June 18, 2014**

Thank you Chairman Lamborn, Ranking Member Holt and members of the committee for having me here today.

It is a great honor to appear before you today.

My name is Ron Black and I am a County Commissioner from Lea County, New Mexico and have served in this position since 2010. In 1999, after 33 years, I retired from my career as a teacher and basketball coach at New Mexico Junior College. In 2005 I was elected to the board of the New Mexico Junior College and in 2011 I became the President of the New Horizons Foundation - a non-profit, technology transfer corporation working with the DOD National Laboratories and funded jointly by Lea County and the New Mexico Junior College.

I am here today as a representative of Lea County, New Mexico to discuss the positive impact of America’s domestic energy production on our community and to offer specific details about the jobs created by the energy sector, as well as the opportunities and stewardship challenges that have come with this economic boom.

## Benefits of the Oil & Gas Boom

Lea County sits in the heart of the energy industry in the Permian Basin and with new technologies we have been able to reach one of the largest oil and gas deposits in the world.

According to an article in the Albuquerque Journal last month, "The oil boom in southeast New Mexico just keeps growing, and there's no end in sight."<sup>1</sup> Latest statistics from the New Mexico Oil Conservation Division shows production is up 17 percent in 2013 back to 1973 levels.<sup>1</sup>

It is expected that the state will see an 18 to 20 percent increase in 2014.<sup>1</sup> New Mexico has seen a 67 percent increase since 2008.<sup>1</sup> Right now the state produces 270,00 barrels per day and the state experts project that will grow to 320,000 per day this year.<sup>1</sup>

If New Mexico was a country, our oil production would rank 35<sup>th</sup> in the world, producing ½ of one percent of the world's oil.<sup>2</sup> Oil in New Mexico is a critical driver of our economy.

31.5% of New Mexico's general fund comes from the oil and gas industry. <sup>3</sup> The state's General Fund provides financial support for state public schools and higher education. It also, funds state public welfare programs, environmental protection, and tourism advertising, supports, road construction and maintenance, and many other functions of state government.

In 2013, Lea County had 15,049 producing wells and produced over 42 million barrels.<sup>4</sup> This year we have 13,894 people working in petroleum

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<sup>1</sup> Robinson-Avila, Kevin. "No End in Sight for NM's Oil Boom." ABQJournal Online. May 10, 2014. Accessed June 16, 2014. <http://www.abqjournal.com/397859/news/no-end-in-sight-for-nms-oil-boom.html>.

<sup>2</sup> "Country Comparison :: Crude Oil - Production." Central Intelligence Agency. Accessed June 13, 2014. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2241rank.html>.

<sup>3</sup> "NewMexico31.com." NewMexico31com. Accessed June 16, 2014. <http://newmexico31.com/>.

<sup>4</sup> Hill, Levi. "Lea Co. Now No. 2." Olive Software |. April 13, 2014. <http://digital.olivesoftware.com/Olive/ODE/HobbsNews/LandingPage/LandingPage.aspx?href=TkhOLzIwMTQvMDQvMTM.&pageno=MQ.&entity=QXIwMDEwOQ.&view=ZW50aXR5>.

related jobs and averaging a salary of \$80,388 per job.<sup>5</sup> Lea County paid \$904,900,734 in Federal, State, and local taxes in 2013.<sup>6</sup>

In the last 10 years, the County has received \$363,879,297 in revenue from the oil and gas industry.

Our community has seen many benefits from this boom and we have used these resources to invest in our community's future. For example, the New Mexico Junior College receives an average of \$10,523,026 over the last five years from the industry, providing opportunities for our best and brightest to stay near home while getting a great education.

Not only has higher education benefited from the taxes provided by the oil and gas industry, but with population growth brought about by the economic boom, the Hobbs School district, in our largest community, is the fastest growing school district in the state. With increased student population we receive additional federal funds to invest in education.

Petroleum industry employees also play vital roles in volunteering in our schools - reading to elementary students, coaching our youth athletic teams, and sponsoring and coaching the Science Olympiad. The energy industry supports many of our booster events such as fun runs, art contests, and rewards for after school participants.

Revenue resulting from the energy boom has allowed Lea County to invest in education, but it has also allowed us to invest in infrastructure projects including a new judicial complex and recreational facilities.

We developed a Lea County Quality of Life Committee to improve both quality of life and economic development opportunities in Lea County. Through this committee we have looked at health care, recreation and housing.

## **Diversifying our economy.**

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5 "EnergyPlex Economic Indicators for 2014 Is Now Available!" Economic Development Corporation of Lea County, NM. 2014. Accessed June 16, 2014. <http://www.edclc.org/blog-layout/the-lea-county-energyplex-economic-indicators-for-2014-is-now-available>.

6 © 2014 New Mexico Tax Research Institute, All Rights Reserved. January 2014, 286.

<http://c.ymcdn.com/sites/www.nmtri.org/resource/resmgr/Docs/Fiscal%20Impacts%20of%20OGAS%20in%20NM%20Prelim%20Final%20Jan%202014.pdf>.

In June 11, 2010, Urenco USA opened a uranium enrichment facility in Lea County. At the time it opened, the facility was the first nuclear facility built in the US in 30 years and the first to receive a combined construction and operation license from the NRC.

Today, Urenco has 369 employees and annual payroll for 2014 is expected to be around \$45 million. This has been a \$4 billion dollar investment for our state and Lea County.

Lea County currently has two potash mining projects being developed. One of these projects - the Intercontinental Potash Ochoa Mine Project - is expected to employ 400 full-time workers once in full operation, which could be as early as 2017.

## **Challenges Faced by Lea County**

We have so many good things happening in our community but with growth and opportunity come challenges.

This most recent oil and gas economic boom has created an acute housing shortage.

In our currently strong economy and corresponding influx of businesses and business interests our hotels have become residences, resulting in limited room availability and high costs for visitors. This shortage of hotel space makes it difficult for potential new businesses to stay in the community as they evaluate prospects to establish new businesses in Lea County.

Implementation of economic development projects that rely on hotel room availability must be strategically timed to coincide with improved housing availability.

Economic growth has also created significant increase in the volume and type of traffic through the county. Very heavy, large trucks involved in construction and oil and gas operations cause deterioration of farm to market and dirt/sand roads. Increased traffic also contributes to public

safety concerns. Lea County faces difficulties with both demand and repair.

With the increased population we have seen the need for better health care, additional resources for public safety and to keep up with the needs of a growing school population

## **The Stewardship Challenge**

The history of our community has taught us that boom times are always followed by bust times, so we have come to understand the importance of good stewardship. The importance of investing in our County so that our economy can maintain a higher baseline standard of living beyond the current boom led to the creation of the New Horizons Foundation (NHF).

The Foundation is a 501 (c) (3) not-for-profit organization whose mission is to use ready to commercialize technology to enable the private sector to generate sustainable economic growth and wealth creation for Lea County, Southeastern New Mexico, and the entire Permian Basin Region. New Horizons was established in October of 2011 and funding is provided by the Lea County Commission and New Mexico Junior College.

New Horizons serves as the technology intermediary and incubator, forming partnerships between regional entrepreneurs and the technology and applied development capabilities located at Federal laboratories across the United States.

The Foundation has partnered with Federal labs to use their technology, equipment and personnel to adapt mature government technology to private sector use and is working with regional universities to bring business commercialization advice to the Foundations private sector partners.

There is a stream of yearly Research Development Test & Evaluation (RDT&E) technologies, expertise and capabilities that can be useful to Lea County's citizens and businesses. The Foundation will not be

involved in research – instead concentrating on applying technologies and capabilities that are as close to ready to use as possible.

The Foundation expects to participate in the revenue streams that are generated by patents, license, sub-license and royalty agreements resulting from commercialized technologies to reach long-term financial sustainability. This is enabled through NHF's work with local businesses to diversify, strengthen, and expand our rural economies and bring back to New Mexico some of the benefits created by oil and gas taxes paid by the County while providing underutilized Federal laboratories fair royalties and use fees.

By utilizing existing Federal technology that solves widely experienced regional business problems, NHF can create or expand businesses in the Lea County Region and expand entrepreneurship opportunities.

NHF is currently exploring:

- **Corrosion Resistant Materials and Coatings:** Oil and gas extraction and transportation creates very serious corrosion problems at every level from downhole pumps to collection tanks to pipelines. Working with Defense labs, very promising anti-corrosion approaches are being tested against real world conditions to verify that promise.
- **Water Quality Improvement:** The Foundation is in the midst of collecting Department of Defense (DOD) portable technologies that improve produced and brackish water quality for industrial, exploration and less than human and animal use.
- **Additive Parts Manufacturing and Repair:** Cost effective approaches to reduce parts manufacture and repair costs as well as improve delivery times could have a continual and significant impact on oil and gas production across the Permian Basin.
- **Using Idle Federal Machining/Forging Capability:** Delivery times and quality issues involving manufactured/forged parts create significant problems for regional businesses.
- **Rural Road Preservation - Construction:** Oil and Gas exploration, extraction and transportation in rural counties creates transportation system challenges. Lea County is leading a Technology Expedition to Corps of Engineers Laboratories in July to

extract as much ready to use know-how and technology as possible to address these transportation issues.

## **How Congress Can Help Lea County Succeed**

Given the County's housing issues, we need Congress to work with us on existing legislation to assist communities in coping with impacts of booms such as workforce housing. We must find a way for communities like Lea County to provide affordable housing as communities grow and people transition to new jobs and new homes.

In addition, and with particular regard to energy, we need Congress to ensure our domestic production increases are not threatened by burdensome regulations. We need to do what we can to allow the energy boom to continue. Production tax incentives, approval of LNG exports and responsible approaches to endangered species and environmental regulation are ways to promote domestic production.

We would ask also that Congress support through legislation the stewardship initiatives of boom communities such as the New Horizons Foundation.

The 2014 DOD Armed Services Authorization, Section 1603, authorized the creation of a Proof of Concept Commercialization Pilot Program under the \$ the DOD Assistant Secretary for R&D. Five million dollars was authorized to set up this pilot program to accelerate commercialization of research innovations from qualified national laboratories

This program, which was authorized in FY14, still needs appropriated funding to give rural nonprofit organizations like New Horizons the opportunity to prove lab technology in real world non-DoD environments. For example, NHF has already invested in anti-corrosion technology and the program laid out in Section 1603 would help projects move closer to commercialization.

Your support for the following report language in the House FY15 Defense appropriation bill would go a long way to enabling New

Horizons and other nonprofit community programs in oil and gas impacted rural counties to work with the Federal Laboratories to find mature technology for other purposes.

***AIR FORCE TECHNOLOGY TRANSFER PROGRAM***

*The Committee recommends \$10,000,000 above the request for a regionally focused technology transfer innovation pilot program. The Committee directs the Assistant Secretary of Defense for Research and Engineering to conduct a pilot program on public-private technology transfer ventures between Department of Defense research and development centers and regionally focused technology incubators, with the goal of increasing the commercialization of intellectual property developed in the Department's research and development enterprise in support of critical cross-service technological needs such as energetics, unmanned systems, and rapid prototyping. Technology incubator partners should be selected through full and open competition emphasizing strong business plans, demonstrated expertise in mentorship and commercialization, and strong regional partnerships.*

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**House Appropriations Committee – Defense  
Report to Accompany HR 4186**

Finally, I would like to thank you for your time today and giving me the opportunity to tell you about Lea County. We appreciate your interest in our growth as a community during this current boom, but also for allowing us to share our plan to ensure the County's continued success.