CONTRACTOR INDUSTRY STATUS

5.19.20 Report to the New Mexico Methane Advisory Panel
Jason Sandel, Aztec Well Servicing
• There are 1134 mining and oil & gas businesses in NM.

• In 2019 these businesses had $6,681,133,183 in taxable gross receipts directly into the state and local communities.

• These businesses employed 26,207 people in the 3rd quarter of 2019
CURRENT RIG COUNT

USA Land Drilling (66%)
- Current 327 vs. 961 (May 2019)

NM Drilling (36%)
- Current 66 vs. 103 (May 2019)
- ZERO in San Juan

USA Well Servicing Rigs (38%)
- Current 802 vs. 1292 (March 2019)

Permian Well Servicing Rigs (50%)
- Current 238 vs. 476 (March 2019)
- Note: San Juan has 11 working
2020/2021 Industry Outlook

Oil price average $30-$35 / BBL
Rig Count between 200-285 / NM ~ 50
• San Juan Predicted at Zero
Permian Capital Spend From $29B to $12B
Weekly permits down 80% from 1022 to 206 Y-o-Y
US oil production decline from 13M bpd to 8M bpd
NM oil production decline by 100M BBLs (350M to 250M)
NM FY21 recurring revenue drop $1.8B to $2.4B below current forecast.
• “Nearly 70% of revenue growth from FY18 to FY19 was tied directly and indirectly to growth in the oil and gas industry”

Source: Spears & Associates, IHS Markit, NM CREG
As of May 5, 2020 there are 4,096 oil & gas workers who have filed for unemployment (15.6% of covered employment).

Based upon predicted rig count, oil and gas unemployment could fall another 1500-2500 jobs (21-25% of covered employment)

More than $500,000,000 in lost wages across NM resulting in a decline of $20M in Personal Income Tax collections.

Source: NM EDD, NM DWFS, NMOGA

Effective oil & gas CSPs in place since COVID-19 outbreak began.

Most of NM currently in Phase 1A recovery (NWNM in Preparatory Phase), and $R_{eff}$ rate meeting gating criteria (1.15).

If gating criteria is met, the Governor has messaged possibly moving to Phase 1B at beginning of June.

State-to-State competition for oil & gas capital spend will be fierce.