



New Mexico State Senate

STATE CAPITOL

Santa Fe 87501

September 17, 2021

The Honorable James Kenney
Secretary, New Mexico Environment Department
1190 St. Francis Drive, Suite N4050
Santa Fe, NM 87505

Sent via email james.kenney@state.nm.us

Re: Proposed Ozone Precursor Rule

Dear Secretary Kenney:

We, the undersigned members of the Senate Republican Caucus, are writing to echo and further amplify the bipartisan concerns raised regarding the New Mexico Environment Department's ("NMED") proposed ozone precursor rule.

In their letter dated August 25, 2021, the Democratic and Republican leaders of the Legislative Finance Committee ("LFC") communicated legitimate concerns and posed several important questions regarding the impact of this proposed rule. Most notably, LFC cited the negative fiscal impact on our state's coffers and the disproportionate impact on small and independent producers.

According to the independent analysis provided by John Dunham & Associates ("JDA") and the New Mexico Tax Research Institute, it is estimated that the rule could result in a loss of \$730 million in revenue to state and local governments, as well as a loss of more than 3,200 jobs. The small business exemption, meanwhile, is reportedly so limited, that few, if any, of our small oil and gas operators would qualify.

In a letter to the Biden Administration earlier this year, the Governor warned of massive revenue losses resulting from even a modest reduction in oil and gas production in the state. At the time, it was estimated that a 10 percent decline in production would result in a loss of over \$700 million between the fiscal year and 2025. Based on the JDA study, however, this proposed rule would lead to a whopping 12.9 percent decline in oil production and a 22.8 percent decline in natural gas production. Given our state's reliance on oil and gas revenues to fund our public schools, vital infrastructure, and public safety, these massive, declining production figures are of great concern to us.

As written, this rule may very well jeopardize the sustainability of New Mexico's energy economy, as well as the stability of our state and local economies. For these reasons, we urge

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NMED to address the concerns and questions expressed here and in the LFC letter as early and as thoroughly as possible.

We look forward to your response and we thank you for your attention to this pressing matter.

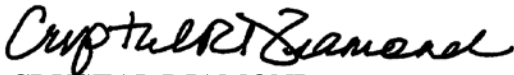
Sincerely,



GREGORY A. BACA
State Senator
Senate Republican Leader



MARK MOORES
State Senator
Republican Caucus Chair



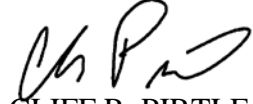
CRYSTAL DIAMOND
State Senator



RON GRIGGS
State Senator



GAY G. KERNAN
State Senator



CLIFF R. PIRTLE
State Senator



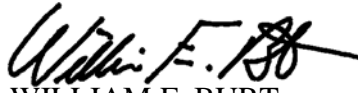
GREGG SCHMEDES
State Senator



PAT WOODS
State Senator



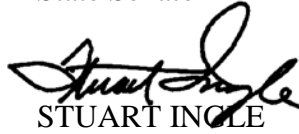
CRAIG W. BRANDT
State Senator
Senate Republican Whip



WILLIAM F. BURT
State Senator



DAVID M. GALLEGOS
State Senator



STUART INGLE
State Senator



STEVEN P. NEVILLE
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JOSHUA SANCHEZ
State Senator



WILLIAM E. SHARER
State Senator