



**NEW MEXICO
BUSINESS COALITION**

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RE: Oppose SB164 Future Oil & Gas Royalty Rates

Mr./Madame Chair and Committee Members:

The New Mexico Business Coalition (NMBC) represents hundreds of businesses and thousands of New Mexicans. Our focus is to make New Mexico a better place to live and work, where we have an abundance of good-paying jobs to provide for our families.

NMBC respectfully opposes SB164 Future Oil & Gas Royalty Rates. The New Mexico oil and gas industry consistently provides the largest portion of the state's revenue and yet is the constant target of increased and overzealous taxation and regulation.

While New Mexico's state royalty rates range from 12.5 to 20.0 percent, which are lower than Texas at 25 percent on their state lands, New Mexico carries a very high overall tax burden on oil and gas production which could be the highest in the nation. If this bill passes, it could make the overall cost impact on the oil and gas industry unbearable for most operators, leaving New Mexico with much less revenue instead of the increase the State Land Office is hoping to achieve.

We should be thankful for the economic partnership we have with the oil and gas industry which provides about 40 percent of our state's budget. We should consider the impact this type of legislation would have on that industry. Operators have a choice where they do business and tipping the scale further on the highest overall costs in the nation will certainly be a detractor for investment in New Mexico.

Currently oil and gas operators are allowed to vent and flare during the initial 60-days of production for safety and stability of the drilling operation and for the protection of wellsite workers. This bill fails to recognize that necessity. Instead, it seeks to further tax the venting and flaring of natural gas with royalty requirements. This is unfair to New Mexico operators when the state has previously recognized the need for this initial venting and flaring. There should be specific language to address this issue.

The more we continue to overregulate our oil and gas industry, the more operators we will lose in this industry. This is costly for everyone in the state when it leads to less oil and gas production and reduces funding for our state budget.

On behalf of hard-working New Mexicans and businesses, and for the reasons stated, NMBC is strongly opposed to SB164 Future Oil & Gas Royalty Rates and urges you to say 'NO' to its passage.

Thank you,

A handwritten signature in blue ink, appearing to read "Carla J. Sonntag".

Carla J. Sonntag
President