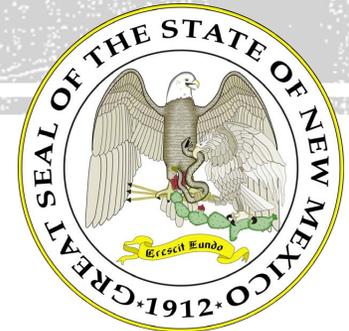


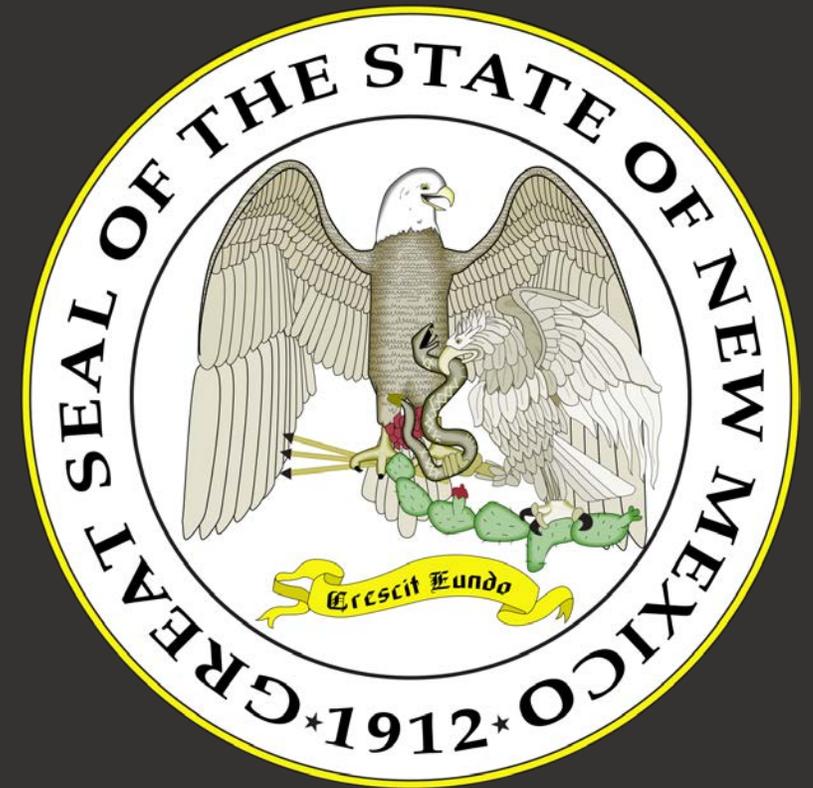
CONTRACTOR INDUSTRY STATUS

5.19.20 Report to the New Mexico Methane Advisory Panel
Jason Sandel, Aztec Well Servicing



BUSINESS & EMPLOYMENT

- 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%)

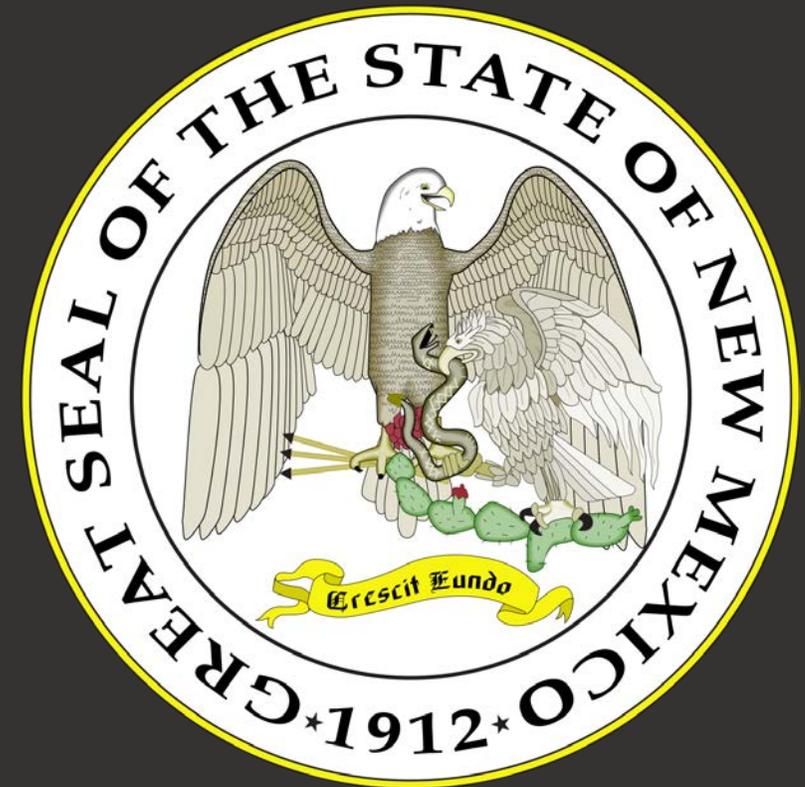
- Current **66** vs. 103 (May 2019)
- ZERO in San Juan

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

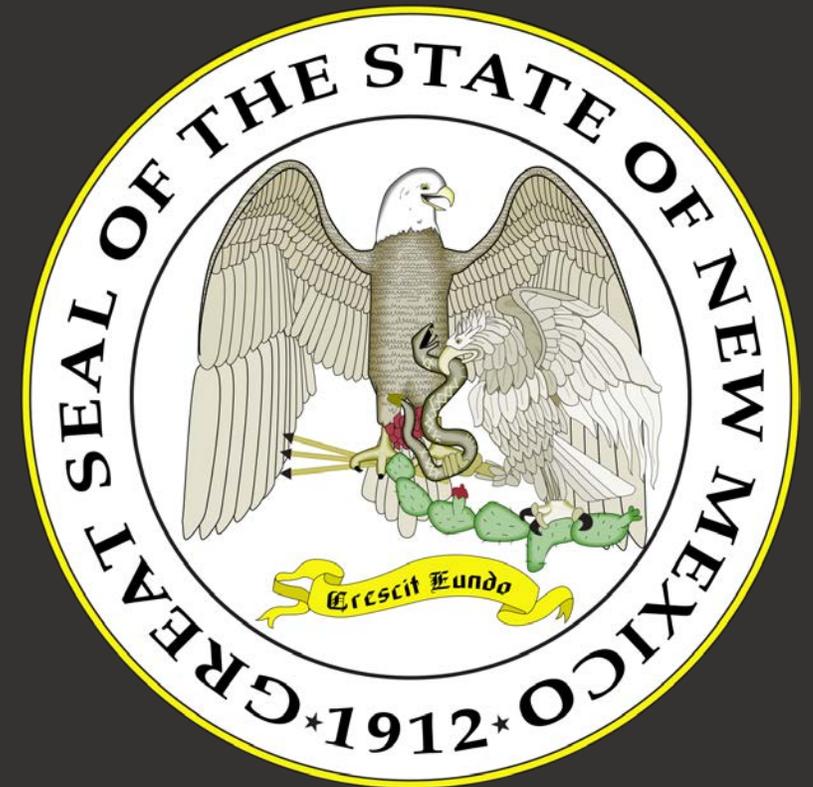
US oil production decline from 13M bpd to 8M bpd

NM oil production decline by 100M BBLs (350M to 250M)

NM FY21 recurring revenue drop \$1.8B to \$2.4B below current forecast.

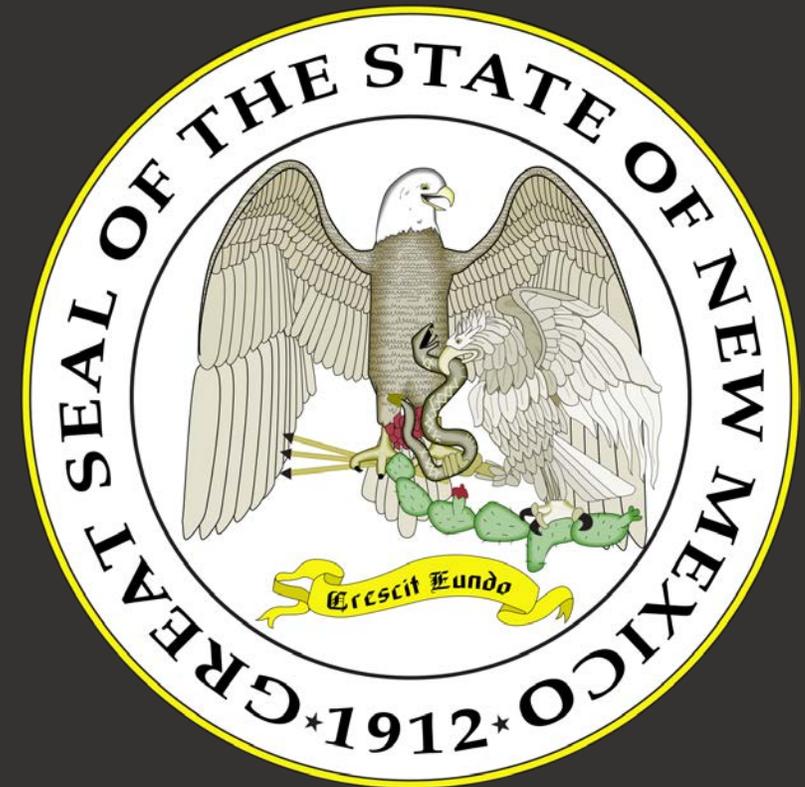
- “Nearly 70% of revenue growth from FY18 to FY19 was tied directly and indirectly to growth in the oil and gas industry”

Source: Spears & Associates, IHS Markit, NM CREG



IMPACT = < JOBS

- 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.



NM ERC

- US Energy Sector considered “Essential Employees” by US Department of Homeland Security, State of NM, and Tribal Governments.
- 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.

