

Scott Germann

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Good morning distinguished Representatives. I appreciate the opportunity to spend time with your committee today. My name is Scott Germann and I live in Midland Texas. I first entered the oil and gas business in 1988 in Lea County New Mexico. I have drilled hundreds of vertical and horizontal wells in New Mexico over my career. For the last 15 months I was the CEO of a large private equity backed company operating two drilling rigs in Lea County.

Let me begin with some interesting facts.....We all know the Permian Basin is the leading oil producing region in the US. Also a well-known fact is that Texas is the leading oil producer in the US; but as of last year New Mexico is now second in oil production by overtaking North Dakota. In addition, as of last Friday the highest rig count in the nation is Lea County followed by Eddy County; both southeastern New Mexico Counties. Why is this important? Approximately 40% of the lands in NM are controlled by the federal government with the remainder being state and private. In NM, a private or state permit takes around 10 days from submittal to approval. A similar side by side federal permit is 10 months!

A two-mile horizontal well is the optimum distance most operators strive for that achieves the balance between hydrocarbon recovery and well economics. To put that in perspective it would be approximately the distance from Grant Memorial to Lincoln Memorial in the zone of interest. If just one acre is federal along the two mile well path, it becomes a federal permit. One acre! So, we are asked why are there so many federal permits? We are drilling longer and longer wells not only for improved recovery but to cover more area while lowering our surface footprint for improved land conservation. While doing so, more and more wells are becoming federal, and slowing down the overall development process.

Lastly, 2020 was a very difficult year for the oil and gas business. The Secretaries Order, halting new lease sales and permitting, made 2021 a second hard year in New Mexico. The tone was set early by the new administration: the oil and gas companies heard it, the banks heard it, Wall Street and so on. Until that tone changes very few will believe any promises made or kept for the duration.

Thank You.