

## **TESTIMONY OF LEODORO MARTINEZ, JR**

### **TEXAS SENATE NATURAL RESOURCES SUBCOMMITTEE HEARING**

Mr. Chairman and Committee members, thank you for the opportunity to come before you to share our recent experiences and activities within the Eagle Ford Shale. In addition to our most recent experience with our friends from the western part of the Shale in Mexico as they prepare themselves to deal with the new Energy Reform as it relates to oil and gas.

Our Eagle Ford Consortium as many of you are familiar with was established in November of 2010. We are now soon approaching our 4 year anniversary. Our membership and participating partners represent the counties, municipalities, school districts , 7 community colleges, our South Texas University systems, health organizations, private sector business investors, developers, construction companies, housing organizations, land owners, major engineering firms, State agencies, Ports, along with many other interested parties. Since day one when we met to try to identify the occupational demands so that our residents would avail themselves of good paying jobs we also have the oil and gas industry at the table with us. Our communities and our residents have experienced what we refer to as our “Reactionary Phase” in dealing with the transformational changes that have impacted South Texas. We now have come to the realization that the challenges and opportunities that come with the Eagle Ford Shale oil and gas play are going to be in our midst for many years to come. This realization also brings forth the opportunity to do some proper planning and sustainable approaches in order to end up with a healthier, more educated, and more prosperous South Texas. It will not be easy but if the necessary stakeholders do their share this is more than possible.

Our preparation for sustainable approaches, capacity building, skill worker enhancement and long term planning comes from the numbers that are before us in terms of drilling permits issued, mineral contract obligations, the number of operating rigs, the mid-stream pipeline expansion, the need for additional gathering stations, separation stations, the expansion of our refineries and expansion of our ports due to the possibility of exporting LNG. We believe we have one additional major factor which is the newly adopted Energy Reform legislation in Mexico.

As we initiated our efforts to identify the oncoming challenges for our Area, we communicated with our friends from the Bakken Shale in North Dakota and the Marcellus Shale in Pennsylvania. Within the past two years we have been approached by other Shale areas in attempts to duplicate and learn from our Consortium model; including Mexico’s State Governments and Mexico’s Private Industry, whom have also initiated similar Consortium efforts by forming what they call “Clusters” within State lines. We continue to work with them and have hosted several delegations from the states that will be impacted on the Mexico side.

Lessons learned: All communities that are impacted by the Oil and Gas Industry of the magnitude that our Shale has been, must prepare themselves to deal with housing issues,

safety and transportation, population expansion (due to a lot of transit population), water, trained workforce and workforce in general and the capacity building issue to make sustainable and smart decisions at the local level.

It is essential that communities join efforts to address all of these issues. That none of them should feel isolated and think that they must deal with these issues by themselves. That they seek and partner efforts to provide capacity building, master planning, smart financial investments, have a trained workforce and join efforts to have their voices heard.

The major challenge remains to convince and educate the major stakeholders to invest back in our communities where so many opportunities are being afforded, where revenues are being generated for both the private and public sector, meanwhile their infrastructure is being torn apart. Added to this challenge is also convincing the rest of the state that is not part of the Shale play, that all Texans are benefitting from major oil and gas production. Furthermore, it is equally the responsibility of local government, state government, and the industry to find common solutions so that our communities that are going through this major transformation get the much due relief. There are models already in place that dedicate generated oil and gas monies to the major impacted areas and it is incumbent that these alternatives be studied.

Border communities that will be part of the International Oil and Gas activities must become good hosts of all interested parties from both sides of the Border since initially there will be significant reluctance to conduct business on the Mexico side for obvious security reasons. Until that reluctance is overcome, housing and transaction of a lot of the supply business will occur on our Border communities. I cannot emphasize enough the importance for the preparation of our communities for the oncoming impact that they are about to experience in terms of growth in population, water and sewer usage, traffic, accidents including fatalities, first responder preparation, business growth, road repairs, Law enforcement, and the opportunity to invest wisely in creating sustainable communities.

The lessons that have been learned in the past four years have enhanced our ability to assist communities that are now facing the same situations that we faced with our Consortium model and that is now being duplicated in other parts of Texas including Mexico. We are facing new challenges as the communities on both sides of the border seek new partnerships and business developments as well as the security safeguards needed as the exchange of shale oil and gas transportation and products crisscross our border communities. The opportunities are historical and merit our best efforts to assist in meeting the task of being a world leader in energy production.

The new Mexico Energy Reform will open doors for investments from a Global perspective and the fact that the Eagle Ford Shale does not end at the Rio Grande, provides opportunities for communities on both sides of the border to benefit and to work together to address mutual challenges.