

Chart of the Week: **Competition in U.S. Oil & Gas** **Upstream Development Yields** **Substantial Revenue to** **State Governments**

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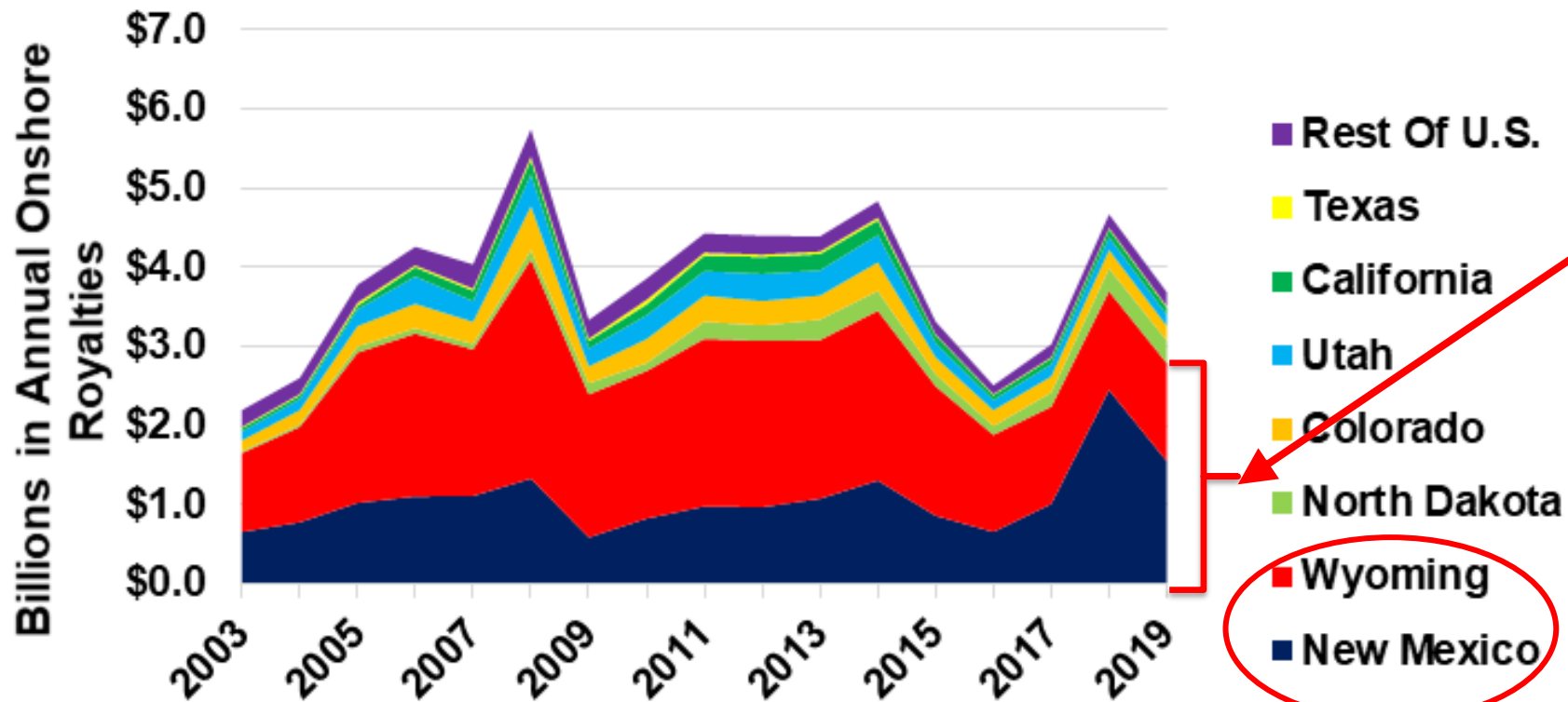


Source: Nick Oxford/Reuters
Drilling Rig operating in Lea County, New Mexico

Onshore Oil & Gas Developments Remain Important Sources of Revenue to State Governments



Importance of U.S. Royalty Program for Key States like New Mexico and Wyoming



Analysis Based on Dept. of Interior Data

EPRINC

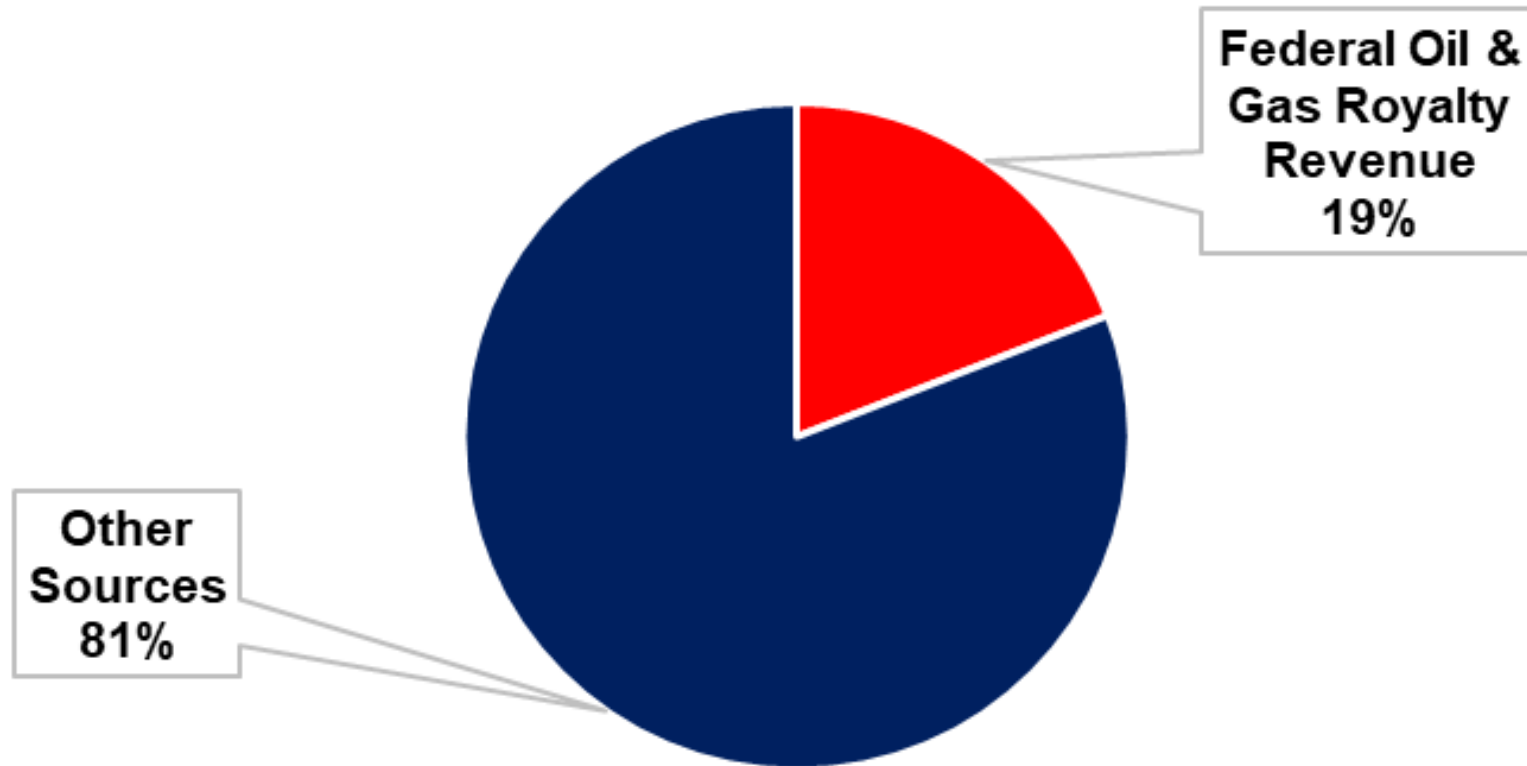
States such as New Mexico and Wyoming rely considerably on the Department of Interior's Oil & Gas Royalty program.

Federal receipts fund between 20 to 30 percent of these states' budgets

Onshore Oil & Gas Developments Remain Important Sources of revenue to State Governments



New Mexico's 2019 State Budget of \$8.3 Billion Reliance on Federal Oil & Gas Royalties



*Analysis Based on U.S. Dept. of Interior and
New Mexico State Finance Administration Data*

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New Mexico relies considerably on the Department of Interior's Oil & Gas Royalty program.

Federal receipts fund between 19 to 30 percent of its budget

New Mexico's Government Runs on Oil & Gas Money



Katharine MacGregor, Deputy Assistant Secretary of Land and Minerals Management at the U.S. Department of Interior presents a check to the State of New Mexico for \$486 million from a recent Federal lease sale, Dec. 11, 2018.

Source: Carlsbad Current Argus, New Mexico Tax Research Institute

New Mexico's Government Runs on Oil & Gas Money



- **New Mexico produces approximately 10% of U.S. crude oil and 5% of U.S. natural gas production, nearly all of which comes from public lands.**
- **For fiscal year 2019, Federal oil and gas royalties funded 19.1% (\$1.5 billion) of the state budget, much of it dedicated to public schools, health, and higher education.**
- **The revenues New Mexico acquires from oil and gas development on federal lands represents “economic rent,” i.e., revenue above the cost of production and cost of capital.**
- **If New Mexico curtails oil and gas production, these supplies will be replaced by foreign producers & other U.S. owners of mineral rights, who will get the economic rent instead.**
- **Reducing New Mexico's oil production will not result in lower oil and gas consumption, but higher imports.**