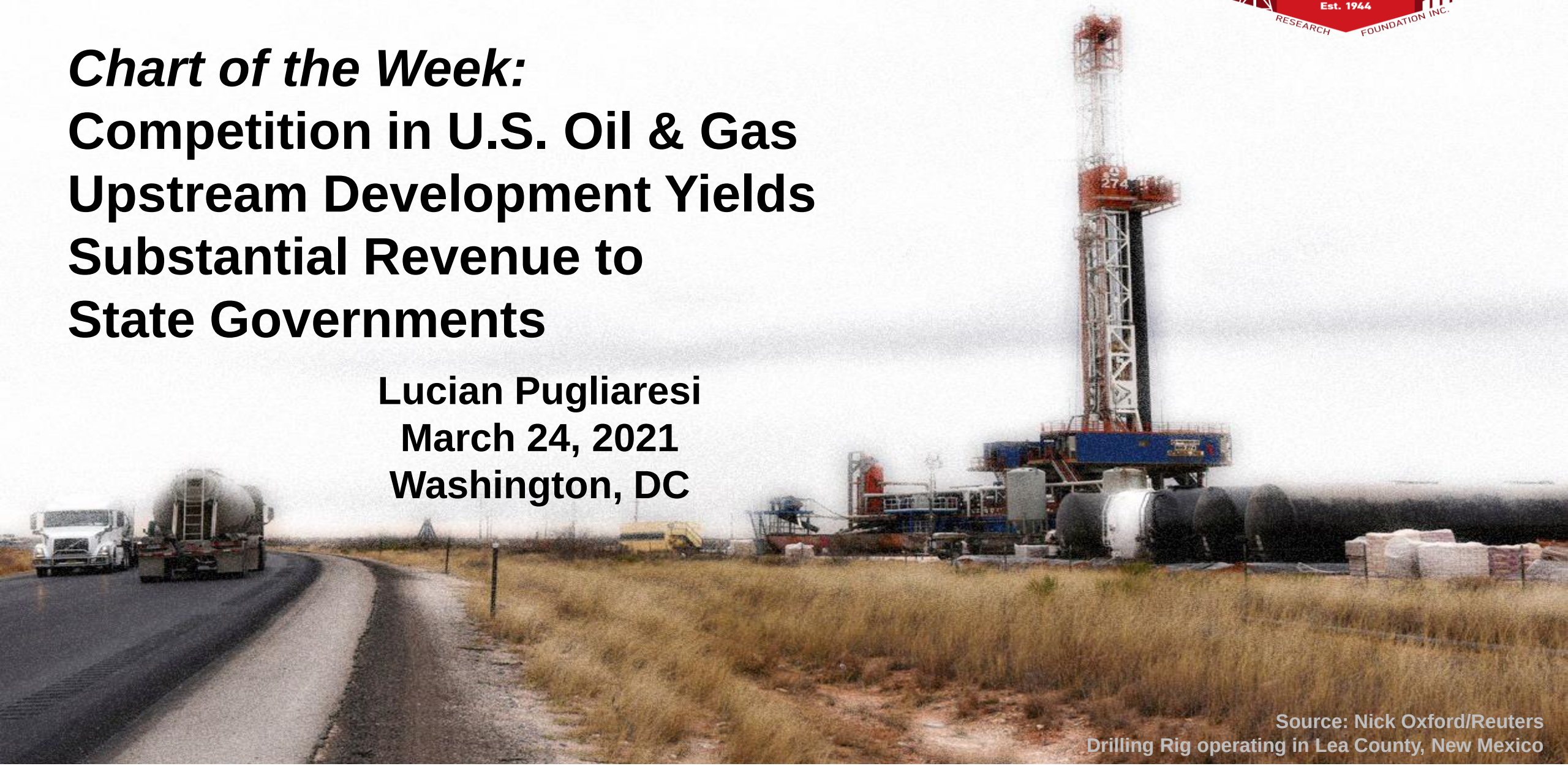
Chart of the Week: Competition in U.S. Oil & Gas Upstream Development Yields Substantial Revenue to State Governments

Lucian Pugliaresi

March 24, 2021

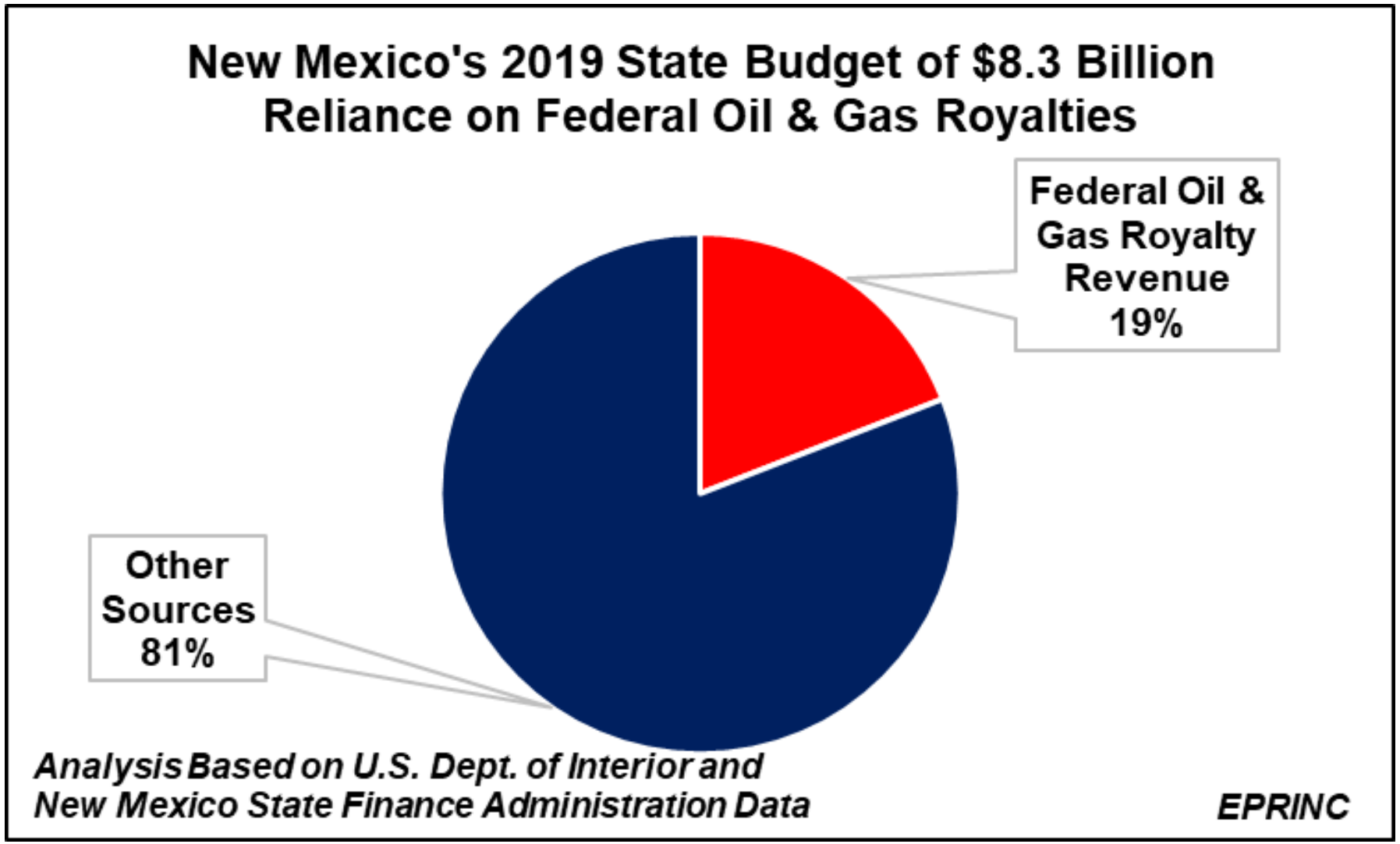
Washington, DC



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

© Copyright 2021 Energy Policy Research Foundation, Inc. 1031 31st Street, NW Washington, DC 20007 ▪ 202.944.3339 ▪ eprinc.org

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

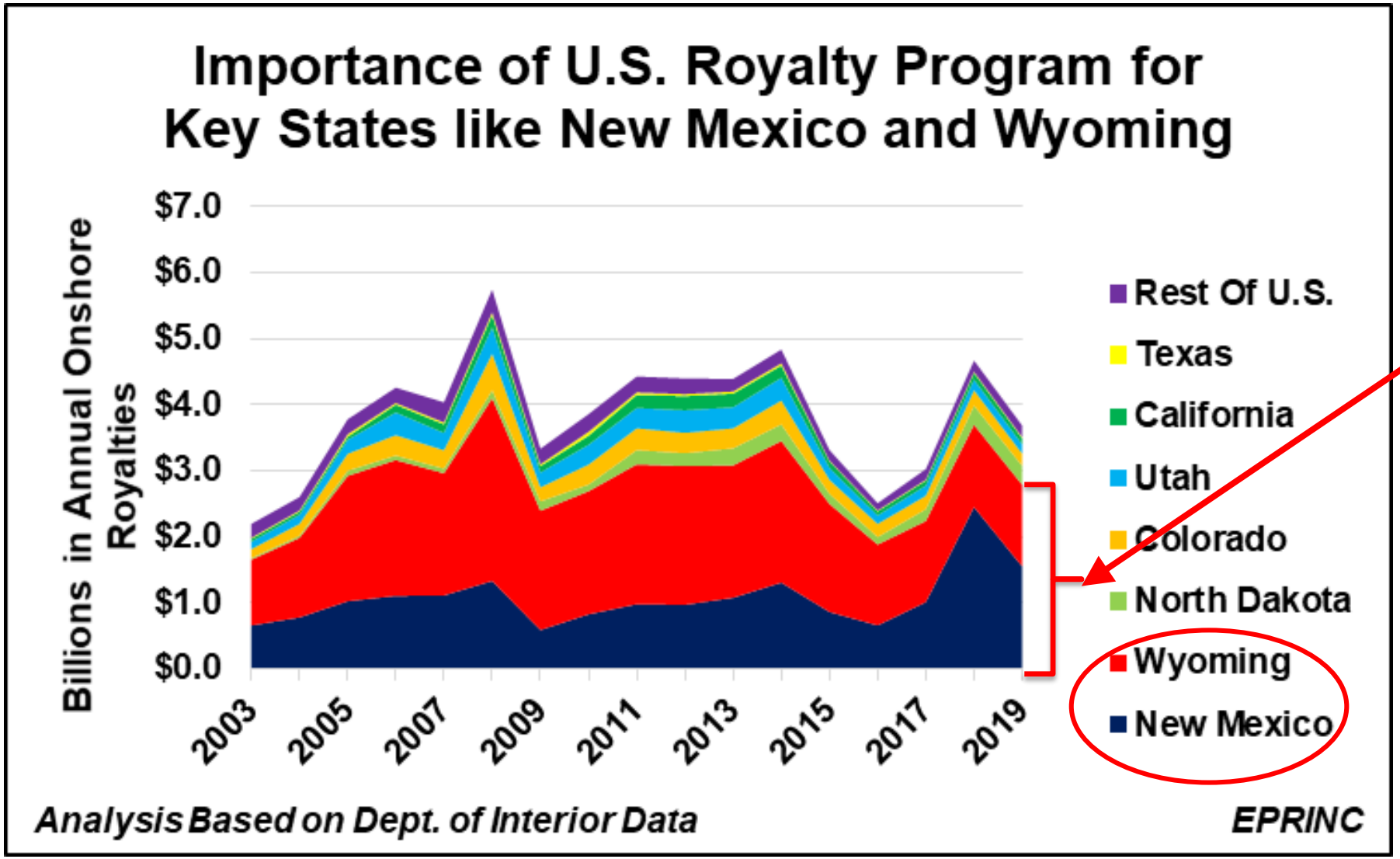


New Mexico relies considerably on the Department of Interior's Oil & Gas Royalty program.

Federal receipts fund between 19 to 30 percent of its budget

© Copyright 2021 Energy Policy Research Foundation, Inc. 1031 31st Street, NW Washington, DC 20007 ▪ 202.944.3339 ▪ eprinc.org

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



Viewed together New Mexico and Wyoming rely extensively on the Department of Interior's Oil & Gas Royalty program.

Federal receipts fund between 19 to 30 percent of these states' budgets

© Copyright 2021 Energy Policy Research Foundation, Inc. 1031 31st Street, NW Washington, DC 20007 ▪ 202.944.3339 ▪ eprinc.org

New Mexico's Government Runs on Oil & Gas Money

Source: Carlsbad Current Argus, New Mexico Tax Research Institute

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.

© Copyright 2021 Energy Policy Research Foundation, Inc. 1031 31st Street, NW Washington, DC 20007 ▪ 202.944.3339 ▪ eprinc.org

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.

© Copyright 2021 Energy Policy Research Foundation, Inc. 1031 31st Street, NW Washington, DC 20007 ▪ 202.944.3339 ▪ eprinc.org