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State of New Mexico

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"Raise the Rate" Bill Introduced To Benefit Public Education

Bill would increase oil and gas royalty rate on best producing leases; require royalty be paid on wasted vented or flared gas

SANTA FE, NM – A bill was introduced today in the State Legislature to raise the royalty rate on the top performing oil and gas leases on state trust lands to ensure more money is made for New Mexico schools and hospitals. House Bill 398, pushed by Land Commissioner Stephanie Garcia Richard, was introduced by Representative Derrick Lente (D – 65).

Under the legislation, when oil production reaches 20,000 barrels monthly, or 75,000 m.c.f. (thousand cubic feet) for gas, the royalty rate the Land Office receives would increase to 25%. The bill would also require that companies pay royalties on gas wasted through venting or flaring. On average, a million dollars is lost every month to the beneficiaries due to venting or flaring. Revenues generated would go to fund public schools, universities, hospitals and other public institutions.

"It is time to raise the rate. Oil and gas drilling activity is up nearly 50% from annual averages over the last decade and the royalty rate hasn't been touched in New Mexico since the 1970s. The Governor, the Land Office, and the Legislature are proposing serious financial reforms to get our public schools and public education on track. This bill will benefit our kids considering that 94% of the revenue collected by my office goes toward public education," Commissioner Garcia Richard said of the proposal. Currently, lease royalty rates range between 12.5% and 20%, with almost 60% of all active leases at the 12.5% rate. The rate in neighboring Texas is

25%, which is what Garcia Richard and Lente are proposing in HB 398 for the highest (top 15%) of future producing wells.

Garcia Richard adds, “When oil and gas companies are making more and more money every year, our kids, teachers, and public schools should benefit from that as well.”

HB 398 only impacts future oil and gas leases lease rates. Current rates on existing leases stay in place for as long as the lease remains in production.

Oil, gas, and mineral production, ranching and farming, and commercial development on State Trust Lands support public schools, seven universities, New Mexico Military Institute, New Mexico School for the Deaf, New Mexico School for the Blind and Visually Impaired, three hospitals, correctional facilities, water conservation projects, and public building construction and repair. In fiscal year 2018, the State Land Office collected $852 million from lease payments, oil and gas lease sale earnings, rights-of-way, permits, interest, fees, and oil, gas, and mineral royalties.