FOR IMMEDIATE RELEASE
May 24, 2023

Contact: Ike Obi
Ike@taxpayer.net

Taxpayers Losing Billions Thanks to Outdated Rules

Washington, DC - Federal and New Mexico taxpayers lost $8.1 billion in revenue over the last decade thanks to outdated rules for oil and gas drilling, says a new report. Taxpayers may also be forced to pay more than $1 billion to clean up abandoned oil and gas wells in the state, according to the report's author Taxpayers for Common Sense, a national nonpartisan budget watchdog.

"Issues within the federal oil and gas leasing system have been well-documented for decades. Outdated leasing terms and conditions have cost taxpayers billions of dollars in lost revenue, wasted valuable resources, and left taxpayers with additional environmental and fiscal liabilities," says *New Mexico's Boom That Cost Billions II*: *How Federal Oil & Gas Policies Continue to Fail Taxpayers*.

The findings coincide with efforts at the federal Bureau of Land Management to increase royalty rates for oil and gas removed from federal lands to align it with rates charged by states. While the federal royalty rate was recently raised from 12.5% to 16.7%, it still lags behind what producers pay for oil and gas development in federal waters, 18.75%, and on New Mexico state lands, 18.75% to 20%.

Taxpayers would have received $8 billion more in revenue over the last ten years if producers drilling on federal lands in New Mexico paid the 18.75% royalty rate. Roughly half that revenue would have gone to New Mexico. Other states, such as Texas, impose an even higher royalty rate.

"New Mexico is Exhibit A in the case for updating these oil and gas rules," said Autumn Hanna, vice president of Taxpayers for Common Sense. "By undervaluing these energy resources and shifting risks of abandoned wells to taxpayers, we are effectively subsidizing one of the most profitable industries in history."

Taxpayers also face liabilities from orphaned well sites on federal lands in the state, which can cost as much as $35,600 per well to clean up. Federal rules require companies to post a bond before drilling to cover cleanup costs if the company goes bankrupt. However, internal reviews show these bonds are worth only about $2,100 per well. With more than 31,000 unplugged wells on federal lands alone in New Mexico, this difference could cost taxpayers over a billion dollars.

The Bureau of Land Management, which is part of the Department of the Interior, is also considering tightening rules to curtail the practice of venting (intentionally leaking) and flaring (burning) natural gas instead of capturing it. Producers in New Mexico reported wasting more natural gas than anywhere else in the country, accounting for more than 45% of all gas lost from federal lands nationwide. For fiscal years 2012 to 2021, oil and gas operators in New Mexico reported wasting 136 billion cubic feet of gas, worth an estimated $431 million.

New Mexico is the largest producer of oil and natural gas on federal lands, accounting for 74% of all oil (354 million barrels) and 46% of all gas (1.67 trillion cubic feet) produced on federal lands in fiscal year 2022.

“Federal oil and gas development in New Mexico illustrates how outdated policies have cost and will continue to cost taxpayers,” concluded Hanna.

####