

New Mexico is right to hold out for higher prices for its most valuable commodity

Written by By Bill Jordan Government Relations Officer for New Mexico Voices for Children/ Interim Co-Director
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New Mexico is a land with many valuable assets – from our rich cultural diversity to our stunning physical beauty, to our mineral wealth. These assets belong to us all and while it's impossible to put a price on some of them – our culture and natural landscape, to be precise – we can and do put a price on our mineral wealth. And that price needs to be fair so that we are all receiving the benefit of the bounty beneath our feet.

That's why we support State Land Commissioner Stephanie Garcia Richard's pause on certain leases on land in the Permian Basin. Commissioner Garcia Richard rightfully paused the leasing until the state increases its royalty rates to market values. Currently, New Mexico's royalty rates on state land are below the rates on privately owned land here and in Texas and 5% lower than on state-owned land in Texas.

By leasing our oil-rich land at below-market rates, we're forgoing tens of millions of dollars every year that should be going to educate our children.

The state Legislature was all set to correct this deficiency last month with HB 48, which would have increased the royalty rate for certain oil and gas tracts from 20% to 25%. The bill would have only applied to new leases on the most lucrative oil and gas parcels. HB 48 passed the House of Representatives on a 39-28 vote but then stalled in the Senate Finance Committee, where it received a hearing but no vote.

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Texas last increased its royalty rates on state-owned land in the 1990s. Rates on New Mexico's state land haven't been updated since 1970 – or since long before the richness of the Permian Basin was even discovered.

Although Garcia Richard has a fiduciary duty to earn money for our schools and other public institutions, she can't change these royalty rates on her own. That must be done legislatively. This pause in issuing leases will only impact a small number of parcels, and new leases for other parcels are still being sold. Garcia Richard is right to hold out for market value for these particularly promising parcels.

This is a particularly pertinent issue given that just last week it was reported that some oil and gas producers have been failing to pay their taxes. Instead, they've been lining their own pockets with money that is supposed to go to our schools, colleges, hospitals, and other public institutions.

New Mexico has some of the best oil-producing land in the nation. It's an insult to our school children to lease the oil that funds their schools at bargain-basement prices. That's like setting them up for a bargain-basement education. We applaud the action of our State Land Commissioner and urge the Legislature to take up this issue again when they convene in 2025 and to pass it this time.

By Bill Jordan
Government Relations Officer for New Mexico Voices for Children/ Interim Co-Director