



NM GA

Oil & Natural Gas Revenue

Driving New Mexico's Bottom Line

December 11, 2017

Oil & Gas in New Mexico

- Provides nearly **one-third of the State's general fund** budget each year
- Contributes more than **\$12.8 billion to New Mexico's economy**
- **Responsible for 105,000 jobs**, making it the largest driver of private sector employment in New Mexico
- Creates **high-paying industry jobs** that average more than \$70,000 / year, vs. state average of \$45,000 / year

Oil & Gas Revenues:

State General Fund

- Federal Mineral Leasing: **\$455 million**
- O&G Emergency School Tax: **\$236.8 million**
- State Land Office Rentals & Bonuses: **\$68.4 million**
- O&G PIT Withholding: **\$25.4 million**
- Natural Gas Processors Tax: **\$20.4 million**
- O&G Conservation Tax: **\$11.4 million**

Oil & Gas Revenues:

Permanent Funds

- Oil & Gas Royalties Collected by State Land Office through Land Grant Permanent Fund (LGPF): **\$435 million**
- Oil & Gas Severance Tax Receipts to Severance Tax Bonding Fund (STBF) / Severance Tax Permanent Fund (STPF): **\$846 million**

Oil & Gas Revenues:

Local Governments

- Oil & Gas Ad Valorem Production Tax (collected by NMTRD and distributed to producing counties):
\$116 million
- Oil & Gas Production Equipment Ad Valorem Tax (collected by NMTRD and distributed to producing counties): **\$22 million**

Oil & Gas Property Taxes

Property Tax Obligations ¹ by New Mexico County					2016 Tax Year		
County	Total	Residential	Nonresidential	Subtotal	Ad Valorem		
					Production	Equipment	Subtotal
Bernalillo	\$830,217,266	\$483,067,566	\$167,129,731	\$830,217,266			
Catron	\$2,219,776	\$1,262,729	\$957,048	\$2,219,776			
Chaves	\$28,000,810	\$13,473,738	\$13,341,044	\$28,814,781	\$979,542	\$208,487	\$1,188,029
Cibola	\$10,607,182	\$3,833,977	\$6,773,185	\$10,607,182			
Colfax	\$15,328,805	\$8,753,547	\$5,989,681	\$14,743,227	\$494,088	\$89,489	\$583,577
Curry	\$19,811,471	\$12,309,801	\$7,501,670	\$19,811,471			
De Baca	\$1,803,084	\$368,864	\$1,434,420	\$1,803,084			
Dona Ana	\$120,352,538	\$78,833,552	\$41,718,988	\$120,352,538			
Eddy	\$92,396,182	\$14,374,293	\$33,627,173	\$47,901,466	\$37,062,042	\$7,432,674	\$44,494,716
Grant	\$18,050,478	\$6,688,291	\$4,554,718	\$11,241,008	\$4,809,470		\$4,809,470
Guadalupe	\$4,042,036	\$834,998	\$3,207,040	\$4,042,036			
Harding	\$2,709,638	\$96,542	\$1,965,249	\$2,061,791	\$528,422	\$99,425	\$627,847
Hidalgo	\$3,585,741	\$469,480	\$3,108,291	\$3,585,741			
Lea	\$112,700,015	\$15,923,389	\$38,106,267	\$54,029,656	\$48,789,595	\$9,880,765	\$58,670,360
Lincoln	\$29,346,053	\$19,518,555	\$9,828,497	\$29,346,053			
Los Alamos	\$17,062,654	\$14,408,097	\$2,654,558	\$17,062,654			
Luna	\$12,935,759	\$6,348,580	\$7,589,178	\$12,935,759			
McKinley	\$29,285,804	\$8,812,298	\$20,833,545	\$29,245,840	\$15,378	\$4,386	\$19,764
Mora	\$2,914,550	\$1,340,081	\$1,574,469	\$2,914,550			
Otero	\$28,451,142	\$16,601,468	\$9,849,675	\$26,451,142			
Quay	\$6,055,883	\$1,985,110	\$3,034,723	\$5,019,833	\$30,373	\$5,878	\$36,050
Rio Arriba	\$32,801,373	\$10,458,983	\$9,857,310	\$20,314,293	\$10,382,162	\$2,104,918	\$12,487,080
Roosevelt	\$8,589,122	\$3,889,482	\$4,582,065	\$8,431,548	\$131,672	\$25,902	\$157,574
San Juan	\$91,818,979	\$33,277,774	\$44,998,933	\$78,276,707	\$11,285,761	\$2,258,511	\$13,542,271
San Miguel	\$13,947,158	\$8,361,823	\$5,585,833	\$13,947,158			
Sandoval	\$115,100,895	\$85,161,329	\$28,228,050	\$113,389,379	\$1,447,187	\$264,330	\$1,711,517
Santa Fe	\$187,088,828	\$118,902,823	\$61,184,005	\$187,088,828			
Sierra	\$8,678,384	\$3,722,518	\$2,955,869	\$6,678,384			
Socorro	\$8,097,157	\$4,047,995	\$4,049,162	\$8,097,157			
Taos	\$28,936,415	\$14,555,226	\$12,381,189	\$26,936,415			
Torrance	\$8,968,180	\$4,004,806	\$4,963,374	\$8,968,180			
Union	\$3,404,021	\$844,348	\$2,539,432	\$3,183,780	\$185,703	\$34,538	\$220,241
Valencia	\$39,252,024	\$28,143,480	\$13,108,583	\$39,252,024			
Total	\$1,705,494,201	\$996,057,053	\$568,890,853	\$1,568,947,705	\$116,141,394	\$22,405,102	\$138,546,495
Percent	100.0	58.5	33.4	91.9	6.8	1.3	8.1

Information source: calculated from rate certificate files issued by the New Mexico Department of Finance and Administration.

¹Obligations are the product of rates and net taxable value, or revenues assuming 100% collection. These are total property tax obligations of property tax owners within the county for all property tax recipients — school districts, municipalities, counties and other jurisdictions within the county.

Oil & Gas Taxes

Examples of other taxes paid

- Income Tax:
 - Corporate: **\$20.15 million**
 - Personal: **\$59.43 million**
- Gross receipts tax: **\$96.21 million**
- Compensating tax: **\$11.27 million**
- Out of State Withholding tax: **\$25.4 million**
- Fuel tax
- Vehicle registration tax

Oil & Gas Production Taxes

Statutes

- Oil & Gas Severance Tax (NMSA §7-29-1)
- Oil & Gas Conservation Tax (NMSA §7-30-1)
- Oil & Gas Emergency School Tax (NMSA §7-31-1)
- Oil & Gas Ad Valorem Production Tax (NMSA §7-32-1)
- Natural Gas Processors Tax (NMSA §7-33-1)
- Oil & Gas Production Equipment Ad Valorem Tax (NMSA §7-34-1)

Oil & Gas Property Taxes

Equipment

- Oil & gas property subject to central valuation under statute:
 - NMSA §7-36-2(B)(3) pipeline
 - NMSA §7-34-2(G) “equipment” means wells and non-mobile equipment used at a production unit in connection with severance, treatment or storage of production unit products
- Local Assessors value oil and gas property that is subject to property tax and that is not centrally valued

**Production equipment is covered by production-based taxes; other equipment is taxed as personal property with a special valuation process*

Royalties, Rents, & Fees

- State Land Office royalty rates (between 12.5%–20% of the value of the production)
- State land Office lease auctions (bonus payments in excess of \$65 million this year, paid to the general fund)
- State Land Office fees are charged for rights of way for roads, power lines, production lines, applications, injection of produced water, water recycling facilities, and for other activities (\$8.5 million)
- Federal Mineral Leasing: Oil and gas payments made to BLM for royalties and bonus rents are shared with the State (most recent payment to the state was for more than \$450 million)

Other Self-Reporting Industries

Centrally valued
(reporting to TRD)

- Mining
- Commercial airlines
- Railroads
- Electric generation, transmission, distribution
- Water utilities
- Telecommunications

Business personal property
(reporting to local assessors)

- Law firms
- Accounting firms
- Construction
- Manufacturing
- Retail
- Restaurants

Total Assessment Solutions

- Attempt to Exploit Niche
 - O&G equipment, except that subject to the O&G Production or Equipment Ad Valorem taxes, is subject to property tax (NMSA §7-36-7(A) & (B))
- Unaccepted Methodology
- Unreliable Data
- Suspect Definitions

Total Assessment Solutions

The credibility of TASC's county-level audits have been questioned by courts in several states, including:

- Oklahoma
- Colorado
- Kansas
- New Mexico

Court opinions regarding TASC's work |

“Jerry L. Wisdom who was not accepted as an expert appraisal witness...Petitioner presented sufficient probative evidence and testimony to prove there were no omitted assets in the property declarations submitted from 2007 through 2012. The Adams County Assessor is directed to change his/her records accordingly.”

*DCP Midstream LP v. Adams County Board of Commissioners
(Board of Assessment Appeals, May 15, 2015)*

Court opinions regarding TASC's work ||

“[I]t is clear that Wisdom’s opinions are patently unreliable...his ultimate estimates of value are based on nothing but baseless conjecture.”

Colorado Interstate Gas Company v. 1120 Acres of Surface and 1789 Acres of Minerals in Morton Co., KS, et al.
(U.S. District Court in District of Kansas, May 26, 2004)

Court opinions regarding TASC's work |||

“Harding County is prohibited from imposing a property tax on the equipment depicted in the attachments to the June 11, 2012, Affidavit of Jerry Wisdom filed in this matter.”

*Oxy USA Inc. v. Harding County Board of County Commissioners
(10th Judicial District Court, December 5, 2013)*

Court opinions regarding TASC's work IV


“Union County is prohibited from imposing a property tax on the equipment that was the subject of and assessed in its May 7, 2012, tax assessment letter to Oxy USA Inc., and Union County shall issue a tax refund to Oxy USA Inc. in the principal amount of \$171,649.79, along with interest accrued on the refunded amounts.”

*Oxy USA Inc. v. Union County Board of County Commissioners
(8th Judicial District Court, July 8, 2013)*

A better alternative

- Regulators work directly with industry
- Assessors provide operators with specific reporting direction to ensure seamless reporting
- Establish a dialogue between TRD, local assessors, and industry

Conclusion

NM**GA**