



# **New Mexico State Land Office**

**Stephanie Garcia Richard  
Commissioner of Public Lands**

**IMPLEMENTATION OF MARKET RATE OIL  
AND GAS ROYALTY RATE LEGISLATION**

**WATER AND NATURAL RESOURCES  
COMMITTEE**

**OCTOBER 30, 2025**

**Sunalei Stewart  
Deputy Commissioner of Operations**

# MARKET RATE OIL & GAS ROYALTY RATE

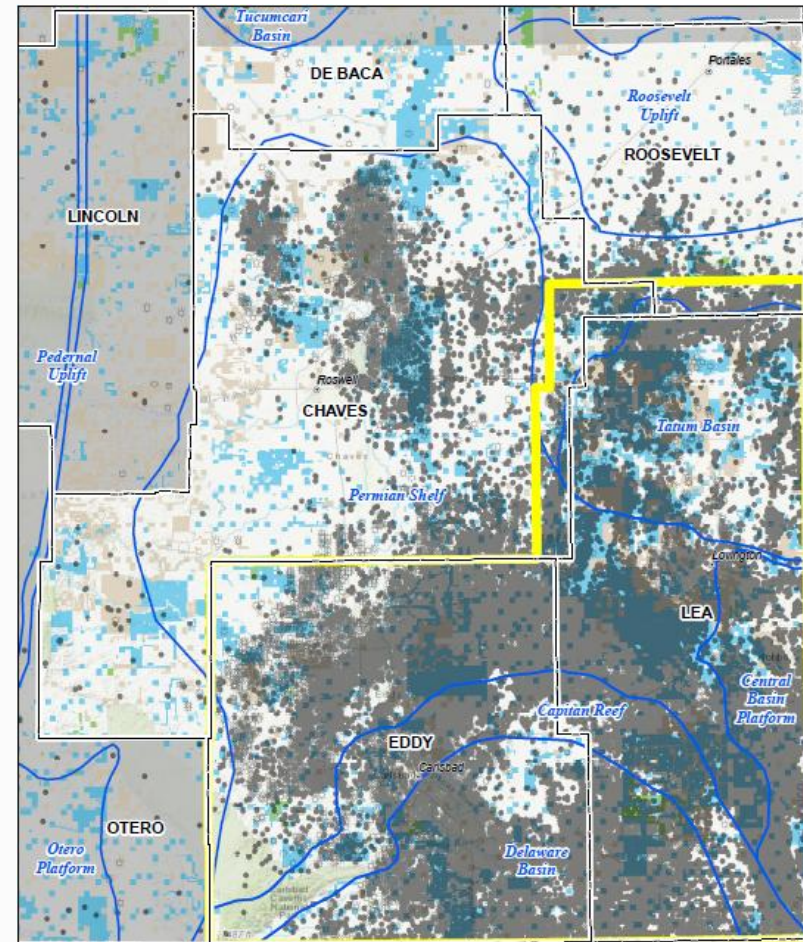
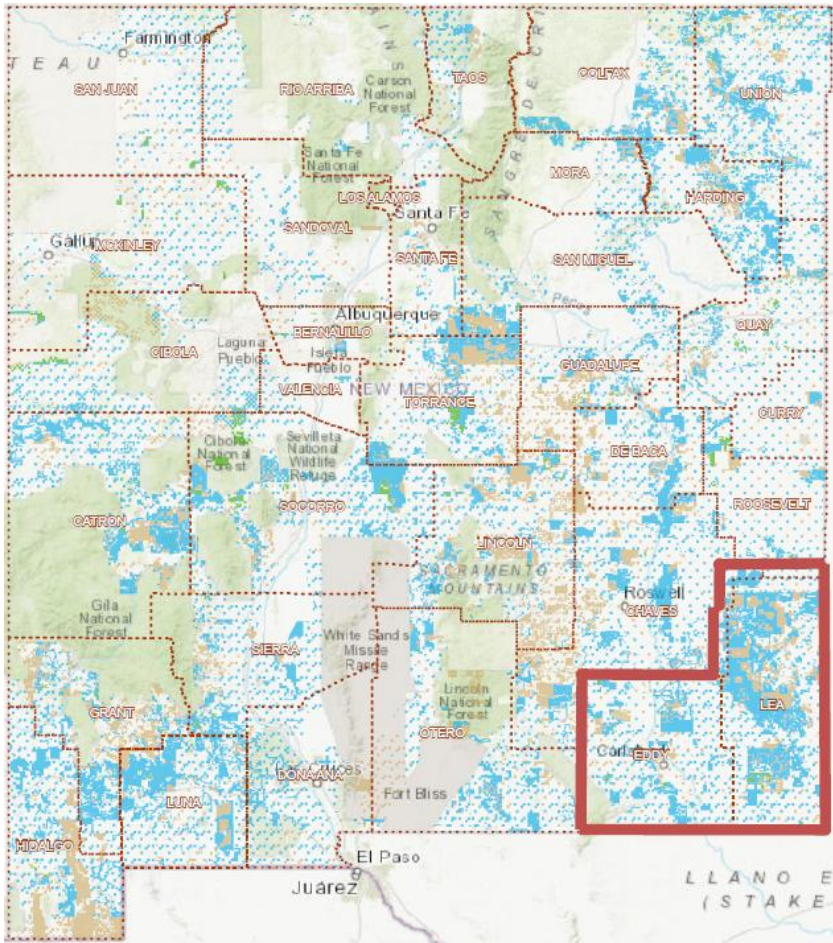
## SB 23 – O&G Royalty Rate Changes (2025 Regular Session)

- Increased top oil & gas royalty rate for the first time since the 1970s
- State royalties are what private companies pay for the right to take publicly-owned resources
- Only applies to the most productive areas in the Permian Basin, only new leases
- Added new rate of 25% for the best parcels, other lower rates may still be used as appropriate
- Effective July 1, 2025



# New Royalty Rate Geographic Limit

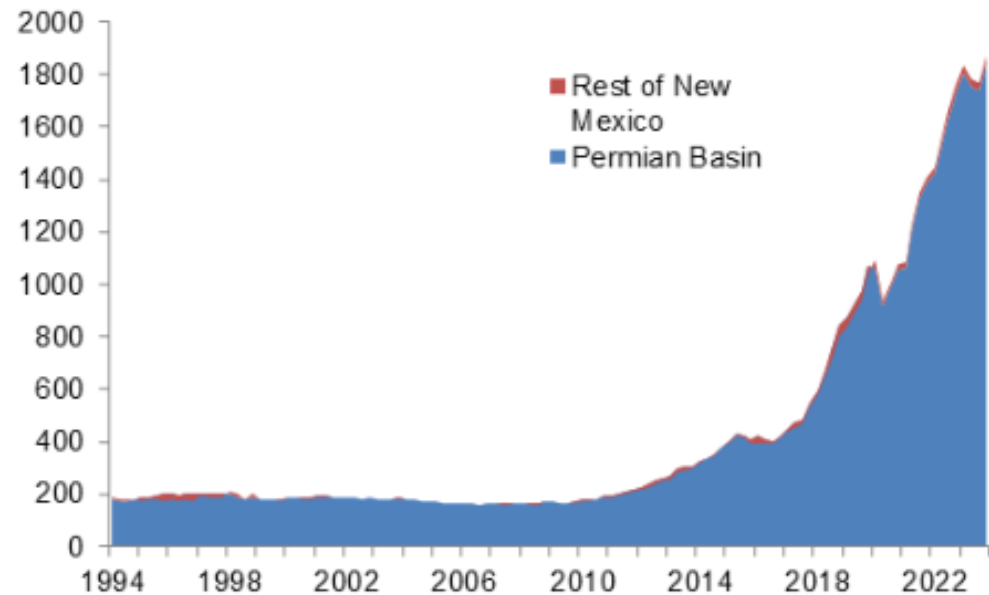
Area *eligible* for new 25% rate



# Almost All NM O&G Production Comes From the Permian Basin

New Mexico oil production in Permian Basin and rest of state

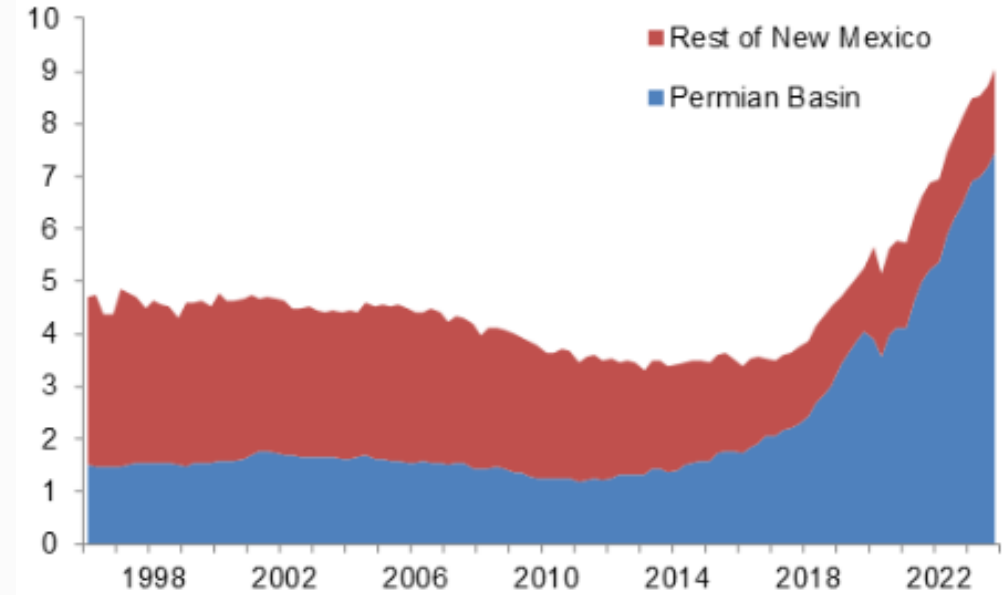
Thousands of barrels per day, quarterly



SOURCE: WellDatabase; Energy Information Administration.

New Mexico natural gas production in Permian and rest of state

Billions of cubic feet per day, quarterly

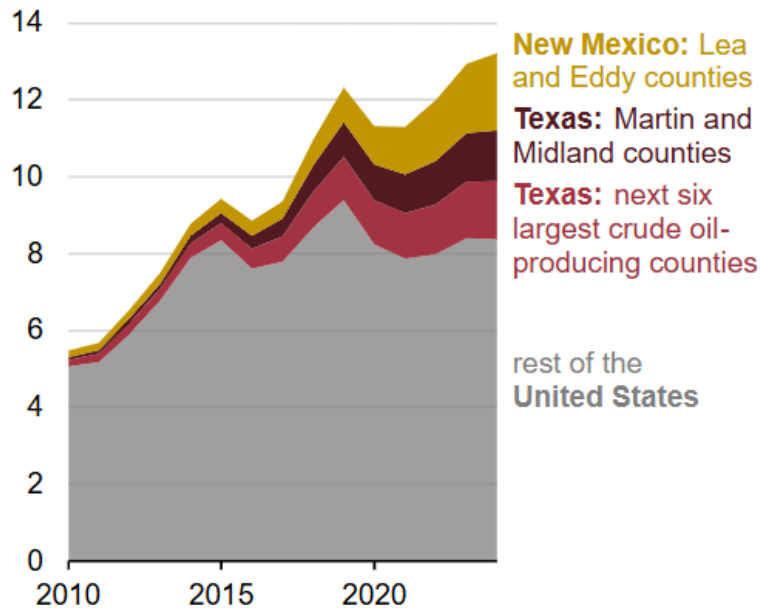


SOURCE: WellDatabase; Energy Information Administration.

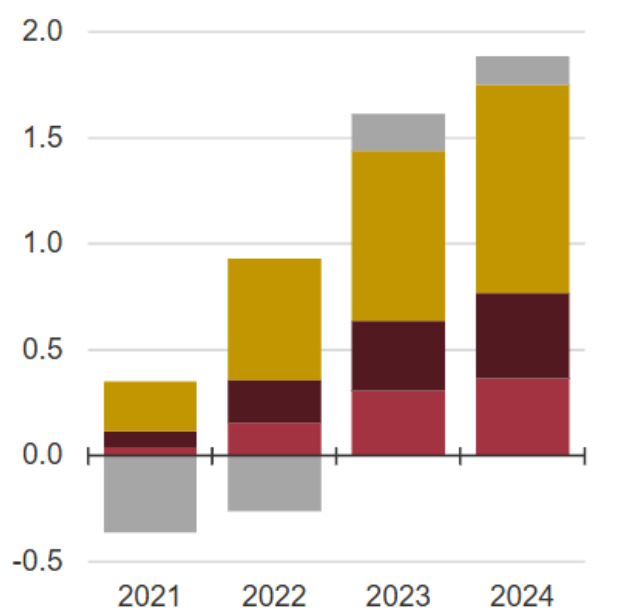
# New Mexico has the Best Permian Development Zones

Ten counties in the Permian Basin account for 93% of U.S. oil production growth since 2020

U.S. crude oil production (2010–2024)  
million barrels per day



Cumulative change since 2020  
million barrels per day



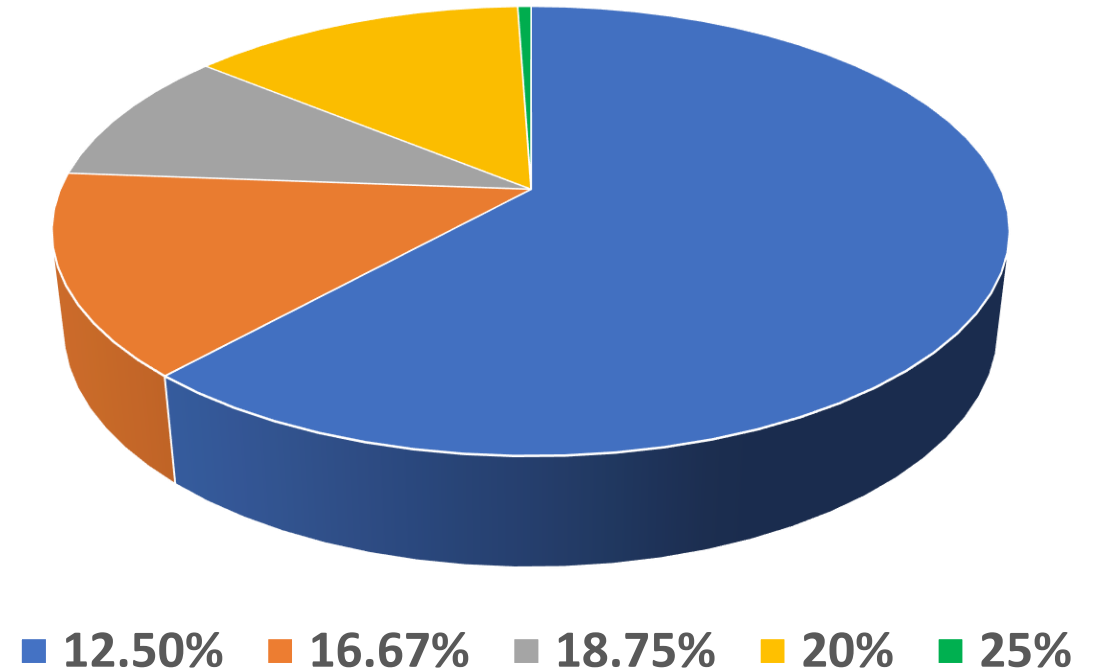
*Lea and Eddy counties accounted for nearly 1.0 million b/d of U.S. production growth (52%) between 2020 and 2024*

Data source: U.S. Energy Information Administration, *Petroleum Supply Monthly* (total U.S. production) and Enverus (county-level data)  
Data values: U.S. Field Production of Crude Oil

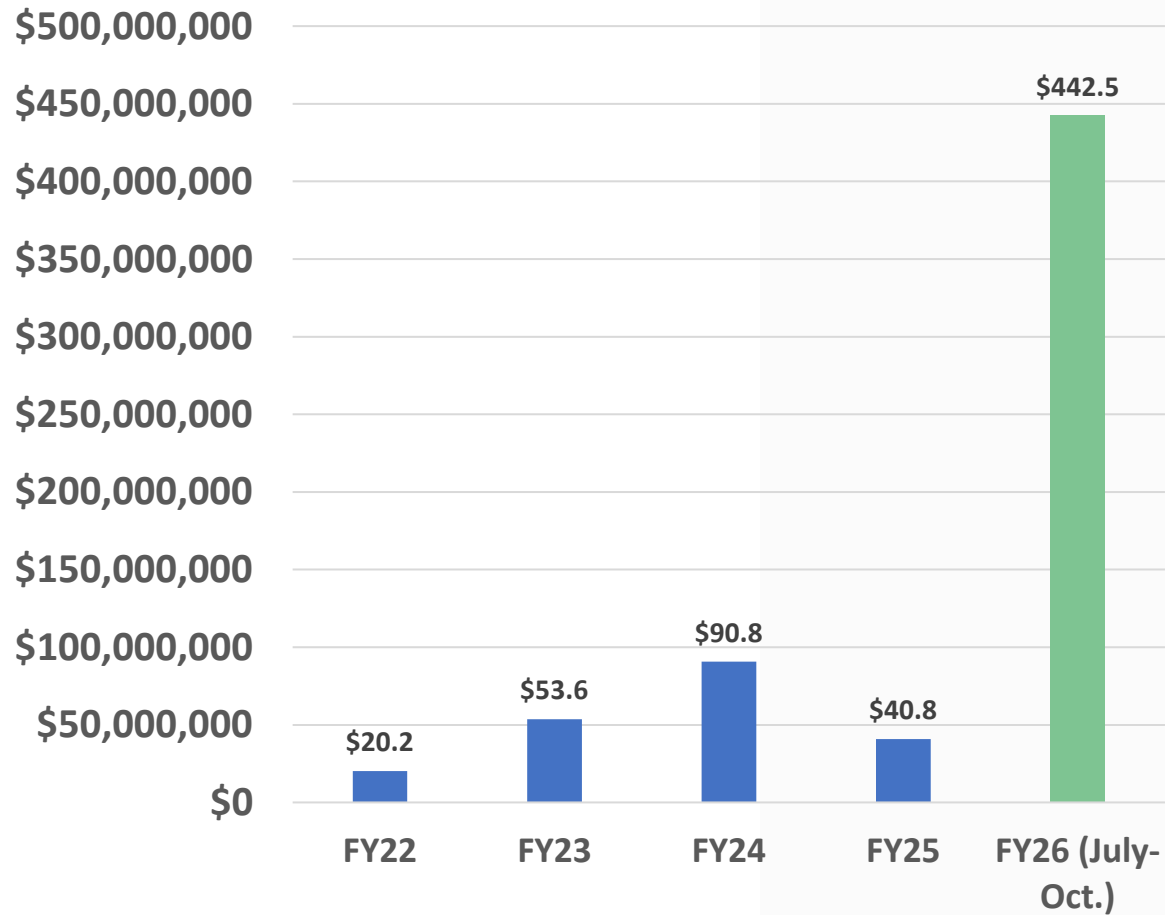
# Active Leases by Royalty Rate

Lease Royalty Rate	# of Active Leases	% of Total Leases
12.5%	3,538	61.69%
16.67%	832	14.51%
18.75%	559	9.75%
20%	775	13.51%
25%	31	0.54%
	<b>5,735</b>	

**FY25 Average Effective Royalty Rate  
(Net Proceeds): 15.83%**



# O&G Lease Auctions by Fiscal Year



Fiscal Year	Acres	Price/Acre
FY22	19,425	\$1,041
FY23	29,760	\$1,803
FY24	22,704	\$3,999
FY25	26,076	\$1,565
FY26*	9,989	\$44,307

\*July – October



# High Demand for 25% Leases

## Record lease auction earnings for school kids

- Top three highest monthly lease sales in history
  - \$256 million (Aug.), \$117 million (Sept.), \$56 million (July)
- Highest price paid for an individual lease
  - \$84 million (635 acres, Lea County)
- Highest *nationwide* price per acre
  - \$175,632 per acre (160 acres, Eddy County)
- Since SB 23 became law, 31 leases have been offered at 25% and 14 at 20%
- Lease auction earnings are what is paid for the right to acquire a lease, not royalties
- Earnings from lease auctions are “now” money to support education and other public services
- Once development occurs on the new leases royalties will be paid



# Revenue Generation, Stabilization & Diversification

- Royalty Revenue Generation Estimates (SB23)
  - NMSLO: \$50M - \$84M/year in increased royalty earnings
  - LFC: \$50M - \$75M/year in increased royalty earnings
  - SIC: \$1.5 - \$2 billion increase in Land Grant Permanent Fund value by 2050
  - SIC: \$750M - \$1.3 billion more in cumulative distributions by 2050
- Stabilization – SIC/LGPF investment and growth prior to distribution
- Diversification – Royalties paid on permanent depletion of O&G but LGPF continues to make money on money (investments/interest) for years to come

QUESTIONS?



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