



The Economic Possibilities of Unlocking Energy Resources on New Mexico's Federal Lands

September 2013

The Economic Possibilities of Unlocking Energy Resources on New Mexico's Federal Lands

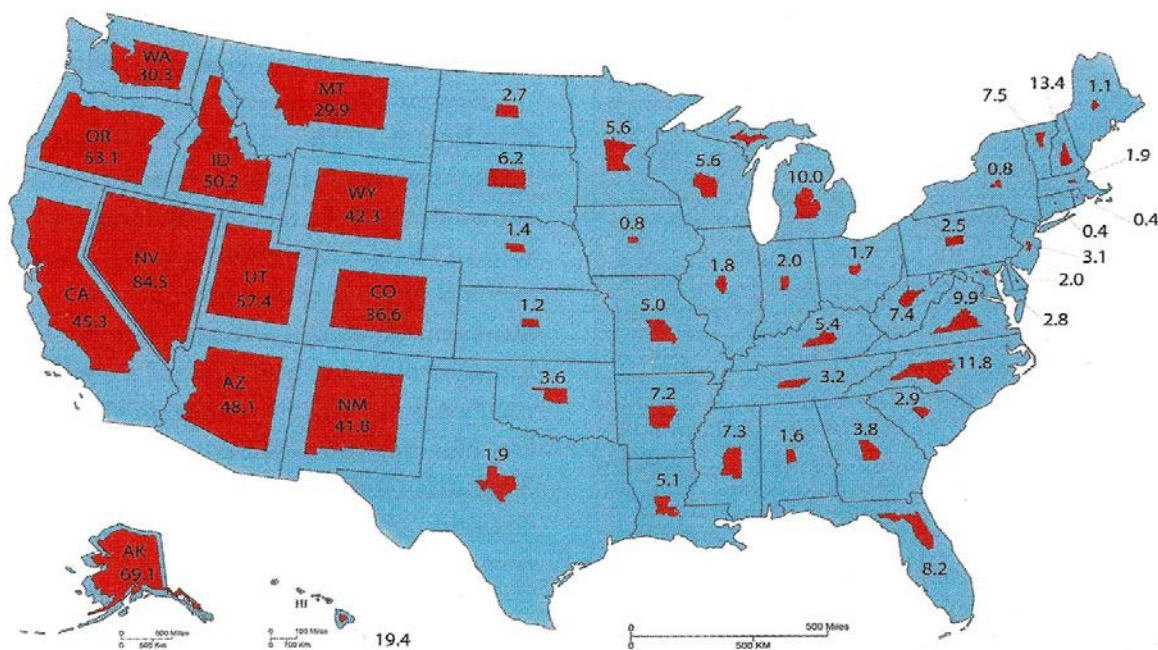
By Paul J. Gessing
September 18, 2013

Policy Brief

New Mexico, along with other Western states, is owned to a great extent by the federal government. In fact, as illustrated in the map below, more than 40 percent of New Mexico is federally-owned.

Figure 1.

WHO OWNS THE WEST? Federal Land as a Percentage of Total State Land Area

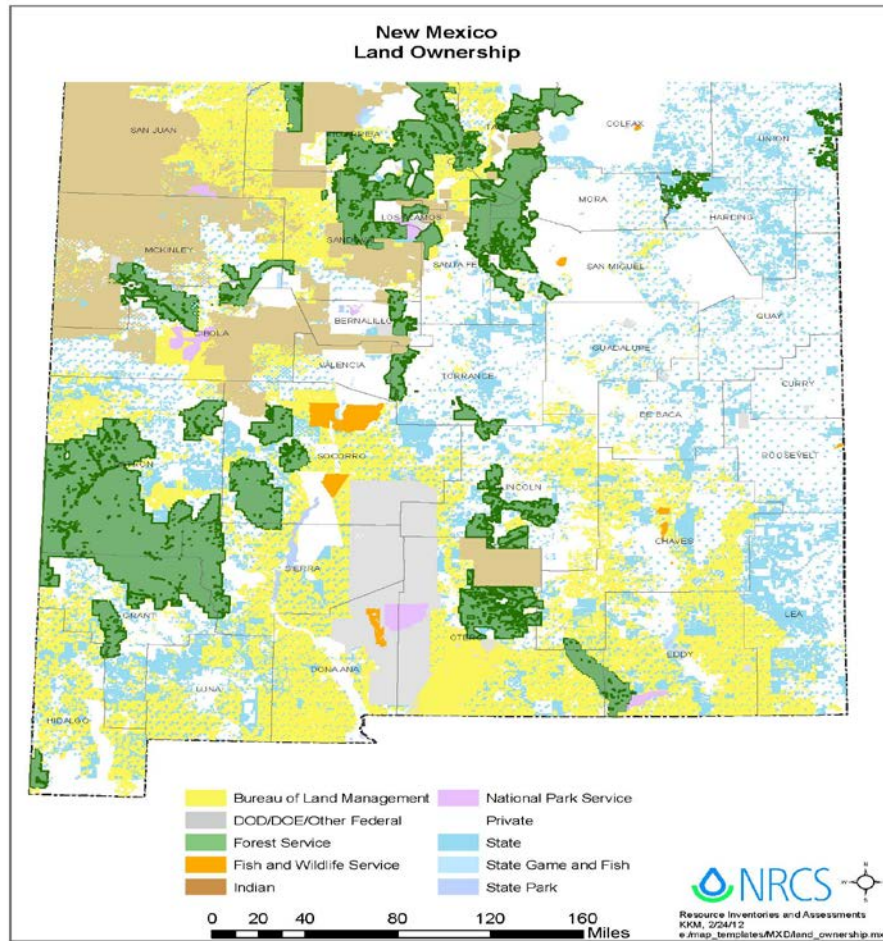


Data source: U.S. General Services Administration, *Federal Real Property Profile 2004*, excludes trust properties.

The pattern of heavy federal land ownership is common among Western states which all have land masses that are heavily-controlled by the federal government. Montana, for example is 29.9 percent federally-owned while Nevada is 84.5 percent federally-owned. For an idea of where and by whom New Mexico's lands are owned and managed, see the chart below, available from the National Resources Conservation Service, which shows exactly who owns where within New Mexico.¹

¹ National Resources Conservation Service, <http://www.nm.nrcs.usda.gov/technical/fotg/section-1/maps.html>.

Figure 2.



As is plain to see from the map above, New Mexico is a patchwork of various land managers. In fact, a total of 9.4 million acres of New Mexico is managed by the National Forest Services while the Bureau of Land Management (BLM) administers 13.5 million acres. That is 12 and 17 percent of the total land mass respectively.²

In recent years, led by Utah with the passage of HB 148 during the State's 2012 legislative session, there have been legislative efforts undertaken in several Western States with the goal of restoring Forest Service and BLM lands to the control of the respective states.³ During New Mexico's 2013 legislative session, similar legislation, HB 292, was introduced in New Mexico by Rep. Yvette Herrell and Sen. Richard Martinez.⁴

² Western States Data, November 13, 2007, <http://www.wildlandfire.com/docs/2007/western-states-data-public-land.htm>.

³ Transfer of Public Lands Act and Related Study, Utah Legislature, 2012, <http://le.utah.gov/~2012/bills/hbillamd/HB0148.pdf>

⁴ 2013 Regular Session, HB 292, Transfer of Public Lands Act, <http://www.nmlegis.gov/lcs/legislation.aspx?chamber=H&legtype=B&legno=%20292&year=13>

The goal of this policy paper is to explore some of the economic implications of federal vs. state land management and how New Mexico might improve its economic condition if the Forest Service and BLM were to restore lands currently under its control to New Mexico.

Withheld Royalties

The federal government has a long track record of mismanaging Western lands and under-utilizing or even appropriating the resources available on them without living up to its obligations. For starters, allegedly due to the “sequester” which was implemented in Washington to slow the growth of federal spending, the Obama Administration arbitrarily withheld \$26 million in royalty payments that were due to New Mexico.⁵ This spurred efforts, including legislation designed to counter future withholdings, from Democratic New Mexico Sen. Tom Udall which ultimately led to the restoration of this funding in late-August 2013.⁶

Contrary to the intended purpose of the “sequester” which was spending reduction, royalty payments are merely passed through from Washington which owns the lands to the states within which the minerals and oil/gas are found. This problem should never have arisen as the money rightly belongs to the people of New Mexico.

Ongoing Mismanagement

The federal government’s poor management of lands in New Mexico and other Western states harms the environment and reduces the economic value of precious resources. New Mexico has seen an onslaught of forest fires on federally-managed lands with the largest and second-largest fires in New Mexico history (Las Conchas, 2011 and [Whitewater-Baldy Fire Complex](#), 2012) having burned in recent years.⁷

While some environmentalists obsess over the impact climate change may be having on these MegaFires, federal land management policies which have traditionally involved suppression of even small fires and the complete elimination of activities like timber harvesting are known to be significant contributors to the fire problem.⁸

MegaFires are not the only clear sign of federal land mismanagement in New Mexico; another is the deplorable state of trails on National Forest lands. According to a 2013 report from the Government Accountability Office:

New Mexico’s National Forest trails faced a \$314 million backlog in FY 2012 with an additional \$210 million for annual maintenance, capital improvement, and operations. Trails not maintained to quality standards have a range of negative

⁵ Rob Nikolewski, “Udall Getting Support for Challenging Obama Administration on Sequestration,” *Capitol Report New Mexico*, May, 2013, <http://www.capitolreportnewmexico.com/2013/05/udall-getting-support-for-challenging-obama-administration-on-sequestration/>.

⁶ State Mineral Revenue Protection Act, <http://www.govtrack.us/congress/bills/113/hr1972>

⁷ Andrew Freeman, “New Mexico Fire now a Record-Setting ‘MegaFire,’” *Climate Central*, June 2nd, 2012, <http://www.climatecentral.org/blogs/new-mexico-wildfire-continues-to-grow>.

⁸ Holly Fretwell, “Do We Get What We Pay For?,” Public and Environment Research Center, <http://perc.org/articles/do-we-get-what-we-pay>.

effects, such as inhibiting trail use and harming natural resources, and deferring maintenance can add to maintenance costs.⁹

Unfortunately, according to this GAO report, the Forest Service only has \$80 million to spend annually for trail maintenance activities. With massive deficits in Washington as far as the eye can see, it seems likely that these trails will continue to deteriorate.

We don't need a crystal ball to assume that Washington will continue to mismanage the trails under its control. In fact, a 1989 report from the GAO which detailed the then-\$100 million backlog in trail maintenance shows clearly that in good economic times and bad, the US federal government simply cannot manage National Forest Trails.¹⁰

The Economic Value of New Mexico's Federal Lands

New Mexico and other Western states could improve the management of federal lands – leading to improved ecology and multi-purpose use – all while also bringing more economic growth and jobs to the state. Rather than suffering from maintenance backlogs and raging fires, if New Mexico was given the opportunity to manage its own BLM and National Forest lands, the surplus generated from minerals and the oil and gas industries could be used to ensure that these lands are economic drivers for their communities and the state while surplus revenues could be re-invested in ways that ensure their sustainability for future generations.

Dr. Timothy J. Considine, a professor of energy economics at the University of Wyoming study, has researched just how much economic potential is held on these Western lands.¹¹ He has developed scenarios for fossil fuel and renewable energy development for each of the seven states in the Rocky Mountain region, including New Mexico. The scenarios for oil and gas drilling are formulated on the basis of historical data on drilling activity on federal lands and the number of wells associated with projects proposed and awaiting federal approval.

The economic impacts from the construction and operation of new energy production capacity under each of these scenarios are estimated. These impacts include the direct stimulus provided to regional economies from these investments, additional gains from business-to-business or supply chain spending, and the induced impacts as households spend income earned from this additional commerce.

As seen in Table 1 below, New Mexico could see massive financial benefits from greater production of oil and gas on federal lands. According to Dr. Timothy J. Considine, New Mexico could see as many as 68,000 jobs created, more than \$8 billion in economic value added to New Mexico's economy, and more than \$1 billion in total tax revenues generated. All this would be generated with the addition of just over 1,200 new wells.

⁹ Government Accountability Office, "Forest Trails: Long- and Short-Term Improvements Could Reduce Maintenance Backlog and Enhance System Sustainability," June 2013, <http://www.gao.gov/assets/660/655555.pdf>

¹⁰ General Accounting Office, "Parks and Recreation: Maintenance and Reconstruction Backlog on National Forest Trails," September 1989, <http://www.gao.gov/assets/150/148120.pdf>

¹¹ Dr. Timothy J. Considine, "The Economic Value of Energy Resources on Federal Lands in the Rocky Mountain Region," Center for Self Government in the West, September 17, 2013, <http://endfedaddiction.org/wp-content/uploads/2013/09/Economic-Value-of-Energy-Resources-on-Federal-Lands-Final-Revision-9.17.13.pdf>

Table 1: Impact of oil and gas projects on New Mexico’s federal lands

New Mexico	<i>Low</i>	<i>Medium</i>	<i>High</i>
Wells	727	836	1,234
Value Added	2,522	2,899	8,432
Taxes	600	689	1,018
Jobs	20,305	23,341	67,968

Valued added and taxes are in millions of 2013 dollars

For an idea of the significance of this added economic activity relative to New Mexico’s economy, under the “high” scenario, the number of jobs created would be 7.8 percent higher than today with the “low” scenario still resulting in 2.3 percent more employment than exists today.¹²

Under the “high” scenario, New Mexico’s gross state product would rise by more than 10 percent while even under the “low” scenario New Mexico would see its overall economy grow by a respectable 3.1 percent.¹³

Clearly, there is great untapped wealth available on federal lands within New Mexico’s boundaries. Were this land transferred from federal control to state control, there is no guarantee as to how New Mexico’s Lands Commissioner would manage these lands and whether they would optimize their economic potential.

Regardless of the political and economic calculations that lead to the low, medium, or high outcomes, there is no doubt that enough additional revenue could be generated to significantly improve the management of these and other public lands in New Mexico if only a small portion of these revenues were allocated such improvements.

Acknowledgements

This report was prepared with the support of the Interstate Policy Alliance and in consultation with the Sutherland Institute Center for Self-Government in the West and Rio Grande Foundation

For additional background data and findings from Dr. Considine, please see his full paper: “The Economic Value of Energy Resources on Federal Lands in the Rocky Mountain Region” which is available from the Center for Self Government in the West.

About the Author:

Paul Gessing is the President of New Mexico’s Rio Grande Foundation. The Rio Grande Foundation is an independent, non-partisan, tax-exempt research and educational organization dedicated to promoting prosperity for New Mexico based on principles of limited government, economic freedom and individual responsibility.

¹² New Mexico Bureau of Business and Economic Research, “New Mexico Civilian Labor Force,” <http://bber.unm.edu/econ/st-uer.htm>.

¹³ New Mexico Bureau of Business and Economic Research, “New Mexico Gross Domestic Product 2012,” <http://bber.unm.edu/econ/st-gdp1.htm>.