FISCAL IMPACT REPORT

		ORIGINAL DATE	02/22/21		
SPONSOR	Baca/Townsend	**LAST UPDATED**		**HB**	
SHORT TITLE	Waive Oil & Gas Permit Ban on Fed Lands			**SJM**	3
				ANALYST	Iglesias

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NFI	NFI	NFI	NFI		

Parenthesis ( ) indicate expenditure decreases

SOURCES OF INFORMATION
LFC Files

SUMMARY

Synopsis of Bill

Senate Joint Memorial 3 resolves that a waiver be requested of the Biden Administration to the recent 60-day suspension of new oil and gas leasing and drilling permits for federal lands in New Mexico. Copies of the memorial are to be transmitted to President Joe Biden, U.S. Secretary of the Interior Deb Haaland, and all members of Congress.

SIGNIFICANT ISSUES

On January 20, 2021, the Department of Interior (DOI) issued Order No. 3395 ("DOI 3395"), which placed a 60-day restriction the ability of delegates of authority to grant new rights of way (ROW), easements, and permits to drill on federal lands. However, non-delegates and department heads may continue to take these actions. This memorial would request of the Biden Administration that DOI 3395 not apply to New Mexico.

In anticipation of a change in the federal administration, operators secured hundreds of federal drilling permits, and there are thousands of drilled-but-uncompleted (DUCs) wells in the Permian basin. Enverus and Rystad Energy report this inventory of drilling permits and DUCs is sufficient to sustain current operations for a period of one-to-three years. Therefore, the consensus revenue estimate does not expect DOI 3395 to have a substantial impact on production or revenues in the near term. However, DOI 3395 will affect short-term operations on existing federal land leases insofar as operators experience delays or interference in obtaining necessary ROWs and easements to connect drilled wells to a pipeline. Additionally, DOI 3395 creates significant uncertainty within the industry on whether and how the order could be extended or expanded after the 60-day period.

The uncertainty on the future of federal land leasing and permitting creates an indirect impact on operators' investment decisions; however, the effect is impossible to quantify. To the extent drilling rigs and investment plans are moved out of the state, either in the short-run or long-run, there will be lost gross receipts tax (GRT) revenue and a negative effect on production potential, as well as the potential for job losses. At this point, it is unclear whether losses would be an opportunity cost to the state – resulting less growth than could have otherwise been achieved – or whether there would be actuals decline from current levels of production, GRT, and employment.

DI/rl