New Mexico’s Oil and Natural Gas
Making a Strong Recovery from Recent Recession
Oil Prices Driving Production as Rigs Shift from Gas to Oil,
Sector’s Share of Jobs Remains at One Percent of Overall Employment

Albuquerque, NM – June 27, 2012 – A new report released today finds that New Mexico’s oil and natural gas industry, led by oil development, has made a strong recovery since the recession. The report also shows that the strength of crude oil prices relative to natural gas prices has driven a dramatic shift in drilling activity from natural gas to oil across the region and within New Mexico.

“Price, geology, and technology are the primary drivers of energy activity,” said Chris Mehl, Policy Director at Headwaters Economics. “Relatively high oil prices compared to natural gas is driving a major shift in drilling activity from natural gas to oil in New Mexico and across the region. The state successfully has transitions to oil production, and one of the key challenges facing New Mexico now is how to lessen the impacts of energy development on communities while strengthening and diversifying the state’s economy.”

The graphical study by Montana-based Headwaters Economics, *The Status of New Mexico’s Oil and Gas Industry*, analyzes New Mexico’s energy industry including drilling activity, production volume and value, and the role of energy production in the state’s economy.

Key findings include:

- The strength of crude oil prices relative to natural gas prices has driven a shift in drilling activity from natural gas to oil across the region and within New Mexico. As a result, New Mexico’s recent energy activity has been led by drilling for oil—86 of 90 active rigs are drilling for oil, all but a few in the Permian Basin.
- The production value of oil surpassed the production value of natural gas for the first time in April, 2010, and by March, 2012 was three times the value of natural gas: $682 million to $204 million.
- Unlike other states such as Colorado and Wyoming, New Mexico has rebounded strongly from recession lows; the June 15, 2012 weekly rig count (90) was about 90 percent of the highs (just more than 100) reached in 2006.
- New Mexico’s regional share of rig activity has been relatively steady, declining from 24 percent during 2005-2008 to 19 percent today. (By comparison, Colorado and Wyoming saw the largest declines in drilling rig activity based on the two state’s relative strength in natural gas before the recession.)
- Even with increased oil activity, the oil and natural gas sector’s share of overall employment in New Mexico is relatively small—one percent in 2010. By comparison, health care services are roughly 11 percent of employment; professional, scientific, and technical services seven percent; and finance and insurance three percent of employment in 2010.
- Green jobs, of which renewable energy is an important part, accounted for 2.1 percent of all New Mexico employment in 2010. In the Albuquerque metro area, in 2010 clean economy employment was 2.6 percent of all area jobs.
The full report, further analysis, and accompanying graphics are at http://headwaterseconomics.org/energy/western/newmexico-oil-and-gas/.

As an example from the report, Figure 6 below shows how the production value of oil and natural gas in New Mexico has been volatile. In April, 2010 the production value of oil surpassed the production value of natural gas for the first time in recent history, and by March, 2012 was three times the value of natural gas at $682 million compared to $204 million.

Figure 6: New Mexico Monthly Production Value of Crude Oil and Natural Gas, January 1994 to March 2012

The purpose of the study is to educate decision makers and the public about the current health of New Mexico’s oil and gas industry, what factors are affecting the energy sector, and how the state can better benefit from its fossil fuel industry.

About Headwaters Economics
Headwaters Economics is an independent, nonprofit research group that assists the public and elected officials in making informed choices about land management and community development decisions in the West, http://headwaterseconomics.org/.

# # #