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FINANCE

Texas Oil and Gas Pays $26.3B in State and Local Taxes, Royalties

The industry paid the highest total of state and local taxes and state royalties last year in all of Texas history, breaking last year’s record by more than $1.5 billion. The taxes translate to $72 million daily for schools, roads, first responders and more.

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According to just-released data from the Texas Oil and Gas Association (TXOGA), the Texas oil and natural gas industry paid $26.3 billion in state and local taxes and state royalties in fiscal year 2023 — the highest total in Texas history — shattering last year's record by more than $1.5 billion. TXOGA President Todd Staples today hosted a media briefing to share the Association's Annual Energy and Economic Impact Report and to provide an update on the industry's global energy leadership, environmental progress, and policy priorities.

"American energy leadership starts in Texas and our nation, our economy and our world are better because of the unparalleled stewardship of Texas oil and natural gas companies," said Staples. "2023 was such a blockbuster year that the Texas oil and natural gas industry effectively rewrote its record book, clocking unmatched economic and energy achievements across the board."

"Record-breaking performance of the Texas oil and natural gas industry amounts to much more than phenomenal statistical achievements. The natural resources, fuels and essential products produced here cement America's energy security, fortify Texas' economic strength and advance global stability at a time when our energy leadership has never been more crucial," he said.

The $26.3 billion in state and local tax revenue and royalties from the Texas oil and natural gas industry translates to an extraordinary $72 million every day that pays for Texas' public schools, universities, roads, first responders and other essential services. Several sources of tax revenue from oil and natural gas surged in fiscal year '23 including state and local sales taxes paid by the industry, which rose by

$1.6 billion, an indicator of the industry's ongoing investment in Texas. Property taxes paid by the oil and natural gas industry rose another $1.8 billion, as property values of oil and natural gas-bearing mineral properties more than doubled in a single year.

In 2023, 99 percent of the state's oil and natural gas royalties were deposited into the Permanent School Fund and the Permanent University Fund, which support Texas public education. Each fund received $1.8 billion. Our state's Rainy Day Fund has received over $31.2 billion from oil and natural gas production taxes since its inception in 1987. All of these are funded almost exclusively with taxes and state royalties paid by the oil and natural gas industry.

In FY 2023, Texas school districts received $2.81 billion in property taxes from mineral properties producing oil and natural gas, pipelines, and gas utilities. Counties received an additional $885.6 million in these property taxes.

Pecos-Barstow-Toyah ISD in West Texas ranked #1 receiving $275.2 million in these property taxes. Reeves County ranked No. 1 with $98.9 million paid in oil and natural gas property taxes — more than double its total from fiscal year 2022.

Since 2007, when TXOGA first started compiling this data, the Texas oil and natural gas industry has paid more than $230.3 billion in state and local taxes and state royalties, a figure that does not include the hundreds of billions of dollars in payroll for some of the highest paying jobs in the state, taxes paid on office buildings and personal property, and the enormous economic ripple effect that benefits other sectors of the economy.

In 2023, the industry employed more than 480,000 Texans who earned an average of $124,000 a year — nearly twice the average paid by the rest of Texas' private sector. Conservative estimates indicate that each of these jobs generates approximately two more jobs, with more than 1.4 million total jobs supported across the Texas economy. Some economists say this number could be as high as three more jobs supported and total over 2 million jobs in Texas.

"This type of unmatched, repeat economic performance does not happen by accident," said Staples. "Success is the result of non-stop industry innovation, investment and operational efficiencies that shattered a string of oil and natural gas production, supply, refining and export records last year — all while achieving world-leading environmental progress."

Texas hit production records in six of 12 months in 2023, producing as much as 5.6 million barrels per day of crude oil in October 2023 — more than 42 percent of the nation's total and the highest monthly oil production total ever.

New record-highs in natural gas marketed production occurred in seven of 12 months in 2023, and in October eclipsed 1.0 trillion cubic feet in a single month for the first time ever, accounting for nearly 30 percent of the nation's production.

Texas refineries set two new processing records in 2023: Texas refineries processed a record 5.6 million barrels of crude oil per day in July 2023. And as Texas produced and exported record amounts of natural gas liquids (NGLs) in 2023, refineries also utilized record amounts of NGLs.

Staples noted the United States is not only the world's number one producer of oil and natural gas — with Texas at the front — but the nation also leads the world in emissions reductions. "No one produces, transports, and refines oil and natural gas with the same commitment to safety and protecting the environment as American producers. Industry-led initiatives like the Texas Methane & Flaring Coalition and The Environmental Partnership are dramatically reducing emissions and achieving environmental gains unseen anywhere else in the world."

In addition to its economic impact for Texas, Staples described the Texas oil and natural gas industry's contribution to global stability: "With so much uncertainty in the world, the need for reliable, responsibly produced energy from a stable trading partner has never been more crucial. Texas is that trade partner. Our producers, pipelines, refineries, and exporters answer the call to alleviate the global energy crisis, made worse by war."

Staples noted Texas' liquified natural gas (LNG) exports to Europe — 6.8 billion cubic feet per day in FY23 — more than doubled from 2.8 billion cubic feet per day (bcf/d) in 2021 — and subsequently reached a record-high 8.1 bcf/d in October 2023. "As a result, our allies are less dependent on hostile nations and their people benefit from the safety, security and opportunity made possible by reliable energy from Texas," he said.

"Growth like we've seen in Texas is not only unprecedented, it is not guaranteed. We cannot take for granted that this industry can continue to rewrite its record book in the face of federal policies blatantly designed to undermine progress. Delayed permits, canceled pipeline projects, closed and delayed federal leasing programs and incoherent regulations hurt American consumers and stifle our ability to deliver energy freedom and security around the world," Staples said.

"At the state level, even as the #1 oil and natural gas state in the world's leading energy nation, Texas has some challenges to address if we want to maintain position as a global energy leader." Staples described Permian Basin producers' need for infrastructure and more power generation as they electrify their operations. "No other major industry has to rely on temporary sources of electricity, like portable generators, for their electricity needs and neither should some of the most prolific oil producers in the world," he added.

"A growing Texas needs more pipelines and a cost-effective electrical power generation market that puts consumers' needs first and incentivizes dispatchable power," he said. "We must prioritize transparency and accountability as the foundation of our electrical grid to continue attracting jobs and investment here."

Staples continued, "We need policy that allows Texas to lead the emerging carbon capture and storage industry (CCS). Manufacturers and companies of all varieties, including Texas oil and natural gas producers, pipeline, and refiners, are working to lower their emissions profile to meet customer demands. Texas must demonstrate a commitment to advance CCS because it benefits landowners and enables Texas businesses to remain competitive."

Staples concluded, "We know that policy can promote prosperity or hinder it. We look forward to working with our lawmakers to ensure that the American energy leadership that starts in Texas, stays in Texas."

Oil and Natural Gas Property Taxes

— Permian Basin Counties Total: $488.5 million

— Permian Basin ISDs Total: $1.707 billion

Top 10 Permian Basin Counties (Total in millions, Percentage of Tax Base)

— Reeves County $98.98, 5.3%

— Loving County $48.5, 95.0%

— Martin County $39.0, 94.2%

— Midland County $34.6, 49.1%

— Ward County $32.5, 74.7%

— Upton County $26.0, 92.0%

— Pecos County $22.4, 66.3%

— Andrews County $21.4, 76.6%

— Yoakum County $14.4, 81.0%

— Howard County $13.8, 66.2%

Top 10 Permian Basin ISDs (Total in millions, Percentage of Tax Base)

— Pecos-Barstow-Toyah ISD $275.2, 82.6%

— Midland ISD $205.0, 48.0%

— Wink-Loving ISD $196.7, 92.2%

— Rankin ISD $129.6, 92.2%

— Grady ISD $77.8, 96.1%

— Reagan County ISD $72.8, 87.7%

— Culberson County-Allamore ISD $68.4, 81.9%

— Glasscock County ISD $55.9, 79.3%

— Stanton ISD $54.5, 89.6%

— Andrews ISD $51.2, 67.5%

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