Congressional Budget Office
Cost Estimate

November 17, 2023

At a Glance

H.R. 4374, Energy Opportunities for All Act

As ordered reported by the House Committee on Natural Resources on July 19, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	0	-4	-17
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	-4	-17
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

The bill would

- Reverse the withdrawal of more than 336,000 acres of federal land in New Mexico from mineral and geothermal leasing

Estimated budgetary effects would mainly stem from

- Bonus bids, rents, and royalties from oil and natural gas leases within the affected area

Areas of significant uncertainty include

- Anticipating the timing of auctions for the affected land
- Projecting oil and natural gas prices

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 4374 would void Public Land Order 7923, "Public Lands Withdrawal Surrounding Chaco Culture National Historical Park Boundary; San Juan, Sandoval, and McKinley Counties, New Mexico," which was issued on June 7, 2023, by the Bureau of Land Management (BLM). That order withdrew more than 336,000 acres of public land from mineral and geothermal leasing.

Estimated Federal Cost

The estimated budgetary effect of H.R. 4374 is shown in Table 1. The costs of the legislation fall within budget function 300 (natural resources and environment).

Basis of Estimate

For this estimate, CBO assumes that H.R. 4374 will be enacted near the end of calendar year 2023.

Background

Onshore mineral leasing on federal land is administered by BLM. Leaseholders pay the government a bonus bid (the amount a company is willing to pay to acquire a lease), annual rent to retain the lease, and royalties based on the value of any oil or natural gas produced. Such payments are recorded in the budget as offsetting receipts (reductions in direct spending). Under the Mineral Leasing Act, rents are set at $3 per acre; royalties are set at 16.67 percent of private revenue from mineral production; and states receive 49 percent of all bonus bids, rents, and royalties collected.

Direct Spending

CBO estimates that enacting H.R. 4374 would decrease direct spending, on net, by $17 million over the 2024-2033 period.

Using information from the Department of the Interior's Office of Natural Resources Revenue (ONRR) and BLM's environmental assessment of the land withdrawal, CBO expects that roughly 13 percent of the land (about 43,000 acres) withdrawn under Public Land Order 7923 could be leased for oil and gas production over the 2024-2033 period. CBO expects that it would take at least a year before BLM could complete all administrative requirements to hold lease auctions for the land. Beyond that, CBO cannot predict when BLM would hold auctions or how long it would take for all of the land to be leased. Therefore, for this estimate, CBO expects that the amount of land newly leased under the bill would be distributed evenly throughout the 2025-2033 period (about 4,800 acres per year).

Table 1.
Estimated Budgetary Effects of H.R. 4374

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Increases or Decreases (-) in Direct Spending											
Bonus Bids and Rents												
Estimated Budget Authority	0	-1	-1	-2	-1	-1	-1	-1	-1	-2	-5	-11
Estimated Outlays	0	-1	-1	-2	-1	-1	-1	-1	-1	-2	-5	-11
Royalties on Oil and Gas Production												
Estimated Budget Authority	0	0	-1	-1	-1	-3	-3	-4	-5	-5	-3	-23
Estimated Outlays	0	0	-1	-1	-1	-3	-3	-4	-5	-5	-3	-23
Payments to the State of New Mexico												
Estimated Budget Authority	0	*	1	2	1	2	2	2	3	4	4	17
Estimated Outlays	0	*	1	2	1	2	2	2	3	4	4	17
Total												
Estimated Budget Authority	0	-1	-1	-1	-1	-2	-2	-3	-3	-3	-4	-17
Estimated Outlays	0	-1	-1	-1	-1	-2	-2	-3	-3	-3	-4	-17

* = between zero and $500,000.

CBO estimates that H.R. 4374 also would increase spending subject to appropriation by less than $500,000 over the 2024-2028 period; that spending would be subject to the availability of appropriated funds.

Bonus Bids and Rents. Leaseholders recently have paid about $250 per acre in bonus bids for federal land in northwest New Mexico. On that basis, CBO estimates that under H.R. 4374, BLM would receive about $11 million in gross bonus bids from the currently withdrawn area over the 2024-2033 period. CBO estimates that annual rents would be insignificant over the same period.

Royalties on Oil and Gas Production. Using information from BLM and ONRR on potential oil and gas production in the area, CBO estimates that about 1 million barrels of oil and about 15 billion cubic feet of gas could be produced from the affected area over the 2024-2033 period. Using projections of oil and gas prices under CBO's May 2023 baseline and applying the 16.67 percent royalty rate, CBO estimates that gross royalties would total roughly $23 million over that period.

Payments to the State of New Mexico. CBO estimates that 49 percent of the total gross proceeds owed to New Mexico would amount to $17 million over the 2024-2033 period. Payments to states are subject to sequestration through 2031 and CBO's estimate incorporates those effects.

Spending Subject to Appropriation

Based on the cost of similar activities, CBO estimates that administrative expenses incurred by BLM to implement H.R. 4374 would be insignificant over the 2024-2028 period. That spending would be subject to the availability of appropriations.

Uncertainty

This estimate is subject to uncertainty because CBO cannot predict when BLM would hold auctions or how long it would take for the land to be leased. The leasing process and the oil and gas development could be shorter or longer than CBO estimates. In addition, because CBO cannot precisely predict future oil and natural gas prices, royalties collected could be larger or smaller than estimated.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 4374, the Energy Opportunities for All Act, as Ordered Reported by the House Committee on Natural Resources on July 19, 2023

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Net Decrease in the Deficit											
Pay-As-You-Go Effect	0	-1	-1	-1	-1	-2	-2	-3	-3	-3	-4	-17

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 4374 would not increase net direct spending or deficits in any of the four consecutive 10-year periods beginning in 2034.

Mandates

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

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