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SCHOOL REVENUE FROM THE OIL INDUSTRY OF LEA COUNTY

By

Jesse B. Harwell

A Thesis

Submitted in Partial Fulfillment
of the Requirements for the Degree
Master of Arts in Education

University of New Mexico

1939

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MASTER OF ARTS

Leo P. Hammond
DEAN

May 29, 1940
DATE

Thesis committee

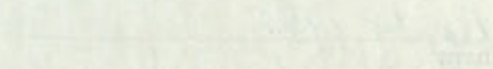
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University of New Orleans and the
minutes for the meeting.

Very truly yours,



Very truly yours,



















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CHAPTER I

INTRODUCTION

For the past fifteen years the school revenue from the oil industry of Lea County has been an increasingly important factor in school finance in the state of New Mexico. This source of school revenue in New Mexico has grown from almost nothing in 1927 to the enormous sum of approximately two and one-half millions for the school year 1937-1938. From a careful study of the industry in the county it appears that there is every reason to believe that the production will continue to increase for many years to come. Concerning the importance and the future of the industry in the state, the following quotation is offered from an address delivered by Hiram M. Dow at the New Mexico Oil Conference held at the University of New Mexico under the joint sponsorship of the University and the New Mexico Oil Conservation Commission on May 6, 1939:

The direct income to the state from the oil industry, less gasoline taxes, is well above five million dollars per year. Thousands of people living in model towns have been drawn into hitherto unpopulated areas. The total yearly spending of the oil industry within the state is above thirty million dollars. Oil plays a larger part in the economic situation of New Mexico than it does in any other state. . . . New Mexico has kept her production reasonably within the limitation of market demands. This has caused increased efficiency in the operation of her pools, which will in turn enlarge their ultimate production. Already her proven reserves represent more than

eighteen years supply based upon the present production of one hundred thousand barrels daily.¹

A careful and intelligent planning of taxation of this vast industry seems to be one of the major problems before those in charge of planning school finance in New Mexico.

I. THE PROBLEM

Statement of the problem. In this study the following questions will be investigated:

1. What is the history of the oil industry in Lea County?
2. What are the constitutional and statutory bases of school revenue from the oil industry in New Mexico?
3. What has been the annual income, both direct and indirect, from the oil industry in Lea County to the public schools of New Mexico from the date of discovery of oil in Lea County in 1927 to the school year 1937-1938?
 - a. What per cent of the state's total school revenue for each of these years has been from the oil industry of Lea County?

¹Hiram M. Dow, "New Mexico's Conservation Achievement," Address delivered at New Mexico Oil Conference, University of New Mexico, Albuquerque, New Mexico, May 6, 1939. pp. 13-14

eighteen years ago, and the fact that the
of one hundred thousand dollars.

A careful and intelligent planning of

this vast industry seems to be the only solution

before those in charge of planning school systems in New

Mexico.

II. THE PROBLEM

Statement of the problem. In the study the following

questions will be investigated:

1. What is the history of the oil industry in New

County?

2. What are the economic conditions and what are the needs of

school systems from the oil industry in New Mexico?

3. What has been the annual income, total direct and

indirect, from the oil industry in New County to the public

schools of New Mexico? On the basis of discovery of oil in

New County in 1907 to the present year 1937-1938.

4. What per cent of the state's total school revenue

for each of these years has been from the oil industry?

New County?

WILLIAM L. JOY, New Mexico's Department of Education
Address delivered at the meeting of the National Education Association,
New Mexico, Albuquerque, New Mexico, May 12, 1937, pp. 1-11.

4. Is the oil industry of Lea County producing a satisfactory portion of school revenue, and if not what changes should be made, and what will be the probable effect of such changes upon future development of the industry in the county?

Importance of the study. School men and others interested in the welfare of the public schools of the state can not be unmindful of the importance of any one single industry which has grown within the brief period of one child's public school career from almost nothing to a production of approximately one-fourth of the total public school revenue of the state. School officials are interested in seeing this source of school revenue increased and perpetuated; however, extreme care must be exercised that the state shall not "kill the goose that lays the golden egg." Those familiar with the industry are constantly reminded of the keen competition of other states in the production of oil and the possibility of over-taxing the industry, thus rendering the industry unprofitable to the producers and driving them out of the state to other fields.

II. DEFINITIONS OF TERMS USED .

The New Mexico Current School Fund. The state consti-

4. Is the oil industry of Los County producing a satisfactory portion of school revenue, and if not what changes should be made, and what will be the probable effect of such changes upon future development of the industry in the county?

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II. DEFINITIONS OF TERMS USED.

The New Mexico Current School Fund. The state consti-

tution² identifies the New Mexico Current School Fund as consisting of certain fines, forfeitures, escheats, land rentals, interest from the permanent fund, and a state tax on property.

The Current Common School Fund. Although this fund is included in the current school fund, it is established by statutory enactment.³ It is derived chiefly from revenues from state school lands and income from the permanent school fund.

Common schools. Common schools, as referred to in this study, are state-supported elementary and high schools, including kindergarten and grades one to twelve inclusive.

Free textbook fund. The state free textbook fund is created by statute.⁴ It consists of that portion of the state's income from federal oil producing lands in the state not otherwise appropriated.

²William H. Courtright, 1929 compilation New Mexico Statutes Annotated (Denver, Colorado: The W. H. Courtright Publishing Company, 1929), Art. xii, sec. 4, p.95

³Ibid., Chap. 132, sec. 191, p. 190.

⁴Margaret P. Baca, Laws of the State of New Mexico, Tenth Legislature, 1931, (Santa Fe, New Mexico: Santa Fe New Mexican Publishing Company), Chap. 138, p. 244.

section identified the New Mexico School Fund as
consisting of certain times, facilities, resources, funds,
revenue, interest from the permanent fund, and a share in
the property.

The Permanent Fund is a fund established by
the state for the purpose of providing for the
education of the children of the state. It is derived from the
proceeds of the sale of the land and other property of the
state.

General account, General account, as referred to in this
report, are those accounts which are maintained by the
state and which are used for the purpose of accounting for the
income from the permanent fund.

Permanent fund, The state's permanent fund is
created by statute. It consists of that portion of the state's
income from the permanent fund which is set aside for the
purpose of providing for the education of the children of the
state.

Permanent fund, The state's permanent fund is
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income from the permanent fund which is set aside for the
purpose of providing for the education of the children of the
state.

The oil industry. The term oil industry in this study is taken to mean the drilling and production of oil and gas and other activities connected with this drilling and production which would not exist in the county if the oil development were not present.

Oil valuation. Oil valuation, as referred to in this study, is taken to mean the assessed valuation on oil and gas production, oil and gas well equipment, and pipe line valuation.

III. SOURCES OF THE DATA AND PROCEDURE

In the prosecution of this study the first step was to determine the history of the oil industry in Lea County. This was accomplished through examination of records of oil companies operating in the fields of the county, county records, conferences with residents of the county and operators in the field, and close contact with the industry through seven years of residence in the field and personal business operations in the field that gave a clear insight into the industry. The next step was to discover the bases for the various funds affected by the oil industry of the county. This was done by reviewing both state and federal legal documents pertaining to the school revenues under consideration.

Annual contributions and trends in the annual incomes to the various funds under consideration were determined by

The oil industry. The oil industry in this county is known to have been drifting and production of oil and gas and other activities connected with the drilling and production which would exist in the county if the oil development were not present.

Oil valuation. Oil valuation, as referred to in this study, is taken to mean the assessed valuation on oil and gas production, oil and gas well equipment, and pipe line valuation.

III. HISTORY OF THE OIL AND GAS INDUSTRY

In the production of this study the first step was to determine the history of the oil industry in this county. This was accomplished through examination of records of oil companies operating in the fields of the county, county records, conferences with residents of the county and operators in the field, and close contact with the industry through seven years of residence in the field and personal business operations in the field that gave a clear insight into the industry. The next step was to discover the basis for the various fields affected by the oil industry of the county. This was done by reviewing both state and federal land documents pertaining to the oil industry under consideration.

Actual operations and trends in the oil industry in the various fields under consideration were determined by

collecting data from the office of the state tax commission, the state land office, state bureau of revenue, New Mexico State Taxpayers' Association, and Lea County records.

The final step in the procedure was the formulation of conclusions and recommendations concerning various funds under consideration. These were made on the basis of a careful study of figures in the findings, publications from and interviews with state and county officials, educators, and others who have made a study of the problems of school revenue.

IV. REVIEW OF RELATED STUDIES

In 1927 Mr. J. R. McCollum of the Albuquerque public schools began an investigation to determine funds derived from the school lands and other sources in New Mexico.

Carl S. Conlee, in 1931, presented a Master's thesis dealing with the permanent common school fund⁵. He found this to be a very important source of school revenue for the current common school fund.

⁵Carl S. Conlee, "History, Past Incomes and Probable Trends of the New Mexico Permanent Common School Fund," (unpublished Master's thesis, University of New Mexico, Albuquerque, New Mexico, 1931).

A Master's thesis presented by T. C. Galligner⁶ in 1934 dealt with cost of operating schools of New Mexico in relation to size. Although he was not primarily interested in sources of school revenue, some sources of school revenue were reviewed.

Mr. Raymond P. Sweeney⁷, in 1935, presented a Master's thesis dealing with sources, amounts, and apportionment of school funds. He found that the net revenue from public school lands constituted approximately 76% of the current common school funds for the period from 1923 to 1924.

V. ORGANIZATION

The remainder of this study will be divided into four chapters. Chapter II presents a brief review of the oil industry in Lea County from its discovery in the county in 1927 to the date of this writing. Chapter III deals with constitutional and statutory provisions by which school revenue is obtained from various sources, the income of which is affected by the oil industry of Lea County. In Chapter IV, certain forms of

⁶T. C. Galligher, "Cost of Schools in New Mexico in Relation to Size," (unpublished Master's thesis, University of New Mexico, Albuquerque, New Mexico, 1934).

⁷Raymond Patrick Sweeney, "Sources, Annual Revenue and Appropriation of the New Mexico Current Common School Fund," (Unpublished Master's thesis, University of New Mexico, Albuquerque, New Mexico, 1935).

A number of cases presented by J. C. Williams in 1934
 dealt with cases of operating schools of New Mexico in relation
 to state. Although he was not officially interested in revenue
 of school revenue, some portion of school revenue were listed
 as.

Mr. Raymond P. Green, J. C. Williams, presented a statement
 showing details with respect, revenue, and expenditure of
 school funds. He found that a net revenue from public school
 funds constituted approximately 70% of the current income
 school funds for the period from 1933 to 1934.

V. CONCLUSIONS

The remainder of this study will be divided into four
 chapters. Chapter II presents a brief review of the oil in-
 dustry in the United States from its discovery in the country in 1859 to
 the date of this writing. Chapter III deals with competition
 and regulatory provisions by which school revenue is obtained
 from various sources, and income of which is affected by the
 oil industry of the country. In Chapter IV, certain forms of

J. C. Williams, "Case of Williams in New Mexico in
 relation to state," unpublished paper, University of
 New Mexico, Albuquerque, New Mexico, 1934.
 Raymond P. Green, "Statement, Annual Revenue and
 Expenditure of the New Mexico Public School Fund,"
 unpublished paper, University of New Mexico, Albu-
 querque, New Mexico, 1934.

revenue are analyzed, amounts of contributions for various years are reviewed, comparisons with other revenues are offered, and trends are noted. The final chapter presents a summary of the study and some conclusions and recommendations concerning future taxation of the oil industry of the state.

revenue are analyzed, and a comparison of the
years are reviewed, comparison with other revenue
offered, and trends are noted. The final report presents
a summary of the study and recommendations and a
statement concerning future action of the city and county of
the state.

THE COUNTY

GOVERNMENTAL BOND

CHAPTER II

HISTORY OF THE OIL INDUSTRY IN LEA COUNTY

I. INTRODUCTION

Although Lea County is at the present time one of the largest counties in the state, it was not a separate county until 1917, when by act of the legislature it was created from territory taken from Chaves and Eddy counties.¹ Even when the county was created there seemed to be little need for the added expense of maintaining a separate county for the sparsely settled area that then was Lea County. Ranching was the only industry of the county that claimed recognition. Because of the nature of the lands of the county and the arid climate this industry could not support a large population and hence Lea County played a very small part in educational and political organizations of the state. Table I reveals some interesting facts concerning valuation of different types of property in the county in 1926 and a comparison of similar figures for 1938. Table II shows a comparison of non-oil, oil, and total county valuations semi-annually from 1928 to 1938 inclusive. The data of Table II

¹Courtright, op. cit., Chap. 33, Sec. 120, p. 537.

TABLE I

VALUATION OF CLASSES OF PROPERTY OF LEA COUNTY
1926 AND 1938

Valuations	1926	1938	Percent increase
Personal property	\$ 25,230	\$ 96,649	283
Plant tools and machinery	8,350	832,779	9,873
City lots	47,980	522,986	990
City improvements	68,994	1,248,825	17,104
Mercantile and merchandise	49,935	694,792	1,291
Railroads	-----	535,085	
Telephone and telegraph	4,985	579,995	11,534
Public utilities	-----	473,180	
Pipe line	-----	2,862,950	
Oil and gas well equipment	-----	3,264,950	
Oil and gas production	-----	14,923,949	
All others	3,468,758	2,786,429*	20%
Total county	3,674,232	28,822,560	684

*Decrease.

TABLE I

VALUATION OF CLASSES OF PROPERTY OF THE COUNTY
1932 AND 1933

Valuations	1932	1933	Percent Increase
Personal property	\$ 22,350	\$ 20,343	8.8
Plant, tools and machinery	3,321	352,713	2,875
Stock	40,350	222,942	550
City franchises	28,354	1,442,283	17,404
Motorists and automobiles	42,322	244,442	1,431
Railroads	---	222,222	---
Telephone and telegraph	4,322	274,222	11,324
Public utilities	---	472,122	---
Pipe line	---	2,222,222	---
Oil and gas well equipment	---	2,222,222	---
Oil and gas production	---	12,222,222	---
All others	2,222,222	2,222,222	---
Total county	2,222,222	22,222,222	100

Continued.

TABLE II
TOTAL NON-OIL, TOTAL OIL AND TOTAL COUNTY VALUATION
OF LEA COUNTY FOR BIENNIAL PERIODS

1928 TO 1938

Valuations	1928	1930	1932	1934	1936	1938
Total non-oil valuations	\$4,305,389	\$3,376,516	\$2,389,359	\$3,173,737	\$2,725,596	\$7,771,506
Total oil valuations	1,500,000*	3,055,100	4,604,481	6,930,975	12,166,059	21,051,054
Total county valuations	4,305,389	6,431,616	6,993,840	10,154,712	14,891,655	28,822,560
Per cent oil valuations	--- ---	47.4%	65.8%	69.0%	80.1%	70.2%

*This figure is only an estimate, and was not placed on the tax rolls. It is not represented in the total county valuation of \$4,305,389 for 1928.

is represented graphically in Figure 1. Information here reveals evidence of the fact that outside of the development of the oil industry there has been little change in occupation and valuation in the county since its creation.

II. THE DISCOVERY OF OIL

The presence of oil under the surface of New Mexico has been a known fact for many years. Efforts had been made prior to the discovery of oil in Lea County to produce oil in paying quantities in various parts of New Mexico. A very concrete picture of the early activity in oil production in the state is given in an address delivered before the Eastern New Mexico Teachers' Association meeting in Hobbs on April 1, 1939, by Mr. C. G. Staley, Chairman, Lea County Operators' Committee:

. . .The first oil discovered in New Mexico in encouraging amounts was in what is popularly known as "The Old Brown Well" near Dayton in Eddy County in 1909. This well yielded as much as fifteen barrels of oil per day for a short time. But it was not classed as a commercial well, and therefore it did not lead to an extensive drilling campaign.

The next discovery of oil in the state was in the Seven Lakes Area in McKinley County in 1911. A number of wells were drilled in 1911 and 1912, but they were all very small producers, yielding only a few barrels of oil per day.

The first important discovery of commercial oil in the state was in the Hog Back structure in San Juan County in 1922. The next discovery was in the Artesia field in Eddy County in 1923. By 1924 drilling had proved that the Artesia Field was one of importance, and subsequent production has

proven this to be true. The first noteworthy discovery in Southeastern New Mexico was the development of 90,000,000 cubic feet of gas per day in the Texas Production Company's No. 1 Rhodes well in the Jal Area, Lea County, in 1927. The first large oil well to be completed in Lea County was the Humble Oil and Refining Company's No. 1 Bowers in the Hobbs Field in 1929, which came in for 9,720 barrels of oil per day.²

It is interesting to note that the discovery and development of the oil fields of Lea County was a continuation of a drilling campaign that had been carried on for several years in the portion of Texas directly south and east of Lea County. The Wink Field in Winkler County, Texas, and others in the vicinity were well developed and proven fields, and production and structural formation was leading in the direction of Southeastern New Mexico. This led to drilling of the Texas Production Company's No. 1 Rhodes well in the Jal area in 1927 and to subsequent development in Lea County.

Although a number of wells were drilled and proven between the discovery date of the Jal Area and the discovery of the Hobbs Field, production was small and it was not until the discovery of the large producer in the Hobbs Field in 1929 that Lea County was known to be an area of importance in the oil industry. Table III gives discovery dates, number of wells drilled annually, total number of wells completed,

²Address delivered by Mr. Glenn Staley before the Eastern New Mexico Teachers' Convention in Hobbs, New Mexico, April 1, 1939.

annual production in 1938, total production to January 1, 1939, and total number of acres of producing territory in each field. Figures 2 and 3 show maps of the producing area of the county, with location of the various producing fields referred to in Table III.

III. DEVELOPMENT AND PRODUCTION

With the discovery of the large well in the Hobbs Field in June, 1929, and other producing areas covering a large part of the county to encourage drilling, there was begun in 1928 and 1929 an extensive drilling campaign to develop all the known producing territory and to discover other areas that had not yet been proved areas of production. Hobbs soon became the most active field of development and the leading center for the industry. As is usually the case in boom oil towns, mushroom towns sprung up almost over night at Hobbs, and other places in the county. Drilling contractors, producing companies, investors, and others rushed in from all parts seeking the "Black Gold."

The first town of the county to be affected by the industry to any noticeable extent was Jal, in the extreme southeast portion of the county. With the discovery of the Texas Production Company's Rhodes No. 1 well in this area many of those following the field work moved into Jal from the boom town of Wink, Texas, only a short distance across the line,

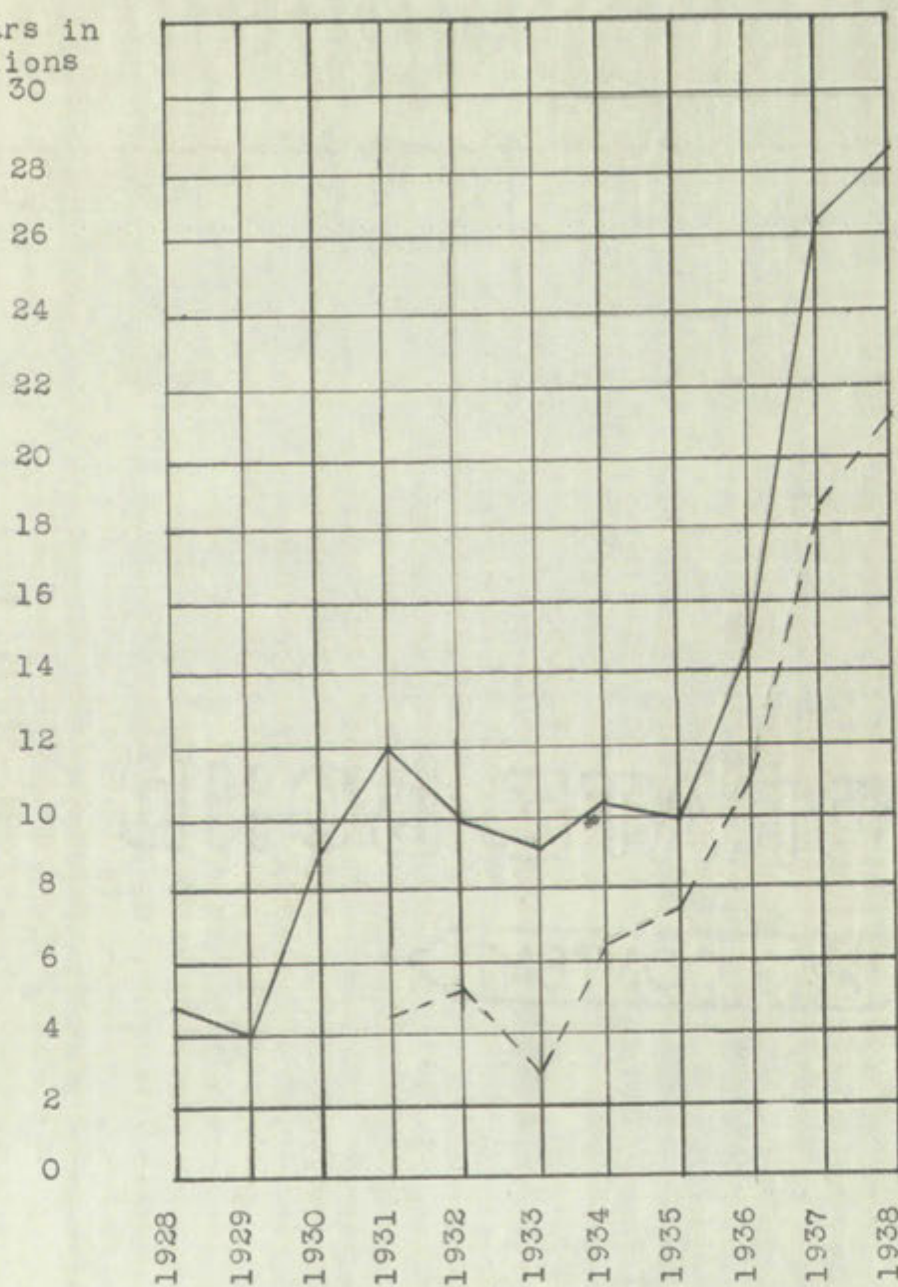
annual production in 1937, total production in January 1, 1938, and total number of acres of producing territory in each field. Figure 2 will show maps of the producing areas of the county, with location of the various producing fields referred to in Table III.

III. DEVELOPMENT AND PRODUCTION

With the discovery of the large field in the above field in June, 1937, and other producing areas covering a large part of the county to subsequent drilling, there was no doubt in 1937 and 1938 an extensive drilling campaign to develop all the known producing territory and to discover other areas that had not yet been proved areas of production. Hence soon became the most active field of development and the lead the center for the industry. As is usually the case in such all known, unknown areas sprung up almost overnight at Hobbs, and other places in the county. Drilling operations, producing operations, investors, and others rushed into the field making the "Hobbs field."

The first town in the county to be affected by the industry to the noticeable extent was Hobbs, in the extreme south-east portion of the county. With the discovery of the Hobbs field production began to Hobbs in 1937 and from that time those following the field were not only Hobbs but also other towns of the county, only a short distance across the line,

Dollars in
Millions
30



Total valuation of Lea County

Valuation of oil industry

FIGURE I

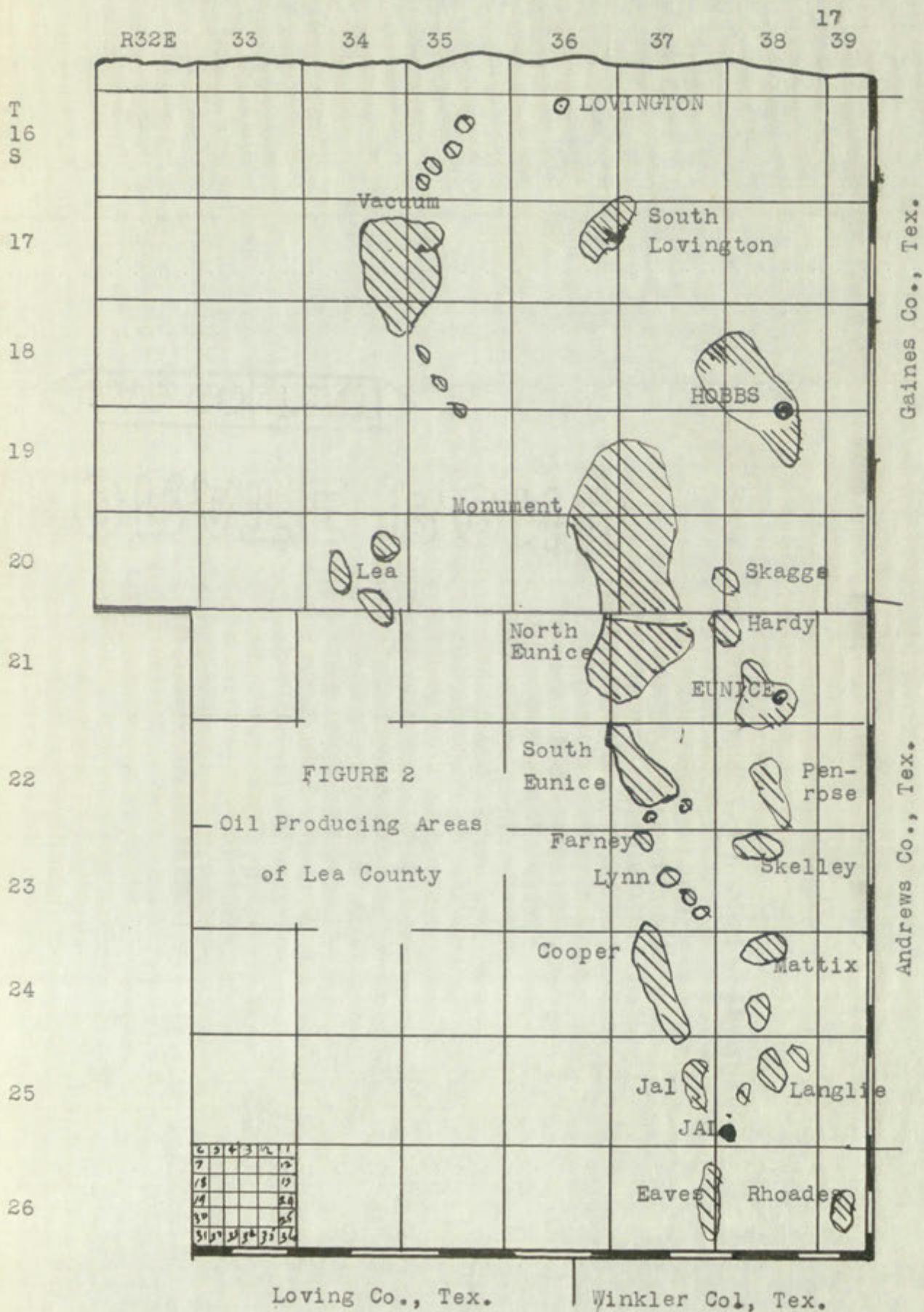
TOTAL VALUATION AND VALUATION OF THE OIL AND GAS

INDUSTRY OF LEA COUNTY, 1928 to 1938

TABLE III

DISCOVERY DATE, ANNUAL DEVELOPMENT, PRODUCTION AND ACREAGE OF OIL FIELDS OF LEA COUNTY

Field	Discovery date	Number of wells completed by years											Total wells	Barrels production 1938	Total barrels production to Jan. 1, 1939	Producing acres
		1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938				
Hobbs	June 1928		5	128	14	30	17	18	33	5	6	1	257	5,009,894	85,563,485	10,000
Monument	Mar. 1935								28	234	199	21	482	9,440,344	24,203,434	19,129
Eunice	Aug. 1928	7	3	3	4	1	1	19	98	177	131	42	488	8,870,843	32,492,005	19,360
Hardy	Mar. 1936									1	27	39	67	620,984	1,013,671	2,840
So. Eunice	May 1930			5	1					28	32	25	91	1,012,178	2,002,557	2,600
Penrose	Dec. 1929		1								66	34	101	1,505,881	2,542,641	5,280
Lynn	Mar. 1929		4	6							7	11	30	295,299	728,642	640
Skelley	Dec. 1935									1	20	14	35	533,250	1,047,489	1,760
Langlie	Jan. 1929		4	1	1						37	47	90	1,218,956	2,013,787	3,160
Mattix	Jan. 1935								1		35	31	67	935,760	1,520,531	2,960
Cooper	June 1929		2					21	60	17	4	9	113	1,682,178	9,529,467	3,720
Jal	Mar. 1927	5	12	4	6		5	16	22	41	10		116	271,675	5,390,483	1,760
Eaves	Apr. 1929		3	1	1						4	1	10	331,657	1,373,565	800
Rhodes	Jan. 1929		1								2	5	8	39,002	160,784	240
Lynch	Mar. 1929		3	1	1							1	6	226,160	6,484,840	600
Lea	May 1929		2	2		1	10	9					24			
Vacuum	May 1928	1									2	43				1,720
TOTALS		15	37	151	23	32	33	83	241	502	583	336	2,028	31,977,309	204,067,381	76,567



and in an already important proved area of production. By the end of 1928 Jal had grown to a town of several thousand population and has since remained a prosperous town.

But with the discovery of the large production in the Humble Oil and Refining Company's No. 1 Bowers in the Hobbs field most of the attention was turned to this section, and Hobbs enjoyed the boom growth. Before the coming of the oil men the town of Hobbs consisted of a post office in a residence and a small one-room school. By the end of 1930 there was a town with a population estimated to be as high as 40,000. The Shell, Humble, Gulf, and Texas Companies had completed pipe lines from the field connecting with outlets to refineries and to the Gulf Coast. The railroad had been built. Supply companies, contractors, utility companies, and others had invested millions in the city. A school system employing fifty teachers was in operation where two years before only one teacher had to make a desperate effort to enroll enough pupils to maintain a school. And although a part of the drifting element of the population moved on with the boom, Hobbs is still the metropolis of the oil country, with a population conservatively estimated at 15,000, modern brick school buildings costing over \$400,000, many brick business houses, and other characteristics of a modern, prosperous, and permanent town.

Lovington, county seat of Lea County, was a prosperous county seat and ranch town before the discovery of oil in the

and in an already important proved area of production. By the end of 1933 it had grown to a town of several thousand population and has since remained a prosperous town.

But with the discovery of the large production in the Humble Oil and Refining Company's No. 1 flows in the Hobbs field most of the attention was turned to this section, and Hobbs enjoyed the boom growth. Before the coming of the oil men the town of Hobbs consisted of a post office in a residence and a small one-room school. By the end of 1933 there was a town with a population estimated to be as high as 40,000. The Shell, Humble, Gulf, and Texas Companies had completed pipe lines from the field connecting with outlets to refineries and to the Gulf Coast. The railroad had been built. Supply companies, contractors, utility companies, and others had invested millions in the city. A school system employing fifty teachers was in operation within two years before only one teacher had to make a desperate effort to enroll enough pupils to maintain a school. And although a part of the drifting element of the population moved on with the boom, Hobbs is still the metropolis of the oil country, with a population conservatively estimated at 15,000, modern brick school buildings costing over \$400,000, many brick business houses, and other characteristics of a modern, prosperous, and permanent town.

Livingston, county seat of Lee County, was a prosperous county seat and ranch town before the discovery of oil in the

County and was not materially affected by the industry until the beginning of active production of the Vacuum field in 1938 and the discovery of the South Lovington field in January, 1939.

Eunice and Monument enjoyed considerable boom growth while drilling in these fields was at its peak but have since settled to prosperous school and business centers.

The newest boom town of the county is Buckeye in the Vacuum field, which has sprung up since the beginning of an active drilling campaign in that section in 1938.

Annual production, average yearly price, and assessed valuation of production of the county are reflected in Table IV. It will be noted that production was very small in 1928 and 1929. But with the discovery of prolific production in the Hobbs field in 1929 there was inaugurated a drilling campaign aimed at producing the largest possible amount of oil in the shortest possible time, resulting in the rapid and steady increase in annual production for the years to 1932, when, by terms of the Hobbs Proration Agreement, under authority provided by an act of the Ninth Legislature,³ production was limited to a small per cent of potential production of the respective wells. This proration agreement, accompanied

³Courtright, op cit., Chap. 97, Sec. 601, p. 1291.

County and was not actually allowed by the industry until the beginning of active production of the Vaca field in 1933 and the discovery of the Hobbs field in January, 1934.

Smiles and Bennett enjoyed considerable success with drilling in these fields and at the same time were able to produce oil and gas in considerable quantities. The success of the county is shown in the Vaca field, which was sprung up since the beginning of an active drilling campaign in that section in 1933.

Annual production, average yearly rates, and assessed valuation of production of the county are reflected in Table IV. It will be noted that production was very small in 1933 and 1934. But with the discovery of prolific production in the Hobbs field in 1933 there was inaugurated a drilling campaign aimed at producing the largest possible amount of oil in the shortest possible time, resulting in the rapid and steady increase in annual production for the years 1935, when, by terms of the Hobbs Production Agreement, under which oil is produced by an act of the State Legislature, production was limited to a small per cent of potential production of the respective wells. This production agreement, accompanied

TABLE IV

ANNUAL PRODUCTION, AVERAGE PRICE, AND ASSESSED
VALUATION OF OIL, 1928 TO 1938

Year	Production in barrels	Average price per barrel	Assessed valuation
1928	52,282	\$1.19	\$ 15,723
1929	759,421	.96	250,061
1930	9,497,995	.70	2,819,717
1931	13,899,836	.41	3,038,670
1932	11,485,246	.61	3,522,323
1933	14,173,244	.39*	2,329,236
1934	15,291,106	.75	5,755,348
1935	17,850,429	.77	6,781,363
1936	25,443,406	.84	10,388,616
1937	35,843,771	.93	16,100,466
1938	31,977,308	.91	14,479,744

*Price of oil dropped as low as 10¢ per barrel during this year.

OROGRAPHIC BOND

20

THE OROGRAPHIC BOND COMPANY VIRGINIA

ANNUAL FINANCIAL STATEMENT, 1931-1932, AND APPROPRIATE
 VALUATION OF CAPITAL ASSETS IN 1932

Year	Production in barrels	Net sales per barrel	Adjusted Value per barrel
1932	22,482	5.72	\$ 129,720
1931	79,741	4.82	384,501
1930	2,497,925	4.90	12,259,271
1929	1,897,826	4.71	8,938,970
1928	1,408,243	4.51	6,351,368
1927	1,417,244	4.37	6,194,355
1926	1,422,108	4.70	6,704,318
1925	1,782,169	4.77	8,481,948
1924	2,442,402	4.34	10,600,016
1923	2,342,771	4.22	9,886,479
1922	2,677,202	4.21	11,260,824

*Price of oil dropped to 17¢ per barrel during this year.

with the drastic cut in market value of oil, as reflected by Table IV, very materially slowed up drilling operations in all fields and the industry has not since experienced a boom in drilling operations such as was in progress in the early drilling days of the Hobbs field. A review of Table III reveals, however, that after prices began to rise in 1934 drilling operations also increased and continued to increase to the peak year of 1937, when a total of 583 wells were completed in one year.

Because of extremely low prices paid for oil in 1932 and 1933 there was very little drilling in these years. Prices dropped from an average of \$1.19 per barrel in 1928 to as low as \$.10 per barrel in the quarter ending June 30, 1933. When prices began to rise in 1934, however, producing companies became more active in drilling proved areas and in "wild cat" activities in unproved areas. Steady and substantial increase in the price of oil since 1934 has resulted in continuous active drilling operations in all areas of the county, with corresponding increase in potential production and assessed valuation of oil production.

Reference to Table II will show that on December 31, 1938, there were 2,028 oil wells and 70 gas wells in the county. Vast areas of proved territory are still undeveloped, and much larger areas of the county that are yet unexplored

with the drastic cut in market value of oil, as reflected by Table IV, very materially slowed up drilling operations in all fields and the industry as a whole experienced a boom in drilling operations such as was in progress in the early drilled days of the 1920s. A review of Table III reveals, however, that after prices began to rise in 1934 drilling operations also increased and continued to increase to the peak year of 1935, when a total of 553 wells were completed in one year.

Because of extremely low prices paid for oil in 1932 and 1933 there was very little drilling in these years. Prices dropped from an average of \$1.45 per barrel in 1932 to as low as \$.10 per barrel in the quarter ending June 30, 1933. When prices began to rise in 1934, however, production companies became more active in drilling proved areas and in "wild cat" activities in unproved areas. Steady and consistent increase in the price of oil since 1934 has resulted in continuous active drilling operations in all areas of the county, with corresponding increase in potential production and assessed valuation of oil production.

Reference to Table II will show that on December 31, 1935, there were 8,023 oil wells and 70 gas wells in the county. Vast areas of proved territory are still undeveloped and much larger areas of the county that are yet unexplored

are thought to be productive and are under lease for oil and gas, the leases bringing in large annual revenues to the state current school fund.

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gas, the lease bringing in large annual revenues to the
state current school fund.

CHAPTER III

CONSTITUTIONAL AND STATUTORY BASES FOR SCHOOL REVENUE FROM THE OIL INDUSTRY

I. INTRODUCTION

It is the purpose of this chapter to trace the constitutional and statutory bases for school revenue of various types mentioned in Chapter I. This chapter will be divided into four main headings, dealing in the order mentioned with the maintenance fund, the direct district charge fund, the interest and sinking fund, and the free text book fund. Only those items in the maintenance fund affected materially by the oil industry of Lea County will receive special attention.

II. THE MAINTENANCE FUND

The maintenance fund for the common schools of New Mexico is defined by statute:

Elementary and high school maintenance shall include all teachers' salaries, janitor's wages and supplies, fuel, water and light, interest on certificates of indebtedness, library and school supplies, books for indigent children, census enumeration, transportation of pupils, county and municipal board administration expenses, and may include salary and expenses of truant officer and

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II. THE MAINTENANCE FUND

The maintenance fund for the common schools of New

Mexico is defined by statute:

Elementary and high school maintenance shall include all teachers' salaries, janitor's wages and supplies, fuel, water and light, interest on certificates of indebtedness, library and school supplies, books for indigent children, normal examination, transportation of pupils, county and municipal board administration expenses, and any include salary and expenses of transient officers and

school nurse.¹

The maintenance fund is derived from a number of sources as listed in Table V. Different sources of revenue to this maintenance fund are provided for by statute and will be dealt with separately.

The New Mexico current school fund. The New Mexico current school fund was created by provision of the constitution and is defined as follows:

All fines and forfeitures collected under general laws; the net proceeds of property that may come to the state by escheat; the rentals of all school lands granted to the state; the disposition of which is not otherwise provided for by terms of the grant or by act of congress; and the incomes derived from the permanent school fund of the state. The legislature shall provide for the levy and collection of an annual tax upon all the taxable property of the state for the maintenance of the public schools, the proceeds of such tax levy to be added to the current school fund above provided for.²

The New Mexico current common school fund. The New Mexico Session Laws of 1917 state that the current common school fund shall consist of:

. . . the income and current funds created by this act shall consist of rentals, sale of products from lands, interest on permanent funds, and anything else other than money directly derived from sale of all state

¹William H. Courtwright, 1929 Compilation New Mexico Statute Annotated, (Denver, Colorado: The W. H. Courtwright Publishing Company, 1929), Sec. 120- 604, p. 1488.

²Ibid., Sec. 4, p. 1482.

TABLE V

SOURCES OF STATE COMMON SCHOOL REVENUES FOR 1937-1938, PORTIONS OF
VARIOUS ITEMS CONTRIBUTED BY LEA COUNTY, AND BY THE OIL INDUSTRY OF LEA COUNTY

Revenues	Total state revenue	Revenue from Lea County	Revenues de- finitely from oil of County	Revenue esti- mated from oil of Lea County	Total revenue defin- ite and estimated from oil of County
Investment of permanent fund	\$ 175,938	\$ 98,674	\$ 98,674	\$	\$ 98,674
Income from land office	987,139	825,218	794,979		794,979
Bluesky laws	29				
Interest on deposits	1,990				
State half mill levy	158,439	14,411	10,526	1,942	12,468
District and J/ P. court fines	19,813				
Miscellaneous fines	40				
Game law violations	4,044				
Private car taxes	2,664				
Express car taxes	105				
Bond forfeiture	500				
Escheat	2,037				
School emergency (sales) tax	3,617,697	742,143	550,983	163,666	714,649
Inter county consolidation	9,258				
State income tax	267,011	38,302		26,812	26,812
Property tax (5-mill levy)	1,370,375	126,075	105,265	10,405	115,870
Motor vehicle license receipts	87,590	13,657		9,560	9,560
Indian tuition fees	1,000				
Federal and State Voc't'n'al	28,297				
Forest reserve earnings	18,775				
Merchandise licenses	5,670				
Delinquent taxes	87,709				
Cash balance from last year	600,511				
TOTAL MAINTENANCE	\$7,547,631	\$1,858,480	\$1,560,427	\$222,385	\$1,782,812
Per cent of total maintenance					
for entire state	100%	24.5%	20%	3%	23.6%
Direct district charge	1,054,122	119,986	84,230	17,788	102,108
Free text book fund	280,048	266,045	266,045		266,045
TOTAL STATE INCOME	\$8,831,801	\$2,244,420	\$1,910,702	\$240,173	\$2,150,965
Per cent of total state	100%	25.2%	21.2%	3%	24.2%

REVENUE FROM TAXES AND FEES
 YEAR 1960

Revenue	1960	1959	1958
Investment of permanent fund	1,000,000	1,000,000	1,000,000
Income from land sales	1,000,000	1,000,000	1,000,000
Highway fees	1,000,000	1,000,000	1,000,000
Investment on deposits	1,000,000	1,000,000	1,000,000
State half mill levy	1,000,000	1,000,000	1,000,000
Electric and gas taxes	1,000,000	1,000,000	1,000,000
Miscellaneous taxes	1,000,000	1,000,000	1,000,000
Game law violations	1,000,000	1,000,000	1,000,000
Private car taxes	1,000,000	1,000,000	1,000,000
Express car taxes	1,000,000	1,000,000	1,000,000
Land forfeiture	1,000,000	1,000,000	1,000,000
License	1,000,000	1,000,000	1,000,000
Local emergency (water) tax	1,000,000	1,000,000	1,000,000
Inter county assessment	1,000,000	1,000,000	1,000,000
State income tax	1,000,000	1,000,000	1,000,000
Property tax (3-11-10)	1,000,000	1,000,000	1,000,000
Motor vehicle license renewal	1,000,000	1,000,000	1,000,000
Indian tuition fees	1,000,000	1,000,000	1,000,000
Federal and State 500,000	1,000,000	1,000,000	1,000,000
Forest reserve earnings	1,000,000	1,000,000	1,000,000
Merchandise licenses	1,000,000	1,000,000	1,000,000
Religious taxes	1,000,000	1,000,000	1,000,000
Cash balance from last year	1,000,000	1,000,000	1,000,000
TOTAL REVENUE	1,000,000	1,000,000	1,000,000
Per cent of total expenditure	1,000,000	1,000,000	1,000,000
For entire year	1,000,000	1,000,000	1,000,000
Direct district charges	1,000,000	1,000,000	1,000,000
Five tent back taxes	1,000,000	1,000,000	1,000,000
TOTAL STATE REVENUE	1,000,000	1,000,000	1,000,000
Per cent of total revenue	1,000,000	1,000,000	1,000,000

lands so granted, the income derived from the investment of the permanent funds herein created, such other moneys as shall be specifically provided by law, and miscellaneous income not provided for by this act.³

The various receipts of the maintenance fund as set forth in Table V that are affected to a definitely determined amount by the oil industry of Lea County are the investment of the permanent fund, the income from public land, state school levy from counties ($\frac{1}{2}$ - mill levy), emergency school tax, and property tax. Both the investment of the permanent fund and the income from the public lands are dependent upon certain land grants by the federal government to the state of New Mexico for school purposes.

III. INCOME FROM THE LAND OFFICE

One of the largest sources of income to the current common school fund is income from the land office. The state of New Mexico has received large grants of land from the federal government under various land grant acts that are set forth in the following paragraphs.

The Ohio Plan. With the admission of Ohio to the Union in 1802 the land grant policy for education really began, and the precedent thus established has been followed

³Ibid., Chap. 132, p. 1575.

lands so situated, so that the lands are not
vested in the Government, but are held in trust
for the benefit of the people, and are to be
by law, and are to be held in trust for the
people.

The various records of the lands are to be

kept in the office of the Secretary of the Interior.

It is the duty of the Secretary of the Interior

to investigate the lands, and to report to the

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ever since. When Ohio was admitted to the Union, the state possessed vast areas of unoccupied land that became property of the federal government. Congress provided with the admission of Ohio that the sixteenth section of each township should be set apart for the benefit of public schools, and this plan was followed until 1850 upon the admission of all states except Maine and Texas.

The Oregon Plan. When Oregon became a territory in 1848, Congress established a new public land policy granting to the new state to be admitted two sections in each township for the benefit of public schools. California was the first state to receive two sections of each township when she was admitted to the Union in 1850. From this date to 1896 each state admitted to the Union received two sections of each township for school purposes. The western states were more arid, and land had less per acre value than in the more fertile and productive eastern states; when Utah was admitted in 1896, and with the admission of all states thereafter, sections two, sixteen, thirty-two, and thirty-six were granted to the states for school purposes.⁴

⁴Elwood P. Cubberley, State School Administration (New York: Houghton Mifflin Company, 1927), pp. 22-24.

ever since. When this was admitted to the Union, the States
possessed vast areas of unoccupied land that became property
of the Federal Government. Congress provided with the admis-
sion of Ohio that the eastern section of each township
should be set apart for the benefit of public schools, and
this plan was followed until 1850 when the admission of all
States except Maine and Texas.

The Oregon Plan. When Oregon became a territory in
1859, Congress established a new public land policy granting
to the new state to be admitted two sections in each town-
ship for the benefit of public schools. California was the
first state to receive two sections of each township when she
was admitted to the Union in 1850. From this date to 1890
each state admitted to the Union received two sections of
each township for school purposes. The western states were
more arid, and land had less per acre value than in the more
fertile and productive eastern states; when then was admitted
in 1890, and also the admission of all states thereafter,
sections two, sixteen, thirty-two, and thirty-six were
granted to the states for school purposes.

The Organic Act. By act of Congress on September 30, 1850, the federal government established what is known as the Organic Act, setting aside sections sixteen and thirty-six of the Mexican cession for schools:

That when the lands of said territory shall be surveyed under the direction of the government of the United States, preparatory to bringing the same into the market, sections numbered sixteen and thirty-six in each township in said territory shall be, and the same are hereby reserved for the purpose of being applied to the schools in said territory and the states and territories hereafter to be erected out of the same.⁵

The Ferguson Act. In 1898 Congress granted to the territory of New Mexico sections sixteen and thirty-six of each township, as reserved by the Organic Act of 1850:

That sections numbered sixteen and thirty-six in every township of the territory of New Mexico, and where such sections, or any part thereof, are mineral or have been sold or otherwise disposed of by act of Congress, other than mineral lands equivalent thereto, in legal subdivisions of not less than one-quarter section in lieu of which the same is taken, are hereby granted to the said territory for the support of the common schools, such indemnity lands to be selected within said territory, in such manner as is hereafter provided.⁶

The Enabling Act. In setting forth the conditions by which New Mexico might be admitted to the Union, Congress,

⁵Courtwright, op. cit., sec. 15, p. 75.

⁶Congress Statutes at Large of the United States, (Washington: Government Printing Office, 1899), chap. 489, vol. 30, p. 484.

The following are the names of the persons who have been elected to the office of the President of the United States since 1800.

1800, 1804, 1808, 1812, 1816, 1820, 1824, 1828, 1832, 1836, 1840, 1844, 1848, 1852, 1856, 1860, 1864, 1868, 1872, 1876, 1880, 1884, 1888, 1892, 1896, 1900, 1904, 1908, 1912, 1916, 1920, 1924, 1928, 1932, 1936, 1940, 1944, 1948, 1952, 1956, 1960, 1964, 1968, 1972, 1976, 1980, 1984, 1988, 1992, 1996, 2000, 2004, 2008, 2012, 2016, 2020.

These names are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected.

The following are the names of the persons who have been elected to the office of the President of the United States since 1800.

1800, 1804, 1808, 1812, 1816, 1820, 1824, 1828, 1832, 1836, 1840, 1844, 1848, 1852, 1856, 1860, 1864, 1868, 1872, 1876, 1880, 1884, 1888, 1892, 1896, 1900, 1904, 1908, 1912, 1916, 1920, 1924, 1928, 1932, 1936, 1940, 1944, 1948, 1952, 1956, 1960, 1964, 1968, 1972, 1976, 1980, 1984, 1988, 1992, 1996, 2000, 2004, 2008, 2012, 2016, 2020.

These names are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected.

The following are the names of the persons who have been elected to the office of the President of the United States since 1800.

1800, 1804, 1808, 1812, 1816, 1820, 1824, 1828, 1832, 1836, 1840, 1844, 1848, 1852, 1856, 1860, 1864, 1868, 1872, 1876, 1880, 1884, 1888, 1892, 1896, 1900, 1904, 1908, 1912, 1916, 1920, 1924, 1928, 1932, 1936, 1940, 1944, 1948, 1952, 1956, 1960, 1964, 1968, 1972, 1976, 1980, 1984, 1988, 1992, 1996, 2000, 2004, 2008, 2012, 2016, 2020.

These names are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected. The names of the persons who have been elected to the office of the President of the United States since 1800 are given in the order in which they were elected.

in 1910, granted to New Mexico two additional sections:

That in addition to sections sixteen and thirty-six, heretofore granted to the territory of New Mexico, sections two and thirty-two in each township in said proposed state not otherwise appropriated at the date of the passage of this act, are hereby granted to said state for the support of common schools.⁷

New Mexico received also by provision of the Enabling Act⁸ the residue of one million acres of federal lands after Grant and Santa Fe Counties should be reimbursed for the payment of bonds and accrued interest thereon, which bonds were validated, approved, and confirmed by the act of Congress of January 16, 1897. By terms of this grant the remainder of this million acres of land and the proceeds from sale thereof were to become a part of the permanent school fund of New Mexico.

Under provisions of these grants of public lands to the state of New Mexico for support of public schools, and by provisions of selecting lieu lands for lands already otherwise appropriated, 1,300,468.93 acres of land in Lea County, or 46.3% of all land in the county is public school land, 76,569 acres of which is now producing oil, and most of the remainder of which is under lease for oil and gas. Revenues from the lease of these lands go into the current common school fund.

⁷Ibid., Chap. 310, vol. 36, part I, sec. 6, p.557.

⁸Ibid., Chap. 310, vol. 36, part I, sec. 7, p.557.

in 1910, granted to New Mexico two additional sections:

That in addition to sections sixteen and thirty-six, heretofore granted to the Territory of New Mexico, sections two and thirty-two in each township in said proposed state not otherwise appropriated to the date of the passage of this act, the territory granted to said state for the support of common schools.

New Mexico received also by provision of the Enabling

Act the residue of one million acres of Federal lands after

Grant and Santa Fe Counties should be reimbursed for the payment of bonds and accrued interest thereon, which bonds were validated, approved, and confirmed by the act of Congress of January 16, 1907. By terms of this grant the

remainder of this million acres of land and the proceeds from sale thereof were to become a part of the permanent

school fund of New Mexico.

Under provisions of these grants of public lands to

the state of New Mexico for support of public schools, and by provisions of selecting this land for lands already

otherwise appropriated, 1,500,000.00 acres of land in Los County, or 48.32 of oil land in the county is public school

land, 78,500 acres of which is now producing oil, and most

of the remainder of which is under lease for oil and gas.

Revenues from the lease of these lands go into the current

common school fund.

⁷ibid., Chap. 310, vol. 36, part I, sec. 6, p. 557.

⁸ibid., Chap. 310, vol. 36, part I, sec. 7, p. 557.

IV. THE PERMANENT SCHOOL FUND

The income from investment of the permanent school fund is coming to be an increasingly important source of revenue to the maintenance fund of the state. This permanent fund is created by the Constitution as follows:

Section 2. The permanent school fund of the state shall consist of the proceeds of sales of sections two, sixteen, thirty-two and thirty-six in each township of the state, or the lands selected in lieu thereof; the proceeds of sales of all lands that have been or may hereafter be granted to the state not otherwise appropriated by the terms of sales of lands of the United States within the state as has been or may be granted by Congress, also all other grants, gifts and devices made to the state, the purpose of of which is not otherwise specified.¹⁰

The amount of annual accumulation to this permanent school fund is increading rapidly in recent years. There was added to the fund \$1,267,706.78 in the fiscal year ending June 30, 1938.¹¹

V. THE HALF-MILL LEVY

Pursuant to a provision in the state consitution

¹⁰Courtwright, op. cit., Art. XII, sec. 2, p. 129.

¹¹Frank Warden, Report of the Commissioner of Public Lands for the fiscal year ending June 30, 1928, (New Mexico Examiner, 1938).

IV. THE PERMANENT SCHOOL FUND

The income from investment of the permanent school fund is coming to be an increasingly important source of revenue to the maintenance fund of the state. This permanent fund is created by the Constitution as follows:

Section 2. The permanent school fund of the state shall consist of the proceeds of sales of sections two, sixteen, thirty-two and thirty-six in each township of the state, or the lands selected in lieu thereof; the proceeds of sales of all lands that have been or may hereafter be granted to the state not otherwise appropriated by the terms of sales of lands of the United States within the state as has been or may be granted by Congress, also all other grants, gifts and devises made to the state, the purpose of which is not otherwise specified.¹⁰

The amount of annual accumulation to this permanent school fund is increasing rapidly in recent years. There was added to the fund \$1,367,706.75 in the fiscal year ending June 30, 1933.¹¹

V. THE HALF-MILL LEVY

Pursuant to a provision in the state constitution

¹⁰Constitution, art. XII, sec. 2, p. 123.

¹¹Frank Warden, Report of the Commissioner of Public Lands for the fiscal year ending June 30, 1933, (New Mexico Examiner, 1933).

above quoted¹² providing that the legislature shall provide for the levy and collection of an annual tax upon all taxable property of the state for the maintenance of the public schools, the Sixth Legislature in 1923 passed the following act:

Each Board of County Commissioners, when other county taxes are levied, shall annually levy a tax on all taxable property of the county of one-half of one mill, the proceeds thereof shall be monthly transmitted to the State Treasurer and converted into the State Common School Current Fund.¹³

VI. THE PROPERTY TAX

Prior to the constitutional amendment of 1934, there was annually levied and collected a property tax of not to exceed eighteen mills on all taxable property of the state for support of the public schools. The provision for this tax is as follows:

The board of county commissioners shall annually levy at the time of making other county levies (1) a general county school tax, not in excess of eighteen mills, at the rate certified by the state tax commission . . .¹⁴

¹²Courtwright, op cit., Article xii, sec. 4, p. 1482.

¹³Courtwright, op cit., Chap. 120, sec. 614, p. 1482

¹⁴Ibid., sec. 120-615, p. 1489.

above quoted, providing that the Legislature shall provide for the levy and collection of an annual tax upon the property of the state for the maintenance of the public schools, the State Auditor, in 1883 passed the following act:

Each Board of School Commissioners, when after county taxes are levied, shall annually levy a tax on the taxable property of the county of the amount of one-half of one mill, the proceeds thereof shall be annually transmitted to the State Treasurer and aggregated with the proceeds from School Land and other sources.

VI. THE SCHOOL TAX.

Prior to the constitutional amendment of 1884, there was annually levied and collected a property tax on the land and improvements within the limits of the state for support of the public schools. The law then in force was as follows:

The Board of county commissioners shall annually levy at the time of making their annual report to the county school tax, not in excess of one-half mill, the rate certified by the state tax commission.

-
- 1-Covered by act, on file, Wisconsin, Vol. 11, p. 1882.
13-Covered by act, on file, Wisconsin, Vol. 11, p. 1882.
14-Covered by act, on file, Wisconsin, Vol. 11, p. 1882.

With the twenty-mill levy limitation provided by the constitutional amendment of 1934, the annual levy for school maintenance has been limited to five mills. Provision for limitation to a levy of twenty mills was as follows:

. . . provided, however, that taxes levied upon real or personal tangible property of all purposes . . . shall not exceed twenty mills annually on each dollar of the assessed valuation thereof . . .¹⁵

VII. THE EMERGENCY SCHOOL TAX

The twenty-mill limitation of property tax imposed by the constitutional amendment of 1934 created a real emergency in the matter of financing schools for the year 1934-35 and lead to the call of a special session of the Eleventh Legislature to enact a school revenue measure. This special session passed as Chapter Seven of its acts a school revenue measure entitled "AN ACT TO PROVIDE FOR THE RAISING OF REVENUE FOR EMERGENCY SCHOOL PURPOSES BY IMPOSING AN EXCISE TAX UPON THE ENGAGING OR CONTINUING IN BUSINESS, PROFESSIONS, TRADES AND CALLINGS FOR PROFIT IN THIS STATE; PROVIDING FOR THE LEVY, ASSESSMENT AND COLLECTION OF SAID TAX . . ."

This law was amended but not materially changed by the regular session of 1935, and again in 1937. The essential

¹⁵Margaret P. Baca, Laws of the State of New Mexico, Eleventh Legislature, 1933, (Albuquerque, New Mexico: Valliant Printing Company, 1933), p. 541.

With the twenty-mill levy limitation provided by the constitutional amendment of 1934, the annual levy for school maintenance has been limited to five mills. Provision for limitation to a levy of twenty mills was as follows:

... provided, however, that taxes levied upon real or personal property of all purposes shall not exceed twenty mills annually on each dollar of the assessed valuation thereof.

VII. THE EMERGENCY SCHOOL TAX

The twenty-mill limitation of property tax imposed by the constitutional amendment of 1934 created a real emergency in the matter of financing schools for the year 1934-35 and led to the call of a special session of the Eleventh Legislature to enact a school revenue measure. This special session passed as Chapter Seven of its acts a school revenue measure entitled "AN ACT TO PROVIDE FOR THE RAISING OF REVENUE FOR EMERGENCY SCHOOL PURPOSES BY IMPOSING AN EXCISE TAX UPON THE EARNING OR CONTINUING IN BUSINESS, PROFESSIONS, TRADES AND CALLINGS FOR PROFIT IN THIS STATE; PROVIDING FOR THE LEVY, ASSESSMENT AND COLLECTION OF SAID TAX."

This law was amended but not materially changed by the regular session of 1935, and again in 1937. The essential

¹ Margaret P. Bass, Laws of the State of New Mexico, Eleventh Legislature, 1935, (Albuquerque, New Mexico: Valiant Printing Company, 1935), p. 241.

provision of the act was as follows:

Section 201. Privilege tax. There is hereby levied, and shall be collected by the Bureau of Revenue, privilege taxes, measured by the amount or volume of business done, against the persons, on account of their business activities, engaging or continuing, within the State of New Mexico, in any business as herein defined, and in the amounts determined by the application of rates against gross receipts as follows.¹⁶

Provision was made for collection and administration of the tax. The usual rate is 2 per cent. Oil and gas production is taxed at the rate of 2 per cent of market value.¹⁷

Other sources of income to the maintenance fund as listed in Table V are affected to some extent by the oil industry of Lea County, although it is not possible to ascertain definitely the portions of these revenues that may have been contributed by the industry. Some of the most important of these sources of revenue to the maintenance fund are the income tax, motor vehicle license, merchandise license, delinquent taxes, and cash balances from previous years.

VIII. THE STATE INCOME TAX

The state income tax was enacted for the benefit of the school maintenance fund. The original act was passed in 1933,

¹⁶Ibid., 1934, Chap. 7, pp. 11-31.

¹⁷Ibid., p. 13.

provision of the act was as follows:

Section 201. Privilege tax. There is hereby levied, and shall be collected by the Bureau of Revenue, privilege taxes, measured by the amount of value of business done, against the persons, on account of their business activities, engaging or continuing within the State of New Mexico, in any business as herein defined, and in the amounts determined by the application of rates against gross receipts as follows:

Provision was made for collection and administration of the tax. The annual rate is 2 per cent. Oil and gas production is taxed at the rate of 2 per cent of market value. Other sources of income to the maintenance fund as listed in Table V are collected to some extent by the oil industry of New Mexico, although it is not possible to ascertain definitely the portions of these revenues that may have been contributed by the industry. Some of the most important of these sources of revenue to the maintenance fund are the income tax, motor vehicle license, merchandise license, delinquent taxes, and cash balances from previous years.

VIII. THE STATE INCOME TAX

The state income tax was enacted for the benefit of the school maintenance fund. The original act was passed in 1933,

1934, Chap. 7, pp. 11-21.

1935, p. 23.

and was amended in 1937. The act provides as follows:

Section 1. There is hereby assessed and levied a tax for the use of the State Common School Fund or the State School Equilization Fund when and if created by law, and State Government, at the rates herein specified, upon the net income for the years one thousand nine hundred and thirty-three, in excess of exemptions and credits herein set out, and said tax is hereby assessed and levied for each and every year thereafter and shall in like manner be calculated upon the net income for each calendar year or fiscal year subsequent to the year 1933, and in like manner collected in each subsequent year, provided, however, that the tax herein enacted shall be applicable to the year one thousand nine hundred and thirty-three only for such proportionate part of the calendar year following enactment hereof.

(a) Of every resident individual, trust or estate of the state.

(b) Of every domestic corporation or association.

(c) Of every foreign corporation or association and of every non-resident individual, trust or estate, having a business or agency or engaged in the transaction of business in, into or from this state, in proportion to the net income of such business or agency as hereinafter provided.¹⁸

IX. THE MOTOR VEHICLE LICENSE

A portion of the revenue of the motor vehicle department is credited to the State School Equilization Fund.

Provisions governing its distribution are as follows:

. . . that 6 per cent of the fees received from the licensing and registration of motor vehicles may be

¹⁸Elizabeth F. Gonzales, Laws of the State of New Mexico, Thirteenth Legislature, 1937, (Santa Fe, New Mexico: The Quality Press, 1937), Chap. 189, sec. 1, p. 486.

and was amended in 1937. The act provided as follows:

Section 1. There is hereby assessed and levied a tax for the use of the State Common School Fund of the State School Education Fund and it is enacted by law, and State Government, at the rate herein specified, upon the net income for the year one thousand nine hundred and thirty-three, in excess of amounts and credits herein set out, and said tax is hereby assessed and levied for each and every year thereafter and shall in like manner be calculated upon the net income for each calendar year or fiscal year subsequent to the year 1933, and in like manner collected in each subsequent year, provided, however, that the tax herein enacted shall be applicable to the year one thousand nine hundred and thirty-three only for each proportionate part of the calendar year following enactment hereof.

(a) Of every resident individual, trust or estate of the state.

(b) Of every domestic corporation or association.

(c) Of every foreign corporation or association.

and of every non-resident individual, trust or estate, having a business or agency or engaged in the transaction of business in, into or from this state, in proportion to the net income of such business or agency as hereinafter provided.

IX. THE MOTOR VEHICLE LICENSE

A portion of the revenue of the motor vehicle department is credited to the State School Education Fund.

Provisions governing its distribution are as follows:

... that 5 per cent of the fees received from the licensing and registration of motor vehicles may be

SENATOR F. GOODMAN, Town of the State of New Mexico, Thirteenth Legislature, 1937, (Session Laws, New Mexico, The Quality Press, 1937), Chap. 139, sec. 1, p. 139.

used by the Motor Vehicle Department in the administration of the Act. And that the fund remaining shall be divided as follows: 45 per cent to the State road fund; 15 per cent to the Counties for road purposes; and 15 per cent to the State general fund, leaving a balance of 25 per cent
 . . . 25 per cent thereof shall be paid over to the county treasurer of the several counties of this state and distributed between said respective counties in the proportion that the total amount of registration fees paid for vehicles owned in each county bears to the total amount of such registration fees paid for vehicles owned in the state, and the county treasurer of each county shall distribute the moneys paid to him under the provisions of this paragraph, when received, between the county and school district funds of such county and the various cities, towns and villages therein, in the same proportion that the receipts from general property taxes, other than taxes for state purposes, received by said treasurer for the year in which such distribution is to be made, are so distributed in such county between said county and school district funds and said cities, towns and villages therein. PROVIDED that in the counties wherein are located cities, towns or villages incorporated, organized and operating under special act, the county treasurers of said cities, towns or villages a proportionate amount of said money, by him to be distributed in the proportion that the receipts from general property taxes in said cities, towns and villages, bear to the total receipts from general property taxes other than taxes for state purposes received by the county treasurers and the collectors of said cities, towns or villages in the year in which said distribution is to be made. And provided further that for purpose of effecting an equitable distribution in said counties, the collectors of said cities, towns or villages operating under special act shall, on or before the first Monday in October, certify to the county treasurer and to the state tax commission, the assessed valuation and the total tax rate in said cities, towns or villages for such year. The remainder thereof shall be credited to the State Public School Equalization Fund.¹⁹

¹⁹Elizabeth F. Gonzales, Laws of the State of New Mexico, Twelfth Legislature, 1935, (Santa Fe, New Mexico: The Quality Press, 1935), Chap. 93, sec. 1, p. 202.

used by the Motor Vehicle Department in the state-
 lation of the act. And that the fund remaining
 shall be divided as follows: 45 per cent to the
 State road fund; 15 per cent to the State general
 fund; and 40 per cent to the State general
 fund, leaving a balance of 25 per cent
 . . . 25 per cent thereof shall be paid over to the
 county treasurer of the several counties of this
 state and distributed between said respective coun-
 ties in the proportion that the total amount of re-
 gistration fees paid for vehicles owned in each coun-
 ty bears to the total amount of such registration fees
 paid for vehicles owned in the state, and the county
 treasurer of each county shall distribute the money
 paid to him under the provisions of this paragraph
 when received, between the county and school district
 funds of such county and the various cities, towns and
 villages therein, in the same proportion that the
 receipts from general property taxes, other than
 taxes for state purposes, received by said treasurer
 for the year in which such distribution is to be made,
 are so distributed in such county between said county
 and school district funds and said cities, towns and
 villages therein. PROVIDED that in the counties where
 in are located cities, towns or villages incorporated,
 organized and operating under special act, the county
 treasurer of said cities, towns or villages a pro-
 portionate amount of said money, by him to be dis-
 tributed in the proportion that the receipts from general
 property taxes in said cities, towns and villages
 bear to the total receipts from general property taxes
 other than taxes for state purposes received by the
 county treasurer and the collectors of said cities,
 towns or villages in the year in which said distribu-
 tion is to be made. And provided further that for pur-
 pose of effecting an equitable distribution in said
 counties, the collectors of said cities, towns or
 villages operating under special act shall, on or be-
 fore the first Monday in October, certify to the county
 treasurer and to the state tax commission, the assessed
 valuation and the total tax rate in said cities, towns
 or villages for such year. The remainder thereof shall
 be credited to the State Public School Registration Fund.

X. THE MERCHANDISE LICENSE

As a part of the emergency legislation of the special session of 1934, the following merchandise act was passed:

A license tax or occupation tax to be collected by the State Comptroller and distributed as hereafter provided, shall be imposed each year upon the business or avocations mentioned in this chapter carried on by persons in the state of New Mexico.²⁰

Distribution of collections of merchandise license affects the school equilization fund as set forth in section 12 of the law, as follows:

All taxes paid and assessed under the provisions of sub-paragraphs eighth to eleventh of Section 3 hereof, shall be distributed by the State Treasurer as follows: One-half to the State Public School Equalization Fund created by Chapter 144 of the Session Laws of 1933, to be disbursed as provided by said Chapter as it now exists or may hereafter be amended; and the remaining one-half shall be remitted to the county or municipality wherein the retail dealer paying said tax has his place of business, or, if he has more than one place of business in different counties or municipalities, the amount of the tax shall be apportioned between the various counties and municipalities in the same manner as is provided in Paragraph A of this section. All moneys remitted to any county or municipality shall be placed in the general fund of such county or municipality.²¹

²⁰Margaret P. Baca, Laws of the State of New Mexico, Eleventh Legislature Special Session, 1934, (Albuquerque, New Mexico: Valliant Printing Company, 1934), Chap. 33, sec. 3, p. 128.

²¹Ibid., sec. 12, p. 132.

A. THE MERCHANDISE LICENSE

As a part of the emergency legislation of the special session of 1934, the following merchandise tax was passed:

A license tax or occupation tax to be collected by the State Comptroller and distributed as hereafter provided, shall be imposed each year upon the business or occupation mentioned in this chapter, carried on by persons in the state of New Mexico.

Distribution of collections of merchandise license

affects the school equalization fund as set forth in section

12 of the law, as follows:

All taxes paid and assessed under the provisions of and paragraphs eight to eleven of Section 2 hereof, shall be distributed by the State Treasurer as follows: One-half to the State Public School Equalization Fund created by Chapter 144 of the Session Laws of 1933, to be disbursed as provided by said Chapter and as now exists or may hereafter be amended; and the remaining one-half shall be remitted to the county or municipality wherein the retail dealer paying said tax has his place of business, or, if he has more than one place of business in different counties or municipalities, the amount of the tax shall be apportioned between the various counties and municipalities in the same manner as is provided in Paragraph A of this section. All moneys remitted to any county or municipality shall be placed in the general fund of such county or municipality.

Approved: Margaret P. Bass, Laws of the State of New Mexico, Seventy-Ninth Special Session, 1934. (Albuquerque, New Mexico: Valiant Printing Company, 1934), Chap. 12, Sec. 2, p. 133.

Idid., sec. 12, p. 133.

XI. THE DIRECT DISTRICT CHARGE

Each separate district of the state is charged with raising certain direct district charge funds, as follows:

Direct district charge fund shall include property insurance, lease of school buildings, erection of school buildings, repair to school buildings and equipment, new equipment, purchase of school grounds, improvements of grounds and buildings, repairs to and original cost of all school trucks and wagons, interest on and sinking funds for district school bonds.²²

XII. FREE TEXT BOOK FUND

The first free textbook law for New Mexico was enacted in 1927²³ and amended in 1929,²⁴ but not until 1933 was there created a special fund for the free textbook department.²⁵ This free textbook fund is derived from monies paid to the state through provision of what is commonly called the Mineral Leasing Act, passed by Congress in 1920. The portion

²²Courtwright, op cit., New Mexico Statute, 1929, sec. 120-604, p. 1488.

²³Ibid., sec. 120-1701 to 120-1714, pp. 1510-1512.

²⁴E. A. Perrault, Laws of the State of New Mexico, Ninth Legislature, 1929, (Santa Fe New Mexican Printing Company, 1929), Chap. 191, p. 399.

²⁵Margaret P. Baca, Laws of the State of New Mexico, Eleventh Legislature, 1933, (Albuquerque, New Mexico: Valliant Printing Company, 1933), Chap. 112, p. 233.

pertinent to this discussion is as follows:

. . . and for production thereafter [February 25, 1920] 37 $\frac{1}{2}$ per centum of the amounts derived from such bonuses, royalties, and rentals shall be paid by the Secretary of the Treasury after the expiration of each fiscal year to the State within the boundaries of which the leased lands or deposits are or were located, said moneys to be used by such State or subdivisions thereof for the construction and maintenance of public roads or for the support of public schools or other public educational institutions, as the legislature of the State may direct. All moneys which may accrue to the United States hereunder from lands within the naval petroleum reserves shall be deposited in the Treasury as "miscellaneous receipts."²⁶

Chapter 134 of the 1929 Session Laws provides for the distribution of this fund as follows:

Section 1. For the 18th and 19th fiscal years of the State of New Mexico, there is hereby appropriated for the New Mexico School of Mines from the Mineral Leasing Act Fund, created by Section 35, of Senate Bill No. 2775 the sum of Fifteen Thousand Dollars (\$15,000.00) for each of said fiscal years. Any unappropriated balance in the Mineral Leasing Lands Act Fund shall be turned into the funds for General State Purposes.

Section 2. The same appropriation as made in Section 1, of this act for the 18th and 19th fiscal years, is hereby declared to apply and to be continued to, and in every fiscal year subsequent to the 19th fiscal year, unless any Legislature, subsequent to the one at which this act is passed shall provide otherwise.²⁷

Chapter 138 of the 1931 Session laws dealt with the

²⁶Congress, Statutes at Large of the United States, (Washington, D. C.: Government Printing Office, 1921), vol. 4, Chap. 85, sec. 35, p. 450.

²⁷Perrault, op cit., Chap. 134, sec. 1, p. 316.

provision to this account is as follows:

... and for production thereafter (February 25, 1940) 37% per annum of the amount derived from such business, royalties, and rentals shall be paid by the Secretary of the Treasury after the expiration of each fiscal year to the State within the number of which the interest is due or payable and if none located, said money to be used by such State or subdivisions thereof for the construction and maintenance of public roads or for the support of public schools or other public educational institutions, as the Legislature of the State may direct. All moneys which may accrue to the United States hereunder from lands within the naval petroleum reserves shall be deposited in the Treasury as miscellaneous receipts.

Chapter 135 of the 1932 Session Laws provides for the

distribution of same from as follows:

Section 1. For the 1932 and 1933 fiscal years of the State of New Mexico, there is hereby appropriated for the New Mexico School of Mines from the Mineral Lands not sold, or owned by Section 30, of Senate Bill No. 2772 the sum of Fifteen Thousand Dollars (\$15,000.00) for each of said fiscal years. Any unexpended balance in the Mineral Lands not sold shall be turned into the funds for General State purposes.

Section 2. The same appropriation as made in Section 1, of said act for the 1932 and 1933 fiscal years, is hereby directed to apply and to be continued to, and in every fiscal year subsequent to the 1933 fiscal year, unless any Legislature, subsequent to the act as aforesaid, shall provide otherwise.

Chapter 135 of the 1932 Session Laws deals with the

Government, situated at Santa Fe, New Mexico.

(Washington, D. C.: Government Printing Office, 1932.)

Vol. 4, Chap. 22, Sec. 135, p. 432.

Statutes, pp. 431, 432, 433, 434, 435.

further appropriation of the funds from the mineral leasing act as follows:

Section 1. There is hereby created a state school building, text book and rural aid fund, which shall be expended under the supervision of the State Board of Education, under the powers of said board, as now or hereafter provided by law.

Section 2. There is hereby appropriated for the purposed of this fund, annually, all the balance, not otherwise appropriated in the Mineral Leasing Land Act Fund created by section 55 of the Act of Congress approved February 25, 1920, being Public Act, No. 146, 66th Congress. The appropriation provided in this act shall not be interpreted to preclude nor have preference to the annual appropriation for the New Mexico School of Mines provided by Chapter 134 of the Session Laws of 1929, but shall be subsequent thereto.²⁸

This "State School Building, Text Book and Rural Aid Fund" was further dealt with in Chapter 112 of the Session Laws of 1933 as follows:

Section 1 provided that the fund created by Chapter 138 of the Session Laws of 1931 be used by said Board of Education in the purpose [purchase] of such free text books.²⁹

A summary of these statutes reveals that all of the 37½ per cent of the federal government's receipts from mineral lands in New Mexico, with the exception of the \$15,000.00 appropriated to the School of Mines, was credited to the

²⁸Margaret P. Baca, Laws of the State of New Mexico, Tenth Legislature, 1931, (Santa Fe, New Mexico; Santa Fe New Mexican Publishing Company, 1931), Chap. 138, p. 244.

²⁹Ibid., 1933, Chap. 112, p. 233.

Further appropriation of the funds from the United States

not as follows:

Section 1. There is hereby authorized to be appropriated out of the Treasury, for the purpose of carrying out the provisions of the Act approved July 1, 1902, and for the purpose of carrying out the provisions of the Act approved July 1, 1902, the sum of \$1,000,000.

Section 2. There is hereby authorized to be appropriated out of the Treasury, for the purpose of carrying out the provisions of the Act approved July 1, 1902, and for the purpose of carrying out the provisions of the Act approved July 1, 1902, the sum of \$1,000,000.

This "United States School Building, Texas School and Hospital"

fund" was further dealt with in Chapter 111 of the Statutes

Law of 1903 as follows:

Section 1. . . . provided that the fund created by Chapter 111 of the Statutes Law of 1903 be used for the purpose of carrying out the provisions of the Act approved July 1, 1902, and for the purpose of carrying out the provisions of the Act approved July 1, 1902.

A summary of these statutes reveals that all of the

3.5 per cent of the Federal Government's receipts from the

at lands in New Mexico, with the exception of the \$1,000,000

appropriated to the School of Mines, was directed to the

Department of the Interior, for the purpose of carrying out the provisions of the Act approved July 1, 1902, and for the purpose of carrying out the provisions of the Act approved July 1, 1902.

Approved: July 1, 1903.

funds for general school purposes for years to June 30, 1931; to the rural aid fund for the fiscal years ending June 30, 1932 and June 30, 1933; and to the free text book fund since 1933.

Funds for 1931-1932 and 1932-1933
 1931-1932: 11,000.00
 1932-1933: 11,000.00
 Total: 22,000.00

CORPORATE BOND

1931-1932

CHAPTER IV

RECEIPTS TO VARIOUS SCHOOL REVENUE FUNDS FROM THE OIL INDUSTRY OF LEA COUNTY

I. INTRODUCTION

It is the purpose of this chapter to show as definitely as possible just what amounts are received into the school funds from various forms of revenue to which the oil industry of Lea County contributes. Some of these funds will be affected in such a manner that it is possible to tell exactly the amount that is contributed by the oil industry. Others are affected to such an extent that it is necessary to consider them in this study, but the sources are of such a nature that it will be impossible to tell exactly to what extent the funds are affected.

The land office, for instance, reports very definitely the amount received from oil royalties. Lea County produces a definite per cent of all oil of the state. The receipts from royalties are credited to the permanent fund. Therefore, the amount added to the permanent fund each year from oil in Lea County can be determined. On the other hand, the motor vehicle license receipts credited to Lea County schools, which in 1937-38 amounted to \$13,657, are augmented to considerable extent by the large number of heavy oil field trucks

CHAPTER IV

RECEIPTS TO VARIOUS SCHOOL REVENUE FUNDS FROM THE OIL INDUSTRY OF LAS COUNTY

I. INTRODUCTION

It is the purpose of this chapter to show as definitely

as possible just what amounts are received into the school funds from various forms of revenue to which the oil industry of Las County contributes. Some of these funds will be allocated in such a manner that it is possible to tell exactly the amount that is contributed by the oil industry. Others are allocated to such an extent that it is necessary to surmise either from this study, but the sources are of such a nature that it will be impossible to tell exactly to what extent the funds are affected.

The land office, for instance, reports very definitely the amount received from oil royalties. Las County produces a definite per cent of all oil of the state. The receipts from royalties are credited to the permanent fund. Therefore, the amount added to the permanent fund each year from oil in Las County can be determined. On the other hand, the motor vehicle license receipts credited to Las County schools, which in 1937-38 amounted to \$15,687, are augmented to considerable extent by the large number of heavy oil field trucks

operating in the county in connection with the industry and the many passenger cars used by officials of oil companies and workers in the field who purchase their license plates in the county. But it is not known exactly to what extent motor vehicle license receipts from Lea County are affected by the oil industry. Some of the findings will of necessity be estimates. In case of estimates, methods of calculations for estimates will be explained. A total of various revenues from definite sources related to the oil industry of the county will be supplemented by figures giving estimate amounts from all other sources of revenue.

Chapter II gives a review of the history of the oil activity of Lea County. In that chapter, it was stated that oil was not discovered in the county until 1927. The present chapter, therefore, is concerned with revenues beginning with the year of 1928 and extending through the year ending June 30, 1938.

Table V presents all sources of school revenue for the school year 1937-1938 that are attributed definitely to the oil industry of Lea County. Amounts of various types of revenue for the year for the entire state are offered for comparison. Each of these sources of income, such as the permanent fund, income from the land office, counties half-mill levy, emergency school tax, property tax, income tax,

operating in the county in connection with the industry and the many passenger cars used by officials of oil companies and workers in the field who purchase their licenses either in the county. But it is not known exactly to what extent major vehicle license receipts from Las County are affected by the oil industry. Some of the findings will be necessary to be estimated. In case of estimates, methods of calculation for estimates will be explained. A total of various revenues from definite sources related to the oil industry of the county will be supplemented by figures giving estimates amounts from all other sources of revenue.

Chapter II gives a review of the history of the oil activity of Las County. In that chapter, it was stated that oil was not discovered in the county until 1917. The present chapter, therefore, is concerned with revenues beginning with the year of 1925 and extending through the year ending June 30, 1938.

Table V presents all sources of school revenue for the school year 1937-1938 that are attributed definitely to the oil industry of Las County. Amounts of various types of revenue for the year for the entire state are offered for comparison. Each of these sources of income, such as the permanent fund, income from the land office, counties' oil, mill levy, emergency school tax, property tax, income tax,

motor vehicle license, direct district charge, and free textbook fund, will be considered separately.

II. THE PERMANENT SCHOOL FUND

The permanent common school fund of New Mexico as described in Chapter III of this study consists of incomes from state school lands. It is interesting to note that, although the federal grant provided that sections two, sixteen, thirty-two, and thirty-six of each township or 11.11 per cent of all land of the state be set aside as school land, which would amount to about 311,324 acres in Lea County, there is actually a total of 1,300,468.93 acres of state land in Lea County.¹ This acreage represent 46.3 per cent of all land in the county. This large per cent of state school land in Lea County resulted from a provision in the grant that where sections two, sixteen, thirty-two, and thirty-six were otherwise appropriated lieu land was to be selected. Much of this lieu land was selected in Lea County, and the development of oil production on this acreage has had a very great affect upon the contributions to the permanent fund.

The provisions for setting up a permanent school fund

¹D. F. Hinkle, Biannual Report of Commissioner of Public Lands of New Mexico for Years Ending June 30, 1932, (Albuquerque, New Mexico: Ward Anderson Printing Company, 1932), p. 3.

motor vehicle license, direct district charge, and three book fund, will be considered separately.

II. THE PERMANENT SCHOOL FUND

The permanent common school fund of New Mexico is described in Chapter III of this study consisting of 10 sections from state school lands. It is important to note that although the federal grant provided that one-half, one-tenth, thirty-two, and thirty-six of each section of 36.33 per cent of all land of the state be set aside for school land, which would amount to about 211,000 acres in the Territory, there is actually a total of 1,500,000 acres of school land in the Territory. This mortgage represents a 10 per cent of all land in the country. This large amount of school land in the Territory resulted from a provision in the original act where sections two, eleven, thirty-two, and thirty-six were otherwise appropriated for other uses. This provision of this law was repealed in 1890, and the result of all production on this territory has since been affected upon the contributions to the permanent fund. The provisions for setting up a permanent school fund

for the state of New Mexico, and the use of receipts therefrom, have been given in Chapter III of this study. An effort will be made here to determine the amounts added to this fund each year from the oil industry of Lea County, as well as the receipts from the use of the fund that may be attributed to the industry.

Figures for the year ending June 30, 1938, will serve as an example to show how annual receipts to the permanent fund from oil royalties of Lea County are determined. Table VI reveals the annual receipts from oil and gas royalties, the per cent of receipts of the land office that are distributed to institutions, amounts distributed to the permanent fund, the per cent of this fund from oil and gas royalties, the amount distributed to the common schools permanent fund, the amount distributed to the common school permanent fund from oil and gas royalties, and the amount added to the common school permanent fund from oil and gas royalties from Lea County in the fiscal year ending June 30, 1938.

It will be noted from a study of Table VI that the common school permanent fund amounted to only \$1,206,420 in 1928, and that annual contributions since that date have increased rapidly, largely as a result of income from the oil and gas royalties from Lea County. Incomes from the permanent fund have likewise increased. Incomes attributed to the investment

for the State of New Mexico, and the use of receipts there-
 fore, have been given in Chapter III of this study. An
 effort will be made here to determine the amount added to
 this fund each year from the oil industry of New Mexico, as
 well as the receipts from the sale of this fund that may be
 distributed to the industry.

Receipts for the year ending June 30, 1933, will serve
 as an example to show how annual receipts for the permanent
 fund from oil royalties of New Mexico are determined. Table
 VI reveals the annual receipts from oil and gas royalties, the
 per cent of receipts of the land office that are distributed
 to institutions, amounts distributed to the permanent fund,
 the per cent of this fund from oil and gas royalties, the
 amount distributed to the common school permanent fund, the
 amount distributed to the common school permanent fund from
 oil and gas royalties, and the amount added to the common
 school permanent fund from oil and gas royalties from the
 County in the fiscal year ending June 30, 1933.

It will be noted from a study of Table VI that the com-
 mon school permanent fund amounted to only \$1,500,000 in 1933,
 and that annual contributions since that time have increased
 markedly. Largely as a result of receipts from the oil and gas
 royalties from New Mexico. Indeed, the common school fund
 has tripled in amount. Through addition to the investment

TABLE VI

ADDITION TO COMMON SCHOOL PERMANENT FUND FROM OIL LAND
OF LEA COUNTY FOR THE YEAR ENDING JUNE 30, 1938

A. Total oil and gas royalties received for year ending June 30, 1938	\$1,742,504.61
B. 96.7% of total receipts apportioned to institutions (96.7% of A)	1,679,774.44
C. Apportioned to permanent fund, all sources	1,860,375.28
D. Per cent of permanent fund from oil and gas royalties (B/C)	90%
E. Total distribution to common school permanent fund	1,267,706.78
F. Distribution to common school permanent fund from oil and gas (90% F)	1,140,936.11
G. Distribution to common school permanent fund from oil and gas royalties of Lea County for year ending June 30, 1938 (95% F)	1,083,889.30

AMOUNT OF THE ...
... ..

A. Total ...	1,000.00
B. ...	1,000.00
C. ...	1,000.00
D. ...	1,000.00
E. ...	1,000.00
F. ...	1,000.00
G. ...	1,000.00
H. ...	1,000.00
I. ...	1,000.00
J. ...	1,000.00
K. ...	1,000.00
L. ...	1,000.00
M. ...	1,000.00
N. ...	1,000.00
O. ...	1,000.00
P. ...	1,000.00
Q. ...	1,000.00
R. ...	1,000.00
S. ...	1,000.00
T. ...	1,000.00
U. ...	1,000.00
V. ...	1,000.00
W. ...	1,000.00
X. ...	1,000.00
Y. ...	1,000.00
Z. ...	1,000.00

TABLE VII

COMPARATIVE STATEMENT OF TOTAL STATE ANNUAL CONTRIBUTIONS TO AND INCOME FROM COMMON
SCHOOL PERMANENT FUND FROM OIL LANDS OF LEA COUNTY, 1928 TO 1938

Year	Total state permanent fund	Total annual contribution	Annual contribution Lea Co. oil	Total contribution Lea Co. oil	Annual income on contributions from Lea County oil
1928	\$1,206,420	\$ 99,163	\$ 739	\$ 739	\$ 32
1929	1,305,583	117,000	11,753	12,492	625
1930	1,422,583	196,982	102,583	115,075	6,214
1931	1,938,157	318,592	144,958	260,033	15,442
1932	2,045,874	108,717	44,900	304,933	23,788
1933	2,163,894	117,020	50,049	354,982	21,653
1934	2,338,403	174,509	121,073	476,055	19,518
1935	2,678,692	340,289	206,800	682,855	26,777
1936	3,219,082	540,390	421,036	1,103,891	44,156
1937	4,215,844	996,762	847,198	1,951,089	66,337
1938	5,483,451	1,267,707	1,083,889	3,034,933	98,674

THE STATE

REPORT OF THE COMMISSIONER OF THE LAND OFFICE FOR THE YEAR 1900

ALBANY, N. Y.: JAMES B. LEECH, STATE PRINTER, 1901.

Year	State Land Bought	Land Returned	Land Conveyed	Land Acquired	Land Lost	Land Unclaimed
1900	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1901	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1902	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1903	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1904	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1905	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1906	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1907	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1908	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1909	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
1910	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567

of that portion of the permanent fund derived from oil and gas royalties from Lea County were small the first year they were noted but have increased as the per cent of the total permanent fund from Lea County oil and gas royalties has increased. Table V reveals that income to the current fund from investment of the permanent fund for 1937-1938 was \$175,938.00 on a total permanent fund of \$5,483,451. Of this total \$3,034,933 or 55.4 per cent accumulated from oil and gas royalties of Lea County. This 55.4 per cent applied to the total income from the year of \$175,938 reveals that \$98,674 was contributed to the maintenance fund for 1937-1938 from investments of the permanent fund derived from the oil industry of Lea County. The same method of calculation reveals other annual contributions as shown in Table V.

The trend reflected is decidedly in an upward direction, and if this trend continued upward, this item will be an increasingly important source of revenue to the current school fund. Since this annual addition to the permanent fund is from sale of oil produced and since it seems fairly certain that large quantities of oil will be produced for many years to come, there is every reason to believe that this trend will continue upward.

III. INCOME FROM THE LAND OFFICE

Leases and rentals of public school land in New Mexico

represents a very large per cent of income to the common school maintenance fund.

The established rate of rentals for oil and gas leases ranges from \$.05 to \$1.00 per acre per year. In a restricted area of the state comprising parts of Lea, Eddy, and Chaves Counties, however, leases contracts are let only at public auction sales, at which time bonuses are offered for desirable acreage. This bonus is paid for the award of the lease contract, and thereafter the annual lease rate is applied until such time as production is obtained on the land or the lease contract expires or is forfeited. These bonuses represent a large part of the income from leases shown in Table VI. The highest price recorded by the land office for these bonuses was an average of \$134.50 for 240 acres, or a total of \$32,283.35 and was paid by the Skelley Oil Company on December 10, 1938, for 240 acres in sections 25 and 32, T 16S, R36E.

Table VIII shows annual income from rentals to the common school fund from the land office, and the portion of this income derived from oil and gas leases of Lea County. Table IX gives an explanation of how the totals represented in Table VIII were obtained.

It will be noted that in the years 1932 to 1936 the income from this fund dropped considerably below average for

represents a very large part of income to the owner.

Income tax is paid.

The estimated rate of return for all and for leased

ranges from 4.5% to 11.0% per year. In a number of

cases of the state companies, such as the, etc., and others

companies, however, income tax is paid only at times

and other cases, at which time income is added for each

able source. This source is paid for the amount of the lease

contract, and thereafter the normal income rate is applied

until such time as production is obtained in the form of the

lease contract, which is as follows. These figures are

presented in Table VI. The income tax income shown in Table

VI. The highest rates recorded by the land office for these

leases was an average of 11.0% for 1945 and, for a total of

\$30,000,000 and was paid by the Shell Oil Company on lease

for 10, 1945, for 1945 lease in sections 25 and 26, T 12S, R 22E,

Table VII shows normal income from lease to the com-

mon school fund from the land office, and the portion of this

income derived from oil and gas leases of the county. Table

IX gives an explanation of how the income represented in Table

VII were obtained.

It will be noted that in the years 1945 to 1950 the land

office has been operating successfully and is expected to

TABLE VIII

INCOME TO THE CURRENT COMMON SCHOOL FUND FROM THE LAND
OFFICE AND FROM OIL LANDS OF LEA COUNTY, 1928-1938

Year	Total income from land office to current fund	Income from oil and gas leases of Lea County
1928	\$664,346	\$265,838
1929	917,034	447,054
1930	926,504	474,175
1931	848,627	432,440
1932	599,945	259,800
1933	591,190	317,527
1934	718,067	442,732
1935	861,023	653,291
1936	890,382	664,474
1937	890,141	676,611
1938	987,139	794,979

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20. <i>Journal of the American Association of Teachers of Science</i>	1951

TABLE IX

CALCULATION OF SCHOOL REVENUE FROM THE LAND OFFICE AND
FROM OIL LANDS OF LEA COUNTY, 1928-1938

A. Total receipts to land office, 1938	\$3,522,930
B. Total distribution to institutions (97.7% A)	3,406,128
C. Total earned receipts to institutions	1,302,183
D. Total earned receipts to common schools	987,129
E. Ratio of earned receipts to common schools to earned receipts to all institutions (C / D)	76%
F. Total oil and gas rentals	1,138,626
G. Total distribution from oil and gas rentals (96.7% of F)	1,101,051
H. Distribution to common schools for main- tenance from oil and gas rentals (76% G)	836,799
I. Distribution to common schools from oil and gas leases of Lea County for the year ending June 30, 1938 (95% H)	794,979

TABLE IX

COMPARISON OF AVERAGE MONTHLY INCOME FROM THE SALE OF
FARM AND FOREST PRODUCTS, 1932-1933

A. Total received from sale of farm products	\$2,482,000
B. Total received from sale of forest products	1,100,000
(C. Total received from sale of farm and forest products)	3,582,000
D. Total amount expended for farm products	2,482,000
E. Total amount expended for forest products	1,100,000
F. Net income from sale of farm products	1,100,000
G. Net income from sale of forest products	1,100,000
H. Net income from sale of farm and forest products	2,200,000
I. Distribution of net income from sale of farm products	1,100,000
J. Distribution of net income from sale of forest products	1,100,000
K. Distribution of net income from sale of farm and forest products	2,200,000
L. Total net income from sale of farm and forest products	2,200,000

the period studied. The greater part of loss here represented is attributed to the low price of oil for these years, as represented in Table IV. In these years when the price of oil dropped as low as \$.10 per barrel, interest in the oil industry decreased, and many leases were allowed to lapse. With the increase in price of oil since 1933, however, interest in oil and gas leases has increased and there has been a satisfactory increase in income from this source since that date. It is also encouraging to note in Figure 3 that the trend for income from oil and gas leases of Lea County for the period studied is decidedly upward in recent years.

IV. THE HALF-MILL LEVY

A levy of one-half mill on all property of the state for school purposes is explained in Chapter III. The annual income from this source from the oil industry of Lea County is represented in Table X. It will be noted in the definitions of terms in Chapter I of this study that oil valuation is taken to mean only the valuation of oil and gas production, oil and gas well equipment valuation, and pipeline valuation. Many other types of valuation are affected to a considerable extent by the oil industry of Lea County, but it is not possible to determine to what extent they are affected and therefore they are not included in oil valuation.

The portion studied. The greater part of loss came from the portion in the oil field of all for these years, as represented in Table IV. In these years when the price of oil dropped as low as \$2.10 per barrel, and when in the oil industry depressed, and many losses were allowed to lapse. When the recovery in price of oil began in 1932, however, in- creased in oil and gas losses has increased and there has been a satisfactory increase in income from this source since that date. It is also encouraging to note in Figure 3 that the losses for income from oil and gas losses of Los Gatos for the period studied is markedly upward in recent years.

IV. THE HALF-MILE LEVY

A levy of one-half mill on all property of the state for school purposes is explained in Chapter III. The annual income from this source from the oil industry of Los Gatos is represented in Table V. It will be noted in the de- scriptions of items in Chapter I of this study that oil valua- tion is taken to mean only the valuation of oil and gas production, oil and gas well equipment valuation, and pipe line valuation. Many other types of valuations are allowed to a considerable extent by the oil industry of Los Gatos, but it is not possible to determine to what extent they are reflected and therefore they are not included in oil valuation.

TABLE X

ANNUAL VALUATION OF OIL INDUSTRY AND SCHOOL REVENUES FROM PROPERTY TAXES ON OIL
PROPERTY OF LEA COUNTY, 1930-1938

Year	Valuations					Income ½ mill levy	Rate County levy	Income county levy
	Pipe line	Oil and gas equip- ment	Oil and gas product- ion	Total oil				
1930	\$549,980	\$ --	\$ 2,819,717	\$ 3,055,100		\$ 1,528	\$.018	\$ 54,991
1931	1,246,365	293,000	3,038,670	4,578,035		2,289	.018	82,405
1932	1,213,292	331,125	3,522,323	4,604,481		2,302	.017237	82,881
1933	819,674	387,500	2,329,236	3,530,410		1,765	.014853	52,952
1934	761,127	464,500	5,755,348	10,154,712		5,073	.014853	152,321
1935	756,315	542,375	6,781,363	8,080,053		4,040	.003	24,240
1936	855,063	922,380	10,388,616	14,891,655		7,446	.0015	12,337
1937	1,485,589	2,167,800	16,100,466	18,497,209		9,249	.005	92,486
1938	2,862,145	3,264,950	14,479,744	21,051,054		10,526	.005	105,265

Date	Time	Locality	No. of birds	Sexes	Age	Notes
Jan 1	10:00
Jan 2	11:00
Jan 3	12:00
Jan 4	13:00
Jan 5	14:00
Jan 6	15:00
Jan 7	16:00
Jan 8	17:00
Jan 9	18:00
Jan 10	19:00
Jan 11	20:00
Jan 12	21:00
Jan 13	22:00
Jan 14	23:00
Jan 15	24:00
Jan 16	25:00
Jan 17	26:00
Jan 18	27:00
Jan 19	28:00
Jan 20	29:00
Jan 21	30:00
Jan 22	31:00
Jan 23	32:00
Jan 24	33:00
Jan 25	34:00
Jan 26	35:00
Jan 27	36:00
Jan 28	37:00
Jan 29	38:00
Jan 30	39:00
Jan 31	40:00
Feb 1	41:00
Feb 2	42:00
Feb 3	43:00
Feb 4	44:00
Feb 5	45:00
Feb 6	46:00
Feb 7	47:00
Feb 8	48:00
Feb 9	49:00
Feb 10	50:00
Feb 11	51:00
Feb 12	52:00
Feb 13	53:00
Feb 14	54:00
Feb 15	55:00
Feb 16	56:00
Feb 17	57:00
Feb 18	58:00
Feb 19	59:00
Feb 20	60:00
Feb 21	61:00
Feb 22	62:00
Feb 23	63:00
Feb 24	64:00
Feb 25	65:00
Feb 26	66:00
Feb 27	67:00
Feb 28	68:00
Feb 29	69:00
Feb 30	70:00
Feb 31	71:00
Mar 1	72:00
Mar 2	73:00
Mar 3	74:00
Mar 4	75:00
Mar 5	76:00
Mar 6	77:00
Mar 7	78:00
Mar 8	79:00
Mar 9	80:00
Mar 10	81:00
Mar 11	82:00
Mar 12	83:00
Mar 13	84:00
Mar 14	85:00
Mar 15	86:00
Mar 16	87:00
Mar 17	88:00
Mar 18	89:00
Mar 19	90:00
Mar 20	91:00
Mar 21	92:00
Mar 22	93:00
Mar 23	94:00
Mar 24	95:00
Mar 25	96:00
Mar 26	97:00
Mar 27	98:00
Mar 28	99:00
Mar 29	100:00
Mar 30	101:00
Mar 31	102:00
Apr 1	103:00
Apr 2	104:00
Apr 3	105:00
Apr 4	106:00
Apr 5	107:00
Apr 6	108:00
Apr 7	109:00
Apr 8	110:00
Apr 9	111:00
Apr 10	112:00
Apr 11	113:00
Apr 12	114:00
Apr 13	115:00
Apr 14	116:00
Apr 15	117:00
Apr 16	118:00
Apr 17	119:00
Apr 18	120:00
Apr 19	121:00
Apr 20	122:00
Apr 21	123:00
Apr 22	124:00
Apr 23	125:00
Apr 24	126:00
Apr 25	127:00
Apr 26	128:00
Apr 27	129:00
Apr 28	130:00
Apr 29	131:00
Apr 30	132:00
May 1	133:00
May 2	134:00
May 3	135:00
May 4	136:00
May 5	137:00
May 6	138:00
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May 8	140:00
May 9	141:00
May 10	142:00
May 11	143:00
May 12	144:00
May 13	145:00
May 14	146:00
May 15	147:00
May 16	148:00
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May 19	151:00
May 20	152:00
May 21	153:00
May 22	154:00
May 23	155:00
May 24	156:00
May 25	157:00
May 26	158:00
May 27	159:00
May 28	160:00
May 29	161:00
May 30	162:00
May 31	163:00
Jun 1	164:00
Jun 2	165:00
Jun 3	166:00
Jun 4	167:00
Jun 5	168:00
Jun 6	169:00
Jun 7	170:00
Jun 8	171:00
Jun 9	172:00
Jun 10	173:00
Jun 11	174:00
Jun 12	175:00
Jun 13	176:00
Jun 14	177:00
Jun 15	178:00
Jun 16	179:00
Jun 17	180:00
Jun 18	181:00
Jun 19	182:00
Jun 20	183:00
Jun 21	184:00
Jun 22	185:00
Jun 23	186:00
Jun 24	187:00
Jun 25	188:00
Jun 26	189:00
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TABLE XI

REVENUE FROM THE EMERGENCY SCHOOL TAX

Year	Total state income	Total income from Lea County	Total income from oil of Lea County	Excess of income from Lea County over average for counties of com- parable size
1938	\$3,617,697	\$742,143	\$550,983	\$714,649
1937	3,692,214	802,827	553,392	
1936	2,516,891	575,716	369,792	
1935	2,131,030	468,838	256,996	

Among these types of valuation affected most are personal property, plant tools and machinery, city property, mercantile and merchandise, railroads, telegraph and telephone, and public utilities. The Table I sets forth some of these types of valuations for 1926 and for 1938, showing increase in each type of valuation since the development of the oil industry in the county. Although it is not argued that the total increase is brought about by development of the oil industry, it is believed since investigation reveals that total valuations for the county were constant for twenty years before 1926, that at least a very large per cent of the increase in these valuations was due to the development in the industry, and that school revenue is increased proportionately.

V. PROPERTY TAX

In accordance with statutory provisions set forth in Chapter III there is levied an annual property tax in each county to supplement the state school apportionment and equalization funds allotted to the county. Prior to enactment of constitutional amendment limiting property tax rate for all purposes to twenty mills, this county property tax was a much more important source of school revenue. However, unlike the half-mill levy which is mandatory upon all counties alike, the property tax levy is more or less a voluntary matter with the county. If the county is satisfied to ask for funds for the

Among these types of valuation included most are personal property, plant tools and machinery, city property, minerals, life and merchandise, railroads, telegraph and telephone, and public utilities. The Table I sets forth some of these types of valuations for 1935 and for 1936, showing increase in each type of valuation since the development of the oil industry in the county. Although it is not argued that the total increase is brought about by development of the oil industry, it is believed since investigation reveals that total valuations for the county were constant for twenty years before 1928, that at least a very large part of the increase in these valuations was due to the development in the industry, and that school revenue is increased proportionately.

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schools of the county within their allotment from the state apportionment and equalization fund, it is not necessary that they levy additional tax. But Table X reveals that Lea County has levied near the statutory limit permitted for almost every year. The maximum rate of taxation for schools as explained in Chapter III was eighteen mills to the year 1904 and since that date the rate for schools and municipalities combined must not have exceeded five mills.

VI. EMERGENCY SCHOOL TAX

It became necessary, after passage of the constitutional amendment limiting property tax rate to twenty mills for all purposes, to provide other means of support for schools. A special session of the legislature was called, and the resulting sales or emergency school tax, as explained in Chapter III, was enacted.

Table XI reveals some interesting facts concerning incomes from the sales tax. This tax is collected and administered by the Bureau of Revenue, and from that office figures were obtained for Table XI. The bureau began on January 1, 1938, to keep definite account of incomes to this fund from each county. It was not possible to determine exact amounts contributed by any one county before that date.

schools of the county within their respective towns and
 these appointments and qualifications have, it is not neces-
 sary to say, been additional. But Table A reveals
 that the county has levied more than statutory limit pay-
 ment for almost every year. The maximum rate of taxation for
 schools as explained in Chapter III - as explained in the
 year 1900 and since that date the rate for schools and mun-
 icipalities combined have not have exceeded five mills.

VI. EXCESSIVE SCHOOL TAX

It became necessary, after passage of the constitu-
 tional amendments limiting property tax rate to twenty mills
 for all purposes, to provide other means of support for
 schools. A special session of the legislature was called,
 and the resulting act of emergency school tax, as ex-
 plained in Chapter III, was enacted.
 Table II reveals some interesting facts concerning
 income from the sales tax. This tax is collected and ad-
 ministered by the Bureau of Revenue, and from that office
 figures were obtained for Table XI. The Bureau began on
 January 1, 1933, to keep definite account of income from the
 land use each county. It was not possible to determine
 exact amounts distributed by any one county before that date.

The amounts credited to Lea County, therefore, for years before 1938 were determined by applying the rate of 22 per cent, which represents the portion of the state's income for 1938 that was paid by Lea County, to the total state incomes for previous years.

Incomes attributed definitely to the oil industry from Lea County, however, are more definitely determined for all years. Taxation is fixed at the rate of 2% of sale of oil and gas produced. Oil production of the county as shown in Table X was used as basis for calculations for incomes shown in the table as total income from oil of Lea County.

The excess of income from Lea County over counties of comparable size for 1938 is offered in the belief that a very large part of this excess not included in the income attributed directly to sale of oil is due to sale of commodities as a result of the operation of the industry in the county. This excess was determined by totaling incomes from Guadalupe, Hidalgo, Lincoln, Luna, and Sierra counties, the only counties of the state with population near that of Lea County in 1930, and dividing the total by five, the number of counties considered. Since these five counties were very similar in most respects to Lea County before the development of oil in Lea County, it is believed

that at least a large part of this excess of \$714,646 was due to activities of the industry in the county.

VII. INCOME TAX

The income to the school maintenance fund from the income tax collection since its enactment in 1905 is shown in Table X. Records are not available to show the part of this income that is collected from any one county. Therefore it is not possible to determine just what part of it was contributed by the oil industry of Lea County. But since it is believed that at least a part of the income is due to the activities of the industry, it is considered and an estimate is offered. The estimate is arbitrarily based on the ratio of assessed valuation of the county to the total assessed valuation of the state. Total valuation of Lea County for 1938, as reflected in Table I, was \$28,822,560. The total state valuation for the same year was \$312,691,959. Calculation reveals that assessed valuation of Lea County for 1938 was 9.02% of assessed valuation of the entire state. It was estimated, therefore, that 10% of the income tax of the state was contributed by Lea County, and figures thus obtained are represented in Table XII.

that at least a large part of this amount of \$714,885 was
due to activities of the industry in the county.

VII. INCOME TAX

The income to the normal and dependent from the
income tax collected since the enactment in 1903 is shown
in Table X. There is no doubt as to the fact
of this income that is collected from the county. There-
fore it is not possible to determine just what part of it
was contributed by the oil industry of the county. But
since it is believed that at least a part of the income is
due to the activities of the industry, it is considered and
an estimate is offered. This estimate is approximately based
on the ratio of assessed valuation of the county to the
total assessed valuation of the state. Total valuation of
the county for 1926, as reflected in Table I, was \$28,380,
\$280. The total state valuation for the same year was \$213,
\$21,380. Calculation reveals that assessed valuation of
the county for 1926 was 0.002 of assessed valuation of the
entire state. It was estimated, therefore, that 10% of the
income tax of the state was contributed by the county, and
figures thus obtained are represented in Table XII.

TABLE XII

REVENUES FROM THE INCOME TAX

Year	Total income to the state	Income attributed to Lea County (Estimated)
1938	\$383,021	\$38,302
1937	267,011	26,701
1936	178,887	17,888
1935	96,841	9,684

VIII. MOTOR VEHICLE LICENSE

As is explained in Chapter III of this study, a certain per cent of the collections for motor vehicle license is credited to the school maintenance fund. Records of the Lea County treasurer's office give specific amounts credited to Lea County and to Lea County schools for years from 1935 to 1938. These incomes are represented in Table XI. It is not possible to determine definitely just what portion of these incomes was contributed by the oil industry in the county. However, it is known that a large portion of the cars and heavy commercial trucks registered in the county are there only because of activities of the industry in the county. For the purpose of arriving at some estimate, it was assumed that the ratio of income from oilfield cars and trucks to all cars and trucks registered was the same as the ratio of assessed oil valuation to total property valuation of the county. Table II reveals these percentages for years considered. Table XIII reveals these per cents applied to totals credited to school maintenance of the county for these years.

IX. DIRECT DISTRICT CHARGE

Each school district of the state is charged with raising certain funds from a tax levy that is applied only to that particular district, and which fund is spent only in

TABLE II. MOTOR VEHICLE LICENSES

As is explained in Chapter III of this study, a certain per cent of the collection for motor vehicle licenses is credited to the school maintenance fund. Records of the Las County Treasurer's office give specific amounts credited to Las County and to Las County schools for years from 1933 to 1936. These amounts are represented in Table II. It is not possible to determine definitely just what portion of these amounts was contributed by the oil industry in the county. However, it is known that a large portion of the cars and heavy commercial trucks registered in the county are there only because of activities of the industry in the county. For the purpose of arriving at some estimate, it was assumed that the ratio of income from oilfield cars and trucks to all cars and trucks registered was the same as the ratio of assessed oil valuation to total property valuation of the county. Table II reveals these percentages for years concerned. Table III reveals these percentages applied to the rate credited to school maintenance of the county for these years.

TABLE III. PERCENTAGE OF SCHOOL MAINTENANCE

When school district of the county is changed from existing conditions from 1933 to 1936, it is applied only to that portion of the amount, and when there is again only in

TABLE XIII

INCOMES TO LEA COUNTY FROM THE MOTOR VEHICLE DEPARTMENT

Year	Total credited to Lea County	Total credited to Lea County Schools	Ratio of oil val- uation to total valuation of County	Estimated in- come from oil field vehicles
1938	\$35,829	\$13,657	70%	\$9,560
1937	34,199	12,930		
1936	29,252	11,145	80%	8,916
1935	14,456	5,550		

that district. Since this study is concerned primarily with state school revenues, a definite analysis of direct district charge incomes for individual districts was not attempted. It is interesting to note, however, that for the school year 1937-1938 the various school districts of Lea County raised a total of \$119,986 on a county valuation of \$28,822,560, of which 70.2% was oil valuation. If the per cent of oil valuation is evenly distributed in all districts of the county, then the oil valuation produced a total of \$84,230 for direct district charge for the year in the county.

X. FREE TEXT BOOK FUND

Statutes providing for incomes to a free text book fund are set forth in Chapter III of this study. Table XIV reveals incomes to this fund and the rural aid fund, which received the income from the federal mineral leasing act before creation of the free text book fund.

that district. Since this study is concerned primarily with state school revenues, a detailed analysis of district charges for income tax is not attempted. It is interesting to note, however, that for the school year 1937-1938 the various school districts of Las County raised a total of \$112,355 on a county valuation of \$28,832,350, or which 70.3% was on a valuation. If the per cent of all valuation is equal, it should be in all districts of the county, then the all valuation should be a total of \$34,200 for direct district charges for the year in the county.

2. FUNDING FOR LAND

Statutes providing for income tax in the year 1937-1938 fund are set forth in Chapter 101 of the Statutes. Article XIV reveals income to this fund and the amount of the fund which received the income from the federal land. The fund was before creation of the first land fund.

TABLE XIV

INCOME FROM FEDERAL MINERAL LEASING ACT

Year	Total income to state	Income to rural aid	Income to free text book fund	Income to fund from oil leases of Lea County
1929	\$ 16,997	\$ 1,700	\$	\$ 1,625
1930	44,616	29,616		28,135
1931	61,286	46,286		44,172
1932	44,291	29,291		27,826
1933	51,395	41,395		39,325
1934	61,821		51,916	49,320
1935	92,079		82,079	77,985
1936	120,886		110,886	105,342
1937	201,908		189,908	180,412
1938	292,048		280,048	266,045

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

I. SUMMARY

School revenue from the oil industry of Lea County has increased rapidly since the discovery of oil in Lea County in 1927. Active drilling and development of the Lea County field began extensively after the discovery of the Humble Bowers Number One well in the Hobbs field in June, 1929. Drilling operations increased until 1932. Price of oil dropped from \$1.19 in 1928 to as low as ten cents per barrel in 1933, and drilling almost stopped. With increased price of oil drilling increased from 1934 to 1937 when 583 wells were completed in one year. On December 31, 1938, Lea County had a total of 2,028 producing oil wells with a total annual production of 31,977,309 barrels of oil for 1938. The towns of Hobbs, Jal, Eunice, Monuament, and Lovington had experienced rapid growth since the discovery of oil in the county.

As regards the funds from which school revenue is provided, statutory provisions set up the maintenance fund, direct district charge fund, interest and sinking fund, and free text book fund. The maintenance fund includes income from the land office, income from investment of the permanent fund,

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

I. SUMMARY

School revenue from the oil industry of this County has increased rapidly since the discovery of oil in this County in 1927. Active drilling and development in the County field began extensively after the discovery of the Humble Boreas Number One well in the Hobbs field in June, 1927. Drilling operations increased until 1932, when oil dropped from \$1.12 in 1928 to as low as ten cents per barrel in 1932, and drilling almost stopped. After increased price of oil drilling increased from 1934 to 1937 when 533 wells were completed in one year. On December 31, 1937, this County had a total of 8,058 producing oil wells with a total annual production of 31,977,309 barrels of oil for 1937. The towns of Hobbs, Jai, Enlace, Monument, and Livingston had experienced rapid growth since the discovery of oil in the county.

As regards the funds from which school revenue is pro-

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direct disbursement fund, interest and sinking fund, and

free text book fund. The maintenance fund includes income from

the land office, income from investment of the permanent fund,

CORPORA

a state property tax of one-half mill on all taxable property of the state, a county tax of not to exceed five mills, the emergency school tax, the state income tax, motor vehicle license tax, and merchandise license tax. These were sources of income to the maintenance fund, but since they were not materially affected by the oil industry of Lea County they were not considered in this study. The direct district charge fund consists of a property tax on property of the individual district for use of the school of that district only. The free text book fund consists mostly of income from federal oil-producing lands of Lea County.

The permanent school fund and income from the land office are derived from incomes from vast areas of school lands granted to New Mexico by the federal government. Through the grant of sections two, sixteen, thirty-two, and thirty-six, and other grants, and by selection of lieu lands, there is a total of 1,300,468.93 acres of school land in Lea County, 76,569 acres of which is now producing oil.

The half-mill property tax levy is a uniform tax on all property of the state for support of schools. The property tax for maintenance is a tax levied by each county according to its particular needs and ability to pay, but it must not exceed five mills.

A state property tax of one-half mill on all taxable property of the state, a county tax of not to exceed five mills, the emergency school tax, the state income tax, motor vehicle license tax, and automobile license tax. There were no taxes of income in the state in 1911, but since they were not materially affected by the all industry of the County they were not considered in this study. The direct income charge fund consists of a property tax on property of the individual districts for one of the school of that district only. The free text book fund consists mostly of income from federal oil-producing lands of the county.

The permanent school fund and income from the land office are derived from income from vast areas of school lands granted to the county by the federal government. Through the grant of sections two, sixteen, thirty-two, and thirty-six, and other grants, and by selection of these lands, there is a total of 1,300,485 acres of school land in the County, 78,485 acres of which is now producing oil.

The oil-well property tax levied in a uniform tax on all property of the state for support of schools. The property tax for education is a tax levied by each county according to the number of acres and value of land, but it must not

exceed five mills.

The emergency school tax, the income tax, the motor vehicle license tax, and the merchandise license tax are collected by the Bureau of Revenue. The emergency school tax, or the sales tax, was created for the definite purpose of making up a deficiency in school revenue brought about by a constitutional amendment limiting all property tax to twenty mills. The state income tax enacted in 1935 was created to increase school revenue. The income through this tax is affected to a considerable extent by the oil industry of Lea County, but information was not available to determine the portion of this tax that was contributed by the oil industry of Lea County.

That portion of the total state revenue from motor vehicle license contributed by Lea County is represented in Table XIII but the definite portion of this amount contributed by the oil industry was not determined.

The income to the free text book fund is from federal mineral lands of the state. Oil royalties produces a large portion of this income and Lea County produces about 95 per cent of all oil of the state. Accordingly, a large portion of the income to the free text book fund is produced in Lea County.

Of the total state school revenue of \$8,881,801 for the school year 1937-38 the total revenue from Lea County

The emergency school tax, the income tax, the motor vehicle license tax, and the merchandise license tax are collected by the Bureau of Revenue. The emergency school tax or tax relief law, was created for the definite purpose of making up a deficiency in school revenues resulting from a constitutional amendment limiting all property tax in 1913. The state income tax enacted in 1915 was created to increase school revenues. The income tax law is not levied to a considerable extent by the oil industry of this county, but production was not available to determine the portion of this tax that was contributed by the oil industry of this county.

That portion of the total state revenue from the motor vehicle license contributed by this county is represented in Table III but the definite portion of this amount contributed by the oil industry was not determined.

The income to the state from the oil tax is from the mineral lands of the state. Oil royalties produced a large portion of this income and the county produced about 10 per cent of all of the state. Accordingly, a large portion of the income to the state from the oil tax is produced in this county.

Of the total state school revenue of \$1,821,500 for the school year 1927-28 the total revenue from this county

amounted to \$2,244,420, or 25.2 per cent of the state total. Of this total from the county \$1,910,702 or 21.2 per cent of the state total was traceable to the oil industry. An additional 3 per cent or \$240,173 was estimated to have been contributed by the oil industry of the county. The total definite and estimated income to the state for common schools from the oil industry of Lea County for the year amounted to \$2,150,965, or 24.2 per cent of the total common school revenue of the state for the year 1937-1938.

II. CONCLUSIONS

Figures previously cited reveal that approximately one-fourth of all school revenue of the state for 1937-1938 was contributed by one single industry which was almost unknown in the state ten years before. A comparison of the assessed valuation of the oil industry of the county, which in 1938 amounted to \$21,051,054 with the total state valuation of that year¹ of \$312,691,959 reveals the fact that an industry with less than seven per cent of the assessed valuation of the state is producing approximately one-fourth of the

¹Paul B. Harris, Twelfth Biennial Report of the State Tax Commission, the two year period ending June 30, 1938, p. 112.

amounted to \$3,244,440, or 33.2 per cent of the total. Of this total from the county \$1,413,732 or 43.6 per cent of the state total was traceable to the oil industry. An additional 3 per cent or \$240,173 was estimated to have been contributed by the oil industry of the county. The total deficit and estimated income to the state for common schools from the oil industry of Lee County for the year amounted to \$2,130,965, or 24.2 per cent of the total common school revenue of the state for the year 1937-1938.

II. CONCLUSIONS

Figures previously cited reveal that approximately one-fourth of all school revenue of the state for 1937-1938 was contributed by one single industry which was almost unknown in the state ten years before. A comparison of the assessed valuation of the oil industry of the county, which in 1938 amounted to \$21,081,156 with the total state valuation of that year of \$212,501,957 reveals the fact that an industry with less than seven per cent of the assessed valuation of the state is providing approximately one-fourth of the

school revenue of the state. This comparison seems to justify the conclusion that the oil industry is probably taxed heavier from school purposes than the average of other industries in the state. Furthermore, a comparison of figures compiled by Hugh L. Sawyer² stating that the oil industry contributed \$5,466,250 exclusive of \$4,678,966 collected in gasoline tax to the state in taxes in 1938 with the total state revenue for the year seems to justify the conclusion that the oil industry is bearing at least its just portion of the total tax burden.

Increased enrollment and operating cost in common schools combined with constitutional limitations and the general economic depression have made the problem of financing the schools a difficult one in the years from 1928 to 1938. The new and rapidly increasing source of school revenue from the oil industry of the state has come at a time when it was greatly needed and when the schools of the state could ill afford to be without it.

²Hugh L. Sawyer, Second Annual Report, Tax Department of the New Mexico Oil and Gas Association, 1938. pp. 7-8.

school revenue of the state. This comparison seems to justify the conclusion that the oil industry is probably taxed heavier from school purposes than the average of other industries in the state. Furthermore, a comparison of figures compiled by Hugh L. Sawyer, stating that the oil industry contributed \$5,465,250 exclusive of \$1,679,935 collected in gasoline tax to the state in 1933 with the total state revenue for the year seems to justify the conclusion that the oil industry is bearing at least its just portion of the total tax burden.

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Hugh L. Sawyer, Second Annual Report, Tax Department of the New Mexico Oil and Gas Association, 1933, pp. 7-8.

III. RECOMMENDATIONS

The following recommendations are made with the belief that the schools of the state are fortunate to have the present income from the oil industry of the state and that it is possible to over-tax the industry and thus drive it from the state and deprive the schools of the state of even that income from the industry that it now enjoys. (1) In view of the present portion of the school revenue that is derived from the oil industry of the state and of Lea County it would seem that additional taxes might well be regarded as excessive. (2) It would seem wise in view of the great dependence of schools on revenues from the oil industry of the state to be extremely hesitant in making any increase in the present rate of taxation of the industry or in imposing any additional taxes that might tend to curtail development of the industry.

III. RECOMMENDATIONS

The following recommendations are made with the hope

that they will be of assistance to the State and Federal Governments in their efforts to secure the maximum benefit from the oil industry of the State and the Nation. It is recommended that the State Government should drive it from the State and deprive the industry of the State of even that income from the industry that it now enjoys. (1) In view of the present position of the oil industry in the State and the fact that the oil industry of the State is not as well developed as it should be, it is recommended that the State Government should well be regarded as excessive. (2) It would also be in the view of the great dependence of the State on revenues from the oil industry of the State to be extremely helpful in making any increase in the present rate of taxation of the industry or in imposing any additional taxes that might lead to the full development of the industry.

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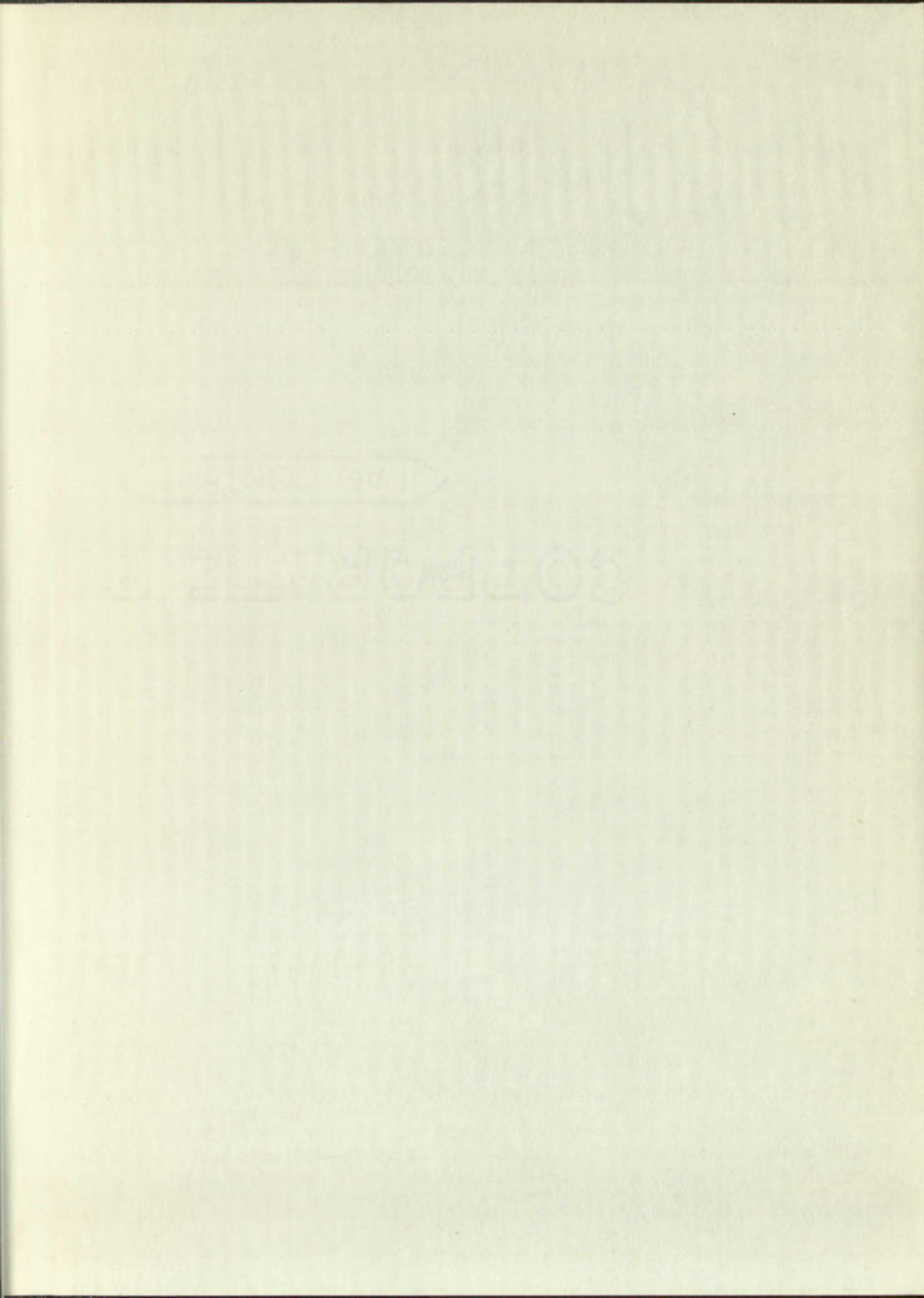
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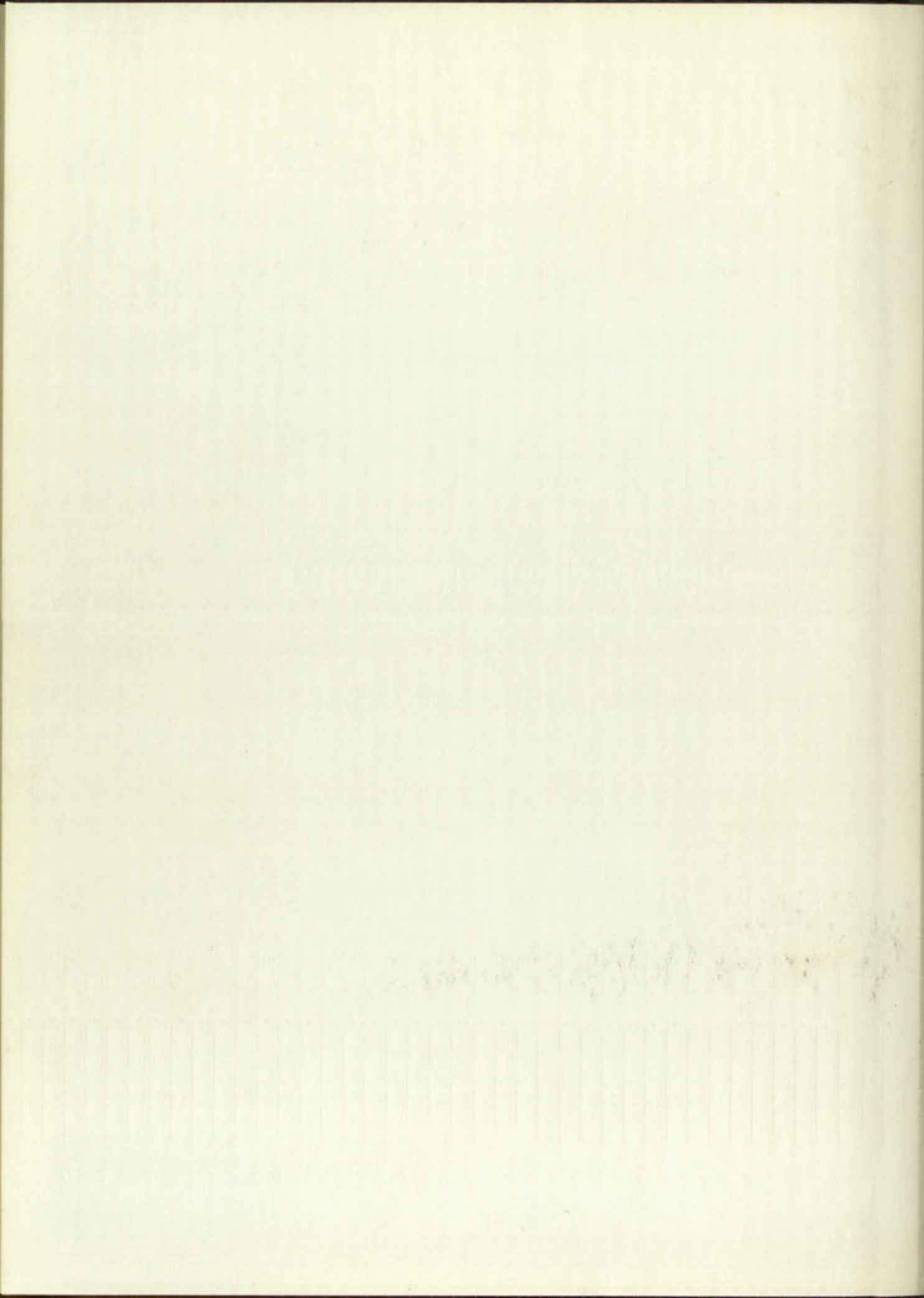
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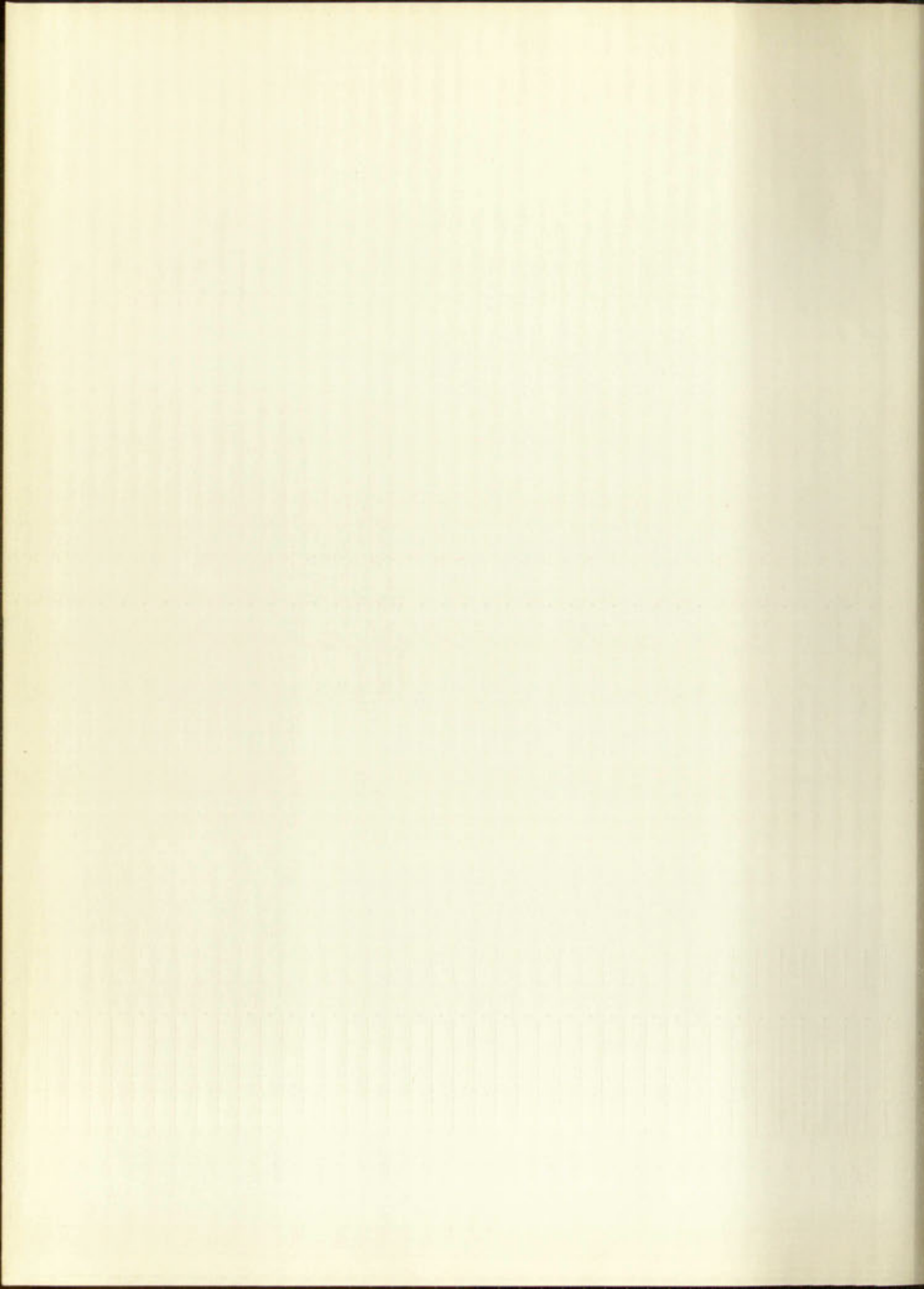
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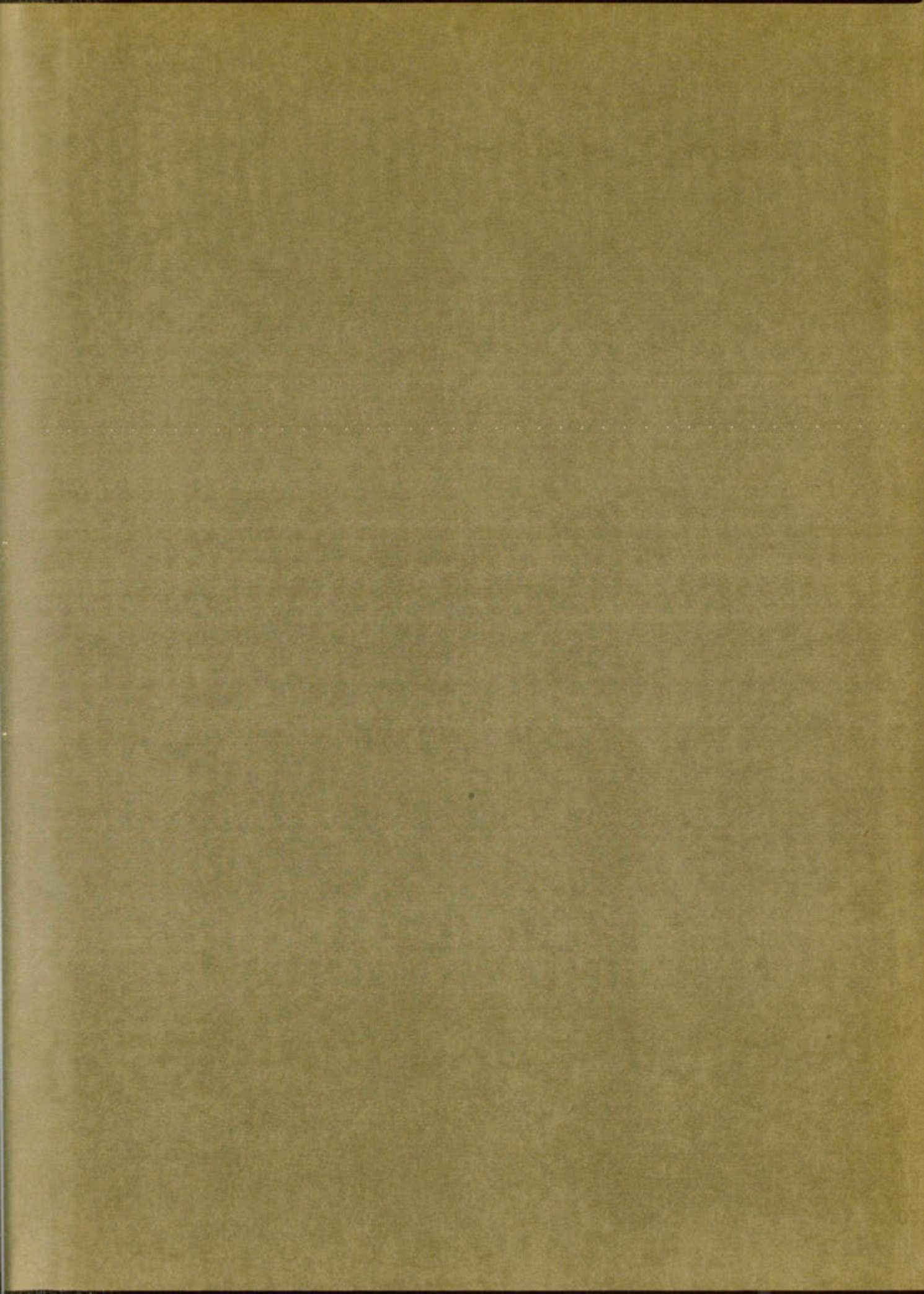
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