

# Wyo mineral values soar

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Wooden mats line an EnCana Oil and Gas Inc. drilling rig in Sublette County's prolific Jonah natural gas field in this file photo from last summer. A drop in drilling activity in Jonah and other Wyoming fields in recent months will result in a decline in Wyoming's mineral valuation, but the magnitude of the drop won't be known until next year, according to state officials. (Jeff Gearino/Star-Tribune)

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Wednesday, June 3, 2009 8:47 PM MDT

CHEYENNE -- Wyoming's mineral valuation for 2008 totaled \$20.3 billion, a healthy 47 percent jump over 2007.

The rosy picture will darken next year, when a 50 percent drop in mineral valuation is expected.

The 2008 report covered a period when oil and gas prices were high. It wasn't until the last quarter of 2008 that they began to fall.

"People have got to recognize that next year this is going to drop way back down," said Ed Schmidt, director of the state Department of Revenue.

"My guess is it's going to be back in the \$10 billion range unless something really good happens," he added.

The last time the state's mineral valuation was  $\geq$  \$10 billion was in 2004. The total has been climbing ever since.

For the 2008 calendar year, oil values totaled \$4 billion, a 43.8 percent increase over 2007. Natural gas hit \$12 billion, a 65 percent jump, and coal totaled \$3.7 billion, a 40 percent increase.

County governments and school districts are in good shape this year because their budgets have been set based on 2008 values, Schmidt said.

The crunch will come next year.

Revenues from mineral severance taxes that go into the state's General Fund are paid monthly, so they have an immediate impact.

Ad valorem taxes, or property taxes on minerals, are paid yearly.

Most of the county property taxes go to support the K-12 public schools.

Because of the lag, the schools won't feel the potential 50 percent drop in financing for about 18 months.

"We're going to be in good shape this year," said Joe Evans, the director of the Wyoming County Commissioners Association. "But then it's a huge drop. A huge drop."

"We've been telling counties, 'Don't go spending this money like you're going to get it next year,'" Evans said.

"Most of the counties that will have the one-year boom will put the money into cash reserves or some kind of reserves so they'll have it for next year," he added. "Or they will use it on one-time expenses, roads or a building."

Meanwhile, the report on the valuation of all non-mineral property, a category that includes residential housing and railroads, won't be out until later this year.

The Consensus Revenue Estimating Group, which includes fiscal experts from the legislative and executive branches of government, is projecting the valuation for all non-mineral property at \$8.4 billion for 2008.

Mineral valuation has gone from \$4 billion in 1999 to \$10.9 billion in 2004 to \$20.3 billion in 2008.

Valuation determines the amount of money local governments will have to spend on operations, schools and other services. Tax revenues are raised through a mill levy applied to the property valuation.

Campbell County commissioners took a proactive stance this year in expectation of a decline in mineral wealth next year.

"We actually cut our budget from what it was last year. We didn't approve hardly any new positions," Chairman Dan Coolidge said Tuesday.

Campbell County will see a record mineral valuation this year because it's based on last year's prices and production. The county's oil valuation totaled \$652 million in 2008, a 37 percent increase over 2007. Natural gas was \$845 million, a 29 percent rise, and coal totaled \$3.3 billion, up 16 percent.

The big drop ahead is primarily because of natural gas prices and production, Coolidge noted.

Fortunately, he said, while Campbell County has coal and oil production, which also will decline, it will not be affected like Sublette County, for example.

Sublette County led the state in natural gas valuation at \$1.5 billion, a 115 percent increase over 2007.

Sublette County commissioners weren't available for comment Tuesday or Wednesday.

Gov. Dave Freudenthal is mindful of the significant reduction expected in 2010 and has been discussing it with legislators, according to Cara Eastwood, his press secretary.

Freudenthal has scheduled a news conference for today to discuss his recommended state agency budget cuts to accommodate the expected steep decline in revenues next year. He had asked for reductions of up to 10 percent for most agencies for the budget period beginning July 1.

The Legislature's Joint Appropriations Committee will meet in Cheyenne on June 18-19 to deal with the governor's recommendations.

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