



# Energy Fact Sheet

## The Oil and Gas Industry in Colorado – the Economic Impact

Dag Nummedal, Director  
 Colorado Energy Research Institute (CERI)

### Key Messages

Guided by a Colorado legislative directive, the Colorado Energy Research Institute (CERI) completed a comprehensive analysis of the economic impact of the oil and gas industry in Colorado. An economic modeling approach was used to evaluate the contribution of the industry to different regions within Colorado. The approach included an extensive effort to gather site specific information needed to complete the analysis, such as capital investments, average cost to drill and complete a well, average production costs, private royalty and lease payments, and service company costs. Secondary source data were also obtained, including number of wells drilled and completed for each basin, oil and gas prices, oil and gas production, employment, etc. The primary and secondary data were then used in combination with a common regional economic model, IMPLAN, to estimate economic contributions. Additionally, fiscal models were developed to estimate State and local business and income tax revenues from oil and gas activities in Colorado.

### Key Findings

#### Total Economic Contribution for Oil and Gas Activities in Colorado (2005)

Type of Impact	Drilling, Completion, and Recompletion	Extraction	Mineral Royalty & Lease Payments	Extraction Taxes	Total Economic Contribution
Economic Contribution	\$2,182,322,782	\$18,774,801,959	\$900,392,239	\$1,060,690,054	\$22,918,207,034
Employment	19,307	32,471	7,257	11,744	70,779
Labor Earnings	\$1,112,434,035	\$2,380,405,642	\$266,516,586	\$544,747,083	\$4,304,103,346
Earnings per Worker	\$57,619	\$73,309	\$36,728	\$46,385	\$60,811
Employment Multiplier	2.01	5.63	1.8	1.51	2.67

(continued...)

## Key Findings, continued

Oil and gas activities contribute to the economic well being of many other industries within the State of Colorado as well. From all of the oil and gas activities in the State (including extraction taxes and mineral royalty payments), approximately 22 percent of the employment is specific to the oil and gas industries, followed by 14 percent in government, 9 percent in professional services, 8 percent in retail, and 7 percent in health care and social services. These are the major industries impacted by oil and gas activities within the State in terms of employment.

### Contribution of the Oil and Gas Industry to the State's Economy

Economic Indicator	All Industries in Colorado	Oil and Gas Activities in Colorado	Percent of Oil and Gas to State	Source
Total Economic Contribution	\$377,918,854,850	\$22,918,207,034	6.1%	IMPLAN 2003
Total Employment	3,148,945	70,779	2.2%	IMPLAN 2003
Total Earnings	\$136,619,914,547	\$4,304,103,346	3.2%	IMPLAN 2003
Average Earnings	\$46,050	\$60,811	132.1%	IMPLAN 2003
Severance Tax	\$152,000,670	\$134,791,755	88.7%	Department of Revenue Annual Report 2005
Assessed Valuation (Taxable Production Value) <sup>3</sup>	\$70,625,603,899	\$5,055,329,000	7.2%	DOLA Annual Report 2005
Federal Mineral Royalties	\$89,451,528 <sup>1</sup>	\$68,436,710 <sup>2</sup>	76.5%	Minerals Management Service 2005
State Mineral Royalties	\$43,083,957	\$29,790,445	69.1%	Colorado State Land Board

<sup>1</sup> Does not include rent, bonuses, and other revenues.

The above chart summarizes some of the economic indicators for the oil and gas industry in Colorado and compares these indicators to State totals. This study indicates that oil and gas activities within Colorado account for approximately 6.1 percent of the State's total industry revenues, 2.2 percent of employment, and 3.2 percent of total earnings. In general, the oil and gas activities, including private mineral royalty payments and extraction taxes generate average earnings of approximately \$61,000, or 32 percent higher than the State average.

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## Key Findings, continued

### Total Economic Contribution of Drilling, Completion, Recompletion and Extraction for Individual Basins

Although the study has captured the majority of the production in the State, the extraction and drilling and completion impacts for all the basins are less than those of the State. The differences between the drilling and completion impacts for the basins and the State are due to the investments made out of the basins but within the State. This is due to the fact that the greater Denver area hosts many regional headquarter offices in the Rocky Mountain region. This Denver-area extraction management and administrative functions are not included in the basin models.

Type of Economic Contribution	Piceance	Northern DJ	Eastern DJ	Raton	San Juan & Paradox
Total Revenues	\$3,409,000,000	\$3,075,000,000	\$332,000,000	\$805,000,000	\$3,959,000,000
Employment	6,694	7,013	594	1,160	1,227
Labor Earnings	\$398,000,000	\$450,000,000	\$36,000,000	\$68,000,000	\$66,000,000
Earnings per Worker	\$59,600	\$64,200	\$59,800	\$58,100	\$53,607
Private Mineral Royalties and Payments (Total Economic Activity)	\$71,000,000	\$73,000,000	\$19,000,000	\$34,000,000	ND

ND=Non Disclosure

### Business Taxes Paid to State and Local Governments

Business Taxes	Extraction		Drilling, Completion, and Recompletion Activities <sup>1</sup>	Private Royalties <sup>1</sup>	Total Business Taxes Paid to State and Local Governments
	Colorado Production and Equipment <sup>3</sup>	Extraction Industry Support of Operations in Other States <sup>1 2</sup>			
Direct	\$640,453,097	\$30,523,043	\$8,210,826		\$679,186,966
Indirect	\$11,255,567	\$8,231,926	\$918,232		\$20,405,725
Induced	\$21,318,001	\$6,497,433	\$4,614,745	\$20,907,305	\$53,337,484
<b>Total</b>	<b>\$673,026,665</b>	<b>\$45,252,402</b>	<b>\$13,743,803</b>	<b>\$20,907,305</b>	<b>\$752,930,175</b>

The extraction industry pays approximately \$679 million to State and local governments, which includes severance taxes, production-based property taxes, Federal and State royalties, motor vehicle licenses, and other taxes. The indirect and induced taxes are generated by the oil and gas activities but not directly paid by the oil and gas industries. In total, oil and gas activities generate \$752.9 million in total business taxes.

## Conclusion

The oil and gas industry in Colorado contributes significantly to the Colorado economy, with approximately \$22.9 billion in economic output of 6.1 percent of the economy. Additionally, oil and gas activities contribute to 2.2 percent of the employment in the state with \$4.3 billion in labor earnings annually. The average annual earnings per worker for these activities are approximately \$61,000, which is 32 percent higher than the State average. Oil and gas activities generate over \$753 million in business tax revenue (not including sales and corporate income taxes) to State and local governments. These activities also generate \$117 million in personal income taxes paid to State government.

The complete CERL report is available at [www.ceri-mines.org](http://www.ceri-mines.org).