

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

HOUSE BILL 10

44TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 200

INTRODUCED BY

Donald L. Whitaker

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO OIL AND GAS WELL-PLUGGING FINANCIAL ASSURANCE;
AUTHORIZING THE FURNISHING OF FINANCIAL ASSURANCE IN THE FORM
OF AN IRREVOCABLE LETTER OF CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 70-2-14 NMSA 1978 (being Laws 1977,
Chapter 237, Section 3, as amended) is amended to read:

"70-2-14. [~~BONDING~~] REQUIREMENT FOR FINANCIAL
ASSURANCE.--

A. Each person, firm, corporation or association
who operates any oil, gas or service well within the state
shall, as a condition precedent to drilling or producing the
well, furnish financial assurance in the form of an
irrevocable letter of credit or a cash or surety bond to the
oil conservation division running to the benefit of the state
and conditioned that the well be plugged and abandoned in
compliance with the rules [~~and regulations~~] of the oil

.130431.2

underscored material = new
~~[bracketed material] = delete~~

underscored material = new
~~[bracketed material] = delete~~

1 conservation division. The oil conservation division shall
2 establish categories of ~~[bonds]~~ financial assurance after
3 notice and hearing. Such categories shall include a blanket
4 plugging ~~[bond]~~ financial assurance in an amount not to
5 exceed fifty thousand dollars (\$50,000) and one-well plugging
6 ~~[bonds]~~ financial assurance in amounts determined sufficient
7 to reasonably pay the cost of plugging the wells covered by
8 ~~[each bond]~~ the financial assurance. In establishing
9 categories of ~~[bonds]~~ financial assurance, the oil
10 conservation division shall consider the depth of the well
11 involved, the length of time since the well was produced, the
12 cost of plugging similar wells and such other factors as the
13 oil conservation division deems relevant. In addition to the
14 blanket plugging ~~[bond]~~
15 financial assurance, the oil conservation division may
16 require a one-well ~~[bond]~~ financial assurance on any well
17 that has been held in a temporarily abandoned status for more
18 than two years. All ~~[bonds]~~ financial assurance shall remain
19 in force ~~[and effect]~~ until released by the oil conservation
20 division. The oil conservation division shall release ~~[a~~
21 ~~bond]~~ financial assurance when it is satisfied the conditions
22 of the ~~[bond]~~ financial assurance have been fully performed.

23 B. If any of the requirements of the Oil and Gas
24 Act or the rules ~~[and regulations]~~ promulgated pursuant to
25 that act have not been complied with, the oil conservation
division, after notice and hearing, may order any well
plugged and abandoned by the operator or surety or both in

underscored material = new
~~[bracketed material] = delete~~

1 accordance with division rules [~~and regulations~~]. If the
2 order is not complied with in the time period set out in the
3 order, the [~~bond~~] financial assurance shall be forfeited.

4 C. When any [~~bond~~] financial assurance is forfeited
5 pursuant to the provisions of the Oil and Gas Act or rules
6 [~~and regulations~~] promulgated pursuant to that act, the
7 director of the oil conservation division shall give notice
8 to the attorney general who shall collect the forfeiture
9 without delay.

10 D. All forfeitures shall be deposited in the state
11 treasury in the oil and gas reclamation fund.

12 E. When the [~~bond~~] financial assurance proves
13 insufficient to cover the cost of plugging oil and gas wells
14 on land other than federal land and funds must be expended
15 from the oil and gas reclamation fund to meet the additional
16 expenses, the oil conservation division is authorized to
17 bring suit against the operator in the district court of the
18 county in which the well is located for indemnification for
19 all costs incurred by the oil conservation division in
20 plugging the well. All funds collected pursuant to a
21 judgment in a suit for indemnification brought under the
22 provisions of this section shall be deposited in the oil and
23 gas reclamation fund."