

AN ACT

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RELATING TO OIL AND GAS; PROVIDING FOR DISTRIBUTIONS TO THE OIL AND
GAS RECLAMATION FUND; PROVIDING FOR AN OIL AND GAS CONSERVATION TAX
RATE CONDITIONED ON THE BALANCE IN THE OIL AND GAS RECLAMATION FUND;
PROVIDING FOR ENERGY EDUCATION; MAKING AN APPROPRIATION.

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

Section 1. Section 7-1-6.21 NMSA 1978 (being Laws 1985, Chapter 65,
Section 7, as amended) is amended to read:

"7-1-6.21. DISTRIBUTION TO OIL AND GAS RECLAMATION FUND.--

A. With respect to any period for which the rate of the tax imposed by
Section 7-30-4 NMSA 1978 is nineteen-hundredths percent, a distribution pursuant to
Section 7-1-6.20 NMSA 1978 shall be made to the oil and gas reclamation fund in the
amount equal to two-nineteenths of the net receipts attributable to the tax imposed
under the Oil and Gas Conservation Tax Act.

B. With respect to any period for which the rate of the tax imposed by
Section 7-30-4 NMSA 1978 is eighteen- hundredths percent, a distribution pursuant to
Section 7-1-6.20 NMSA 1978 shall be made to the oil and gas reclamation fund in the
amount equal to one-eighteenth of the net receipts attributable to the tax imposed
under the Oil and Gas Conservation Tax Act."

Section 2. Section 7-30-4 NMSA 1978 (being Laws 1959, Chapter 53, Section
4, as amended) is amended to read:

"7-30-4. OIL AND GAS CONSERVATION TAX LEVIED--COLLECTED BY
DEPARTMENT--RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN

LIABILITY.--

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A. There is levied and shall be collected by the department a tax on all products that are severed and sold. Except as provided in Subsections B and C of this section, the measure and rate of the tax shall be nineteen-hundredths percent of the taxable value of sold products. Every interest owner shall be liable for this tax to the extent of the owner's interest in the value of the products or to the extent of the owner's interest as may be measured by the value of the products. An Indian tribe, Indian pueblo or Indian shall be liable for this tax to the extent authorized or permitted by law.

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B. In the event the unencumbered balance in the oil and gas reclamation fund equals or exceeds one million one hundred fifty thousand dollars (\$1,150,000) for any one-month period computed after receipt of the tax for that month, the rate of the tax levied by this section shall be eighteen-hundredths percent beginning with the first day of the second month following the month in which the unencumbered balance equaled or exceeded one million one hundred fifty thousand dollars (\$1,150,000).

C. After having been reduced to eighteen-hundredths percent, the rate of the tax imposed by this section shall remain at that rate until the unencumbered balance in the oil and gas reclamation fund is less than or equal to five hundred thousand dollars (\$500,000) for any one-month period computed after receipt of the tax for that month, in which event the rate of the tax levied by this section shall be increased to nineteen-hundredths percent beginning with the first day of the second month following the month in which the unencumbered balance equaled or was less than five hundred thousand dollars (\$500,000).

D. The department shall notify taxpayers of any change in the rate of tax imposed by this section."

Section 3. Section 70-2-38 NMSA 1978 (being Laws 1977, Chapter 237, Section 5, as amended) is amended to read:

"70-2-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--ANNUAL REPORT-- CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

A. The oil and gas reclamation fund shall be administered by the oil conservation division of the energy, minerals and natural resources department. Expenditures from the fund may be used by the director of the division for the purposes of:

(1) employing the necessary personnel to survey abandoned wells, well sites and associated production facilities and preparing plans for the plugging of abandoned wells that have not been plugged or that have been improperly plugged and for the restoration and remediation of abandoned well sites and associated production facilities that have not been properly restored and remediated; and

(2) supporting energy education throughout the state in an amount not to exceed one hundred fifty thousand dollars (\$150,000) annually.

B. The director of the oil conservation division of the energy, minerals and natural resources department, as funds become available in the oil and gas reclamation fund, shall reclaim and properly plug all abandoned wells and shall restore and remediate abandoned well sites and associated production facilities in accordance with the provisions of the Oil and Gas Act and the rules and regulations promulgated

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pursuant to that act. The division may order wells plugged and well sites and associated production facilities restored and remediated on federal lands on which there are no bonds running to the benefit of the state in the same manner and in accordance with the same procedure as with wells drilled on state and fee land, including using funds from the oil and gas reclamation fund to pay the cost of plugging. When the costs of plugging a well drilled on federal mineral leases or restoring and remediating well sites and associated production facilities are paid from the oil and gas reclamation fund, the division is authorized to bring a suit against the operator or district court of the county in which the well is located for indemnification for all costs incurred by the division in plugging the well or restoring and remediating the well site and associated production facilities. Any funds collected pursuant to a judgment in a suit for indemnification brought under the Oil and Gas Act shall be deposited in the oil and gas reclamation fund.

C. The director of the oil conservation division of the energy, minerals and natural resources department shall make an annual report to the secretary of energy, minerals and natural resources, the governor and the legislature on the use of the oil and gas reclamation fund.

D. Contracts for plugging, reclamation and energy education pursuant to this section shall be entered into in accordance with the provisions of the Procurement Code. A contractor employed by the oil conservation division of the energy, minerals and natural resources department to plug a well is authorized to sell for salvage the equipment and material that is removed from the well in plugging it."

Section 4. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2003.

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