

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

SENATE BILL 256

47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005

INTRODUCED BY

Timothy Z. Jennings

AN ACT

RELATING TO OIL AND GAS; DEFINING THE TERM "DIVISION ORDER";
AMENDING SECTIONS OF THE OIL AND GAS PROCEEDS PAYMENTS ACT.

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

Section 1. Section 70-10-1 NMSA 1978 (being Laws 1985,
Chapter 55, Section 1) is amended to read:

"70-10-1. SHORT TITLE. -- ~~[This act]~~ Chapter 70, Article 10
NMSA 1978 may be cited as the "Oil and Gas Proceeds Payment
Act". "

Section 2. Section 70-10-2 NMSA 1978 (being Laws 1985,
Chapter 55, Section 2, as amended) is amended to read:

"70-10-2. DEFINITIONS. -- As used in the Oil and Gas
Proceeds Payment Act:

A. "division order" means an instrument for the
purpose of directing the distribution of proceeds from the sale

underscored material = new
[bracketed material] = delete

underscored material = new
[bracketed material] = delete

1 of oil, gas, casinghead gas or other related hydrocarbons that
2 warrants in writing the division of interest and the name,
3 address and tax identification number of each interest owner
4 with a provision requiring notice of change of ownership;

5 [A-] B. "oil and gas" means crude oil, natural gas,
6 casinghead gas, condensate or any other related hydrocarbons;

7 [B-] C. "oil and gas proceeds" means all payments
8 derived from oil and gas production from any well located in
9 New Mexico, whether royalty interest, overriding royalty
10 interest, production payment interest or working interest,
11 expressed as a right to a specified interest in the cash
12 proceeds received from the sale of oil and gas produced
13 thereunder or the cash value thereof, subject to all taxes
14 withheld therefrom pursuant to law, but excluding "net profits
15 interests", and other types of interest the extent of which
16 cannot be determined with reference to a specified share of
17 such proceeds; and

18 [C-] D. "payor" means the party who undertakes to
19 distribute oil and gas proceeds to the parties entitled
20 thereto, including, but not limited to, the first purchaser of
21 such production or as operator of the well from which such
22 production was obtained or as lessee under the lease on which
23 royalty is due. "

24 Section 3. A new section of the Oil and Gas Proceeds
25 Payment Act is enacted to read:

153088. 2

underscored material = new
[bracketed material] = delete

1 by _____ (Payor).
2 (Company Name)

3
4 Payor shall be notified, in writing, of any change in
5 ownership, decimal interest or payment address. All such
6 changes shall be effective the first day of the month following
7 receipt of such notice.

8
9 Payor is authorized to withhold payment pending resolution of a
10 title dispute or adverse claim asserted regarding the interest
11 in production claimed herein by the undersigned. The
12 undersigned agrees to indemnify and reimburse Payor any amount
13 attributable to an interest to which the undersigned is not
14 entitled.

15
16 Payor may accrue proceeds until the total amount equals _____,
17 or pay _____, whichever occurs first, or as required by
18 applicable state statute.

19
20 This Division Order does not amend any lease or operating
21 agreement between the undersigned and the leasee or operator or
22 any other contracts for the purchase of oil or gas.

23
24 In addition to the terms and conditions of this Division Order,
25 the undersigned and Payor may have certain statutory rights

underscored material = new
[bracketed material] = delete

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

under the laws of the state in which the property is located.

Special Clauses:

Owner(s) Signature(s): _____

Owner(s) Tax I.D. Number(s): _____

Owner Daytime Telephone #: _____

Owner Fax Telephone #: _____

Federal law requires you to furnish your Social Security or Taxpayer Identification Number. Failure to comply will result in a 28% tax withholding and will not be refundable by Payor. ". "

Section 4. EFFECTIVE DATE. --The effective date of the provisions of this act is January 1, 2006.