

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 286

51ST LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2013

INTRODUCED BY

Gail Chasey and Michael S. Sanchez

AN ACT

RELATING TO OIL AND GAS; AMENDING SECTIONS OF THE OIL AND GAS ACT CONCERNING FINANCIAL ASSURANCE, POWERS OF THE OIL CONSERVATION COMMISSION AND THE OIL CONSERVATION DIVISION OF THE ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT, CIVIL AND CRIMINAL PENALTIES, PERMITS FOR THE DISPOSITION OF WASTE, APPEALS AND USE OF THE OIL AND GAS RECLAMATION FUND.

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

SECTION 1. Section 70-2-12 NMSA 1978 (being Laws 1978, Chapter 71, Section 1, as amended) is amended to read:

"70-2-12. ENUMERATION OF POWERS.--

A. ~~[Included in the power given to]~~ The ~~[oil conservation]~~ division ~~[of the energy, minerals and natural resources department is the authority to]~~ may:

(1) collect data; ~~[to]~~

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

1 (2) make investigations and inspections; ~~[to]~~

2 (3) examine properties, leases, papers, books
3 and records; ~~[to]~~

4 (4) examine, check, test and gauge oil and gas
5 wells, tanks, plants, refineries and all means and modes of
6 transportation and equipment; ~~[to]~~

7 (5) hold hearings; ~~[to]~~

8 (6) provide for the keeping of records and the
9 making of reports and for the checking of the accuracy of the
10 records and reports; ~~[to]~~

11 (7) limit and prorate production of crude
12 petroleum oil or natural gas or both as provided in the Oil and
13 Gas Act; and ~~[to]~~

14 (8) require either generally or in particular
15 areas certificates of clearance or tenders in connection with
16 the transportation of crude petroleum oil or natural gas or any
17 products of either or both crude petroleum oil and products or
18 both natural gas and products.

19 B. Apart from any authority, express or implied,
20 elsewhere given to or existing in the ~~[oil conservation]~~
21 division by virtue of the Oil and Gas Act or the statutes of
22 this state, the division ~~[is authorized to]~~ may make rules
23 ~~[regulations]~~ and orders for the purposes and with respect to
24 the subject matter stated in this subsection:

25 (1) to require dry or abandoned wells to be

underscored material = new
[bracketed material] = delete

1 plugged in a way to confine the crude petroleum oil, natural
2 gas or water in the strata in which it is found and to prevent
3 it from escaping into other strata; the division shall require
4 a [~~cash or surety bond in a sum not to exceed fifty thousand~~
5 ~~dollars (\$50,000)~~] financial assurance as provided in Section
6 70-2-14 NMSA 1978 conditioned for the performance of such
7 [~~regulations~~] rules;

8 (2) to prevent crude petroleum oil, natural
9 gas or water from escaping from strata in which it is found
10 into other strata;

11 (3) to require reports showing locations of
12 all oil or gas wells and for the filing of logs and drilling
13 records or reports;

14 (4) to prevent the drowning by water of any
15 stratum or part thereof capable of producing crude petroleum
16 oil or natural gas or both crude petroleum oil and natural gas
17 in paying quantities and to prevent the premature and irregular
18 encroachment of water or any other kind of water encroachment
19 that reduces or tends to reduce the total ultimate recovery of
20 crude petroleum oil or natural gas or both crude petroleum oil
21 and natural gas from any pool;

22 (5) to prevent fires;

23 (6) to prevent [~~"blow-ups"~~] "blow-outs" and
24 "caving" in the sense that the conditions indicated by such
25 terms are generally understood in the oil and gas business;

.191309.2

underscored material = new
[bracketed material] = delete

1 (7) to require [~~wells to be drilled, operated~~
2 ~~and produced~~] oil and gas operations to be conducted in such
3 manner as to prevent injury to neighboring leases or
4 properties;

5 (8) to identify the ownership of oil or gas
6 producing leases, properties, wells, tanks, refineries,
7 pipelines, plants, structures and all transportation equipment
8 and facilities;

9 (9) to require the operation of wells with
10 efficient gas-oil ratios and to fix such ratios;

11 (10) to fix the spacing of wells;

12 (11) to determine whether a particular well or
13 pool is a gas or oil well or a gas or oil pool, as the case may
14 be, and from time to time to classify and reclassify wells and
15 pools accordingly;

16 (12) to determine the limits of any pool
17 producing crude petroleum oil or natural gas or both and from
18 time to time redetermine the limits;

19 (13) to regulate the methods and devices
20 employed for storage in this state of crude petroleum oil or
21 natural gas or any product of either, including subsurface
22 storage;

23 (14) to permit the injection of natural gas or
24 of any other substance into any pool in this state for the
25 purpose of repressuring, cycling, pressure maintenance,

.191309.2

underscored material = new
[bracketed material] = delete

1 secondary or any other enhanced recovery operations;

2 (15) to regulate the disposition of water
3 produced or used in connection with the drilling for or
4 producing of crude petroleum oil or natural gas or both and to
5 direct surface or subsurface disposal of the water, including
6 disposition by use in drilling for or production of crude
7 petroleum oil or natural gas, in road construction or
8 maintenance or other construction, in the generation of
9 electricity or in other industrial processes, in a manner that
10 will afford reasonable protection against contamination of
11 fresh water supplies designated by the state engineer;

12 (16) to determine the limits of any area
13 containing commercial potash deposits and from time to time
14 redetermine the limits;

15 (17) to regulate and, where necessary,
16 prohibit drilling or producing operations for crude petroleum
17 oil or natural gas within any area containing commercial
18 deposits of potash where the operations would have the effect
19 unduly to reduce the total quantity of the commercial deposits
20 of potash that may reasonably be recovered in commercial
21 quantities or where the operations would interfere unduly with
22 the orderly commercial development of the potash deposits;

23 (18) to spend the oil and gas reclamation fund
24 and do all acts necessary and proper to plug dry ~~and~~ or
25 abandoned oil and gas wells and to restore and remediate

.191309.2

underscored material = new
[bracketed material] = delete

1 abandoned well sites and ~~[associated]~~ production facilities in
2 accordance with the provisions of the Oil and Gas Act, the
3 rules ~~[and regulations]~~ adopted under that act and the
4 Procurement Code, including disposing of salvageable equipment
5 and material removed from oil and gas wells being plugged by
6 the state;

7 (19) to make well price category
8 determinations pursuant to the provisions of the federal
9 Natural Gas Policy Act of 1978 or any successor act and, by
10 ~~[regulation]~~ rule, to adopt fees for such determinations, which
11 fees shall not exceed twenty-five dollars (\$25.00) per filing.
12 Such fees shall be credited to the account of the ~~[oil~~
13 ~~conservation]~~ division by the state treasurer and may be
14 expended as authorized by the legislature;

15 (20) to regulate the construction and
16 operation of oil treating plants and to require the posting of
17 bonds for the reclamation of treating plant sites after
18 cessation of operations;

19 (21) to regulate the disposition of
20 nondomestic wastes resulting from the exploration, development,
21 production or storage of crude petroleum oil or natural gas to
22 protect public health and the environment; and

23 (22) to regulate the disposition of
24 nondomestic wastes resulting from the oil field service
25 industry, the transportation of crude petroleum oil or natural

.191309.2

underscored material = new
[bracketed material] = delete

1 gas, the treatment of natural gas or the refinement of crude
2 petroleum oil to protect public health and the environment,
3 including administering the Water Quality Act as provided in
4 Subsection E of Section 74-6-4 NMSA 1978."

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

7 "70-2-14. REQUIREMENT FOR FINANCIAL ASSURANCE.--

8 A. Each person, firm, corporation or association
9 [~~who~~] that operates any oil, gas or service well within the
10 state shall, as a condition precedent to drilling or producing
11 the well, furnish financial assurance in the form of an
12 irrevocable letter of credit or a cash or surety bond or a
13 well-specific plugging insurance policy pursuant to the
14 provisions of this section to the [~~oil conservation~~] division
15 [~~of the energy, minerals and natural resources department~~]
16 running to the benefit of the state and conditioned that the
17 well be plugged and abandoned in compliance with the rules of
18 the [~~oil conservation~~] division. The [~~oil conservation~~]
19 division shall establish categories of financial assurance
20 after notice and hearing. [~~Such~~] The categories shall include
21 a blanket plugging financial assurance in an amount not [~~to~~
22 ~~exceed fifty thousand dollars (\$50,000)~~] less than one hundred
23 thousand dollars (\$100,000), and one-well plugging financial
24 assurance in amounts determined sufficient to reasonably pay
25 the cost of plugging the wells covered by the financial

.191309.2

underscored material = new
[bracketed material] = delete

1 assurance. The amount of the blanket plugging financial
2 assurance required of any operator shall be determined by
3 multiplying the number of wells operated by the operator on
4 January 1 of each year that are not plugged and abandoned or
5 covered by a one-well plugging financial assurance by five
6 thousand dollars (\$5,000), subject to the minimum amount
7 provided in this subsection. In establishing categories of
8 one-well financial assurance, the [~~oil conservation~~] division
9 shall consider the depth of the well involved, the length of
10 time since the well was produced, the cost of plugging similar
11 wells and such other factors as the [~~oil conservation~~] division
12 deems relevant. In addition to the blanket plugging financial
13 assurance, the [~~oil conservation~~] division may require a one-
14 well financial assurance on any well that has been [~~held in a~~
15 ~~temporarily abandoned status~~] inactive for more than two years.
16 All financial assurance shall remain in force until released by
17 the [~~oil conservation~~] division. The [~~oil conservation~~]
18 division shall release financial assurance when it is satisfied
19 the conditions of the financial assurance have been fully
20 performed.

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

.191309.2

underscored material = new
[bracketed material] = delete

1 with division rules. If the order is not complied with in the
2 time period set out in the order, the financial assurance shall
3 be forfeited.

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

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

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

.191309.2

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

1 F. An operator required to file financial assurance
2 for a well pursuant to this section is considered to have met
3 that requirement if the operator obtains a plugging insurance
4 policy that includes the specific well and that:

5 (1) is approved by the insurance division of the
6 public regulation commission;

7 (2) names the state of New Mexico as owner of
8 the policy and contingent beneficiary;

9 (3) names a primary beneficiary who agrees to
10 plug the specified wellbore;

11 (4) is fully prepaid and cannot be canceled or
12 surrendered;

13 (5) provides that the policy continues in effect
14 until the specified wellbore has been plugged;

15 (6) provides that benefits will be paid when,
16 but not before, the specified wellbore has been plugged in
17 accordance with rules of the [~~oil conservation~~] division in
18 effect at the time of plugging; and

19 (7) provides benefits that are not less than an
20 amount equal to the one-well financial assurance required by
21 [~~oil conservation~~] division rules.

22 G. If, subsequent to an operator obtaining an
23 insurance policy as provided in this section, the one-well
24 financial assurance requirement applicable to the operator's
25 well is increased, either because the well is deepened or the

.191309.2

underscored material = new
[bracketed material] = delete

1 rules of the [~~oil conservation~~] division are amended, the
2 operator is considered to have met the revised requirement if:

3 (1) the existing policy benefit equals or
4 exceeds the revised requirement;

5 (2) the operator obtains an amendment increasing
6 the policy benefit by the amount of the increase in the
7 applicable financial assurance requirement; or

8 (3) the operator obtains financial assurance
9 equal to the amount, if any, by which the revised requirement
10 exceeds the policy benefit."

11 SECTION 3. Section 70-2-28 NMSA 1978 (being Laws 1935,
12 Chapter 72, Section 19, as amended) is amended to read:

13 "70-2-28. ACTIONS FOR VIOLATIONS.--Whenever it [~~shall~~
14 ~~appear~~] appears that any person is violating or threatening to
15 violate any statute of this state with respect to the
16 conservation of oil and gas or both or any provision of [~~this~~
17 the Oil and Gas Act or any rule, [~~regulation or~~] order [~~made~~
18 ~~thereunder~~] or permit issued pursuant to that act, the division
19 through the attorney general shall bring suit against [~~such~~
20 that person in the county of the residence of the defendant or
21 in the county of the residence of any defendant, if there [~~be~~
22 is more than one defendant, or in the county where the
23 violation is alleged to have occurred for penalties, if any are
24 applicable, or in the county where the division headquarters
25 are located, and to restrain [~~such~~] the person from continuing

.191309.2

underscored material = new
[bracketed material] = delete

1 [such] violation or from carrying out the threat of violation.
2 In [such] the suit, the division may obtain injunctions,
3 prohibitory and mandatory, including temporary restraining
4 orders and temporary injunctions, as the facts may warrant,
5 including, when appropriate, an injunction restraining any
6 person from moving or disposing of illegal oil or illegal oil
7 product or illegal gas or illegal gas product, and any or all
8 such commodities or funds derived from the sale thereof may be
9 ordered to be impounded or placed under the control of an agent
10 appointed by the court if, in the judgment of the court, such
11 action is advisable. The remedies provided by this section are
12 cumulative and do not limit any other rights or remedies of the
13 division or the commission with respect to any violation of the
14 Oil and Gas Act or of any rule, order or permit issued pursuant
15 to that act."

16 SECTION 4. Section 70-2-31 NMSA 1978 (being Laws 1981,
17 Chapter 362, Section 1) is amended to read:

18 "70-2-31. VIOLATIONS OF THE OIL AND GAS ACT--PENALTIES.--

19 A. ~~[Any]~~ Except as provided in Subsection B of this
20 section, a person who [knowingly and willfully] violates any
21 provision of the Oil and Gas Act or any provision of any rule
22 [or], order or permit issued pursuant to that act shall be
23 subject to a civil penalty of not more than one thousand
24 dollars (\$1,000) for each day of violation. [For purposes of
25 this subsection, in the case of a continuing violation, each

.191309.2

underscored material = new
[bracketed material] = delete

1 ~~day of violation shall constitute a separate violation. The~~
2 ~~penalties provided in this subsection]~~

3 B. If a person violates any provision of the Oil and
4 Gas Act or any rule, order or permit issued pursuant to that
5 act, which violation is or causes an unauthorized discharge
6 into the environment of any contaminant, the civil penalty
7 shall be not more than ten thousand dollars (\$10,000) for each
8 violation or ten thousand dollars (\$10,000) for each day of a
9 continuing violation.

10 C. The division or the commission may assess the
11 civil penalties provided in this section after notice and an
12 opportunity for a public hearing. In assessing the penalty,
13 the division or the commission may consider the seriousness of
14 the violation and any good-faith efforts to comply with the
15 applicable requirement.

16 D. A penalty not paid within thirty days after the
17 order assessing the penalty becomes final shall be recoverable
18 by a civil suit filed by the attorney general in the name and
19 on behalf of the commission or the division in the district
20 court of the county in which the defendant resides or in which
21 any defendant resides if there [be] is more than one defendant
22 or in the district court of any county in which the violation
23 occurred, or in the county where the division's headquarters
24 are located; provided that, if any final order assessing a
25 penalty is appealed pursuant to Section 70-2-25 NMSA 1978, the

.191309.2

underscored material = new
[bracketed material] = delete

1 commission may seek recovery of the penalty by a counterclaim
2 in that case. The payment of [~~such~~] the penalty shall not
3 operate to legalize any illegal oil, illegal gas or illegal
4 product involved in the violation for which the penalty is
5 imposed or relieve a person on whom the penalty is imposed from
6 liability to any other person for damages arising out of [~~such~~]
7 the violation.

8 [~~B.~~] E. It is unlawful, subject to a criminal penalty
9 of a fine of not more than [~~five thousand dollars (\$5,000)~~]
10 fifteen thousand dollars (\$15,000) or imprisonment for a term
11 not exceeding three years or both such fine and imprisonment,
12 for any person to knowingly and willfully:

13 (1) violate any provision of the Oil and Gas Act
14 or any rule, [~~regulation or order of the commission or the~~
15 ~~division~~] order or permit issued pursuant to that act; [~~or~~]

16 (2) do any of the following for the purpose of
17 evading or violating the Oil and Gas Act or any rule,
18 [~~regulation or order of the commission or the division~~] order
19 or permit issued pursuant to that act:

20 (a) make or cause to be made any false entry
21 or statement in a form or report required by the Oil and Gas
22 Act or by any rule, [~~regulation or order of the commission or~~
23 ~~division~~] order or permit issued pursuant to that act;

24 (b) make or cause to be made any false entry
25 in any record, account or memorandum required by the Oil and

underscored material = new
[bracketed material] = delete

1 Gas Act or by any rule, [~~regulation or order of the commission~~
2 ~~or division~~] order or permit issued pursuant to that act;

3 (c) omit or cause to be omitted from any
4 such record, account or memorandum full, true and correct
5 entries; or

6 (d) remove from this state or destroy,
7 mutilate, alter or falsify any such form, report, record,
8 account or memorandum; or

9 (3) procure, counsel, aid or abet the commission
10 of any act described in this subsection.

11 [~~G.~~] F. For the purposes of Subsection [~~B~~] E of this
12 section, each day of violation shall constitute a separate
13 offense.

14 [~~D.~~] G. Any person who knowingly and willfully
15 procures, counsels, [~~aides~~] aids or abets the commission of any
16 act described in Subsection A or B of this section shall be
17 subject to the same penalties as are prescribed [~~therein~~] in
18 those subsections."

19 **SECTION 5.** Section 70-2-33 NMSA 1978 (being Laws 1935,
20 Chapter 72, Section 24, as amended) is amended to read:

21 "70-2-33. DEFINITIONS.--As used in the Oil and Gas Act:

22 A. "person" means:

23 (1) any individual, estate, trust, receiver,
24 cooperative association, club, corporation, company, firm,
25 partnership, joint venture, syndicate or other entity; or

.191309.2

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

1 (2) the United States or any agency or
2 instrumentality thereof or the state or any political
3 subdivision thereof;

4 B. "pool" means an underground reservoir containing a
5 common accumulation of crude petroleum oil or natural gas or
6 both. Each zone of a general structure, which zone is
7 completely separate from any other zone in the structure, is
8 covered by the word "pool" as used in the Oil and Gas Act.

9 "Pool" is synonymous with "common source of supply" and with
10 "common reservoir";

11 C. "field" means the general area that is underlaid
12 or appears to be underlaid by at least one pool and also
13 includes the underground reservoir or reservoirs containing the
14 crude petroleum oil or natural gas or both. The words "field"
15 and "pool" mean the same thing when only one underground
16 reservoir is involved; however, "field", unlike "pool", may
17 relate to two or more pools;

18 D. "product" means any commodity or thing made or
19 manufactured from crude petroleum oil or natural gas and all
20 derivatives of crude petroleum oil or natural gas, including
21 refined crude oil, crude tops, topped crude, processed crude
22 petroleum, residue from crude petroleum, cracking stock,
23 uncracked fuel oil, treated crude oil, fuel oil, residuum, gas
24 oil, naphtha, distillate, gasoline, kerosene, benzine, wash
25 oil, waste oil, lubricating oil and blends or mixtures of crude

.191309.2

underscored material = new
[bracketed material] = delete

1 petroleum oil or natural gas or any derivative thereof;

2 E. "owner" means the person who has the right to
3 drill into and to produce from any pool and to appropriate the
4 production either for [~~himself~~] the person or for [~~himself~~] the
5 person and another;

6 F. "producer" means the owner of a well capable of
7 producing crude petroleum oil or natural gas or both in paying
8 quantities;

9 G. "gas transportation facility" means a pipeline in
10 operation serving gas wells for the transportation of natural
11 gas or some other device or equipment in like operation whereby
12 natural gas produced from gas wells connected therewith can be
13 transported or used for consumption;

14 H. "correlative rights" means the opportunity
15 afforded, so far as it is practicable to do so, to the owner of
16 each property in a pool to produce without waste [~~his~~] the
17 owner's just and equitable share of the crude petroleum oil or
18 natural gas or both in the pool, being an amount, so far as can
19 be practicably determined and so far as can be practicably
20 obtained without waste, substantially in the proportion that
21 the quantity of recoverable crude petroleum oil or natural gas
22 or both under the property bears to the total recoverable crude
23 petroleum oil or natural gas or both in the pool and, for such
24 purpose, to use [~~his~~] the owner's just and equitable share of
25 the reservoir energy;

.191309.2

underscored material = new
[bracketed material] = delete

1 I. "potash" means the naturally occurring bedded
2 deposits of the salts of the element potassium;

3 J. "casinghead gas" means any gas or vapor or both
4 indigenous to an oil stratum and produced from such stratum
5 with oil, including any residue gas remaining after the
6 processing of casinghead gas to remove its liquid components;
7 [~~and~~]

8 K. "produced water" means water that is an incidental
9 byproduct from drilling for or the production of crude
10 petroleum oil and natural gas;

11 L. "commission" means the oil conservation
12 commission;

13 M. "division" means the oil conservation division of
14 the energy, minerals and natural resources department;

15 N. "inactive well" means a well that is not being
16 utilized for beneficial purposes such as production, injection
17 or monitoring and that is not being drilled, completed,
18 repaired or worked over; and

19 O. "oil and gas operations" means all activities
20 involving or related to the exploration for, development of,
21 production or storage of crude petroleum oil or natural gas,
22 the oil field service industry, the transportation of crude
23 petroleum oil or natural gas, the treatment of natural gas or
24 the refinement of crude petroleum oil."

25 SECTION 6. Section 70-2-38 NMSA 1978 (being Laws 1977,

.191309.2

underscored material = new
[bracketed material] = delete

1 Chapter 237, Section 5, as amended) is amended to read:

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

5 A. The oil and gas reclamation fund shall be
6 administered by the [~~oil conservation~~] division [~~of the energy,~~
7 ~~minerals and natural resources department~~]. Expenditures from
8 the fund may be used by the director of the division for the
9 purposes of:

10 (1) employing the necessary personnel to survey
11 abandoned wells, well sites and [~~associated~~] production
12 facilities and preparing plans for administering and performing
13 the plugging of abandoned wells that have not been plugged or
14 that have been improperly plugged, for plugging or replugging
15 abandoned wells and for the restoration and remediation of
16 abandoned well sites and [~~associated~~] production facilities
17 that have not been properly restored and remediated; and

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

21 B. The director of the [~~oil conservation~~] division
22 [~~of the energy, minerals and natural resources department~~], as
23 funds become available in the oil and gas reclamation fund,
24 shall reclaim and properly plug all abandoned wells and shall
25 restore and remediate abandoned well sites and [~~associated~~]

.191309.2

underscored material = new
[bracketed material] = delete

1 production facilities in accordance with the provisions of the
2 Oil and Gas Act and the rules [~~and regulations~~] promulgated
3 pursuant to that act. The division may order wells plugged and
4 well sites and [~~associated~~] production facilities restored and
5 remediated on federal lands on which there are no bonds running
6 to the benefit of the state in the same manner and in
7 accordance with the same procedure as with wells drilled on
8 state and fee land, including using funds from the oil and gas
9 reclamation fund to pay the cost of plugging, restoration or
10 remediation. When the costs of plugging or replugging a well
11 or restoring and remediating well sites [~~and associated~~] or
12 production facilities are paid from the oil and gas reclamation
13 fund, the division [~~is authorized to~~] may bring a suit against
14 the operator, [~~or~~] the most recent owner of the minerals under
15 the tract or the most recent lessee of the minerals under the
16 tract in the district court of the county in which the well is
17 located for indemnification for all costs incurred by the
18 division in plugging the well or restoring and remediating the
19 well site and [~~associated~~] production facilities. Any funds
20 collected pursuant to a judgment in a suit for indemnification
21 brought under the Oil and Gas Act shall be deposited in the oil
22 and gas reclamation fund.

23 C. The director of the [~~oil conservation~~] division
24 [~~of the energy, minerals and natural resources department~~]
25 shall make an annual report to the secretary of energy,

.191309.2

underscored material = new
[bracketed material] = delete

1 minerals and natural resources, the governor and the
2 legislature on the use of the oil and gas reclamation fund.

3 D. Contracts for plugging, reclamation and energy
4 education pursuant to this section shall be entered into in
5 accordance with the provisions of the Procurement Code. A
6 contractor employed by the [~~oil conservation~~] division [~~of the~~
7 ~~energy, minerals and natural resources department~~] to plug a
8 well or restore or remediate a well site or [~~associated~~]
9 production facility is authorized to sell the equipment and
10 material or product that is removed from the well, site or
11 facility and to deduct the proceeds of the sales from the costs
12 of plugging, restoring or remediating.

13 [~~E. As used in this section, "associated production~~
14 ~~facilities" means those facilities used for, intended to be~~
15 ~~used for or that have been used for the production, treatment,~~
16 ~~transportation, storage or disposal of oil, gas, brine, product~~
17 ~~or waste generated during oil and gas operations or used in the~~
18 ~~production of oil and gas if that facility is, has been or~~
19 ~~would have been subject to regulation by the oil conservation~~
20 ~~division of the energy, minerals and natural resources~~
21 ~~department or the oil conservation commission pursuant to the~~
22 ~~Oil and Gas Act or the Water Quality Act.]"~~

23 SECTION 7. EFFECTIVE DATE.--The effective date of the
24 provisions of this act is July 1, 2013.