

AN ACT

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RELATING TO TAXATION; ENACTING FOR THE PURPOSES OF ENVIRONMENTAL PRESERVATION, DRILLING TECHNOLOGY, SURFACE USE REDUCTION AND REVENUE ENHANCEMENT A ONE-TIME TAX CREDIT FOR COMPLETION OF NEW CRUDE OIL AND NATURAL GAS WELLS; CREATING A FUND; MAKING AN APPROPRIATION.

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

Section 1. A new section of the Oil and Gas Emergency School Tax Act is enacted to read:

"ONE-TIME TAX CREDIT--FUND CREATED.--

A. To encourage preservation of the environment, stimulate drilling technology, reduce the surface impact of oil or gas wells and enhance state revenue, the operator of a new crude oil or natural gas well may upon completion of the well apply for and receive a one-time tax credit.

B. A well shall qualify for the tax credit provided by this section in the amount of fifteen thousand dollars (\$15,000) if the oil conservation division of the energy, minerals and natural resources department certifies to the taxation and revenue department that:

(1) the operator applying for the tax credit commenced drilling the well after the effective date of this section of this 2003 act, but not later than eighteen months after the effective date; and

(2) the well was completed as a producing well.

C. A well shall qualify for the tax credit provided by this section in the

amount of thirty thousand dollars (\$30,000) if the oil conservation division of the energy, minerals and natural resources department certifies to the taxation and revenue department that:

(1) the operator applying for the tax credit commenced drilling the well after the effective date of this section of this 2003 act, but not later than eighteen months after the effective date;

(2) the well was completed as a producing well; and

(3) the well:

(a) is a directionally or horizontally drilled well;

(b) utilizes technology that enables more than one wellbore to be drilled from a single well pad; or

(c) utilizes a single new wellbore to access more than one petroleum reservoir.

D. The tax credit shall be disbursed as a refund following certification by the oil conservation division of the energy, minerals and natural resources department pursuant to this section and based upon a refund request by the operator.

Requests for refunds shall be processed by the taxation and revenue department and issued in the form of a warrant to the operator. The operator shall allocate the refund allowed pursuant to this section among the working interest owners and shall remit to each working interest owner its share thereof.

E. As used in this section:

(1) "operator" means the person that is designated as the operator of the well in the records of the oil conservation division of the energy, minerals and natural resources department; and

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(2) "well" means a crude oil or natural gas producing well.

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F. The "oil and gas tax credit fund" is created in the state treasury. The fund shall be administered by the department. Money in the fund shall be used to pay for the tax credit provided in this section."

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Section 2. APPROPRIATION.--Twelve million dollars (\$12,000,000) is appropriated from the operating reserve to carry out the provisions of this act and shall be transferred to the oil and gas tax credit fund on the effective date of Section 1 of this act. Any unexpended or unencumbered balance remaining at the end of the fiscal year in which Section 1 of this act is repealed shall revert to the general fund.

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Section 3. REPEAL.--Section 1 of this act is repealed effective thirty months after the effective date of that section or when the total amount of tax credits under this section certified by the oil conservation division of the energy, minerals and natural resources department and approved by the taxation and revenue department totals twelve million dollars (\$12,000,000), whichever occurs first.

Section 4. EFFECTIVE DATE.--The effective date of the provisions of Section 1 of this act is that date when the average monthly value of either oil or gas, as reported to the taxation and revenue department pursuant to Subsection D of Section 7-31-2 NMSA 1978, has for four consecutive months been nineteen dollars (\$19.00) or less per barrel of crude oil or two dollars twenty-five cents (\$2.25) or less per thousand cubic feet of natural gas; provided, however, that in no case shall Section 1 of this act become effective after June 30, 2008.

