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FISCAL IMPACT REPORT

SPONSOR: Whitaker DATE TYPED: 1/27/03 HB 147
 SHORT TITLE: Conservation of Helium and Other Non-Hydrocarbon Gases SB _____
 ANALYST: Maloy

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		See Narrative		

SOURCES OF INFORMATION

Responses Received From
 Energy, Minerals and Natural Resources Department
 State Land Office

SUMMARY

Synopsis of Bill

HB147 requires the Oil Conservation Division adopt and administer rules for the conservation of helium and other non-hydrocarbon gases. HB147 grants the Division the authority to regulate exploration for and production of helium and other non-hydrocarbon gases in the same manner the Division currently regulates oil, hydrocarbon natural gases and carbon dioxide.

Significant Issues

1. Helium is a naturally occurring gas found in subterranean geologic structures in New Mexico. It is believed that New Mexico has extensive helium reserves in these subterranean structures: "Probable" reserves of 20 to 25 billion cubic feet (bcf) and "potential" reserves possibly as high as 100 bcf.
2. Helium is extremely valuable, selling for approximately \$75/thousand cubic feet, compared to approximately \$3 to \$5/mcf for natural gas. This means the potential value of New Mexico's helium reserves could well exceed \$7 billion at present prices.

3. "Natural gas" is not defined in the New Mexico Oil and Gas Act [NMSA 70-2-1 through 70-2-38], but the term has been historically applied to hydrocarbon gases. Therefore, arguably, exploration for and production of non-hydrocarbon gases such as helium are not regulated by way of the current law.
4. Environmental factors supporting regulation of non-hydrocarbon gases and helium include:
 - a. Protection of fresh water through the required use of protective technology that will prevent salt water and other hazardous substances from entering helium well-bores and migrating to fresh water aquifers, or from escaping to the surface;
 - b. Preventing waste of surface area and resources through limitations on the number of wells that may be drilled, as well as the spacing between the wells, thus avoiding unnecessary, excessive drilling (and promoting agricultural needs and New Mexico's scenic beauty);
 - c. The development of environmental consistency among State, Federal and Tribal interests;

FISCAL IMPLICATIONS

1. The potential value of New Mexico's helium resources could exceed \$7 billion at present prices. This value could continue to rise rather rapidly because of the limited supply of this resource and the high demand.
2. Currently, the Oil Conservation Division has a production reporting process and the ability to monitor levels of production for oil and gas wells for the purposes of collecting "production taxes". A similar process for reporting and monitoring may be easily implemented for helium wells. This means that helium production presents the opportunity for significant future tax revenue.
3. The drafting, adopting, administering and enforcing of new helium and non-hydrocarbon gas regulations will undoubtedly have some impact on the Division's FTE and budget needs. However, the Division predicts that any such impact will be "minimal" and manageable.
4. The regulation of helium exploration and production will protect leases, sales and royalty revenues from State lands.

ADMINISTRATIVE IMPLICATIONS

Because the regulation of helium and other non-hydrocarbon gases involves essentially the same activities the Oil Conservation Division presently performs in regulating oil and gas production, the additional burden on the Division should be minimal. The Division does not anticipate any affect on its ability to continue to perform its existing functions.