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HOUSE BILL 11

44TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1999

INTRODUCED BY

Donald L. Whitaker

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO TAXATION; CHANGING THE CONDITIONS FOR  
QUALIFICATION OF PRODUCTION RESTORATION PROJECTS PURSUANT TO  
THE OIL AND GAS SEVERANCE TAX ACT AND THE NATURAL GAS AND  
CRUDE OIL PRODUCTION INCENTIVE ACT; AMENDING SECTIONS OF THE  
NMSA 1978.

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

Section 1. Section 7-29-2 NMSA 1978 (being Laws 1959,  
Chapter 52, Section 2, as amended) is amended to read:

"7-29-2. DEFINITIONS. -- As used in the Oil and Gas  
Severance Tax Act:

A. "commission", "department", "division" or "oil  
and gas accounting division" means the taxation and revenue  
department, the secretary of taxation and revenue or any  
employee of the department exercising authority lawfully

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1 delegated to that employee by the secretary;

2 B. "production unit" means a unit of property  
3 designated by the department from which products of common  
4 ownership are severed;

5 C. "severance" means the taking from the soil of  
6 any product in any manner whatsoever;

7 D. "value" means the actual price received for  
8 products at the production unit, except as otherwise provided  
9 in the Oil and Gas Severance Tax Act;

10 E. "product" or "products" means oil, natural gas  
11 or liquid hydrocarbon, individually or any combination  
12 thereof, or carbon dioxide;

13 F. "operator" means any person:

14 (1) engaged in the severance of products from  
15 a production unit; or

16 (2) owning an interest in any product at the  
17 time of severance who receives a portion or all of such  
18 product for his interest;

19 G. "primary recovery" means the displacement of  
20 oil and of other liquid hydrocarbons removed from natural gas  
21 at or near the wellhead from an oil well or pool as classified  
22 by the oil conservation division of the energy, minerals and  
23 natural resources department pursuant to Paragraph (11) of  
24 Subsection B of Section 70-2-12 NMSA 1978 into the wellbore by  
25 means of the natural pressure of the oil well or pool,

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1 including but not limited to artificial lift;

2 H. "purchaser" means a person who is the first  
3 purchaser of a product after severance from a production unit,  
4 except as otherwise provided in the Oil and Gas Severance Tax  
5 Act;

6 I. "person" means any individual, estate, trust,  
7 receiver, business trust, corporation, firm, co-partnership,  
8 cooperative, joint venture, association or other group or  
9 combination acting as a unit, and the plural as well as the  
10 singular number;

11 J. "interest owner" means a person owning an  
12 entire or fractional interest of whatsoever kind or nature in  
13 the products at the time of severance from a production unit,  
14 or who has a right to a monetary payment that is determined by  
15 the value of such products;

16 K. "new production natural gas well" means a  
17 producing crude oil or natural gas well proration unit that  
18 begins its initial natural gas production on or after May 1,  
19 1987 as determined by the oil conservation division of the  
20 energy, minerals and natural resources department;

21 L. "qualified enhanced recovery project", prior to  
22 January 1, 1994, means the use or the expanded use of carbon  
23 dioxide, when approved by the oil conservation division of the  
24 energy, minerals and natural resources department pursuant to  
25 the Enhanced Oil Recovery Act, for the displacement of oil and

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1 of other liquid hydrocarbons removed from natural gas at or  
2 near the wellhead from an oil well or pool classified by the  
3 oil conservation division pursuant to Paragraph (11) of  
4 Subsection B of Section 70-2-12 NMSA 1978;

5 M "qualified enhanced recovery project", on and  
6 after January 1, 1994, means the use or the expanded use of  
7 any process approved by the oil conservation division of the  
8 energy, minerals and natural resources department pursuant to  
9 the Enhanced Oil Recovery Act for the displacement of oil and  
10 of other liquid hydrocarbons removed from natural gas at or  
11 near the wellhead from an oil well or pool classified by the  
12 oil conservation division pursuant to Paragraph (11) of  
13 Subsection B of Section 70-2-12 NMSA 1978, other than a  
14 primary recovery process; the term includes but is not limited  
15 to the use of a pressure maintenance process, a water flooding  
16 process and immiscible, miscible, chemical, thermal or  
17 biological process or any other related process;

18 N. "production restoration project" means the use  
19 of any process for returning to production a natural gas or  
20 oil well that had thirty days or less of production [ ~~between~~  
21 ~~January 1, 1993 and December 31, 1994~~ ] in any period of  
22 twenty-four consecutive months beginning on or after January  
23 1, 1993, as approved and certified by the oil conservation  
24 division of the energy, minerals and natural resources  
25 department pursuant to the Natural Gas and Crude Oil

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1 Production Incentive Act;

2 0. "well workover project" means any procedure  
3 undertaken by the operator of a natural gas or crude oil well  
4 that is intended to increase the production from the well and  
5 that has been approved and certified by the oil conservation  
6 division of the energy, minerals and natural resources  
7 department pursuant to the Natural Gas and Crude Oil  
8 Production Incentive Act; and

9 P. "tax" means the oil and gas severance tax."

10 Section 2. Section 7-29B-2 NMSA 1978 (being Laws 1995,  
11 Chapter 15, Section 2) is amended to read:

12 "7-29B-2. DEFINITIONS. --As used in the Natural Gas and  
13 Crude Oil Production Incentive Act:

14 A. "department" means the taxation and revenue  
15 department;

16 B. "division" means the oil conservation division  
17 of the energy, minerals and natural resources department;

18 C. "natural gas" means any combustible vapor  
19 composed chiefly of hydrocarbons occurring naturally;

20 D. "operator" means the person responsible for the  
21 actual physical operation of a natural gas or oil well;

22 E. "person" means any individual or other legal  
23 entity, including any group or combination of individuals or  
24 other legal entities acting as a unit;

25 F. "production projection" means the estimate of

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1 the productive capacity of a natural gas or oil well that is  
2 certified by the division pursuant to the provisions of the  
3 Natural Gas and Crude Oil Production Incentive Act as the  
4 future rate of production from the well prior to the operator  
5 of the well performing a well workover project on the well;

6 G. "production restoration incentive tax  
7 exemption" means the tax exemption set forth in Subsection B  
8 of Section 7-29-4 NMSA 1978 for natural gas or oil produced  
9 from a production restoration project;

10 H. "production restoration project" means the use  
11 of any process for returning to production a natural gas or  
12 oil well that had thirty days or less of production [ ~~between~~  
13 ~~January 1, 1993 and December 31, 1994~~ ] in any period of  
14 twenty-four consecutive months beginning on or after January  
15 1, 1993 as approved and certified by the division;

16 I. "severance" means the taking from the soil of  
17 any product in any manner whatsoever;

18 J. "well workover incentive tax rate" means the  
19 tax rate set forth in Paragraphs (4) and (5) of Subsection A  
20 of Section 7-29-4 NMSA 1978 on the natural gas or oil produced  
21 in excess of the production projection from a well workover  
22 project; and

23 K. "well workover project" means any procedure  
24 undertaken by the operator of a natural gas or oil well that  
25 is intended to increase the production from the well and that

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1 has been approved and certified by the division. "

2 Section 3. Section 7-29B-3 NMSA 1978 (being Laws 1995,  
3 Chapter 15, Section 3) is amended to read:

4 "7-29B-3. APPROVAL OF PRODUCTION RESTORATION PROJECTS  
5 AND WELL WORKOVER PROJECTS. --

6 A. A natural gas or oil well shall be approved by  
7 the division as a production restoration project if:

8 (1) the operator of the well makes  
9 application to the division in accordance with the provisions  
10 of the Natural Gas and Crude Oil Production Incentive Act and  
11 rules and regulations adopted pursuant to that act for  
12 approval of a production restoration project; and

13 (2) the division records show that the well  
14 had thirty days or less of production [ ~~between January 1, 1993~~  
15 ~~and December 31, 1994~~ ] in any period of twenty-four  
16 consecutive months beginning on or after January 1, 1993.

17 B. A natural gas or oil well shall be approved by  
18 the division as a well workover project if:

19 (1) the operator of the well makes  
20 application to the division in accordance with the provisions  
21 of the Natural Gas and Crude Oil Production Incentive Act and  
22 rules and regulations adopted pursuant to that act for  
23 approval of a well workover project;

24 (2) the division determines that the  
25 procedure proposed to be undertaken by the operator of the

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1 well is a procedure intended to increase the production from  
2 the well, but is not routine maintenance that would be  
3 performed by a prudent operator to maintain the well in  
4 operation. Such procedures may include, but are not limited  
5 to:

6 (a) re-entry into the well to drill  
7 deeper, to sidetrack to a different location or to recomplete  
8 for production;

9 (b) recompletion by reperforation of a  
10 zone from which natural gas or oil has been produced or by  
11 perforation of a different zone;

12 (c) repair or replacement of faulty or  
13 damaged casing or related downhole equipment;

14 (d) fracturing, acidizing or installing  
15 compression equipment; or

16 (e) squeezing, cementing or installing  
17 equipment necessary for removal of excessive water, brine or  
18 condensate from the well bore in order to establish, continue  
19 or increase production from the well; and

20 (3) the operator of the well submits to the  
21 division an estimate of the productive capacity of the well  
22 based on at least twelve months of established production, and  
23 the division, based on its verification of that estimate,  
24 determines the future rate of production from the well prior  
25 to the operator of the well performing the well workover

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1 project on the well and certifies that as the production  
2 projection for the project. "

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1 FORTY-FOURTH LEGISLATURE

2 FIRST SESSION, 1999

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6 February 3, 1999

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8 Mr. Speaker:

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10 Your TAXATION & REVENUE COMMITTEE, to whom has  
11 been referred

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13 HOUSE BILL 11

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15 has had it under consideration and reports same with  
16 recommendation that it DO PASS, amended as follows:

17 1. On page 7, line 12, after "project" insert "and the  
18 application is made within twelve months of the completion  
19 of the production restoration project".

FORTY-FOURTH LEGISLATURE  
FIRST SESSION, 1999

HTRC/HB 11

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Respectfully submitted,

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Jerry W. Sandel, Chairman

Adopted \_\_\_\_\_

Not Adopted \_\_\_\_\_

(Chief Clerk)

(Chief Clerk)

Date \_\_\_\_\_

The roll call vote was 14 For 0 Against

Yes: 14

Excused: Lujan

Absent: None

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1 HTRC/HB 11

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FIRST SESSION, 1999

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February 15, 1999

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Mr. President:

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Your WAYS & MEANS COMMITTEE, to whom has been referred

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HOUSE BILL 11, as amended

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has had it under consideration and reports same with  
recommendation that it DO PASS, and thence referred to the  
FINANCE COMMITTEE.

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Respectfully submitted,

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Carlos R. Cisneros, Chairman

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FORTY-FOURTH LEGISLATURE  
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Adopted \_\_\_\_\_ Not

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(Chief Clerk)

(Chief Clerk)

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Date \_\_\_\_\_

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The roll call vote was 7 For 0 Against

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Yes: 7

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No: 0

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Excused: Carraro, Jennings

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Absent: None

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FIRST SESSION, 1999

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FIRST SESSION, 1999

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March 1, 1999

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Mr. President:

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Your FINANCE COMMITTEE, to whom has been referred

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HOUSE BILL 11, as amended

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has had it under consideration and reports same with  
recommendation that it DO PASS.

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Respectfully submitted,

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Ben D. Altamirano, Chairman

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Adopted \_\_\_\_\_ Not

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Adopted \_\_\_\_\_

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(Chief Clerk)

(Chief Clerk)

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Date \_\_\_\_\_

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The roll call vote was 7 For 0 Against

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Yes: 7

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No: 0

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Excused: Carraro, Eisenstadt, Ingle, Lyons, McKibben, Tsosie

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Absent: None

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