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HOUSE BILL 280

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

INTRODUCED BY

Donald L. Whitaker

AN ACT

RELATING TO TAXATION; PROVIDING A REDUCED OIL AND GAS SEVERANCE TAX RATE OR AN EXEMPTION FROM THE TAX FOR THE FIRST TWO YEARS OF NATURAL GAS AND OIL PRODUCTION FROM CERTAIN NEW WELLS DRILLED DURING LOW PRICE PERIODS; 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, as approved and
22 certified by the oil conservation division of the energy,
23 minerals and natural resources department pursuant to the
24 Natural Gas and Crude Oil Production Incentive Act;

25 O. "well workover project" means any procedure

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1 undertaken by the operator of a natural gas or crude oil well
2 that is intended to increase the production from the well and
3 that has been approved and certified by the oil conservation
4 division of the energy, minerals and natural resources
5 department pursuant to the Natural Gas and Crude Oil
6 Production Incentive Act; [~~and~~]

7 P. "new well" means a crude oil or natural gas
8 producing well for which drilling commenced on or after
9 January 1, 1999 or a horizontal crude oil or natural gas well
10 that was recompleted from a vertical well by drilling
11 operations that commenced on or after January 1, 1999 and that
12 has been approved and certified by the oil conservation
13 division as qualified for either a new well incentive tax rate
14 or a new well incentive tax exemption pursuant to the
15 provisions of the Natural Gas and Crude Oil Production
16 Incentive Act; and

17 [~~P.-~~] Q. "tax" means the oil and gas severance
18 tax. "

19 Section 2. Section 7-29-4 NMSA 1978 (being Laws 1980,
20 Chapter 62, Section 5, as amended) is amended to read:

21 "7-29-4. OIL AND GAS SEVERANCE TAX IMPOSED--
22 COLLECTION--INTEREST OWNER'S LIABILITY TO STATE--INDIAN
23 LIABILITY.--

24 A. There is imposed and shall be collected by the
25 department a tax on all products that are severed and sold,

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1 except as provided in Subsection B of this section. The
2 measure of the tax and the rates are:

3 (1) on natural gas severed and sold, except
4 as provided in [~~Paragraph (4)~~] Paragraphs (4) and (6) of this
5 subsection, three and three-fourths percent of the taxable
6 value determined under Section 7-29-4.1 NMSA 1978;

7 (2) on oil and on other liquid hydrocarbons
8 removed from natural gas at or near the wellhead, except as
9 provided in Paragraphs (3), [~~and~~] (5) and (7) of this
10 subsection, three and three-fourths percent of taxable value
11 determined under Section 7-29-4.1 NMSA 1978;

12 (3) on oil and on other liquid hydrocarbons
13 removed from natural gas at or near the wellhead produced from
14 a qualified enhanced recovery project, one and seven-eighths
15 percent of the taxable value determined under Section 7-29-4.1
16 NMSA 1978, provided that the annual average price of west
17 Texas intermediate crude oil, determined by the department by
18 averaging the posted prices in effect on the last day of each
19 month of the twelve-month period ending on May 31 prior to the
20 fiscal year in which the tax rate is to be imposed, was less
21 than twenty-eight dollars (\$28.00) per barrel;

22 (4) on the natural gas from a well workover
23 project that is in excess of the production projection
24 certified by the oil conservation division of the energy,
25 minerals and natural resources department in its approval of

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1 the well workover project, one and seven-eighths percent of
2 the taxable value determined under Section 7-29-4.1 NMSA 1978,
3 provided that the annual average price of west Texas
4 intermediate crude oil, determined by the department by
5 averaging the posted prices in effect on the last day of each
6 month of the twelve-month period ending on May 31 prior to the
7 fiscal year in which the tax rate is to be imposed, was less
8 than twenty-four dollars (\$24.00) per barrel;

9 (5) on the oil and on other liquid
10 hydrocarbons removed from natural gas at or near the wellhead
11 from a well workover project that is in excess of the
12 production projection certified by the oil conservation
13 division of the energy, minerals and natural resources
14 department in its approval of the well workover project, one
15 and seven-eighths percent of the taxable value determined
16 under Section 7-29-4.1 NMSA 1978, provided that the annual
17 average price of west Texas intermediate crude oil, determined
18 by the department by averaging the posted prices in effect on
19 the last day of each month of the twelve-month period ending
20 on May 31 prior to the fiscal year in which the tax rate is to
21 be imposed, was less than twenty-four dollars (\$24.00) per
22 barrel; [~~and~~]

23 (6) on the natural gas produced during the
24 first twenty-four months following the date of the initial
25 production from a new well certified by the division as

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1 qualified for the new well incentive tax rate pursuant to
2 provisions of the Natural Gas and Crude Oil Production
3 Incentive Act, one and seven-eighths percent of the taxable
4 value determined under Section 7-29-4.1 NMSA 1978;

5 (7) on the oil and on other liquid
6 hydrocarbons removed from natural gas at or near the wellhead
7 produced during the first twenty-four months following the
8 date of the initial production from a new well certified by
9 the division as qualified for a new well incentive tax rate
10 pursuant to the Natural Gas and Crude Oil Production Incentive
11 Act, one and seven-eighths percent of the taxable value
12 determined under Section 7-29-4.1 NMSA 1978; and

13 [~~(6)~~] (8) on carbon dioxide, three and
14 three-fourths percent of the taxable value determined under
15 Section 7-29-4.1 NMSA 1978.

16 B. The tax imposed in Subsection A of this section
17 shall not be imposed on:

18 (1) natural gas severed and sold from a
19 production restoration project during the first ten years of
20 production following the restoration of production, provided
21 that the annual average price of west Texas intermediate crude
22 oil, determined by the department by averaging the posted
23 prices in effect on the last day of each month of the
24 twelve-month period ending on May 31 prior to each fiscal year
25 in which the tax exemption is to be effective, was less than

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1 twenty-four dollars (\$24.00) per barrel; [and]

2 (2) oil and on other liquid hydrocarbons
3 removed from natural gas at or near the wellhead from a
4 production restoration project during the first ten years of
5 production following the restoration of production, provided
6 that the annual average price of west Texas intermediate crude
7 oil, determined by the department by averaging the posted
8 prices in effect on the last day of each month of the
9 twelve-month period ending on May 31 prior to each fiscal year
10 in which the tax exemption is to be effective, was less than
11 twenty-four dollars (\$24.00) per barrel;

12 (3) the natural gas produced during the first
13 twenty-four months following the date of the initial
14 production from a new well certified by the division as
15 qualified for the new well incentive tax exemption pursuant to
16 provisions of the Natural Gas and Crude Oil Production
17 Incentive Act; and

18 (4) oil and on other liquid hydrocarbons
19 removed from natural gas at or near the wellhead produced
20 during the first twenty-four months following the date of the
21 initial production from a new well certified by the division
22 as qualified for a new well incentive tax exemption pursuant
23 to the Natural Gas and Crude Oil Production Incentive Act.

24 C. Every interest owner shall be liable for the
25 tax to the extent of his interest in such products. Any

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1 Indian tribe, Indian pueblo or Indian shall be liable for the
2 tax to the extent authorized or permitted by law.

3 D. The tax imposed by this section may be referred
4 to as the "oil and gas severance tax".

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

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

9 A. "department" means the taxation and revenue
10 department;

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

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

15 D. "new well" means:

16 (1) a crude oil or natural gas producing well
17 for which drilling commenced on or after January 1, 1999 and
18 that qualifies for a new well incentive tax rate or new well
19 incentive tax exemption as determined by the division; or

20 (2) a horizontal crude oil or natural gas
21 producing well that was recompleted from a vertical well by
22 drilling operations that commenced on or after January 1, 1999
23 and that qualifies for a new well incentive tax rate or new
24 well incentive tax exemption as determined by the division;

25 E. "new well incentive tax exemption" means the

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1 tax exemption set forth in Paragraphs (3) and (4) of
2 Subsection B of Section 7-29-4 NMSA 1978 for natural gas or
3 oil produced from a new well for which drilling commenced in a
4 fiscal year that qualified the new well for the tax exemption;

5 F. "new well incentive tax rate" means the tax
6 rate set forth in Paragraphs (6) and (7) of Subsection A of
7 Section 7-29-4 NMSA 1978 on the natural gas or oil from a new
8 well for which drilling commenced in a fiscal year that
9 qualified the new well for the tax rate;

10 ~~[D.]~~ G. "operator" means the person responsible
11 for the actual physical operation of a natural gas or oil
12 well;

13 ~~[E.]~~ H. "person" means any individual or other
14 legal entity, including any group or combination of
15 individuals or other legal entities acting as a unit;

16 ~~[F.]~~ I. "production projection" means the estimate
17 of the productive capacity of a natural gas or oil well that
18 is certified by the division pursuant to the provisions of the
19 Natural Gas and Crude Oil Production Incentive Act as the
20 future rate of production from the well prior to the operator
21 of the well performing a well workover project on the well;

22 ~~[G.]~~ J. "production restoration incentive tax
23 exemption" means the tax exemption set forth in Paragraphs (1)
24 and (2) of Subsection B of Section 7-29-4 NMSA 1978 for
25 natural gas or oil produced from a production restoration

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1 project;

2 [H-] K. "production restoration project" means the
3 use of any process for returning to production a natural gas
4 or oil well that had thirty days or less of production between
5 January 1, 1993 and December 31, 1994 as approved and
6 certified by the division;

7 [I-] L. "severance" means the taking from the soil
8 of any product in any manner whatsoever;

9 [J-] M. "well workover incentive tax rate" means
10 the tax rate set forth in Paragraphs (4) and (5) of Subsection
11 A of Section 7-29-4 NMSA 1978 on the natural gas or oil
12 produced in excess of the production projection from a well
13 workover project; and

14 [K-] N. "well workover project" means any
15 procedure undertaken by the operator of a natural gas or oil
16 well that is intended to increase the production from the well
17 and that has been approved and certified by the division."

18 Section 4. Section 7-29B-3 NMSA 1978 (being Laws 1995,
19 Chapter 15, Section 3) is amended to read:

20 "7-29B-3. APPROVAL OF PRODUCTION RESTORATION PROJECTS,
21 [~~AND~~] WELL WORKOVER PROJECTS AND NEW WELLS. --

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

24 (1) the operator of the well makes
25 application to the division in accordance with the provisions

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1 of the Natural Gas and Crude Oil Production Incentive Act and
2 rules and regulations adopted pursuant to that act for
3 approval of a production restoration project; and

4 (2) the division records show that the well
5 had thirty days or less of production between January 1, 1993
6 and December 31, 1994.

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

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

14 (2) the division determines that the
15 procedure proposed to be undertaken by the operator of the
16 well is a procedure intended to increase the production from
17 the well, but is not routine maintenance that would be
18 performed by a prudent operator to maintain the well in
19 operation. Such procedures may include, but are not limited
20 to:

21 (a) re-entry into the well to drill
22 deeper, to sidetrack to a different location or to recomplete
23 for production;

24 (b) recompletion by reperforation of a
25 zone from which natural gas or oil has been produced or by

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1 perforation of a different zone;

2 (c) repair or replacement of faulty or
3 damaged casing or related downhole equipment;

4 (d) fracturing, acidizing or installing
5 compression equipment; or

6 (e) squeezing, cementing or installing
7 equipment necessary for removal of excessive water, brine or
8 condensate from the wellbore in order to establish, continue
9 or increase production from the well; and

10 (3) the operator of the well submits to the
11 division an estimate of the productive capacity of the well
12 based on at least twelve months of established production, and
13 the division, based on its verification of that estimate,
14 determines the future rate of production from the well prior
15 to the operator of the well performing the well workover
16 project on the well and certifies that as the production
17 projection for the project.

18 C. A natural gas or crude oil well shall be
19 approved by the division as a new well if:

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

24 (2) the division records show that it is
25 either a crude oil or natural gas producing well for which

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1 drilling commenced on or after January 1, 1999 or a horizontal
2 crude oil or natural gas well that was recompleted from a
3 vertical well by drilling operations that commenced on or
4 after January 1, 1999; and

5 (3) the annual average price of west Texas
6 intermediate crude oil, determined by the department by
7 averaging the posted prices in effect on the last day of each
8 month of the twelve-month period ending on May 31 prior to the
9 fiscal year in which the drilling of the well commenced, was
10 less than twenty-four dollars (\$24.00) per barrel. If the
11 average annual price for that period was greater than eighteen
12 dollars (\$18.00) but less than twenty-four dollars (\$24.00)
13 per barrel, the division shall approve the new well as
14 qualified for the new well incentive tax rate. If the average
15 annual price for that period was equal to or less than
16 eighteen dollars (\$18.00) per barrel, the division shall
17 approve the new well as qualified for the new well incentive
18 tax exemption."

19 Section 5. Section 7-29B-4 NMSA 1978 (being Laws 1995,
20 Chapter 15, Section 4) is amended to read:

21 "7-29B-4. APPLICATION PROCEDURES--CERTIFICATION OF
22 APPROVAL--RULES AND REGULATIONS--ADMINISTRATION.--

23 A. The operator of a proposed production
24 restoration project, [ø] well workover project or new well
25 shall apply to the division for approval of a production

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1 restoration project, [~~or a~~] well workover project or new well
2 in the form and manner prescribed by the division and shall
3 provide any relevant material and information the division
4 requires for that approval.

5 B. Upon a determination that the project complies
6 with the provisions of the Natural Gas and Crude Oil
7 Production Incentive Act and rules and regulations adopted
8 pursuant to that act, the division shall approve the
9 application and shall issue a certification of approval to the
10 operator and designate the natural gas or oil well as a
11 production restoration project, [~~or~~] well workover project or
12 new well as applicable.

13 C. At the time of issuing a certification of
14 approval to an operator of a natural gas or oil well for a
15 well workover project, the division shall also certify the
16 production projection for that project.

17 D. In addition to the powers enumerated in Section
18 70-2-12 NMSA 1978, the division shall adopt, promulgate and
19 enforce rules and regulations to carry out the provisions of
20 [~~Sections 1 through 5 of~~] the Natural Gas and Crude Oil
21 Production Incentive Act.

22 E. The division shall consider and approve
23 applications for approval of a production restoration project,
24 [~~or~~] well workover project or new well without holding
25 hearings on the applications. If the division denies approval

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1 of an application pursuant to such a process, the division,
2 upon the request of the applicant, shall set a hearing of the
3 application before an examiner appointed by the division to
4 conduct the hearing. The hearing shall be conducted in
5 accordance with the provisions of the Oil and Gas Act for such
6 hearings. "

7 Section 6. Section 7-29B-5 NMSA 1978 (being Laws 1995,
8 Chapter 15, Section 5) is amended to read:

9 "7-29B-5. NOTICE TO SECRETARY OF TAXATION AND
10 REVENUE. --The division shall notify immediately the secretary
11 of taxation and revenue upon:

12 A. adoption of rules and regulations pursuant to
13 the provisions of the Natural Gas and Crude Oil Production
14 Incentive Act;

15 B. certification of the date that production has
16 been restored on a production restoration project; [and]

17 C. certification of the date that a well workover
18 project has been completed; and

19 D. certification for each new well and shall
20 provide the following:

21 (1) the date that a new well has been
22 certified by the division;

23 (2) certification of the date that drilling
24 of the new well commenced; and

25 (3) certification that the new well qualifies

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1 for either the new well incentive tax rate or the new well
2 incentive tax exemption."

3 Section 7. Section 7-29B-6 NMSA 1978 (being Laws 1995,
4 Chapter 15, Section 6) is amended to read:

5 "7-29B-6. QUALIFICATION FOR PRODUCTION RESTORATION
6 INCENTIVE TAX EXEMPTION AND WELL WORKOVER AND NEW WELL
7 INCENTIVE TAX RATE--SECRETARY OF TAXATION AND REVENUE
8 APPROVAL--REFUND. --

9 A. The person responsible for paying the oil and
10 gas severance tax on natural gas or oil produced from a
11 production restoration project shall qualify to receive a
12 ten-year production restoration incentive tax exemption upon:

13 (1) application to the department in the form
14 and manner prescribed by the department for approval for the
15 ten-year production restoration incentive tax exemption;

16 (2) submission of the certification of
17 approval from the division and designation of the natural gas
18 or oil well as a production restoration project; and

19 (3) submission of any other relevant material
20 that the secretary of taxation and revenue deems necessary to
21 administer the applicable provisions of the Natural Gas and
22 Crude Oil Production Incentive Act.

23 B. The person responsible for payment of the oil
24 and gas severance tax on natural gas or oil produced from a
25 well workover project shall qualify for the well workover

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1 incentive tax rate on the natural gas or oil produced in
2 excess of the production projection for that project upon:

3 (1) application to the department in the form
4 and manner prescribed by the department for approval to apply
5 the well workover incentive tax rate to the natural gas or oil
6 produced in excess of the production projection from a well
7 workover project;

8 (2) submission of the certification from the
9 division of approval and designation of the natural gas or oil
10 well as a well workover project and of the production
11 projection for the well workover project; and

12 (3) any other relevant material that the
13 department considers necessary to administer the applicable
14 provisions of the Natural Gas and Crude Oil Production
15 Incentive Act.

16 C. The person responsible for paying the oil and
17 gas severance tax on natural gas or oil produced from a new
18 well shall qualify for the new well incentive tax rate or the
19 new well incentive tax exemption, as applicable, on the
20 natural gas or oil produced from the new well upon submission
21 of:

22 (1) the certification from the division of
23 approval and designation of the natural gas or oil well as a
24 new well;

25 (2) the certification from the division that

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1 the new well qualifies for the new well incentive tax rate or
2 the new well incentive tax exemption, as applicable; and
3 (3) any other relevant material that the
4 department considers necessary to administer the applicable
5 provisions of the Natural Gas and Crude Oil Production
6 Incentive Act.

7 [E-] D. The production restoration incentive tax
8 exemption shall apply to natural gas or oil produced from a
9 production restoration project beginning the first day of the
10 month following the date the division certifies that
11 production has been restored and ending the last day of the
12 tenth year of production following that date. The well
13 workover incentive tax rate applies to the natural gas or oil
14 produced in excess of the production projection from a well
15 workover project beginning the first day of the month
16 following the date the division certifies that the well
17 workover project has been completed. The new well incentive
18 tax rate or the new well incentive tax exemption, as
19 applicable, applies to the natural gas or oil produced from a
20 new well beginning the first day of the month following the
21 date of first production of the new well, as certified by the
22 division, and ending the last day of the month twenty-four
23 months later.

24 [D-] E. The person responsible for payment of the
25 oil and gas severance tax on natural gas or oil production

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1 from an approved well workover project may file a claim for
2 refund in accordance with Section 7-1-26 NMSA 1978 for taxes
3 paid in excess of the amount due using the well workover
4 incentive tax rate. Notwithstanding the provisions of
5 Subsection E of Section 7-1-26 NMSA 1978, any such refund
6 granted shall be made in the form of a credit against any
7 future oil and gas severance tax liabilities incurred by the
8 taxpayer.

9 [E-] F. The secretary of taxation and revenue may
10 adopt and promulgate rules and regulations to enforce the
11 provisions of this section. "

12 Section 8. EFFECTIVE DATE. --The effective date of the
13 provisions of this act is July 1, 1999.

1 FORTY-FOURTH LEGISLATURE

2 FIRST SESSION, 1999

3
4
5
6 March 12, 1999

7
8 Mr. Speaker:

9
10 Your TAXATION AND REVENUE COMMITTEE, to whom has
11 been referred

12
13 HOUSE BILL 280

14
15 has had it under consideration and reports same with
16 recommendation that it DO NOT PASS, but that

17 HOUSE TAXATION AND REVENUE COMMITTEE SUBSTITUTE FOR
18 HOUSE BILL 280

19
20 DO PASS.

FORTY-FOURTH LEGISLATURE
FIRST SESSION, 1999

HTRC/CSHB 280

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Respectfully submitted,

Jerry W. Sandel, Chairman

Adopted _____

(Chief Clerk)

Not Adopted _____

(Chief Clerk)

Date _____

The roll call vote was 15 For 0 Against

Yes: 15

Excused: None

Absent: None

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HOUSE TAXATION AND REVENUE COMMITTEE SUBSTITUTE FOR
HOUSE BILL 280

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

AN ACT

RELATING TO TAXATION; ENACTING A ONE-TIME JOB CREATION TAX
CREDIT FOR COMPLETION OF NEW CRUDE OIL AND NATURAL GAS WELLS;
CREATING A FUND; MAKING AN APPROPRIATION; DECLARING AN
EMERGENCY.

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:

" NEW MATERIAL ONE-TIME TAX CREDIT FOR NEW WELLS-- FUND
CREATED. --

A. To stimulate economic development and provide
jobs, the operator of a new crude oil or natural gas well may
upon completion of the new well apply for and receive a one-
time credit against the tax imposed pursuant to the Oil and
Gas Emergency School Tax Act of fifteen thousand dollars
(\$15,000) subject to the provisions of this section.

B. A new well shall qualify for the tax credit in
this section if the oil conservation division of the energy,

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minerals and natural resources department certifies to the taxation and revenue department that:

(1) the operator applying for the tax credit commenced drilling the new well after January 1, 1999 and prior to July 1, 2000;

(2) the new well was completed; and

(3) the new well is one of the first six hundred new wells drilled in the period from January 1, 1999 to July 1, 2000.

C. The tax credit may be applied only to the operator's oil and gas emergency school tax liability. If the credit exceeds the taxpayer's liability for a reporting period, the credit may be applied to the operator's tax liability in succeeding reporting periods prior to July 1, 2001.

D. 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. The department shall transfer monthly from the oil and gas tax credit fund to the general fund an amount equal to the amount of tax credit claimed and applied to the oil and gas emergency school tax in that month.

E. As used in this section, "new well" means a crude oil or natural gas producing well for which drilling commenced after January 1, 1999 and before July 1, 2000 or a horizontal crude oil or natural gas well that was recompleted from a vertical well by drilling operations that commenced after January 1, 1999 and before July 1, 2000 and that has been approved and certified as such by the oil conservation division of the energy, minerals and natural resources department. "

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1 Section 2. APPROPRIATION--OIL AND GAS TAX CREDIT FUND. --
2 Nine million dollars (\$9,000,000) is appropriated from the
3 general fund to the oil and gas tax credit fund for
4 expenditure in fiscal years 1999 through 2001 to carry out the
5 provisions of this act. Any unexpended or unencumbered
6 balance remaining at the end of fiscal year 2001 shall revert
7 to the general fund.

8 Section 3. REPEAL. --Section 1 of this act is repealed
9 effective July 1, 2001.

10 Section 4. EMERGENCY.--It is necessary for the public
11 peace, health and safety that this act take effect
12 immediately.

underscored material = new
[bracketed material] = delete

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FORTY- FOURTH LEGI SLATURE
FIRST SESSI ON, 1999

March 15, 1999

Mr. Presi dent:

Your WAYS & MEANS COMMI TTEE, to whom has been referred
HOUSE TAXATION AND REVENUE COMMI TTEE SUBSTI TUTE FOR
HOUSE BILL 280

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

Respectfully submi tted,

Carlos R. Ci sneros, Chair man

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HTRC/HB 280

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Adopted _____ Not

Adopted _____

(Chief Clerk)

(Chief Clerk)

Date _____

The roll call vote was 8 For 0 Against

Yes: 8

No: 0

Excused: Carraro

Absent: None

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underscored material = new
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