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HOUSE BILL 653

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

INTRODUCED BY

Jerry Sandel

AN ACT

RELATING TO PUBLIC LANDS; AMENDING A CERTAIN SECTION OF THE
NMSA 1978 TO EXPAND THE CRITERIA BY WHICH OIL WELLS MAY
QUALIFY FOR A LOWER ROYALTY RATE.

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

Section 1. Section 19-10-5.1 NMSA 1978 (being Laws 1994,
Chapter 105, Section 1) is amended to read:

"19-10-5.1. AMENDMENT OF LEASE TO LOWER ROYALTY RATE FOR
OIL WELLS UNDER CERTAIN CONDITIONS. --

A. The record owner of an oil and gas lease issued
by the commissioner of public lands whose lease is maintained
in good standing according to the terms and conditions of the
lease and all applicable statutes and regulations may apply to
the commissioner for an amendment to the lease for the purpose
of changing the royalty rate on oil produced from a specified

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1 oil well.

2 B. An application for a change in royalty rate
3 shall be on a form prescribed by the commissioner of public
4 lands and shall be accompanied by an application fee. The
5 application shall [~~show~~]:

6 (1) show that an oil well [~~the production~~
7 ~~from which is~~] has produced oil attributable to the lease
8 premises and:

9 (a) if the production is from
10 formations shallower than five thousand feet, has produced
11 less than an average of three barrels of oil per day during
12 the preceding twelve months and has not averaged over five
13 barrels of oil per day for any month during the preceding
14 twelve months; [~~and~~] or

15 [~~(2) reserve data and production decline~~
16 ~~curves for the oil well~~]

17 (b) if the production is from
18 formations five thousand feet deep or deeper, has produced
19 less than an average of six barrels of oil per day during the
20 preceding twelve months and has not averaged over ten barrels
21 of oil per day for any month during the preceding twelve
22 months; and

23 (2) include a statement that to the best of
24 the applicant's knowledge and experience the well is not
25 capable of sustained production over the production limits

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1 specified in Paragraph (1) of this subsection.

2 C. Upon receipt of an application, the
3 commissioner of public lands shall review the information
4 submitted as well as other independent information obtainable
5 by the commissioner and shall agree to amend the lease to a
6 lower royalty rate for oil produced from the oil well if, in
7 his sole discretion, he finds that:

8 (1) the operator has taken reasonable steps
9 to minimize his costs of operating the oil well;

10 (2) the oil well will likely be plugged and
11 abandoned in the near future, with a resulting loss of
12 reserves, if operating costs are not reduced further;

13 (3) the oil well will produce for a longer
14 period, and the amount of oil produced will ultimately be
15 larger, if the royalty rate is lowered; and

16 (4) a lower royalty rate will actually
17 maximize revenue to the trust beneficiaries.

18 D. Any lower royalty rate agreed to under this
19 section shall be equal to five percent and shall be valid for
20 a period of [~~two~~] three years, after which time the record
21 owner of the oil and gas lease issued by the commissioner of
22 public lands may submit [~~another application pursuant to this~~
23 ~~section~~] a request for extension.

24 E. The commissioner of public lands may promulgate
25 regulations necessary to implement the provisions of this

1 section.

2 F. The commissioner of public lands shall provide
3 a cost-benefit analysis of the provisions of this section by
4 December 1 of each year to the legislature and the governor. "

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1 FORTY-FOURTH LEGISLATURE
2 FIRST SESSION, 1999
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6 March 3, 1999
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8 Mr. Speaker:
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10 Your TAXATION AND REVENUE COMMITTEE, to whom has
11 been referred
12

13 HOUSE BILL 653
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15 has had it under consideration and reports same with
16 recommendation that it DO PASS.

17 Respectfully submitted,
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21 _____
22 Jerry W. Sandel, Chairman
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FORTY-FOURTH LEGISLATURE
FIRST SESSION, 1999

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3 **HB 653**

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4 Adopted _____ Not Adopted _____

5
6 (Chief Clerk)

(Chief Clerk)

7
8 Date _____

9
10 The roll call vote was 11 For 0 Against

11 Yes: 11

12 Excused: Lujan, Russell, Silva, Stell

13 Absent: None

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FORTY-FOURTH LEGISLATURE
FIRST SESSION, 1999

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March 12, 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 653

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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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Carlos R. Cisneros, Chairman

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FORTY-FOURTH LEGISLATURE
FIRST SESSION, 1999

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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 6 For 0 Against

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Yes: 6

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No: 0

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Excused: Carraro, Duran, Kidd

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Absent: None

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