

The Legislature
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State of New Mexico

37TH Legislature, 2ND Session

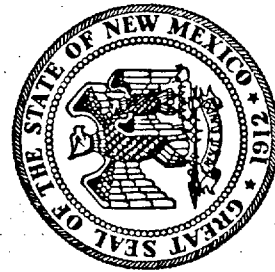
LAWS 1986

CHAPTER 76

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE SUBSTITUTE FOR

HOUSE BILL 223, AS AMENDED

Introduced by



BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

N.M.A.C. EXHIBIT NO. 5

CASE NO. 8903

Chapter 76

AN ACT

RELATING TO THE OIL AND GAS ACT; AMENDING CERTAIN SECTIONS OF THE
NMSA 1978.

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

Section 1. Section 70-2-12 NMSA 1978 (being Laws 1978, Chapter

71, Section 1) is amended to read:

"70-2-12. ENUMERATION OF POWERS.--

A. Included in the power given to the oil conservation
division is the authority to collect data; to make investigations
and inspections; to examine properties, leases, papers, books and
records; to examine, check, test and gauge oil and gas wells, tanks,
plants, refineries and all means and modes of transportation and
equipment; to hold hearings; to provide for the keeping of records
and the making of reports and for the checking of the accuracy of
the records and reports; to limit and prorate production of crude
petroleum oil or natural gas or both as provided in the Oil and Gas
Act; to require either generally or in particular areas certificates
of clearance or tenders in connection with the transportation of
crude petroleum oil or natural gas or any products of either or both
oil and products or both natural gas and products.

B. Apart from any authority, express or implied, else-
where given to or existing in the oil conservation division by
virtue of the Oil and Gas Act or the statutes of this state, the
division is authorized to make rules, regulations and orders for the

HENRC/House Bill 223, aa
Approved March 4, 1986

1 purposes and with respect to the subject matter stated in this sub-
2 section:
3 (1) to require dry or abandoned wells to be plugged
4 in a way to confine the crude petroleum oil, natural gas or water in
5 the strata in which they are found and to prevent them from escaping.
6 into other strata; the division shall require a cash or surety bond
7 in a sum not to exceed fifty thousand dollars (\$50,000) conditioned
8 for the performance of such regulations;
9 (2) to prevent crude petroleum oil, natural gas or
10 water from escaping from strata in which they are found into other
11 strata;
12 (3) to require reports showing locations of all oil
13 or gas wells and for the filing of logs and drilling records or
14 reports;
15 (4) to prevent the drowning by water of any stratum
16 or part thereof capable of producing oil or gas or both oil and gas
17 in paying quantities and to prevent the premature and irregular
18 encroachment of water or any other kind of water encroachment which
19 reduces or tends to reduce the total ultimate recovery of crude
20 petroleum oil or gas or both oil and gas from any pool;
21 (5) to prevent fires;
22 (6) to prevent "blow-outs" and "caving" in the sense
23 that the conditions indicated by such terms are generally understood
24 in the oil and gas business;
25 (7) to require wells to be drilled, operated and

1 produced in such manner as to prevent injury to neighboring leases
2 or properties;
3 (8) to identify the ownership of oil or gas produc-
4 ing leases, properties, wells, tanks, refineries, pipelines, plants,
5 structures and all transportation equipment and facilities;
6 (9) to require the operation of wells with efficient
7 gas-oil ratios and to fix such ratios;
8 (10) to fix the spacing of wells;
9 (11) to determine whether a particular well or pool
10 is a gas or oil well or a gas or oil pool, as the case may be, and
11 from time to time to classify and reclassify wells and pools accord-
12 ingly;
13 (12) to determine the limits of any pool producing
14 crude petroleum oil or natural gas or both and from time to time
15 redetermine the limits;
16 (13) to regulate the methods and devices employed
17 for storage in this state of oil or natural gas or any product of
18 either, including subsurface storage;
19 (14) to permit the injection of natural gas or of
20 any other substance into any pool in this state for the purpose of
21 repressuring, cycling, pressure maintenance, secondary or any other
22 enhanced recovery operations;
23 (15) to regulate the disposition of water produced
24 or used in connection with the drilling for or producing of oil or
25 gas or both and to direct surface or subsurface disposal of the

1 water in a manner that will afford reasonable protection against
2 contamination of fresh water supplies designated by the state engi-
3 neer;
4 (16) to determine the limits of any area containing
5 commercial potash deposits and from time to time redetermine the
6 limits;
7 (17) to regulate and, where necessary, prohibit
8 drilling or producing operations for oil or gas within any area con-
9 taining commercial deposits of potash where the operations would
10 have the effect unduly to reduce the total quantity of the commer-
11 cial deposits of potash which may reasonably be recovered in commer-
12 cial quantities or where the operations would interfere unduly with
13 the orderly commercial development of the potash deposits;
14 (18) to spend the oil and gas reclamation fund and
15 do all acts necessary and proper to plug dry and abandoned oil and
16 gas wells in accordance with the provisions of the Oil and Gas Act
17 and the Public Purchases Act, including disposing of salvageable
18 equipment and material removed from oil and gas wells being plugged
19 by the state; or
20 (19) to make well price category determinations pur-
21 suant to the provisions of the Natural Gas Policy Act of 1978 or any
22 successor act and, by regulation, to adopt fees for such determina-
23 tions, which fees shall not exceed twenty-five dollars (\$25.00) per
24 filling. Such fees shall be credited to the account of the oil con-
25 servation division by the state treasurer and may be expended as

authorized by the legislature."

Section 2. Section 70-2-14 NMSA 1978 (being Laws 1977, Chapter
237, Section 3, as amended) is amended to read:

"70-2-14. BONDING REQUIREMENT.--

A. Each person, firm, corporation or association who op-
erates any oil, gas or service well within the state shall, as a
condition precedent to drilling or producing the well, furnish a
cash or surety bond to the oil conservation division running to the
benefit of the state and conditioned that the well be plugged and
abandoned in compliance with the rules and regulations of the oil
conservation division. The oil conservation division shall estab-
lish categories of bonds after notice and hearing. Such categories
shall include a blanket plugging bond in an amount not to exceed
fifty thousand dollars (\$50,000) and one-well plugging bonds in
amounts determined sufficient to reasonably pay the cost of plugging
the wells covered by each bond. In establishing categories of
bonds, the oil conservation division shall consider the depth of the
well involved, the length of time since the well was produced, the
cost of plugging similar wells and such other factors as the oil
conservation division deems relevant. In addition to the blanket
plugging bond, the oil conservation division may require a one-well
bond on any well that has been held in a temporarily abandoned
status for more than two years. All bonds shall remain in force and
effect until released by the oil conservation division. The oil
conservation division shall release a bond when it is satisfied the

1 conditions of the bond have been fully performed.

2 B. If any of the requirements of the Oil and Gas Act or
3 the rules and regulations promulgated pursuant to that act have not
4 been complied with, the oil conservation division, after notice and
5 hearing, may order any well plugged and abandoned by the operator or
6 surety or both in accordance with division rules and regulations.
7 If the order is not complied with in the time period set out in the
8 order, the bond shall be forfeited.

9 C. When any bond is forfeited pursuant to the provisions
10 of the Oil and Gas Act or rules and regulations promulgated pursuant
11 to that act, the director of the oil conservation division shall
12 give notice to the attorney general who shall collect the forfeiture
13 without delay.

14 D. All forfeitures shall be deposited in the state
15 treasury in the oil and gas reclamation fund.

16 E. When the bond proves insufficient to cover the cost of
17 plugging oil and gas wells on land other than federal land and funds
18 must be expended from the oil and gas reclamation fund to meet the
19 additional expenses, the oil conservation division is authorized to
20 bring suit against the operator in the district court of the county
21 in which the well is located for indemnification for all costs
22 incurred by the oil conservation division in plugging the well. All
23 funds collected pursuant to a judgment in a suit for indemnification
24 brought under the provisions of this section shall be deposited in
25 the oil and gas reclamation fund."