



State of New Mexico
Commissioner of Public Lands

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MEMORANDUM

Date: January 29, 1996

To: W. Thomas Kellahin, Chair
NMOCC Rule 116 Change Committee

From: Mark Schmidt, Committee Member MDS

Copy: Dennis Garcia, Director, Field Operations Division

Subject: Natural gas notice reporting in regards to NMOCC Rule 116

The New Mexico State Land Office manages approximately 9 million acres of surface and 13.4 million acres of subsurface resources for 22 beneficiary institutions. These resources were granted to New Mexico by the federal government upon statehood to be held in trust for generating revenue to support public schools, state universities, state hospitals, and other public institutions. The State Land Office is charged with the fiduciary responsibility of managing trust assets prudently to maximize the financial return for the trust beneficiaries.

Revenues from mineral production, especially oil and natural gas, make up more than 90 percent of the total revenues generated from state trust lands. The statutory nature of the oil and gas leases on state trust lands allow the State Land Office to maintain and administer the mineral leases, while relying on the New Mexico Oil Conservation Division to take enforcement action, if applicable, when releases of oil and natural gas occur.

The existing OCD Rule 116 is used by the State Land Office as a "waste rule" to track significant gas volume releases. Currently, natural gas releases of 1000 mcf or greater are reported to OCD in writing within 10 days of the release, which are then reported to the State Land Office. This written report can be used by the State Land Office to make the operator account for gas releases for which payment of royalties may be applicable. In addition, the OCD can include the information from natural gas releases in their data base and track past accidents as well as performance of existing operators.

By removing the existing reportable natural gas releases from OCD Rule 116, no mechanism will exist for the State Land Office to account for these releases on state trust land, resulting in a loss of royalties.