

HOUSE ENERGY, ENVIRONMENT AND NATURAL RESOURCES
COMMITTEE SUBSTITUTE FOR
HOUSE BILL 257

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

AN ACT

RELATING TO THE OIL CONSERVATION DIVISION; PROVIDING THAT THE
DIVISION MAY MAKE RULES AND ORDERS PROVIDING THE DIVISION WITH
ACCESS TO DIGITAL PRODUCTION RECORDS OF OPERATORS AND
REGULATING THE TRANSFER OF OIL AND GAS WELLS, INCLUDING
LIMITATIONS ON CERTAIN TRANSFERS.

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, as amended) is amended to read:

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

A. The [~~oil conservation~~] division [~~of the energy,
minerals and natural resources department~~] may:

- (1) collect data;
- (2) make investigations and inspections;
- (3) examine properties, leases, papers, books

1 and records, including digital records maintained in automated
2 data systems;

3 (4) examine, check, test and gauge oil and gas
4 wells, tanks, plants, refineries and all means and modes of
5 transportation and equipment;

6 (5) hold hearings;

7 (6) provide for the keeping of records and the
8 making of reports and for the checking of the accuracy of the
9 records and reports;

10 (7) limit and prorate production of crude
11 petroleum oil or natural gas or both as provided in the Oil and
12 Gas Act; and

13 (8) require either generally or in particular
14 areas certificates of clearance or tenders in connection with
15 the transportation of crude petroleum oil or natural gas or any
16 products of either or both oil and products or both natural gas
17 and products.

18 B. The [~~oil conservation~~] division may make rules
19 and orders [~~for the purposes and with respect to the subject~~
20 ~~matter stated in this subsection~~]:

21 (1) to require dry or abandoned wells to be
22 plugged in a way so as to confine the crude petroleum oil,
23 natural gas or water in the strata in which it is found and to
24 prevent it from escaping into other strata; pursuant to Section
25 70-2-14 NMSA 1978, the division shall require financial

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1 assurance conditioned for the performance of the rules;

2 (2) to prevent crude petroleum oil, natural
3 gas or water from escaping from strata in which it is found
4 into other strata;

5 (3) to require reports showing locations of
6 all oil or gas wells and for the filing of logs and drilling
7 records or reports;

8 (4) to prevent the drowning by water of any
9 stratum or part thereof capable of producing oil or gas or both
10 oil and gas in paying quantities and to prevent the premature
11 and irregular encroachment of water or any other kind of water
12 encroachment that reduces or tends to reduce the total ultimate
13 recovery of crude petroleum oil or gas or both oil and gas from
14 any pool;

15 (5) to prevent fires;

16 (6) to prevent "blow-ups" and "caving" in the
17 sense that the conditions indicated by such terms are generally
18 understood in the oil and gas business;

19 (7) to require wells to be drilled, operated
20 and produced in such manner as to prevent injury to neighboring
21 leases or properties;

22 (8) to identify the ownership of oil or gas
23 producing leases, properties, wells, tanks, refineries,
24 pipelines, plants, structures and all transportation equipment
25 and facilities;

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1 (9) to require the operation of wells with
2 efficient gas-oil ratios and to fix such ratios;

3 (10) to fix the spacing of wells;

4 (11) to determine whether a particular well or
5 pool is a gas or oil well or a gas or oil pool, as the case may
6 be, and from time to time to classify and reclassify wells and
7 pools accordingly;

8 (12) to determine the limits of any pool
9 producing crude petroleum oil or natural gas or both and from
10 time to time redetermine the limits;

11 (13) to regulate the methods and devices
12 employed for storage in this state of oil or natural gas or any
13 product of either, including subsurface storage;

14 (14) to permit the injection of natural gas or
15 of any other substance into any pool in this state for the
16 purpose of repressuring, cycling, pressure maintenance,
17 secondary or any other enhanced recovery operations;

18 (15) to regulate the disposition, handling,
19 transport, storage, recycling, treatment and disposal of
20 produced water during, or for reuse in, the exploration,
21 drilling, production, treatment or refinement of oil or gas,
22 including disposal by injection pursuant to authority delegated
23 under the federal Safe Drinking Water Act, in a manner that
24 protects public health, the environment and fresh water
25 resources;

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1 (16) to determine the limits of any area
2 containing commercial potash deposits and from time to time
3 redetermine the limits;

4 (17) to regulate and, where necessary,
5 prohibit drilling or producing operations for oil or gas within
6 any area containing commercial deposits of potash where the
7 operations would have the effect unduly to reduce the total
8 quantity of the commercial deposits of potash that may
9 reasonably be recovered in commercial quantities or where the
10 operations would interfere unduly with the orderly commercial
11 development of the potash deposits;

12 (18) to spend the oil and gas reclamation fund
13 and do all acts necessary and proper to plug dry and abandoned
14 oil and gas wells and to restore and remediate abandoned well
15 sites and associated production facilities in accordance with
16 the provisions of the Oil and Gas Act, the rules adopted under
17 that act and the Procurement Code, including disposing of
18 salvageable equipment and material removed from oil and gas
19 wells being plugged by the state;

20 (19) to make well price category
21 determinations pursuant to the provisions of the federal
22 Natural Gas Policy Act of 1978 or any successor act and, by
23 regulation, to adopt fees for such determinations, which fees
24 shall not exceed twenty-five dollars (\$25.00) per filing. Such
25 fees shall be credited to the account of the [~~oil conservation~~]

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1 division by the state treasurer and may be expended as
2 authorized by the legislature;

3 (20) to regulate the construction and
4 operation of oil treating plants and to require the posting of
5 bonds for the reclamation of treating plant sites after
6 cessation of operations;

7 (21) to regulate the disposition of
8 nondomestic wastes resulting from the exploration, development,
9 production or storage of crude oil or natural gas to protect
10 public health and the environment; ~~and~~

11 (22) to regulate the disposition of
12 nondomestic wastes resulting from the oil field service
13 industry, the transportation of crude oil or natural gas, the
14 treatment of natural gas or the refinement of crude oil to
15 protect public health and the environment, including
16 administering the Water Quality Act as provided in Subsection E
17 of Section 74-6-4 NMSA 1978;

18 (23) to provide the division with direct
19 access to digital production records maintained by operators in
20 automated data systems; and

21 (24) to regulate the transfer of oil and gas
22 wells, including limitations on transfers when:

23 (a) the transferor, the transferee or an
24 entity that owns more than a twenty-five percent interest in a
25 transferor or transferee is: 1) the subject of one or more

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1 notices of violation of the Oil and Gas Act; 2) the subject of
2 an enforcement action under the Oil and Gas Act relating to
3 spills or releases; or 3) out of compliance with natural gas
4 capture or reporting requirements;

5 (b) the transferee fails to provide
6 adequate financial assurance as required by the division;

7 (c) the transferee lacks sufficient
8 financial capacity based on known or projected production to
9 manage liabilities associated with the oil and gas wells; or

10 (d) the division issues a written
11 finding that the limitations on transfer are necessary either
12 for the purposes of mitigating risk to the state from potential
13 inactive or abandoned oil and gas wells or to meet other
14 requirements of the Oil and Gas Act."

underscored material = new
[bracketed material] = delete