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HOUSE BILL 108

**49TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2009**

INTRODUCED BY

John A. Heaton

FOR THE RADIOACTIVE AND HAZARDOUS MATERIALS COMMITTEE

AN ACT

RELATING TO OIL AND GAS; AMENDING A SECTION OF THE OIL AND GAS  
ACT TO PROVIDE THAT RULES OF THE OIL CONSERVATION DIVISION  
ALLOW REASONABLE DEGRADATION THAT DOES NOT EXCEED WATER QUALITY  
STANDARDS.

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. [~~Included in the power given to~~] The oil  
conservation division of the energy, minerals and natural  
resources department [~~is the authority to~~] may:

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

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1 and records; [tø]

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

5 (5) hold hearings; [tø]

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

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

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

17 B. Apart from any authority, express or implied,  
18 elsewhere given to or existing in the oil conservation division  
19 by virtue of the Oil and Gas Act or the statutes of this state,  
20 the division is authorized to make rules, regulations and  
21 orders for the purposes and with respect to the subject matter  
22 stated in this subsection:

23 (1) to require dry or abandoned wells to be  
24 plugged in a way to confine the crude petroleum oil, natural  
25 gas or water in the strata in which it is found and to prevent

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1 it from escaping into other strata; the division shall require  
2 a cash or surety bond in a sum not to exceed fifty thousand  
3 dollars (\$50,000) conditioned for the performance of such  
4 regulations;

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

8 (3) to require reports showing locations of  
9 all oil or gas wells and for the filing of logs and drilling  
10 records or reports;

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

18 (5) to prevent fires;

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

22 (7) to require wells to be drilled, operated  
23 and produced in such manner as to prevent injury to neighboring  
24 leases or properties;

25 (8) to identify the ownership of oil or gas

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1 producing leases, properties, wells, tanks, refineries,  
2 pipelines, plants, structures and all transportation equipment  
3 and facilities;

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

6 (10) to fix the spacing of wells;

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

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

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

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

21 (15) to regulate the disposition of water  
22 produced or used in connection with the drilling for or  
23 producing of oil or gas or both and to direct surface or  
24 subsurface disposal of the water, including disposition by use  
25 in drilling for or production of oil or gas, in road

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1 construction or maintenance or other construction, in the  
2 generation of electricity or in other industrial processes, in  
3 a manner that will afford reasonable protection against  
4 contamination of fresh water supplies designated by the state  
5 engineer, provided that any rule adopted relative to management  
6 of pits shall allow for reasonable degradation that does not  
7 exceed water quality standards adopted pursuant to the Water  
8 Quality Act;

9 (16) to determine the limits of any area  
10 containing commercial potash deposits and from time to time  
11 redetermine the limits;

12 (17) to regulate and, where necessary,  
13 prohibit drilling or producing operations for oil or gas within  
14 any area containing commercial deposits of potash where the  
15 operations would have the effect unduly to reduce the total  
16 quantity of the commercial deposits of potash that may  
17 reasonably be recovered in commercial quantities or where the  
18 operations would interfere unduly with the orderly commercial  
19 development of the potash deposits;

20 (18) to spend the oil and gas reclamation fund  
21 and do all acts necessary and proper to plug dry and abandoned  
22 oil and gas wells and to restore and remediate abandoned well  
23 sites and associated production facilities in accordance with  
24 the provisions of the Oil and Gas Act, the rules and  
25 regulations adopted under that act and the Procurement Code,

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1 including disposing of salvageable equipment and material  
2 removed from oil and gas wells being plugged by the state;

3 (19) to make well price category  
4 determinations pursuant to the provisions of the federal  
5 Natural Gas Policy Act of 1978 or any successor act and, by  
6 regulation, to adopt fees for such determinations, which fees  
7 shall not exceed twenty-five dollars (\$25.00) per filing. Such  
8 fees shall be credited to the account of the oil conservation  
9 division by the state treasurer and may be expended as  
10 authorized by the legislature;

11 (20) to regulate the construction and  
12 operation of oil treating plants and to require the posting of  
13 bonds for the reclamation of treating plant sites after  
14 cessation of operations;

15 (21) to regulate the disposition of  
16 nondomestic wastes resulting from the exploration, development,  
17 production or storage of crude oil or natural gas to protect  
18 public health and the environment, provided that any rule  
19 adopted shall allow for reasonable degradation that does not  
20 exceed water quality standards adopted pursuant to the Water  
21 Quality Act; and

22 (22) to regulate the disposition of  
23 nondomestic wastes resulting from the oil field service  
24 industry, the transportation of crude oil or natural gas, the  
25 treatment of natural gas or the refinement of crude oil to

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1 protect public health and the environment, including  
2 administering the Water Quality Act as provided in Subsection E  
3 of Section 74-6-4 NMSA 1978."

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