

HOUSE BILL 353

54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019

INTRODUCED BY

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AN ACT

RELATING TO TAXATION; REDUCING TAX RATES ON OIL AND NATURAL GAS
REMOVED FROM A STRIPPER WELL IF THE AVERAGE ANNUAL TAXABLE
VALUE OF OIL OR NATURAL GAS REACHES CERTAIN AMOUNTS BY AMENDING
A SECTION OF THE OIL AND GAS SEVERANCE TAX ACT AND A SECTION OF
THE OIL AND GAS EMERGENCY SCHOOL TAX ACT.

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

SECTION 1. Section 7-29-4 NMSA 1978 (being Laws 1980,
Chapter 62, Section 5, as amended) is amended to read:

"7-29-4. OIL AND GAS SEVERANCE TAX IMPOSED--
COLLECTION--INTEREST OWNER'S LIABILITY TO STATE--INDIAN
LIABILITY.--

A. There is imposed and shall be collected by the
department a tax on all products that are severed and sold,
except as provided in Subsection B of this section. The

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1 measure of the tax and the rates are:

2 (1) on natural gas severed and sold, except as
3 provided in Paragraphs (4) and (6) [~~and (7)~~] of this
4 subsection, three and three-fourths percent of the taxable
5 value determined pursuant to Section 7-29-4.1 NMSA 1978;

6 (2) on oil and on other liquid hydrocarbons
7 removed from natural gas at or near the wellhead, except as
8 provided in Paragraphs (3), (5) [~~(8) and (9)~~] and (7) of this
9 subsection, three and three-fourths percent of taxable value
10 determined pursuant to Section 7-29-4.1 NMSA 1978;

11 (3) on oil and on other liquid hydrocarbons
12 removed from natural gas at or near the wellhead produced from
13 a qualified enhanced recovery project, one and seven-eighths
14 percent of the taxable value determined pursuant to Section
15 7-29-4.1 NMSA 1978; provided that the annual average price of
16 west Texas intermediate crude oil, determined by the department
17 by averaging the posted prices in effect on the last day of
18 each month of the twelve-month period ending on May 31 prior to
19 the fiscal year in which the tax rate is to be imposed, was
20 less than twenty-eight dollars (\$28.00) per barrel;

21 (4) on the natural gas from a well workover
22 project that is certified by the oil conservation division of
23 the energy, minerals and natural resources department in its
24 approval of the well workover project, two and forty-five
25 hundredths percent of the taxable value determined pursuant to

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1 Section 7-29-4.1 NMSA 1978; provided that the annual average
2 price of west Texas intermediate crude oil, determined by the
3 department by averaging the posted prices in effect on the last
4 day of each month of the twelve-month period ending on May 31
5 prior to the fiscal year in which the tax rate is to be
6 imposed, was less than twenty-four dollars (\$24.00) per barrel;

7 (5) on the oil and on other liquid
8 hydrocarbons removed from natural gas at or near the wellhead
9 from a well workover project that is certified by the oil
10 conservation division of the energy, minerals and natural
11 resources department in its approval of the well workover
12 project, two and forty-five hundredths percent of the taxable
13 value determined pursuant to Section 7-29-4.1 NMSA 1978;
14 provided that the annual average price of west Texas
15 intermediate crude oil, determined by the department by
16 averaging the posted prices in effect on the last day of each
17 month of the twelve-month period ending on May 31 prior to the
18 fiscal year in which the tax rate is to be imposed, was less
19 than twenty-four dollars (\$24.00) per barrel;

20 (6) on the natural gas from a stripper well
21 property, one and seven-eighths percent of the taxable value
22 determined pursuant to Section 7-29-4.1 NMSA 1978; provided
23 that the average annual taxable value of natural gas was equal
24 to or less than [~~one dollar fifteen cents (\$1.15)~~] two dollars
25 (\$2.00) per thousand cubic feet in the calendar year preceding

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1 July 1 of the fiscal year in which the tax rate is to be
2 imposed;

3 ~~[(7) on the natural gas from a stripper well~~
4 ~~property, two and thirteen-sixteenths percent of the taxable~~
5 ~~value determined pursuant to Section 7-29-4.1 NMSA 1978;~~
6 ~~provided that the average annual taxable value of natural gas~~
7 ~~was greater than one dollar fifteen cents (\$1.15) per thousand~~
8 ~~cubic feet but not more than one dollar thirty-five cents~~
9 ~~(\$1.35) per thousand cubic feet in the calendar year preceding~~
10 ~~July 1 of the fiscal year in which the tax rate is to be~~
11 ~~imposed;~~

12 ~~(8)]~~ (7) on the oil and on other liquid
13 hydrocarbons removed from natural gas at or near the wellhead
14 from a stripper well property, one and seven-eighths percent of
15 the taxable value determined pursuant to Section 7-29-4.1 NMSA
16 1978; provided that the average annual taxable value of oil was
17 equal to or less than ~~[fifteen dollars (\$15.00)]~~ thirty-eight
18 dollars (\$38.00) per barrel in the calendar year preceding July
19 1 of the fiscal year in which the tax rate is to be imposed;
20 and

21 ~~[(9) on the oil and on other liquid~~
22 ~~hydrocarbons removed from natural gas at or near the wellhead~~
23 ~~from a stripper well property, two and thirteen-sixteenths~~
24 ~~percent of the taxable value determined pursuant to Section~~
25 ~~7-29-4.1 NMSA 1978; provided that the average annual taxable~~

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1 ~~value of oil was greater than fifteen dollars (\$15.00) per~~
2 ~~barrel but not more than eighteen dollars (\$18.00) per barrel~~
3 ~~in the calendar year preceding July 1 of the fiscal year in~~
4 ~~which the tax rate is to be imposed; and~~

5 ~~(10)]~~ (8) on carbon dioxide, helium and non-
6 hydrocarbon gases, three and three-fourths percent of the
7 taxable value determined pursuant to Section 7-29-4.1 NMSA
8 1978.

9 B. The tax imposed in Subsection A of this section
10 shall not be imposed on:

11 (1) natural gas severed and sold from a
12 production restoration project during the first ten years of
13 production following the restoration of production; provided
14 that the annual average price of west Texas intermediate crude
15 oil, determined by the department by averaging the posted
16 prices in effect on the last day of each month of the twelve-
17 month period ending on May 31 prior to each fiscal year in
18 which the tax exemption is to be effective, was less than
19 twenty-four dollars (\$24.00) per barrel; and

20 (2) oil and other liquid hydrocarbons removed
21 from natural gas at or near the wellhead from a production
22 restoration project during the first ten years of production
23 following the restoration of production; provided that the
24 annual average price of west Texas intermediate crude oil,
25 determined by the department by averaging the posted prices in

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1 effect on the last day of each month of the twelve-month period
2 ending on May 31 prior to each fiscal year in which the tax
3 exemption is to be effective, was less than twenty-four dollars
4 (\$24.00) per barrel.

5 C. Every interest owner shall be liable for the tax
6 to the extent of [~~his~~] the interest owner's interest in such
7 products. Any Indian tribe, Indian pueblo or Indian shall be
8 liable for the tax to the extent authorized or permitted by
9 law.

10 D. The tax imposed by this section may be referred
11 to as the "oil and gas severance tax".

12 SECTION 2. Section 7-31-4 NMSA 1978 (being Laws 1959,
13 Chapter 54, Section 4, as amended) is amended to read:

14 "7-31-4. PRIVILEGE TAX LEVIED--COLLECTED BY DEPARTMENT--
15 RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN LIABILITY.--

16 A. There is levied and shall be collected by the
17 department a privilege tax on the business of every person
18 severing products in this state. The measure of the tax shall
19 be:

20 (1) on oil and on oil and other liquid
21 hydrocarbons removed from natural gas at or near the wellhead,
22 except as provided in [~~Paragraphs~~] Paragraph (4) [~~and (5)~~] of
23 this subsection, three and fifteen hundredths percent of the
24 taxable value determined pursuant to Section 7-31-5 NMSA 1978;

25 (2) on carbon dioxide, helium and non-

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1 hydrocarbon gases, three and fifteen hundredths percent of the
2 taxable value determined pursuant to Section 7-31-5 NMSA 1978;

3 (3) on natural gas, except as provided in
4 [~~Paragraphs (6) and (7)~~] Paragraph (5) of this subsection, four
5 percent of the taxable value determined pursuant to Section
6 7-31-5 NMSA 1978;

7 (4) on the oil and on other liquid
8 hydrocarbons removed from natural gas at or near the wellhead
9 from a stripper well property, one and fifty-eight hundredths
10 percent of the taxable value determined pursuant to Section
11 7-31-5 NMSA 1978; provided that the average annual taxable
12 value of oil was equal to or less than [~~fifteen dollars~~
13 ~~(\$15.00)~~] thirty-eight dollars (\$38.00) per barrel in the
14 calendar year preceding July 1 of the fiscal year in which the
15 tax rate is to be imposed; and

16 [~~(5) on the oil and on other liquid~~
17 ~~hydrocarbons removed from natural gas at or near the wellhead~~
18 ~~from a stripper well property, two and thirty-six hundredths~~
19 ~~percent of the taxable value determined pursuant to Section~~
20 ~~7-31-5 NMSA 1978; provided that the average annual taxable~~
21 ~~value of oil was greater than fifteen dollars (\$15.00) per~~
22 ~~barrel but not more than eighteen dollars (\$18.00) per barrel~~
23 ~~in the calendar year preceding July 1 of the fiscal year in~~
24 ~~which the tax rate is to be imposed;~~

25 ~~(6)]~~ (5) on the natural gas removed from a

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1 stripper well property, two percent of the taxable value
2 determined pursuant to Section 7-31-5 NMSA 1978; provided that
3 the average annual taxable value of natural gas was equal to or
4 less than [~~one dollar fifteen cents (\$1.15)~~] two dollars
5 (\$2.00) per thousand cubic feet in the calendar year preceding
6 July 1 of the fiscal year in which the tax rate is to be
7 imposed [~~and~~

8 ~~(7) on the natural gas removed from a stripper~~
9 ~~well property, three percent of the taxable value determined~~
10 ~~pursuant to Section 7-31-5 NMSA 1978; provided that the average~~
11 ~~annual taxable value of natural gas was greater than one dollar~~
12 ~~fifteen cents (\$1.15) per thousand cubic feet but not more than~~
13 ~~one dollar thirty-five cents (\$1.35) per thousand cubic feet in~~
14 ~~the calendar year preceding July 1 of the fiscal year in which~~
15 ~~the tax rate is to be imposed].~~

16 B. Every interest owner, for the purpose of levying
17 this tax, is deemed to be in the business of severing products
18 and is liable for this tax to the extent of [~~his~~] the owner's
19 interest in the value of the products or to the extent of [~~his~~]
20 the owner's interest as may be measured by the value of the
21 products.

22 C. Any Indian tribe, Indian pueblo or Indian is
23 liable for this tax to the extent authorized or permitted by
24 law."

25 SECTION 3. EFFECTIVE DATE.--The effective date of the

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1 provisions of this act is July 1, 2019.

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