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HOUSE BILL 257

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

INTRODUCED BY

Matthew McQueen and Kristina Ortez

AN ACT

RELATING TO THE OIL CONSERVATION DIVISION; PROVIDING THAT THE DIVISION MAY MAKE RULES AND ORDERS 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 and records;
- (4) examine, check, test and gauge oil and gas

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1 wells, tanks, plants, refineries and all means and modes of  
2 transportation and equipment;

3 (5) hold hearings;

4 (6) provide for the keeping of records and the  
5 making of reports and for the checking of the accuracy of the  
6 records and reports;

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

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

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

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

24 (2) to prevent crude petroleum oil, natural  
25 gas or water from escaping from strata in which it is found

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1 into other strata;

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

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

12 (5) to prevent fires;

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

16 (7) to require wells to be drilled, operated  
17 and produced in such manner as to prevent injury to neighboring  
18 leases or properties;

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

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

25 (10) to fix the spacing of wells;

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

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

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

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

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

23 (16) to determine the limits of any area  
24 containing commercial potash deposits and from time to time  
25 redetermine the limits;

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

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

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

25 (20) to regulate the construction and

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1 operation of oil treating plants and to require the posting of  
2 bonds for the reclamation of treating plant sites after  
3 cessation of operations;

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

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

15 (23) to regulate the transfer of oil and gas  
16 wells, including limitations on transfers when:

17 (a) the transferor, the transferee or an  
18 entity that owns more than a twenty-five percent interest in a  
19 transferor or transferee is: 1) the subject of one or more  
20 notices of violation of the Oil and Gas Act; 2) the subject of  
21 an enforcement action under the Oil and Gas Act relating to  
22 spills or releases; or 3) out of compliance with natural gas  
23 capture or reporting requirements;

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

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

(d) the division issues a written finding that the limitations on transfer are necessary for the purposes of mitigating risk to the state from potential inactive or abandoned oil and gas wells."