

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

HOUSE MEMORIAL 81

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

James R.J. Strickler

A MEMORIAL

REQUESTING THE NEW MEXICO CONGRESSIONAL DELEGATION TO REPRESENT THE STATE'S INTERESTS AND REQUEST THAT THE FEDERAL GOVERNMENT REEVALUATE THE OVERALL ECONOMIC IMPACT OF THE OFFICE OF NATURAL RESOURCES REVENUE'S PROPOSED OIL AND GAS VALUATION REGULATIONS AND THEIR UNBUNDLING EFFORTS.

WHEREAS, companies operating in New Mexico want to be in compliance with and to report and pay their federal royalties correctly as required by federal regulations; and

WHEREAS, the revenue from oil and gas has historically paid between thirty percent and thirty-five percent of the annual revenue to the state over the past decade; and

WHEREAS, the federal government, via its office of natural resources revenue, has unilaterally reinterpreted existing federal oil and gas valuation rules and is proposing changes to

underscored material = new
[bracketed material] = delete

1 the rules in a way that will make oil and gas development on
2 federal lands more costly and burdensome to comply with; and

3 WHEREAS, the reinterpreted rules will not allow companies
4 to deduct all of their actual reasonable transportation or
5 processing costs that are currently allowed; and

6 WHEREAS, those rules will result in the office of natural
7 resources revenue continuing to require companies to unbundle
8 third-party transportation and processing contracts, which is
9 literally impossible to do; and

10 WHEREAS, the office of natural resources revenue is
11 requiring companies to retroactively recalculate their
12 royalties back seven years and then pay this additional amount
13 plus interest, amounts that are a significant portion of the
14 remaining value of the wells; and

15 WHEREAS, the office of natural resources revenue is
16 providing guidance to companies on how to unbundle and is
17 posting unbundled cost allocations for New Mexico plants that
18 are mathematically incorrect and are contrary to engineering
19 reality, resulting in the office of natural resources revenue
20 knowingly understating the allowable transportation and
21 processing costs, which causes companies operating in New
22 Mexico to pay tens of millions of dollars more in federal
23 royalties each year than what is required by the federal oil
24 and gas regulations; and

25 WHEREAS, it is not in the best interest of the welfare of

underscored material = new
~~[bracketed material] = delete~~

1 the state, its citizens and the numerous education programs in
2 place to decrease revenue by making oil and gas development on
3 federal lands more costly and burdensome and less preferable
4 than on state or private lands;

5 NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF
6 REPRESENTATIVES OF THE STATE OF NEW MEXICO that New Mexico's
7 congressional delegation be requested to represent the state's
8 interests and request that the federal government reevaluate
9 the overall economic impact of the office of natural resources
10 revenue's proposed oil and gas valuation regulations and its
11 unbundling efforts to ensure that the regulations are not a
12 deterrent for oil and gas development on federal lands; that
13 the regulations are clear, fair and provide certainty that they
14 continue to allow all actual reasonable transportation and
15 processing costs; and that the regulations provide a cost-
16 effective, revenue-neutral alternative for all lessees to
17 comply with the office of natural resources revenue's
18 unbundling requirement; and

19 BE IT FURTHER RESOLVED that copies of this memorial be
20 transmitted to the New Mexico congressional delegation, the
21 president of the United States, the United States secretary of
22 the interior, the United States secretary of energy, the
23 majority leader of the United States senate and the speaker of
24 the United States house of representatives.