

The Independent

First Quarter 2013



A Quarterly Newsletter Produced by the Independent Petroleum Association of New Mexico

INSIDE THIS ISSUE

Northwest Report	2
Southeast Report	3
Legislative & Regulatory	4
Prairie Chicken Update	6
New Members	8
Oil & Gas Day Thank You	11
Legislative Bill Table	16

IN LOVING MEMORY...

*This issue of "The Independent" is dedicated to the memory of **Bert Murphy**, a pioneering force in New Mexico's oil and gas industry since 1960. Bert passed away on March 20, 2013, and will be greatly missed.*

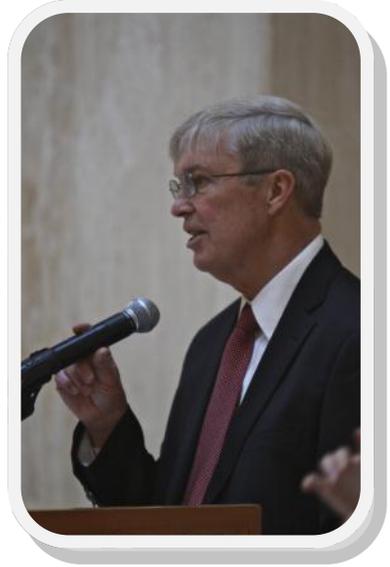
TO CONTACT US

P.O. Box 6101
Roswell, New Mexico 88202

Phone: 575/ 622-2566
Fax: 575/ 622-2566
E-Mail: staff@ipanm.org
Web: www.ipanm.org

President's Report Gary Brink

As signs of Spring are right around the corner, natural gas prices are edging higher, and oil prices are staying above \$90 per barrel, which are both positive indicators for our industry. Yet the most important issue during this quarter is that the energy industry survived one of the



most brutal legislative sessions in the past several years. People directly involved in the rule making process have remarked they had never seen such an all-out attack on oil and gas. The proposals ranged from full disclosure of all frac fluids, which is currently a rule administered by the NMOCD, to banning fracturing all together, proposing to install groundwater monitor wells below any zone being fractured so water could be sampled and tested and the list goes on. If you have been watching and staying up with Karin's weekly updates on the session you are aware of the crazy bills being considered by the legislature. Finally it ended without much effect on our industry, but it took a strong bipartisan effort by the moderate legislators to prevent these bizarre bills from being passed. So the next time you see Karin, thank her for her endless hours of work she put in fighting these bills and lobbying to keep our industry strong and competitive in New Mexico. Her legislative report will shed more light on the past session.

On a more positive note, I appreciate everyone

(Continued on page 7)

Northwest Regional Report by Glen Papp



I, like the other IPANM directors and officers, would like to thank Karin Foster for her efforts during the recently concluded legislative session in Santa Fe. If you read Karin's emails during the session, it was evident that our industry

was under constant attack from the ill-informed. In addition to defending our position in Santa Fe, Karin continued fighting battles against proposed anti-industry county ordinances in San Miguel, Mora and Rio Arriba counties, plus several issues that have the potential to negatively impact our industries in southeast New Mexico (See Richard Gilliland's *Southeast New Mexico Update*). All of this has led me to the conclusion that there is more than one Karin Foster—how could one person be in so many places at the same time? IPANM members need to take time out of their busy schedules to personally thank Karin and those state legislators who prevented these awful bills from becoming law. If you think you're too busy to take a minute, think about how busy we'd all be if some of this bad legislation had passed or how unemployed many of us might be.

While we are on the subject of Santa Fe, Karin somehow found time to help organize Oil & Gas Day on February 15th at the Roundhouse. A quick observation from what I saw at this event in Santa Fe: When people who have an open mind take the time to become even the slightest bit educated about energy and its positive impacts on our daily lives, they tend to have a much more favorable reaction to our industry. However, the \$64,000 question still remains, how do we reach those people that don't want to be educated, that think they know everything and don't need to be educated? Ironically, this is the same person who thinks they know the way to cleaner skies is to use more electricity and of course electricity comes from wind, solar, hydroelectric and/or the outlet on the wall.

I wanted to take a minute to discuss an issue that I brought up at the February 15th IPANM board meeting concerning the Office of Natural Resources Revenue (ONRR), formerly the MMS, and their newly adopted aggressive behavior to pursue issues of noncompliance and the subsequent assessment of penalties. Several companies commented on ongoing issues that they are currently having where the ONRR is attempting to collect disproportionate penalties and rewriting the rules. Others indicated that employees of their companies had attended ONRR training seminars and that "the ONRR had an attitude like the Gestapo." I reiterated the adventure that our little company is experiencing since receiving a Notice of Noncompliance (NONC) from the ONRR concerning some production reporting errors, giving us 20 days to correct. Our administrative staff immediately contacted the designated ONRR contact with questions. The ONRR contact then delegated the questions to a second ONRR contact, who was unable to answer the questions and



www.NMASSI.com

(Continued on page 8)

Southeast Regional Report by Richard Gilliland

As you have read, the recently concluded legislative session was one of the more challenging sessions for our industry in recent memory. Thankfully, through the efforts of some of our industry's most ardent supporters on the House Energy Committee, specifically Representatives Ezzell, Strickler, Bratton, Lewis and Gray, most of these bad bills were prevented from moving forward. Our industry in New Mexico owes a tremendous debt of gratitude to these informed legislators as well as to our Executive Director, Karin Foster, for her exhaustive efforts in battling these bills and educating other legislators throughout this lengthy session. Part of Karin's educational efforts included organizing our Oil & Gas Day at the Capitol event, which took place on February 15th at the Capitol. Congratulations to Karin for finding the time in the midst of a particularly arduous legislative session to organize what proved to be an extremely beneficial and educational event at the Capitol, full of activities and important information about our industry. Exhibitors at the event included many of the land grant fund beneficiaries which are supported in large part by the state revenues derived from oil and gas operations throughout our state. The event provided a great opportunity to showcase the tremendous benefits that a thriving oil and gas industry brings to all citizens throughout the state. This is a fact that cannot be overemphasized as we seek to continue to educate the public, and the public's representatives, as to the true impact of our industry in New Mexico.

Held in conjunction with Oil & Gas Day was the Young Ambassadors Program, yet another successful educational event organized and led by Karin Foster that works to introduce future leaders to our industry and to the

political process of our state government. Several students throughout our state submitted essays addressing the importance of the oil and gas industry to modern life in New Mexico. Six finalists were chosen to travel to Santa Fe and spend time with our Executive Director learning about advocacy skills and their importance in the political process and to our industry. Congratulations to Eric Angelos from New Mexico Tech for submitting the top essay and being recognized for this achievement in the Capitol Rotunda during our Oil & Gas Day presentations. The other finalists were Stephanie Quintana (San Juan College), Mark

(Continued on page 9)





**Your Vapor Recovery & Wellhead Specialist
Electric & Natural Gas Driven Compressors**

Automated control system for vapor recovery
NG Powered Compressors (18 hp & Up)
Diesel & NG Powered Gen Sets





(432) 563-1376
www.accelcompression.com
 4500 S. Co. Rd. 1310 * Odessa Tx 79765

Legislative and Regulatory Update by Karin Foster



The 2013 Session Starts with a Bang and Ends with a Whimper

Its Spring! The 2013 Legislative Session ended March 16th. It was only 60 days but felt like 60 weeks.

During the session, I had the opportunity to work with an excellent group of industry lobbyists and friendly legislators to track, lobby and defeat any anti-industry legislation. We were fortunate to have strong leadership with the House of Representatives in Don Bratton and Nate Gentry, who were able to rally the House Minority members to vote as a block in favor of industry. This meant that only a few votes were necessary from the other side of the

political aisle. Similarly, our members in the House Energy and Natural Resources Committee (HENRC) always voted together in strong support of our industry. Thank you Representatives Bratton, Ezzell, Strickler, Gray and Lewis. In HENRC, we worked hard to pull votes from members of the majority and were successful on many occasions.

The bills did pass through the committee process and both chambers have very minor impacts on industry. I have reviewed every bill sent to the Governor and have included synopses of a few that do not directly impact industry but will impact New Mexicans. I have also attached the most recent IPANM legislative tracking table for you (see page 16). Note that the bills highlighted in grey are those awaiting signature. There were a total of 298 bills that made it through the process to the Governor's desk out of a total of 1,655 pieces of legislation introduced in both chambers.

The Governor has until April 5th to sign legislation or it will be pocket vetoed. The effect of the non-signature is the same as if the bill had died in the legislative process. The 2014 Session is a 30-day session slated only for budget issues. However, the Governor has the authority to issue an executive order to have an item heard. Similarly, if the Senate Committees' Committee or the House Rules Committee determined a bill has a fiscal impact on the budget, it may be heard.

Water Issues Top the Agenda During Session

As promised at the end of last session, Chairman Brian Egolf (D-Santa Fe) introduced several bills on the topic of hydraulic fracturing during the 2013 Session. HB 136, *Disclosure of Fracturing Fluid Composition*, would have changed the recently passed NMOCD Rule

Serving all of West Texas and Eastern New Mexico

• Vacuum Trucks • Transport Trucks • Pump Trucks • Hot Oilier • Frac Tanks • Well Servicing

Standard Energy Services, LLC
806.741.1080 • 806.741.1301
www.thestandardenergy.com • sales@thestandardenergy.com

Andrews • Artesia • Brownfield • Carlsbad • Hobbs • Gail • Jal
• Levelland • Lubbock • Monahans • Pecos • Post • Roswell • Tahoka

Legislative and Regulatory Update *Continued*

(Continued from page 4)

19.15.16 NMAC to require operators to disclose the composition of all fluids that would go down-hole, the total volume of the water used and each ingredient including those in fresh water to the FracFocus website. The House Energy Committee also passed an amendment by a vote of 6-5 that would have required an operator to provide 30-day notice to the NMOCD, landowners and adjacent landowners, of plans to conduct fracturing operations and the constituents used in the noticed stimulation project.

HB 335, *Water Resource Testing & Damage Remedies*, also introduced by Egolf, would have required companies conducting fracturing operations to assess hydrologic and geologic risks within 2,000 meters of the well-head and 1,000 feet below the well's target depth. The water constituent testing would have been mandated before, during, one week and six months after completion activities. The operator would have had to report testing for pH, total dissolved solids, dissolved gases, and a range of compounds and chemicals. If there was a statistically significant increase in any of the constituents at the time of testing, the statute would have created a legal presumption that the impact resulted from the fracturing operation. After many discussions with the Chairman, including a hearing on the amount of water used in the stimulation processes, he opted not to ask for a hearing on HB 335.

SB 547, *Ban Horizontal Oil and Gas Fracturing*, introduced by freshman Legislator William Soules (D-Dona Ana) was the strangest piece of legislation against industry. At the Water Hearing mentioned above, it was discussed that horizontal wells were the wave of the future in New Mexico—particularly in the developing Mancos Shale play. Similarly, older wells in southeast New Mexico were

being reworked as potential horizontal wells, which could result in fewer pad sites and less surface disturbance. Moreover, the Office of the State Engineer testified that the amount of water used for stimulation projects was less than 0.25 of 1 percent of the total amount used statewide. Unfortunately, the hearing on SB 547 became the usual rant session with citizens fueled by misinformation from our opponents. The committee defeated SB 547 on an 8-2 vote.

Attorney General King States his Position Against Our Industry

Probably the most aggressive attacks on industry came from the Office of Attorney General, Gary King, who has already announced he is running in 2014 against Governor Martinez. While General King did not

(Continued on page 12)



**WILLIAMS
INSURANCE**

EXPERTS IN CONTROL OF WELL &
RISK MANAGEMENT FOR THE OILFIELD

todd@williamsinsurancellc.com
www.williamsinsurancellc.net

Prairie Chicken Update by Greg Nibert



As we reported in the last Newsletter, the United States Fish and Wildlife Service has formally proposed the listing of the Lesser Prairie Chicken as a threatened species on the Endangered Species List. There were four public meetings in January and early February, including a

public meeting in Roswell on February 12, 2013. Richard Gilliland, IPANM Southern Vice President, made a public comment on behalf of the Association reflecting our opposition to the listing. Richard also attended and spoke at the Rally that was held earlier that afternoon in protest of the listing effort. Public comments were due March 11, 2013, and a number of independent oil and gas producers submitted comments, and we thank you for those efforts.

On April 16, 2013, Dan Girand, Bob Armstrong, Chance Chase, and I will be meeting with the Director of the U.S. Fish and Wildlife Service, Dan Ashe, and will relay the independent producers' concerns over the listing process and its effect upon New Mexico oil and gas producers. We will report back upon our return from Washington. You will recall that our meetings with Mr. Ashe two years ago on the Dune Sagebrush Lizard were not only instructive, but we believe they were very helpful in securing the not warranted decision. We are hopeful for a good reception by the Director and look forward to making a presentation to him.

Chaves, Eddy, Lea and Roosevelt Counties have requested a coordination meeting with the Fish and Wildlife Service, but the meeting has not yet been set up. If, and when,

the meeting is set, several members will play a crucial role in that coordination meeting. Governor Martinez submitted a request for the coordination meeting and her administration has been most helpful in advancing the science necessary to prove that the listing is not warranted. The New Mexico Game and Fish Department has played a crucial role in developing the science and in coordinating a plan to satisfy the U.S. Fish and Wildlife Service that a listing is not necessary.

The opportunity remains for oil and gas producers to enroll acreage in a Candidate Conservation Agreement or Candidate Conservation Agreement with Assurances to protect it in the event the species is listed. For the companies who have already enrolled acreage in the lizard habitat, you have an opportunity to amend your agreement to include additional acreage that would be within the Lesser Prairie Chicken habitat. If you are thinking about doing this, please do so sooner than later so that we can reflect current acreage figures to the U.S. Fish and Wildlife Service.

The decision on the proposed listing will be this fall, probably in the month of September. The Fish and Wildlife Service has a deadline under its Settlement Agreement with the environmental groups and must make a decision by mid-September.

Strata Production Company filed a lawsuit against Ken Salazar, Secretary of the Interior, on the implementation of the new potash order. IPANM was very vocal that the new order may result in less oil and gas drilling in the potash area, particularly by small independent producers. ♦

President's Report, Continued

(Continued from page 1)

who took the time to attend Oil & Gas Day at the Capitol. Karin did an outstanding job organizing a very eventful day, along with spending several days with a fine group of Young Ambassadors who got a firsthand look at the legislative process. Industry was well represented and the nice part of the day was all the beneficiaries of the Land Grant Permanent Fund and Severance Tax Permanent Fund that were on display in the rotunda. Our Young Ambassadors were a good representation of students from around the state who will be part of the future of Oil and Gas. Each one brought their own prospective to the capitol, and I enjoyed the time visiting with them. I also want to thank all the companies and individuals who sponsored the event. Without your help and support it would not be possible to hold such an event. A full list of sponsors can be found on page 11. In addition I want to personally thank both Karin and Pam for their hard work in making Oil & Gas Day at the Capitol most enjoyable.

As reported last quarter, county issues are continuing to be a hot topic that we are tracking very closely. Karin has been tracking both San Miguel and Mora counties, and I

have been focused on Rio Arriba. Rio Arriba did get to the point of issuing an 80-page draft ordinance written by its planning staff. It contained all the crazy requirements I mentioned, and on the last revision they even went to the extent of adding a 1% Production Tax on any new wells that fall under the proposed revision. Several town hall meetings, mainly led by a small group of anti-industry people, were held around the county to get public opinion. The ordinance was scheduled to be heard on March 6th by the Planning and Zoning Commission, but the revised ordinance was tabled at that time. As the public meetings continued, it became very apparent the ordinance would apply to the entire county and not just the frontier area, which was the highly contested area in the original ordinance. We are working hard to convince the planning staff and county to form a committee to let all interested parties take part in revising the original ordinance.

Things are drying out in the Northwest and rig activity is picking up. So hopefully prices will continue to firm up allowing operators to go back to work. ♦

M&R TRUCKING, INC.



NW Report, continued

(Continued from page 2)

promised to get back with our staff. Our administrative staff finally received answers from the ONRR after the 20-day clock to correct had expired. The ONRR then accessed civil penalties against our company. What we have since found out, and the ONRR will not tell you this in their NONC, is that if you receive a NONC and for whatever reason are unable to meet the deadline, under Title 30, Part 1241.62 you need to request a hearing. The ONRR has implied to us that this is the only way to stop the clock from winding down to their imposed deadline. The ‘old’ days of working with your ONRR contact to resolve reporting problems are over.

San Juan College in Farmington, NM, hosted the San Juan Basin Energy Conference on March 18 and 19th, 2013. Encana, who has taken the lead on the Mancos production in the San Juan Basin, encouraged other operators to help it delineate the play as well as establish best practices for economic exploitation. Encana, which drilled ten Mancos wells in 2012, laid to rest speculation about

its program in 2013 by indicating that it anticipated drilling a well a month in 2013. Though most of the focus has been on the oil window in the Mancos, WPX Energy and others have had promising results in the gas window on the Mancos. WPX Energy indicated that with better prices they are “ready to go.”

Speaking of gas prices, the San Juan Basin Non-Bondad gas price averaged \$3.24/MMBTU for the first quarter of 2013, which is a 20 percent increase over the average index price of \$2.69/MMBTU for the first quarter of 2012. Looking forward, spot gas prices for San Juan Basin gas are near \$4.00/MMBTU heading into the shoulder months of April and May. If one recalls, last April and May basin gas prices were sub \$2.00/MMBTU. However, don’t look for gas prices to climb above \$4.00/MMBTU for any extended period. Power generators capable of fuel switching, indicate the economic benefits of coal become advantageous to natural gas generation at the \$4.00/MMBTU watermark. ♦

New Members



- | | | |
|-----------------|-------------------------------|---------------|
| Lem Smith | Encana Oil & Gas Inc. | Denver |
| Danny Weintraub | Bank of Oklahoma | Tulsa |
| Sam Jolliffe | Energen Resources Corporation | Midland |
| Brenda Linster | Encana Oil & Gas Inc. | Denver |
| Jason Eckman | Encana Oil & Gas Inc. | Parachute, CO |
| Shea Loper | Encana Oil & Gas Inc. | Denver |
| Amanda Trujillo | Yates Petroleum Corporation | Artesia |
| Katie Parker | Yates Petroleum Corporation | Artesia |
| Kent Williams | Legacy Reserves LP | Midland |
| Dennis Gallegos | A-Plus Well Service | Farmington |

SE Regional Report Continued

(Continued from page 3)

Shaffer (New Mexico Tech), Reid Sharpe (New Mexico State University), Baraka Lwoya (New Mexico State University), and Cassandra Martinez (Carlsbad High School). Having the opportunity to visit with these impressive young people during their stay in Santa Fe definitely provided an optimistic view of the future of our industry as well as our state. Thanks go to all the sponsors of our Oil & Gas Day and Young Ambassadors Program recognized within this newsletter on page 11. Without your support, these excellent educational programs would not be possible. In addition, I would like to thank the New Mexico Military Institute Color Guard and Choral Ensemble for providing superb performances to commemorate the opening and closing of Oil & Gas Day activities.

In addition to the previously-described, challenging environment in Santa Fe, independent operators in Southeast New Mexico continue to face threats to our ability to operate from Washington D.C. as well. As discussed in prior updates, the U.S. Fish & Wildlife Service (FWS) has proposed to list the lesser prairie chicken as “threatened” under the Endangered Species Act. This potential listing would have a major adverse impact on oil and gas, agriculture, and the overall economy of five states, covering parts of New Mexico, Texas, Oklahoma, Colorado and Kansas. In addition, the listing decision would necessarily put a halt to all efforts currently being successfully undertaken by the state wildlife agencies working in partnership with private industry to preserve the lesser prairie chicken and its habitat. As we have seen recently with the dunes sagebrush lizard, this proposal does not rely on sound science. Rather, it is driven by a desire to appease environmental activists and to meet the arbitrary

settlement terms of a recent lawsuit against the FWS by these environmental groups.

A public rally was held on February 12th in Roswell to coordinate with the final scheduled public hearing to be held by FWS in regard to this proposed listing. Hundreds of concerned citizens showed up to voice their concerns to the FWS officials. I would like to thank all the oil and gas operators, farmers, ranchers, business leaders, state and local government officials, state wildlife officials and other concerned citizens that participated in this rally and public hearing. It communicated a broad-based, region-wide opposition to this potential listing. A special thank you goes to U.S. Congressman Steve Pearce for deciding to forego the presidential inaugural events taking place in Washington D.C. on the same evening in order to appear in person with his constituents and communicate his continuing support for the economic well-being of this region and his adamant opposition to this proposed listing.

Even though the official comment period for this proposal has ended, FWS has indicated a willingness to re-open the comment period for a limited time. Therefore, I would encourage all interested parties that have not already done so to submit your comments to FWS. It will take persistent efforts on the part of all interested parties and concerned citizens in order to avoid the devastating economic impacts that this listing decision would cause. The environmental activist community has already signaled their willingness to persistently pursue their agenda. During a recent conference call with Congressmen Steve Pearce, Mike Conaway and Randy Neugebauer, we were informed that in

(Continued on page 10)

SE Regional Report Continued

(Continued from page 9)

addition to this potential listing of the lesser prairie chicken, the environmentalists have notified FWS that they plan to file yet another lawsuit against FWS for (properly) determining that science did not support the listing of the dunes sagebrush lizard. Eventually FWS may learn that appeasement of the environmental activist community is not a very effective strategy.

Also addressed in previous newsletters were the recent changes in regulations affecting operators in the potash area of Southeast New Mexico. In 2012, the Secretary of the Interior issued a new order affecting the operations and co-development of resources within the potash area of New Mexico. On March 6th, the Joint Industry Technical Committee was reconvened in order to coordinate efforts with the BLM to address areas where the new order conflicts with the current NMOCD Order R-111P and to discuss other issues relative to the implementation of the Secretary's new order. We appreciate the commitment of Paul Ragsdale and Mitch Krakauskas, both of Strata Production

Company, to participate with this Joint Industry Technical Committee to help insure that the specific concerns of the independent operator are addressed throughout the process. Paul Ragsdale encourages all interested parties to review the proposed Guidelines and Rules to Implement the Secretary's Order and provide feedback for any specific issues or concerns. A copy of this document can be found at IPANM's website for your review. The next scheduled meeting for this committee is April 16th. We look forward to continuing updates from Paul and Mitch as this process moves forward.

It is apparent from the above that our industry cannot afford to rest upon past victories. The challenges to combat over-burdensome regulations, misinformation and unfair treatment continue. With the continued help and support of our individual members, IPANM will continue to address the concerns of our industry. ♦

Mark Your Calendars NOW!

Annual Meeting 2013

August 7-9

Sandia Resort, Albuquerque

Thank You for O&G Day

IPANM wishes to thank everyone who attended or contributed.

Sponsors



ConocoPhillips ♦ Carlsbad Department of Development ♦ Concho
Dugan Production Corporation ♦ Energen Resources Corporation ♦ EnerVest Ltd. Fasken Oil and
Ranch, Ltd. ♦ Gerald Harrington ♦ Hudson Oil Company of Texas
Nearburg Producing Company ♦ NMOGA
New Mexico Energy Forum ♦ Ralph Nix Exploration ♦ Sandstone Properties, LLC
Synergy Operating, LLC ♦ Yates Industries

Speakers

Lt. Governor John Sanchez
Energy Secretary John Bemis
NM School for the Deaf Superintendent Dr. Ronald J. Stern
NMOGA Media Director Wally Drangmeister
IPANM Executive Director Karin Foster
IPANM Young Ambassador Eric Angelos

Special thanks to NMMI Color Guard and Choral Ensemble

Exhibitors

Artesia Chamber of Commerce ♦ Carlsbad Dept. of Development ♦ Carrie Tingley Hospital
Citizens Alliance for Responsible Energy ♦ Desk & Derrick Club of Roswell
Economic Development Corp. of Lea County ♦ Energy Week and Energy4Me
Farmington Museum ♦ Chase Foundation ♦ Merrion Mentorship Program
NEED Project, Albuquerque and Farmington ♦ NM Energy Forum ♦ NM Highlands University
NM Military Institute ♦ NM School for the Blind & Visually Impaired ♦ NM School for the Deaf
NM State Land Office ♦ NM State University ♦ NM Tech, Petroleum Engineering
San Juan College School of Energy ♦ Wildlife on the Oilfield ♦ Young Ambassadors Program

Young Ambassadors

Eric Angelos, NMT ♦ Stephanie Quintana, SJC ♦ Mark Shaffer, NMT
Baraka Lwoya, NMSU ♦ Reid Sharpe, NMSU ♦ Carrie Martinez, Carlsbad High School

Legislative and Regulatory Update *Continued*

(Continued from page 5)

testify on these bills, he had representatives from his office draft the legislation, find sponsors and testify as expert witnesses in support of the bills.

HB 259, *Recover Damages for Natural Resource Injuries*, sponsored by freshman Emily Kane, (D-Bernalillo) and drafted by General King and initially opposed by the New Mexico Environment Department, expanded the legal authority of the Natural Resource Trustee to allow the agency to bring suit against a party causing an “injurious substance” to impact any natural resource in New Mexico. The list of what would be considered an injurious substance was expanded to include any hydrocarbon. The standard for compensation to the state for the damage awards was to include the cost of restoration or replacement with compensable value of the natural resource allegedly damaged to be calculated as the amount required to compensate the public for loss in services provided by injured surface or ground water resource. HB 259 was defeated in HENRC on a 6-5 vote. The bill was then revived with a committee sub-

stitute although the provisions of this revision were equally bad for industry. The bill was again killed in committee on a 6 to 5 vote.

Among the provisions of HB 286, *Oil and Gas Financial Assurance*, sponsored by Representative Gail Chasey (D-Bernalillo), was to change civil and criminal penalties under the Oil and Gas Act to \$10,000 per day or a third degree felony (36 months in jail) up from \$1,000 per day per violation or a misdemeanor criminal penalty. If the violation were proven to be “knowing,” the penalty could increase to \$15,000 per day per violation. In addition, the definition of oil and gas operations as used in the Act was expanded to include all service companies and anyone working in any capacity with an operator. Note that the Energy, Minerals and Natural Resources Department testified strongly against HB 286, but Attorney General King had an “expert” witness assist the sponsor with presenting the bill along side the New Mexico Environmental Law Center.

(Continued on page 13)



Legislative and Regulatory Update *Continued*

(Continued from page 12)

The financial assurance requirement in HB 286 would also have increased to a \$100,000 bond and \$5,000 for every well, even if it was temporarily abandoned. This significant increase in financial assurance would have severely impacted independent producers with stripper wells, especially those with marginal returns at a time with low commodity pricing. If an operator's financial assurance failed to cover the costs of plugging a well, the bill would have authorized the OCD to bring suit against the operator, the most recent mineral owner, or the most recent lessee. HB 286 managed to pass through HENRC and House Judiciary over strong objection of minority members. The bill was killed on the House Floor on a 32 to 36 vote. Of note on HB 286, the Center for Civic Policy, a 501(c)(3) organization had spent \$14,839 on radio ads and \$5,712 on mailers attacking industry for not agreeing to update the Oil and Gas Act. The piece was released on the day HB 286 was introduced in conjunction with a radio attack on the Governor.

When the bill was defeated on the House Floor there was significant political pressure put on the members who voted with industry to switch their votes and bring the bill back for a subsequent vote. Since the co-sponsor of HB 286 was Senator Michael Sanchez, Majority Floor Leader, it was expected that defeating it in the Senate would have been difficult.

HB 429, *Environmental Private Right of Action*, sponsored by freshman Georgene Lewis, (D-Bernalillo), allowed any person who is injured "in fact or imminently threatened with injury, economic or otherwise" to file a suit against an operator under the Oil and Gas Act, the Environmental Improvement Act or the Water Quality Act. In effect, these three

acts cover industries ranging from oil and gas to restaurants, mining, manufacturing and agriculture. The Energy Department and the Environment Department stood alongside industry in opposition to the bill. In HB 429, the plaintiff had the option to bring the suit against the state demanding enforcement of the law or against the private company. The Plaintiff could only recover damages if the suit were brought against the private company. HB 429, which created a *qui tam* type mechanism opening the door for any private party to hire bounty hunters and bring suit on behalf of the government, would have resulted in creating a funding mechanism for many non-governmental organizations, including the New Mexico Environmental Law Center, New Energy Economy and the Oil and Gas Accountability Project here in New Mexico. HB 429 was defeated in HENRC, redrafted and passed through HENRC and House Judiciary. The bill was killed on the House Floor on a 30 to 36 vote after the sponsor spent three days trying to convince her colleagues on the House Floor to vote with her.

HB 458, *Consolidated Environmental Review Act*, sponsored by Chasey (D-Bernalillo) with experts from New Mexico Environmental Law and Attorney General King, would have required all agencies to complete a state level NEPA-type review for any industrial project in the state. The regulatory burdens and time impact on projects in New Mexico would have impacted nearly every business in the state, including those in the urban areas. HB 458 was killed on a 7 to 4 vote in Committee.

HB 189, *No False Statements to the Environment Department*, sponsored by Rep. Egolf and initially supported by the NMED, would have impacted any entity regulated under

(Continued on page 14)

Legislative and Regulatory Update *Continued*

(Continued from page 13)

the Environmental Improvement Act. The bill would have revised New Mexico's criminal penalty structure for false statements or misrepresentations submitted to the state Environment Department. A misstatement would have resulted in a fourth degree felony with an 18-month prison sentence. A statement impacting the environment could have resulted in three years in jail per violation and a statement resulting in bodily injury or harm could have resulted in 9 to 15 years in jail. The bill was significantly amended to exclude all entities except liquid waste systems. In addition, HB 189 was amended in Senate Judiciary to require NMED to place a warning prominently on all department documents and forms that false statements might result in civil penalties. The bill died on the Senate floor.

HB 662, *Public Peace, Health, Safety and Welfare*, reserved by Rep. Egolf as Chairman of the Energy Committee, was drafted to require the OCD to post on its website data from 2008 forward, including the number of stripper wells; number of active inspectors, information on violations of the Oil and Gas Act and the amount of penalties collected for each category of violation; a listing of each operator and facility in violation and

actions taken by the Division against operators. The bill was never formally discussed in HENRC and ultimately died. This bill was in response to IPANM's request of the OCD to remove from its website the 2008 report created by former OCC Chair Fesmire with alleged contamination cases. IPANM has investigated each alleged case and not found one instance of ground water contamination cases from a drilling or reserve pit. The 2008 report, which had been on the OCD website until mid-February had been used repeatedly by OGAP and the Attorney General during the pit rule hearing, county meetings and the legislative session as examples of violations of the Oil and Gas Act.

In conjunction with the expansion of legal authority of the agencies and an individual's right to sue, there were several bills in both the House and the Senate that would have allowed the Attorney General to hire contingency fee lawyers to bring suit on behalf of the state. As the law now stands, the Attorney General is the attorney for the state with all Commissions including the Environmental Improvement Board and the OCC having counsel from the AG. In addition, the *Marbob* case reinforced the requirement that only the AG may bring a suit against an oper-

(Continued on page 15)



Legislative and Regulatory Update *Continued*

(Continued from page 14)

ator for violation of the Oil and Gas Act. The OCD has only the authority to implement compliance orders, deny permits, etc. HB 531, SB 153 and SB 270 all expanded the ability for the state, with its limited number of attorneys, to hire “bounty hunters” to bring suits in any area the Attorney General himself could have sued. If the bills to expand the right to sue had passed, with an anti-industry Attorney General in office able to hire politically motivated private attorneys, the number of frivolous and harassing lawsuits against industry would have increased dramatically. New Mexico would have become a mecca for trial lawyers and a killer for businesses. Fortunately, all these bills were killed in committees.

Other New Laws of Interest—Relevant to New Mexicans

HB 299, *Tax Administration Act Changes*, sponsored by Rep. Tom Taylor (R-Farmington) and signed by Governor Martinez on March 21st, is a statutory change that will impact any party paying taxes in New Mexico.

House Bill 299 makes several significant changes to Tax Administration Act, 7-1-13 NMSA, at the request of the Administration expanding time frames to file amended returns; applies administrative process to denial or granting of a credit or rebate; increases the protest filing period from 30 to 90 days; removes the requirement for the Attorney General to approve abatements under \$20,000; allows hearing officers the discretion to postpone or continue a hearing, allows interest on overpayments to begin accruing at the date of the overpayment rather than the date of the claim.

HB 164, *Clarify Certain Speed Limit Viola-*

tions, sponsored by Rep. Eliseo Alcon (D-Cibola, McKinley) and signed by the Governor on March 25th, will help our lead-foot drivers. This bill amends Section 66-7-302.1 to prohibit the use of certain speeding convictions by the State for suspending or revoking a driver’s license; or by insurers for determining the cost of insurance or eligibility for insurance. This statutory change was needed after the Legislature amended this section in 1996 to increase the speed limit to 75 mph. Thus, if a driver is convicted of speeding at less than 75 mph in a zone with a speed limit of 55 or 60 mph the state cannot use that conviction for revocation or suspension of the license, and the insurance company cannot use it to increase the cost of insurance. Note, however, that if the speeder is caught in excess of 75 mph, this statutory change does not apply.

HB 72, *Commercial Car Lease Adjustment Clauses*, sponsored by Rep Bobby Gonzales (D-Taos) and signed by the Governor March 28th, eliminates the use of a Terminal Rental Adjustment Clause (TRAC) that provide a fixed purchase price at the end of the vehicle lease. The commercial consumer is required to pay any deficiency if they choose not to buy the vehicle and the net sales price (or value) is less than the fixed price included in the lease.

The bill amends the Motor Vehicle Code to indicate that a lease transaction does not create a sale of or security interest in a motor vehicle or trailer, or transfer ownership to the lessee, merely because the lease contains a terminal rental adjustment clause. Numerous states have similar or identical laws including Pennsylvania, California and Kentucky. ♠

Legislative Bills, 2013 Session Final Report

House Bills

Bill Numbers		Bill Names	Committee Assignments	Sponsors	FINAL Status
House	Senate				
HB 19		Status of Water Rights Under Lease	HAGC/HJC	Gonzales	Tabled in HJC
	SB 188		SCONC/SJC	Griego	Left in SCONC
This bill might assist in leasing water rights for temporary oil and gas development					Watched
HB 108		Rules Development Requirements	HHGIC/HJC	Gentry	
			SRC/SJC	Ivey-Soto	Left in SJC
A regulatory reform effort carried by the House Minority Whip. This is a good bill that will require state agencies to have more public participation in drafting of regulations and hearings, and will extend the public comment period to a set 30 days after initial publication of the rule. Passed HHGIC 11-0. Passed House Floor 70-0.					Supported
HB 136		Disclosure of Fracturing Fluid Composition	HENRC/HAGC/HJC	Egolf	Left in HENRC
During the hearing in HENRC an amendment to require notification of constituents used for a HF to surface owners and the public 30 days prior to completion operations was added. Both amendment and bill passed on 7-5 party line vote. Adds a new section to the Oil and Gas Act to require that operators disclose the composition of HF fluids to the IOGCC or GWPC of all ingredients that go down-hole regardless if required on an MSDS sheet; allows for land owner and adjacent land-owners, any agency of the state or the federal government to overcome a trade secrets exemption; AG King representative was expert on bill; ENMRD strongly opposed.					Opposed
HB 189		No False Statements to Environment Department	HENRC/HJC/FLOOR	Egolf	
			SCONC/SJC		Left on Senate Floor
IPANM worked with the NMED to amend this Governor’s bill. The bill was substituted on 2/4; now it applies only to liquid waste systems owned by a public entity. This bill seeks to criminalize mis-statements made to the department; a fourth degree felony for a misrepresentation (18 month jail); a third degree felony if the misrepresentation caused an “adverse impact to the environment” (three years jail) and a second degree felony if the misrepresentation caused serious bodily injury (15 years jail). While the Department claims that a knowing element is necessary, as drafted this is not the case. There is also a \$10,000 per day penalty from the date of the misrepresentation to the date the penalty is imposed. This bill initially covered any reporting required under the Environmental Improvement Act, the Air Quality Control Act, Ground Water Protection Act or the Environmental Compliance Act.					Substituted to amend OG out
HB 214		Oversized Oilfield Vehicle Hours of Operation	HTPWC/HJC	Roch	Tabled in HJC
Amends Section 66-7-413.6 to allow for 24-hour operation of oilfield equipment transport vehicles with special permits. The bill passed out of Transportation 2/19.					Supported

Legislative Bills, 2013 Session Final Report *Continued*

Bill Numbers		Bill Names	Committee Assignments	Sponsors	FINAL Status
House	Senate				
HB 259		Recover Damages for Natural Resource Injuries	HENRC/HJC	Kane	Tabled in HENRC 6-5
<p>New Committee substitute introduced 3/1. Expands legal authority of the Natural Resource Trustee to investigate injury to, destruction of or loss of surface or ground water resources resulting from the release of hazardous substance; determine liability; determine amount of injury and assess and collect damages; awards to include cost of restoration or replacement; compensation for loss of use; compensable value for loss of use may be calculated as amount required to compensate the public for loss in services provided by injured surface or ground water resources; definition of release and hazardous substance based on CERCLA; no liability for state agency; no double recovery; three year statute of limitations and no recovery for damage to injured surface occurred prior to December 11, 1980.</p>					Opposed
HB 285		Pipeline Safety Act Violation Penalties	HBIC/HJC	McCamley	Left on Senate Floor
			SCORC/SJC		
<p>This bill passed HBIC on an 11-0 vote. This is not a concern for upstream and no midstream companies testified against the bill; tis may be necessary for federal funding. This bill changes the penalty provisions for violations of the Act from \$25,000 per violation per day with a max of \$100,000 to apply federal law 49 CFR 190,.223(a) - \$100,000 per day per violation with a max of \$1,000,000 for any related series of violations. Attaching NM Statutes to Federal law is not good for business certainty as the federal rules could change with no NM input.</p>					Watched
HB 286		Oil and Gas Financial Assurance	HENRC/HJC/Floor	Chasey	Tabled on House Floor 32-36
				M. Sanchez	
<p>Review of HJC Committee Sub: Increases financial assurance from \$50,000 blanket to \$100,000 minimum AND a financial assurance of \$5,000 per well including for inactive wells; deletes the provision in original draft that allowed suit against the mineral owner. Increases penalties to \$10,000 per day per violation unless under valid permit or regulation; if a knowing and willful violation the penalty is \$15,000 per day per violation; knowing and willful violation is expanded to include procurement, aiding or abetting in the commission of any violation of a rule, order or provision of the OG Act. Note that the definition of “inactive” for well plugging is a well that is not being used for “beneficial purpose.” Significant expansion of Oil and Gas Operations to include all service companies, including water hauling.</p>					Opposed
HB 293		Tax Net Operating Loss Carryover	HTRC/HAFC	Dodge	Tabled in HTRC
<p>Extends net operating loss carryover that occurs after July 1, 2014 to 14 years. Any NOLs incurred prior to July 1, 2014 will still have the current five year limitation.</p>					Watched

Legislative Bills, 2013 Session Final Report

Bill Numbers		Bill Names	Committee Assignments	Sponsors	FINAL Status
House	Senate				
HB 335		Water Resource Testing and Damage Remedies	HENRC/HJC	Egolf	Left in HENRC
				M. Sanchez	
<p>Sponsor to redraft for hearing. Adds a new section to the Oil and Gas Act for hydraulic fracturing; the owner must conduct a geologic and hydrologic assessment for each proposed well for all surface and ground water within 2,000 meters of the well to a depth of 1,000 feet below the well's target depth prior to HF operation; he must conduct water testing from the surface to 1,000 feet below the well's target depth; bill establishes a list of constituents required for water testing; water testing to be completed (1) before drilling; (2) during drilling; (3) one week after HF operations and (4) six months post well completion. All results of water sampling made available to the public and all samples kept at OCD for three years; any "statistically significant increase" in any component is presumed to have been caused by JF but that presumption may be rebutted by clear and convincing evidence in court; must make damages claim within three years of publication of last water test sample results.</p>					Opposed
HB 410		Motor Tax for Highway Projects and Project Fund	HTPWC/HTRC/H AFC	Lundstrom	Left in HTPWC
<p>Temporarily increases the motor vehicle excise tax to 4% of the price paid or reasonable value of the vehicle (up from 3%) until 7/1/28. Allowances granted for trade-ins may be deducted from the price paid or reasonable value. Until 7/1/78, 25% of the funds received from this increase shall be deposited in a new Major Investment Highway Fund; the state may bond against the fund.</p>					Watched
HB 429		Environmental Private Right of Action	HENRC/HJC/FLOOR	Louis	Tabled on House Floor 30-36
<p>HENRC Amendments: HB 429 amends the Oil and Gas Act (70-2-29 NMSA); Environmental Improvement Act; the Water Quality Act (74-6 NMSA) to allow a private person who is injured in fact, economically or otherwise, or who is imminently threatened with injury economically or otherwise, to commence a civil action against an other person, including the state charging a violation of the Act, rule, permit or order; or against the OCD or OCC alleging a failure to perform any substantive duty required by a provision of the Act or rule promulgated pursuant to the Act; the amendment delete ability to sue political subdivisions; also amended to require "loser pays" provisions to prevent frivolous lawsuit but this amendment was stripped off in HJC; must give 50 notice to OCC, OCD, AG and violator unless "immediate threat to health or safety or immediate and irreversible impairment of a legal interest could occur"; the court has the discretion to order that civil penalties assessed, not to exceed \$25,000, be used in beneficial mitigation projects.</p>					
HB 458		Consolidated Environmental Review Act	HENRC/HJC/H AFC	Chasey	Tabled in HENRC 7-4
<p>Baby NEPA bill tabled on votes by Ezzell, Bratton, Strickler, Lewis, Gray, Magdalena and Gonzales; HB 458 states that all agencies to prepare an environmental assessment for projects with physical impact; if determines "significant effect on the environment" it shall require the applicant to prepare a environmental impact statement; cumulative impacts, impacts on cultural properties and on communities; consultant cannot have been with the applicant for seven years prior. HB 458 would also require state agencies to review a federal agency's final action under NEPA and may require additional information and evaluation prior to approval of any permits.</p>					Opposed

Legislative Bills, 2013 Session Final Report *Continued*

Bill Numbers		Bill Names	Committee Assignments	Sponsors	FINAL Status
House	Senate				
HB 494		Pipeline Location Notices for Excavation	HBIC/HJC/Floor	Easley	Signed
<p>IPANM amended this bill to apply to only pipeline with federal jurisdiction; PRC only has jurisdiction over midstream and not production pipes, gathering lines or flow lines; Amends the Utility Code; changes definition of pipeline to apply to all gathering lines, etc. by taking our the “pipeline subject to the jurisdiction of federal law or regulation” language, requires a call into One Call and marking with “clear” or “no underground facility” flags. Operations will need to provide PRC positive response logs.</p>					
HB 531		Attorney General Legal Service Contracts	HJC/HAFC/FLOOR	Chasey	
			SPAC/SJC/FLOOR		Left in SJC
<p>Passed House Floor on a 36-33 vote. Creates a slush fund for the AG to use for contingency fee lawyers on any claims the AG would normally litigate; AG testified they have 85 attorneys but only 16 litigate cases; will result in very aggressive private counsel—taken in conjunction with HB 286 or HB 429 this bill will result in excess bounty hunting on industry and any business entities in NM.</p>					Opposed
HB 616		Alternative Fuel Tax Credits	HTPWC/HTRC	Egolf	Left in HTRC
<p>Passed House Transportation Committee on a 7-0 vote. There was very positive discussion about the concept of using natural gas fueling options since there are more cars now on the market; however, only IPANM and Waste Management testified in support; this will be discussed during the interim committees. Adds new section to the Income Tax Act to allow for a 50% tax credit for an alternative fuel vehicle or qualified conversion vehicle; EMNRD to adopt rules to certify qualified conversions. As alternative fueling station credit is also created to allow residential for 50% of cost or \$2,500; commercial alternative fuel to receive 75% credit; applies for both corporate and personal taxes.</p>					Supported
HB 662		Public Peace, Health, Safety and Welfare	HENRC	Egolf	Left in HENRC
<p>IPANM discovered that by using a “dummy bill,” Rep. Egolf was intended to require the OCC to have public hearings on ground water protection issues prior to 11/1/13; if there was interest by the public, the OCD was to promulgate rules for water monitoring similar to those adopted in Colorado. The sponsor never brought the substitute bill to committee.</p>					Opposed

Legislative Bills, 2013 Session Final Report *Continued*

Bill Numbers		Bill Names	Committee Assignments	Sponsors	FINAL Status
House	Senate				
HM 21		Preserve Prairie Chicken to Oppose Listing	HAGC/passed Floor 39-28	Ezzell	Signed
<p>This bill calls upon the Governor, NMGFD, BLM and the congressional delegation to support continuing state, local and private efforts to preserve and protect the lesser prairie chicken and oppose the USFWS listing the species as “threatened.” Note that industry has registered over two million acres for conservation efforts through candidate conservation agreements and candidate conservation agreements with assurances and the NMGFD is working with four other states in the species range to enlist companies in conservation agreements. County governments are also engaging the federal government in “coordination efforts” under 43 CFR 1712.</p>					
HM 84		Online Posting of Oil & Gas Information	HENRC/Floor	Egolf	Left of floor
<p>A very late introduction; required OCD to post on its website data from 2008 forward, the number of stripper wells; number of active inspectors, information on violations of OGT Act amount of penalties collected for each category of violation; a listing of each facility in violation and actions taken by the Division against operators and the amount of funds in the oil and gas reclamation fund.</p>					Opposed

Notes on tables:

- **“Left”** means the sponsor or the Committee Chair was lobbied and opted not to present the bill in a committee or on the respective chamber floor.
- **“Tabled”** means a majority of the members of a committee voted against the bill and it was left in committee. This means a bill can be revived in any member who voted against the bill asks to bring it back off the table for a new vote. This procedural move occurred on HB 189, HB 259, HB 286, HB 429 and SB 273. A vote to table is, therefore, not as permanent as a “do no pass” vote that is recorded by the committee.

Committee Abbreviations:			
House		Senate	
HAFC	Appropriations	SCONC	Conservation
HAGC	Agriculture & Water	SCORC	Corporations
HBIC	Business & Industry	SEC	Education
HCPAC	Consumer & Public Affairs	SIAC	Indian Affairs
HEC	Education	SFC	Finance
HENRC	Energy & Natural Resources	SJC	Judiciary
HHGIC	Government	SPAC	Public Affairs
HJC	Judiciary	SRC	Rules
HLC	Labor		
HTPWC	Transportation		
HVEC	Voters & Elections		

Legislative Bills, 2013 Session Final Report *Continued*

Senate Bills

Bill Numbers		Bill Names	Committee Assignments	Sponsors	FINAL Status
House	Senate				
	SB 7	Tax Expenditure & Revenue Budget & Reporting	HCPC/HTRC SPAC/SFC/FLOOR	Varela Keller	Awaiting Signature
<p>This bill was substituted in SFC; Committee substitute addressed IPANM concerns by adding qualified economists to prepare report. Bill passed Senate Floor on a 37-0 vote. Note that last cycle, the Governor vetoed this bill as did Richardson two years prior.</p>					
	SB 13	Corporate Rates and Combined Reporting	SCORC/SFC	Wirth	Left in SFC
<p>SB 13, SB 59 and SB 277 are going to be rolled into one bill in SFC. Industry should prefer SB 277 of all the bills proposed; a repeat from the last session; including elimination of discretionary opt out with approval from TRD; the bill last year passed the Senate (28-13) and the House (36-33) but was vetoed; This bill amends corporate income tax rates down and requires unitary corporations to file a combined return with their other unitary corporations as through the entire net income were that of one corporation in NM and then pays based on an apportionment formula; effective date 1/14.</p>					
	SB 59	Corporate Tax, Reporting, Single Sales and Repeals	SCORC/SFC	Cisneros	Left in SFC
<p>This bill was rolled into a larger bill and passed SCORC without recommendation. This bill is identical to Wirth's SB 13 except that it adds provisions changing the formula for apportionment of business income from manufacturing; processing natural resources including hydrocarbons is specifically exempt from the manufacturing definition; repeals several tax credits including the rural jobs tax credit and the high wage jobs tax credit.</p>					
	SB 101	Energy Bonds	HENRC/HJC SCONC/SFC	Wirth	Signed
<p>The sponsor testified in HENRC that this is jut to have larger counties receive federal funds for energy efficiency projects; funds for small counties are from a smaller source. This bill was vetoed by Martinez in 2011.</p>					
	SB 117	Real Property Sale Affidavits	SCORC/SJC	Munoz	Tabled in SCORC
<p>Bill tabled in SCORC after strong opposition by IPANM and the commercial real estate developers. The expert on this bill as the San Juan County Assessor who is facing significant drop in revenue with loss of coal properties. This bill changes the reporting provision in the property tax code to require reporting of all property transfers of real property by deed or real estate contract. This would give Assessors additional information that would most likely result in increases in property valuations and taxes; currently, only residential transfers are necessary. But there are still problems with the residential valuations resulting in a robust practice of property valuations contest.</p>					

Legislative Bills, 2013 Session Final Report *Continued*

Bill Numbers		Bill Names	Committee Assignments	Sponsors	FINAL Status
House	Senate				
	SB 153	Clarify Fraud Against Taxpayers Act	SPAC/SJC	Cervantes	Tabled in SJC
<p>This bill was rolled into a larger bill and killed in SJC. This is another qui tam bill (allows a private person, usually a whistleblower, with knowledge of a fraudulent claim made against the government to assert a lawsuit and recover damages). The bill limits the government’s authority to seek extensions when investigating without consent of the qui tam plaintiff; strengthens the plaintiff’s damages rewards and fees recovered by contingency lawyers hired by the Attorney General’s office; unclear if this will directly impact industry.</p>					Opposed
	SB 159	Civil Case Reciprocal Attorney Fees	HCPAC/HJC SPAC/SJC/FLOOR	Cervantes	Awaiting signature
<p>This is a “loser pays” bill; this is really a bill the bankers need to be concerned about; allows a court to award reasonable attorney fees to the winning party that prevails on a civil action based on a promissory note; written contract or other writing that allows at least one party to recover attorney fees. Effectively adds recovery of attorney fees to contract law.</p>					Watched—This is a Banking Bill
	SB 193	Water Quality Control Commissioners	SRC/SCONC/Floor	Griego	Tabled on Floor
<p>Removes OCD as constituent agency to WQCC but retained EMNRD; note that water quality arguments when determining impacts to ground water from a spill are based on standards set by WQCC since OCD is a constituent agency; As a department within EMNRD this bill will still require OCD to adhere to those standards.</p>					Watched
	SB 270	Unfair Trade Practices Attorney Fees	SPAC/SJC	Cervantes	Tabled in SPAC
<p>The Attorney General claims he does not have the resources to prosecute all cases and is unable to attract law firms to do his work without this change. Unfair Trade Practices is a claim that has been raised in several of the deduction of transportation costs oil and gas cases brought by the State Land Commissioner in an attempt for private counsel to recover additional fees.</p>					
	SB 273	Transportation Public-Private Partnerships	SCORC/SJC/SFC	Cook Keller	Tabled in SJC
<p>This bill creates a new Act in the Procurement code that will allow municipalities and counties to set up public-private partnerships to pay for any transportation facility within the local government’s jurisdiction. The private partner would be allowed to recoup costs through tolls and use fees; allows for distributions of the funds obtained from the private entities to be outside the RFP process; all P3 projects are to be approved by the AG and the State Board of Finance. Tabled in SCORC, revived and passed to SJC where it was tabled.</p>					Opposed
	SB 277	Single Sales & Reduce Corporate Sales Tax	SCORC/SFC	Munoz	2nd Committee
<p>This bill was rolled into a larger bill and passed SCORC without recommendation. It is now sitting in Senate Finance. Reduces the corporate income tax, changes the factors used for apportionment that would help companies that would be forced into unitary reporting in NM. To be heard in SCORC 2/25; supported by the administration.</p>					Will be Rolled into a Larger Bill

Legislative Bills, 2013 Session Final Report *Continued*

Bill Numbers		Bill Names	Committee Assignments	Sponsors	FINAL Status
House	Senate				
	SB 368	Reform Tax Code	SCONC/SCORC/ SPAC/SFC	Sharrer	3rd Committee
SB 368 does a complete overhaul of the tax code, including deletion of exemptions to payment of gross receipts tax including the following under 7-9-13 through 7-9-42. This list includes the exemptions to GRT for payment of OG mineral interests; for products subject to OG Emergency School Tax; to persons subject to natural resource processors tax. The number of referrals on this bill ensures it will not make it out of the Senate this session.					
	SB 463	State Preemption of Local Oil and Gas Laws	SCONC/SJC	Cisneros	Left in SCONC
Amends the Municipal Code to expressly preempt the authority of a county or municipality in the fields of regulating the exploration, development, production and transportation of oil and gas as delineated in the Oil and Gas Act; reserves the exclusive authority to the Oil Conservation Commission and the Oil Conservation Division. Sponsor has been quoted in the paper as saying he has asked to withdraw the bill and will ask for a memorial to study the issue.					
	SB 482	Water Vulnerabilities List Working Group	SCONC/SFC	Wirth	Left in SFC
Seeks \$250,000 for NM Tech and NMSU to establish a work group of hydrologists, demographers and economists to conduct a study on water demand and supply; to develop a projection of demand, climate variability; develop a list of vulnerabilities for next 20 years.					
	SB 535	Energy Education & Marketing Tax Act	SCORC/SFC	Munoz	Tabled 8-1 in SCORC
Imposes a new tax on industry of 1/10 of 1% of value of all products severed; each operator shall make a return to the department showing the total value, volume and kind of products sold from each production unit for each calendar month; 25% of funds to Energy Education Fund; 25% to Clean Energy Grants Fund; 50% to Lottery Scholarship Fund. Energy Education Board is created with nine members with "oil and gas experience." The sponsor claims there is a \$20 million shortage in lottery funds. Sponsor was invited to present his bill at NMOGA legislative meeting; industry voted to oppose the bill. IPANM testified very strongly against this bill.					
	SB 547	Ban Horizontal Oil & Gas Fracturing	SCONC/SCORC/ SFC	Soules	Tabled 8-2 in SCONC
Adds a new section to the Oil and Gas Act banning the use of multistage fracturing in horizontal wells. Tabled on an 8-2 vote after long discussions including chants and protests by environmental community.					
	SM 76	Cabinet Secretary and Stakeholder Dialogue	SRC/SPAC	Leavell	Left in SRC
A surprise and late introduction to acknowledge the importance of extractive industries in NM and recent difficulty with county pre-emption; asks the Secretary of Energy and Secretary of Economic Development to convene meetings with stakeholders. ♦					

IPANM Board of Directors

OFFICERS

Glen Papp, North VP
Synergy Operating, LLC

Gary Brink, President
Energen Resources Corporation

Francisco Olvera, Treasurer
Ritter & Company, LLC

Richard Gilliland, South VP
Hunt Cimarron L.P.

Greg Nibert, Past-president
Hinkle Law Firm

ELECTED BOARD MEMBERS

John Alexander
Dugan Production Corp.

Steve Dunn
Merriion Oil & Gas Corporation

Knute Lee Jr.
K.H.L., Inc.

Art Merrick
McElvain Oil & Gas

Tom Blair
Blair Properties LLC

Tim Green
Nearburg Producing Company

Kevin Leonard
EnerVest, Ltd.

Dwayne Taylor
Lucky Rental Tools

Dru Bower-Moore
Devon Energy Corporation

Randall Hudson
Hudson Oil Company of Texas

Frank McCreight
BOPCO, L.P.

Betty Young
Read & Stevens, Inc.

PAST PRESIDENT ADVISORY BOARD MEMBERS

Robert G. Armstrong
Tucker Bayless
John Byrom
Tom Dugan
Dan Girand

Frank Gorham
Jeff Harvard
Johnny Knorr
Bill LeMay
Sylvia Little

Kevin McCord
T. Greg Merrion
Chuck Moran
Tom Mullins
Mark Murphy

Tommy Roberts
Larry Scott
John Thompson
Paul Thompson
Frank Yates
George Yates



P.O. Box 6101
Roswell, NM 88202-6101

575-622-2566
www.ipanm.org