



The Independent



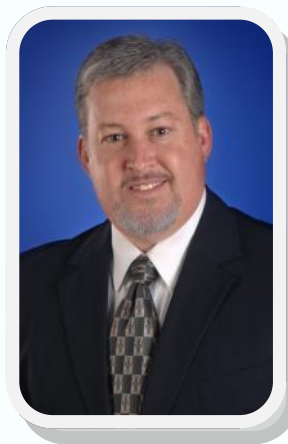
First Quarter 2014

President's Report

Richard Gilliland

What began as a relatively quiet year for our industry quickly took a disappointing turn recently with an announcement from the U.S. Fish and Wildlife Service. On March 27th, USFWS announced its decision to list the lesser prairie chicken as "threatened" under the Endangered Species Act, while simultaneously issuing a special 4(d) rule supporting the five-state, range-wide management plan. It was extremely disappointing that USFWS chose to disregard the considerable scientific data and analysis indicating no basis existed to justify listing the lesser prairie chicken under the Endangered Species Act. Instead, this decision was apparently driven by attempting to meet the requirements of a court-ordered deadline issued in regard to settlement agreements entered into by the USFWS. This listing decision will place considerable restrictions on the use of over 40 million acres of private, state and federal lands throughout New Mexico, Texas, Oklahoma, Colorado and Kansas. Coincidentally, this area encompasses a large portion of the Permian Basin, which has been a primary source of the increased oil and gas production contributing to the country's recent energy revival. This decision by USFWS will

no doubt have a chilling effect on economic development and capital deployment throughout the Permian Basin, as well as having a direct, negative impact on the economic well-being of New Mexico.



Richard Gilliland
IPANM President

This outcome is a direct result of the "sue and settle" tactics that environmental groups have employed with complicit government agencies over the last several years. Under this tactic, environmental groups propose a species for protected status and then immediately proceed to sue the federal government, which then settles on terms favorable to the environmental groups rather than litigate the lawsuit. Typically, a necessary and thorough review of the best available science and data is sacrificed within

these settlements. Wildlife Guardians and the Center for Biological Diversity have reportedly been a party to over 1,000 such lawsuits since 1990, with record numbers of these suits being filed and settled under the current Obama administration. Due to these "sue and settle" tactics, our industry will be faced with an estimated 250 additional potential species listings over the upcoming years. Not surprisingly, these groups have made no secret of their desire to end fossil fuel production in the U.S.

Fortunately, Oklahoma's Attorney General, Scott Pruitt, has filed what could be a landmark lawsuit against the USFWS, which points out that "by entering into private settlements with special interest litigants, (the Fish and Wildlife Service) has attempted to circumvent the legislative and regulatory process and make fundamental changes to its (Endangered Species Act)-imposed obligations." With the environmental groups continuing to abuse the Endangered Species Act to attack our industry, the outcome of this lawsuit is of utmost importance not only to our industry, but to the entire U.S. economy. A new study by the Manhattan In-

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Northwest Regional Report

Glen Papp



Glen Papp
IPANM North VP

In March, operators with wells within the city limits of Farmington received a letter from the city's Gas & Oil Wells Compliance Inspector. The letter stated that the city's fire marshal is requiring that a fire extinguisher be present on all well sites to comply with the International Fire Code (IFC). Our company sent a letter to Farmington's city manager requesting interpretation of these standards to well sites. The city's fire chief responded, via letter, to the city manager that the initial letter sent to operators referenced the wrong IFC code. However, in his response letter, the fire chief made two curious

statements. The first stated that "The state of New Mexico and the City of Farmington have adopted the 2003 IFC as its standard for fire safety." The second reads, "The correct 2003 IFC reference is 3403.2.1 which does apply to gas well sites..."

What's remarkable about the first statement is that by the City of Farmington's fire marshal interpretation, than every well in the state of New Mexico would require a fire extinguisher. What's peculiar about the second statement is that the chapter in the IFC code being referenced is titled "Flammable and Combustible Liquids," yet the city

is applying this to all gas wells even if no flammable liquids are present. Extinguishers on well sites are not going to help put out a well fire. However, they can be useful in putting out small fires that occur during equipment maintenance operations. Most all operators require any personnel performing work on their well sites to have fire extinguishers present. Therefore, what purpose would a permanently mounted extinguisher have on an unattended location other than to be an easy target for vandals?

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Southeast Regional Report

Mitch Krakauskas



Mitch Krakauskas
IPANM South VP

Currently in Southeastern New Mexico there are 84 active rigs, up 8 from this same time last year with 90 percent of these rigs drilling either directionally or horizontally. Although not much has changed since our last report, below are some brief updates of issues affecting oil and gas operators in southeast New Mexico.

State of NM - Off Site Well Locations

The State Land Office (SLO) last met with industry on March 25th regarding the offsite well locations. The SLO has stuck

to their story that they are basing the fee structure on the Texas University fee structure, even though it does not match up to what we have seen from Texas. The current draft sets a fee of \$22,000 per well pad plus \$10,000 for the first well and \$5,000 for each additional well on that pad; this is for a 10 year lease with an HBP provision. The concern is that in situations where an operator is forced into drilling an offsite well, whether it be in potash or Prairie Chicken habitat, that our hands will be tied and we will be forced to pay these fees. These issues were

not addressed in the current lease form, and it does not look like they will be incorporated at this time. You can find copies of these lease forms on our website and I encourage everyone who has any comments or concerns to contact Greg Bloom at the SLO (gbloom@slo.state.nm.us or 505/827-4489). We will update you as the SLO moves forward.

Secretarial Potash Order

As I updated in the last newsletter, the Joint Industry Technical Commit-

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2014 Legislative Report

Karin Foster



Karin Foster
IPANM Executive Director

The 2014 Session was interesting only because of the political games that were played in the halls of the Round House. Because of the upcoming election, energy issues were not raised and the main fight was over education bills and minimum wage. There were several Joint Resolutions

that that were introduced, but only four passed that we will see on the November ballot. You might be interested in HJR 16, a constitutional amendment to require the State Investment Officer to manage the Land Grant Permanent Fund in accordance with the Uniform Prudent Investor Act, eliminating the ability to invest in international securities, and increasing the minimum distribution level to \$10 billion up from \$5.8 billion.

In terms of bills affecting IPANM membership, I have attached the final legislative table beginning on page 8. HB 41 and SB 41 changed some requirements for commercial

drivers. HB 30 changed the definitions of natural gas as a fuel so that there is now parity by Btu content. HB 373, which was drafted by IPANM and introduced by Representatives Don Bratton and James Strickler at the end of the session, sought to reduce the royalty rate from 12.5% to 5% for stripper natural gas wells on state trust lands. We received a good hearing in the House Business and Industry Committee and intend to work with several interim committees this summer to continue the discussion.

“HB 373, which was drafted by IPANM and introduced by Representatives Don Bratton and James Strickler at the end of the session, sought to reduce the royalty rate from 12.5% to 5% for stripper natural gas wells on state trust lands.”

Also of interest was the Governor
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House Energy Committee

2014 Voting Information and IPANM Voting Record 2012 Cycle

Representative	District	Address	IPANM 2012 Voting Record**	Opposed	Name	Address	Notes
Brian Egolf (D)	47	165 Brownell Howland Rd. Santa Fe, NM 87501	28%	No			Chairman of House Energy since 2010
Jeff Steinborn (D)	35	978 Jasmine Dr. Las Cruces, NM 88005	37% in 2009-2010 cycle; lost office 2011-2012 cycle	Yes	Betty Bishop (R)	1900 Arlington Ave. Las Cruces, NM 88001	

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**President’s Report
Continued**

(Continued from page 1)

stitute shows that our industry has been responsible for almost all job growth in the U.S. economy since the beginning of the recent recession. By attempting to destroy our industry, these environmental groups and complicit government agencies are in effect destroying the engine of recent job growth in the United States.

As stated earlier, prior to this announcement, the year had started off relatively quietly. Unlike 2013, this year’s short legislative session saw limited activity targeting our industry. Spending less time and energy defending our industry from ill-conceived legislation allowed our organization to be more proactive in working to introduce legislative proposals beneficial to our industry as well as to the state’s economy. Our Executive Director, Karin Foster, working with Rep. Donald Bratton (R-Lea Co.) and Rep. James Strickler (R-San Juan Co.), was able to introduce legislation allowing for a reduced royalty rate for natural gas stripper wells. This legisla-

tion would be basically identical to that currently in place for stripper oil wells. This equal royalty treatment for natural gas is sorely needed as our gas producers continue to deal with comparably low commodity prices for natural gas. This proposal was introduced late in the session with the specific purpose of preparing it for full development during the interim process and submission for full consideration during the 2015 session.

At our board meeting during the session, we had the opportunity to meet with several state officials and regulators to discuss issues and concerns that are facing our industry. Energy Secretary David Martin met with the board to discuss energy policy considerations as well as the need to update regulatory rules relative to produced water and surface waste management. Environment Secretary Ryan Flynn briefly discussed with the board upcoming issues and initiatives relative to environmental and air quality concerns. State Land Office Commissioner Ray Powell, along with Assistant Commissioner

Greg Bloom and Division Manager Terry Warnell, addressed issues relative to state lease access, the effect of recent county ordinances on land access, and off-lease pad rentals. Regulatory and Licensing Department Director Pat McMurray and Electrical Division Chief Kelly Hunt discussed concerns relating to oilfield electrification and certification. We are grateful to all those officials who took the time to meet with us at our recent board meeting to discuss upcoming issues and concerns from both sides. We look forward to continuing this dialogue as we work towards addressing those concerns.

Prior to our board meeting, many of your board members also had the opportunity to meet with Bureau of Land Management representatives in Santa Fe to discuss concerns with the recent proposal to change the BLM lease sale schedule to a rotational basis. Under this new system, BLM will still conduct four lease sales per year, but they will be conducted in a rotational manner with each quarterly sale focusing on a different geographical area. Under this schedule, lease sales covering the Pecos District will be conducted only once per year in July. Lease sales covering the Farmington area will also be conducted only once per year in October. The January lease sale will cover leases in the Rio Puerco (Las Cruces) District and the April lease sale will cover leases in Texas, Oklahoma, and Kansas. The BLM maintains that this change is necessary to reduce

“BLM will still conduct four lease sales per year, but they will be conducted in a rotational manner with each quarterly sale focusing on a different geographical area.”

M&R TRUCKING, INC.



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**President's Report
Continued**

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the number of leases and the workload associated with lease sales due to budget reductions and personnel shortages. However, by limiting the number of leases available, the BLM will in effect be aggravating fiscal problems by negatively impacting its lucrative source of funding through the sales and royalty revenues received from the development of these lands. Furthermore, this additional limitation on land access along with the resulting delayed or lost drilling opportunities will negatively impact the economy of New Mexico due to the loss of royalty revenue that the state shares from these federal lands. BLM officials in Santa Fe emphasized that this change is a di-

**Northwest Report
Continued**

(Continued from page 2)

Development activity in the Mancos-Gallup horizons of the San Juan Basin is still being pursued at a measured pace by three operators; WPX Energy, EnCana Corporation and Logos Resources. In response to this development the BLM's Farmington Field Office (FFO) is drafting an amended resource management plan (RMP) and associated Environmental Impact Statement (EIS). The last RMP, published in 2003, did not address this development activity. The scoping period, which began on February 25, 2014, will end on April 28, 2014. A final record of decision is expected in late 2016.

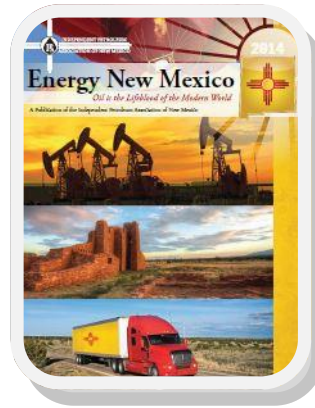
At the state level, industry and regulators are working together on a likely application to the NM OCD (before year-end) for an amendment to the Basin Mancos Gas Pool rules to more efficiently allow for horizontal Mancos oil well development. Currently operators are forced to secure non-standard locations (NSL) to permit full acreage

rective from Washington D.C. to address these budget shortfalls and they, therefore, encourage industry to address concerns with this limited lease sale schedule with our representatives in Washington D.C.

Finally, in closing I would like to take this opportunity to thank all those involved in researching, writing, editing, and publishing our most recent edition of Energy New Mexico. Hopefully, each of you have received your complimentary copy and have had the opportunity to peruse through the pages. I would like to thank Pam Garlinger for her efforts in insuring the distribution of this information, not only

development in the oil reservoir window. As natural gas prices improve, some operators will likely begin additional horizontal development in the Mancos gas reservoir, which will benefit from this rule amendment. Future well development should benefit from these more consistent and uniform development rules which will accommodate both vertical Mancos commingle development and new horizontal Mancos well development.

The ONRR's interpretation of the Marketable Condition Rule is still a hot button item that many operators are still trying to get a handle on. If your company is unaware of this issue or if they are aware of the issue and have yet to do anything about it, I'd suggest that your company contact someone that could begin to help them correctly calculate and file the royalties due from gas production on federal lands. The ONRR is becoming very aggressive in their enforcement of incorrect reporting. If your compa-



ny knows they have a problem and aren't doing anything to rectify the errors, the government has the potential to file a false filing claim against them, which can cause the already substantial penalties to increase several fold.

to our membership, but to decision makers throughout the state. I would like to acknowledge Tom Mullins, Karin Foster, Greg Nibert, and Dan Girand for their research and contributions to the content of the magazine. I would especially like to thank Carrie Thompson for her exhaustive efforts regarding the design, graphics, layout and publication of the magazine. I truly feel this is a publication of which we can be proud and my hope is that it will be an invaluable resource for each of us as we continue to spread the good word about the positive economic opportunity and impact that our industry provides for the benefit of all citizens throughout the state of New Mexico. ♦

As the first quarter comes to a close, things are looking positive for natural gas prices for the first time in several years. As the withdrawal season comes to an end, gas in storage is almost 800 BCF below the five-year average. Even though most forecasters are calling for a robust injection season, they are still predicting that storage levels will be below the five-year average at the beginning of next winter's withdrawal season, notwithstanding an unseasonably cool summer.

Through the first quarter of 2014, the San Juan Basin Non-Bondad natural gas prices averaged \$4.78/MMBTU which is almost 45% above the average for the first quarter of 2013. ♦

**Southeast Report
Continued**

(Continued from page 2)

tee (JITC) and BLM last met on December 4th, where the BLM released a final draft of the "Guidelines and Procedures for Administering the 2012 Secretarial Potash Order." Since that meeting there have not been many new developments. The JITC has assigned subcommittees that have met over the past few months. The first subcommittee that has met a few times has been discussing the one mile buffer zone issue. The potash representatives are requesting that a one-mile buffer zone be established around all open

mine workings, where the O&G representatives are requesting this buffer only apply to the three-year mine plan, as the order clearly states. The other committee that has plans to meet soon will discuss the differences between the State of New Mexico's R-111-P and the 2012 Secretary's Potash Order and possible future solutions to bring these two documents more in line with one another. The next JITC meeting has not been scheduled yet, but we will continue to update as the JITC moves forward. ♦

**Legislative Report
Continued**

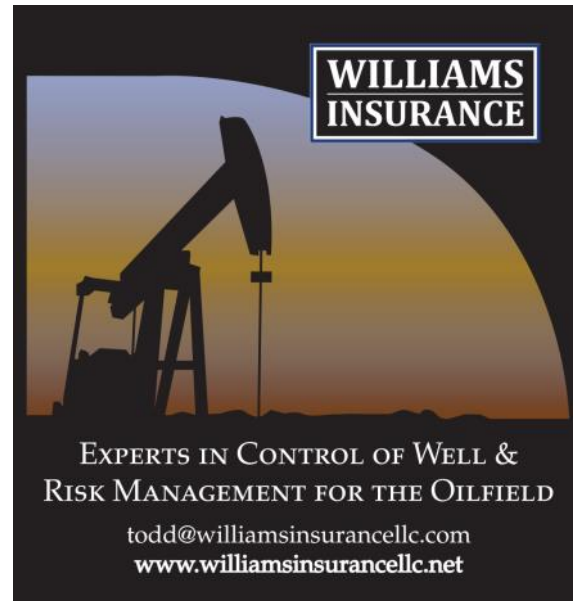
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nor's veto of Land Commissioner Powell's request for \$250,000 to study the lands that BLM is intending to 'dispose.' The SLO was intending to see if these lands would be profitable enough to develop a new fund for the benefit of early childhood education. SB 1, which sought the funds, did not make it through the Senate Finance Committee, but the sponsor was able to insert the \$250,000 amount in the budget. The Governor line item vetoed that request. From an industry perspective, IPANM testified in several committees and discussed the bill with both the sponsor and legislators. Our concern was that if oil and gas facilities were located on these 'disposal' lands, whether the royalty rates or fees would be different since this revenue was to go to a new fund. Secondly,

Highlands University extension program has developed an Oil and Gas Management program. This program is for undergraduates who are mostly based in the Farmington area. The University requested \$100,000 in the budget to fund that program. Unfortunately, this request was also line-item vetoed.

Going into this summer, the main focus is going to be on the election. All 72 members of the New Mexico House of Representatives are up for re-election. Of note, ten members of the House announced at the end of the last Session that they will not seek reelection. Democrat Rep. Ed Sandoval, Chair of the House Tax Committee; Kiki Saavedra, Chair of the House Appropriations Committee; Rick Miera House Majority Leader and Ernie Chavez and Nate Cote--all announced they will not seek reelection. From a leadership

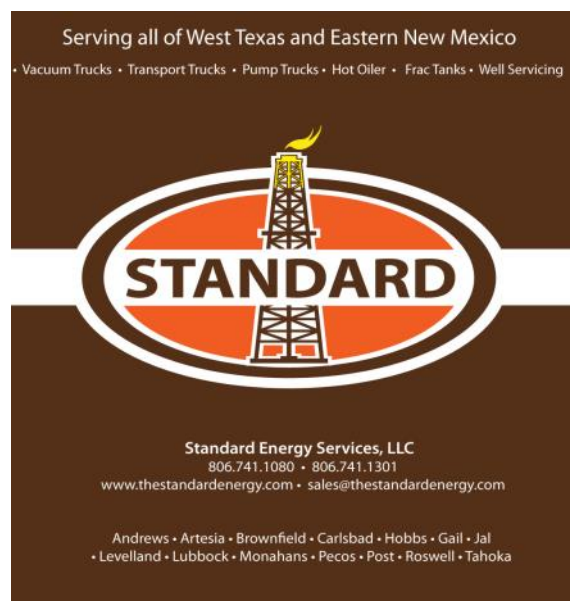
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Legislative Report Continued

(Continued from page 6)

perspective, the loss of these experienced mostly 'blue-dog' democrats will be felt. On the GOP side Rep. Anna Crook, House Minority Caucus Chair of Clovis, Jim White of Albuquerque, Tom Taylor, former mayor of Farmington, member of the House Tax Committee and former Minority leader; Bill Gray of Artesia, former Energy Committee member and longtime lobbyist for Holly Corp also announced their retirements. The loss of these retiring members will have a direct impact on industry. Thanks to all for your years of donating countless hours to serve as a Representative in the NM House.

In addition, House Minority Leader, Energy Committee member and former small producer, Don Bratton, of Hobbs retired at the end of the session. Larry Scott,

former President of IPANM and partner of Lynx Petroleum of Hobbs filed to run for the seat. No other person filed to run for the seat, so Larry is one of the new freshman for the 2015 Legislative session. Congratulations Larry! I am looking forward to working those long, endless crazy hours at the Round House with you!! Similarly, Karen Bayless, a long time legislative assistant and wife of IPANM former president Tucker Bayless, filed to run for retiring Rep. Tom Taylor's seat. Rod Montoya, former Chief of Staff for Lt. Governor John Sanchez and Alfred Glass of Farmington have also filed to run. **Please note that IPANM bylaws do not allow endorsement of candidates.** However, we do have a candidates corner on our website where we post fundraiser invitations that we receive. We have also post-

ed a copy of the [Secretary of State's official filing results](#) on our website in case you wish to contact any of the candidates.

Since the House Energy Committee is the one that we frequent most often, these legislators are extremely important to our industry. Starting on page 3 is a table with each incumbent Representatives information, their opponents and the IPANM voting record for the 2011-2012 cycle. I am in the process of updating the voting records for all 112 Legislators for their 2013 - 2014 votes and averages, and will get this information out soon.

As always, thank you for giving the opportunity to represent you at the New Mexico Legislature, before regulatory bodies and in the courts. ♦

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2014 Legislative Session HOUSE Bills

Bill Numbers		Bill Names	Committee Assignments	Sponsors
House	Senate			
HB 26		Real Property Sale Assessor Affidavits	Withdrawn by sponsor	Wooley
<p>Would require the filing of an affidavit for the legal transfer of all real property in commercial sales; exception for leases and agricultural properties.</p> <p>Note: Withdrawn by sponsor; County Assessor will be looking at reviving bill next year but with narrower scope.</p>				
HB 30	—	Alternative Fuel Tax Definitions and Payment	Signed	R. Gonzales Keller
<p>Changes definitions in the Alternative Fuels Act; clarifies that one gallon of liquefied natural gas does not equal one gallon of gasoline; adjusts excise taxes; note that this equalization will effectively decrease the tax per gallon of CNG.</p> <p>Department of Transportation amended the bill to make it revenue neutral; net effect is a tax increase on CNG users to \$0.13.3; adds 1.3 cents per gallon; this amount is still less than the tax on LNG (\$0.17) and gasoline (\$0.21).</p>				
HB 48		Commercial Drivers License Retesting	Died in SJC	Strickler
	SB 41		Signed	Neville
<p>These bills are identical upon introduction: Expands testing requirement for CDL to a skills or knowledge test; allows for retesting for the knowledge test no more than twice per week; limits retesting for skills test to three times per year.</p> <p>This bill may be of interest to service companies and water haulers looking for drivers. The bill has received committee substitutes in both House Transportation and Judiciary; Passed the House floor on a 59-4 vote.</p>				
HB 74		Gas Tax Increase for Major Road Projects	Tabled in Transportation	R. Gonzales
<p>Decreases distribution of gas tax to municipalities and counties; increases amount of gasoline tax from 21 cents per gallon to 22 cents per gallon from 2014 to 2024, then will reduce to 17 cents per gallon.</p> <p>This tax increase will be on interest to any service companies; bill on agenda January 27; passed over at request of sponsor.</p>				

(Continued on page 9.)

2014 Legislative Session HOUSE Bills
Continued

Bill Numbers		Bill Names	Committee Assignments	Sponsors
House	Senate			
HB 77		Allow Duplicate Filing County Clerks	Withdrawn by Sponsor	
<p>Deletes provision that a “duplicate filing of an instrument of writing duly acknowledge may be filed and recorded to the same extent as an original.”</p> <p>This will be of interest to landmen and attorneys; the underlying purpose of the bill is to correct a change made last year; clerks are concerned about fraudulent filings; the title of this bill is inaccurate.</p>				
HB 84		Land Grant Comprehensive Plan Approval	Tabled in Rules	C. Trujillo
<p>Amends the statutes outlining authorities of Land Grant Boards to determine zoning of land grant-merced pursuant to a comprehensive plan approved by the Board rather than the local government division of finance and administration that considers the health, safety and welfare of the residents and heirs of the land grant-merced. Eliminates authority of the state department of finance and administration to act as a mediator between the land grant-merced and the neighboring municipality or county.</p> <p>This issue is very relevant given the issues with counties; land grant issues have already started to arise in Guadalupe County. January 27—found not germane; sponsor stated she is waiting for a Governor message.</p>				
HB 102		Transfer of Public Lands Taskforce	Tabled	Harrell
<p>Creates a taskforce for the purpose of working with the federal government to facilitate transfer of all federal public lands to the state. In 2013, NM received \$497M in funds from federal royalty payments, which is 48% of the funds received; there was a fight over these funds in the federal budget sequester; it is highly unlikely that the federal government will release these lands.</p>				
HB 104		Extraction Taxes for Home Energy Assistance	Tabled	MP Garcia
<p>Redistributes funds from the extraction tax funds to low income housing energy efficiency programs; does not increase taxes at this time. Tabled January 31 in House Energy on 5-5 vote.</p>				

(Continued on page 10.)

2014 Legislative Session HOUSE Bills
Continued

Bill Numbers		Bill Names	Committee Assignments	Sponsors
House	Senate			
HB 131		Itemize Gross Receipts Deductions & Exemptions	Withdrawn by Sponsor	Harper
<p>Unless specifically itemized in Section 7-9 NMSA, a gross receipts or compensating tax deduction taken would have to be separately itemized; the exemption for stadium charges; text books to students, homeowners fees and dues, fuel for space vehicles, railroad equipment, commercial aircraft and space vehicles, purses from racetracks, wind and solar equipment, software development services, sales from state chartered credit unions, sales of prosthetic devices, receipts of hospitals, prescription drugs, would be eliminated after July 1, 2025; deductions from compensating tax and GRT on jet fuel would be reduced to 40% of value and then eliminated after 2027. This bill has been held in House Tax; the sponsor is amending the bill to eliminate the all sunsets of tax credits.</p>				
HB 133		Solar Energy Equipment Valuation	Withdrawn by Sponsor	Harper
<p>Changes valuation for property valuations purposes, of solar equipment on site. This bill has been withdrawn by the sponsor. He believes this can be done by Rule at TRD.</p>				
HB 136		Electric Vehicle Income Tax Credits	Died in Senate Finance	J. Trujillo
<p>The purpose of the electric vehicle income tax credit is to encourage consumers to purchase or lease qualified electric vehicles that may help to decrease the presence of greenhouse gas, carbon monoxide and ozone precursor emissions in the environment. The amount of the credit is unclear; also allows for a credit against the installation of electric charging stations. This bill is now being pushed by the Sierra Club.</p>				
HB 168		Phased in Supplemental Income Tax	Never Presented by Sponsors	Caballero
<p>Adds supplemental tax of 0.05% to “excess over” \$150,000 for married couples and over \$100,000 if filing separately.</p>				
HB 315		Highway District Project Fund	Died in House Tax	Brown
<p>Seeks to amend funding for highway projects in counties with energy production; would amount to \$80 million over 5 years; seeks to allow for increased bonding capacity for transportation infrastructure in energy producing counties.</p>				

(Continued on page 11.)

2014 Legislative Session HOUSE Bills
—Continued

Bill Numbers		Bill Names	Committee Assignments	Sponsors
House	Senate			
<p>While this bill might be a start to getting funds for oil patch counties, this bill was introduced this week and has not has a committee hearing yet; it is unlikely this will make it through the session. Rep. Gentry is leading the way in funding oil patch roads—he has gotten an appropriation for the cost of the survey for this 60-mile road in the HB4.</p>				
HB 373		Lower Certain Natural Gas Royalties	Died in House Energy	Strickler
<p>Seeks parity in royalty rate reduction for marginal natural gas wells on SLO lands; this provision is currently in statute for oil wells, but not for natural gas wells.</p> <p>This is a late introduction at the request of IPANM. This bill passed House Business and Industry Committee on a 10-2 vote. IPANM will be presenting this bill to interim committees this summer; an economic analysis is needed.</p>				
HJR 3		Land Grant Funds for Education Reforms	Tabled	J. Trujillo
<p>Proposes a Constitutional amendment to increase the 4 annual distribution of the Land Grant Permanent Fund to “educational reforms”; increases the minimum distribution cap from 5.8 billion to 10 billion; established the distribution rate at 5.5% of the fund.</p> <p>The fund had initially been set to 5% distribution; this was increased during the Richardson administration to 5.8% with a sunset of 2013 to reduce back to 5.5% distribution and back to 5% in 2017; the beneficiaries are asking for the permanent increase to 5.5%. While this bill does not directly address the early childhood component, this seems to indicate that the funds for early childhood education would need some from the PED share, which is 58% of the distributions; this does assist the current beneficiaries.</p>				
HJR 5		Biennial Tax Credit and Deduction Report	Tabled	Cote
<p>Proposes a Constitutional amendment to require biennial report from the consensus revenue estimating group to create a tax expenditure report; as this pertains to oil and gas initial exercises of this nature have resulted in overestimation of tax credits and deductions taken which will result in a movement against industry to “close loopholes.” ♦</p>				

(Senate Bills Continued on page 12.)

2014 Legislative Session SENATE Bills

Bill Numbers		Bill Names	Committee Assignments	Sponsors
House	Senate			
	SB1	Study Acquiring BLM Lands to Generate Revenue	Died on Senate Floor Appropriation Vetoed	M. Sanchez
<p>Appropriates \$250,000 to the SLO to work with the BLM to find federal lands set for 'disposal' and assess exchange or purchase; report to the Governor and Legislature; There is also a parallel effort to include \$250,000 in the budget bill for this purpose.</p> <p>This bill is being carried for the Land Commissioner who is claiming he is interested in growing the Permanent Fund, this will study the purchase of disposal BLM lands and the revenue from these lands will go into a special fund for Early Childhood Education. The appropriation in the budget was line-item vetoed.</p>				
	SB 10	New Revenue Income Tax Credit	Died on Senate Floor	Gentry
<p>Creates a tax credit for any individual who creates a job or makes a capital investment in the state; 30% of the revenue created may be claimed in the tax credit; limited to location of jobs, amount of investment; definition of "new job"; repeals excise taxes for manufactured homes and ATVs.</p> <p>Found germane; this bill is being carried by the Senate Pro Tem and the House Minority Whip; this is a duplicate of a bill from 2013 that resulted in several oil and gas companies accessing tax credits from the creation of new jobs.</p>				
	SB 16	Water Harvesting Income Tax Credit	Died in Senate Finance	Wirth
<p>Allows any member of the Tax and Revenue Interim Committee or the LFC to ask an agency to compile a report on the "effectiveness of a tax credit or deduction" this is required pursuant to law; creates a new tax credit for water harvesters.</p> <p>In committee, IPANM testified strongly against the tax reporting provisions; it was amended out so that this bill only refers to a tax credit for water harvesting.</p>				
	SB 17	Unitary Corporate Bank Combined Tax Reporting	Died in Senate Corps	Egolf Wirth
<p>Allows banks reporting as unitary corporations that have not previously filed a combined return or consolidated return to file a combined return as though the entire combined net income were that on one corporation; after January 2015 this becomes mandatory.</p> <p>This is a repeat bill the Senate sponsor has now run for eight years; however, he has narrowed it to banks only; if expanded to include other industries, this will impact several large companies in the</p>				

(Continued on page 13.)

2014 Legislative Session SENATE Bills
Continued

Bill Numbers		Bill Names	Committee Assignments	Sponsors
House	Senate			
	SB 30	Separate Reporting of Tax Expenditures	Tabled-no message	McCamley Keller
<p>Will require the reporting of each tax expenditure or provision of law used to reduce personal or corporate tax liability; requires the Secretary of TRD to promulgate rules. Expected to get significant push back on this bill from the CPAs.</p>				
HB 48	SB 41	Commercial Drivers License Retesting	Died Signed	Strickler Neville
<p>These bills are identical upon introduction: Expands testing requirement for CDL to a skills or knowledge test; allows for retesting for the knowledge test no more than twice per week; limits retesting for skills test to three times per year. This bill may be of interest to service companies and water haulers looking for drivers.</p>				
	SB 47	Business Facility Reinvestment Tax Rebate	Died in Senate Corps	Cook Keller
<p>Between 2015 and 2022, a NM business that constructs and equips a new business or upgrades equipment or facilities for an existing business may claim a tax rebate of income tax liability of up to 25% of taxes paid pursuant to the Corporate Income and Franchise Tax Act; must obtain a certificate from the Economic Development Dept; 1M for new business or 250K for existing business minimum expenditure; must report additional information on your business - wages and number of employees etc.</p>				
	SB 48	Health Impact Assessment Program	Tabled—no message	Kane Keller
<p>Creates a new Act giving authority to the Secretary of the Environment and an advisory committee to: require all projects that may have an environmental impact on air, water or soil quality to obtain a certificate of health impact. Within 90 days of an application for a CHI, the NMED will conduct a health impact assessment; a certificate may not be issued unless the assessment of the project comports with health impact standards established by the Department; a certificate may also be denied if an applicant has "exhibited a history of willful disregard for environmental laws of any state or the US or had an environmental permit revoked or permanently suspended for cause under any environmental laws of any state or the US." Applicants will need to reapply every five years for a new certificate.</p> <p>This bill is expected to get strong opposition by the business community. It is clearly intended to be an election issue. Note that Rep. Kane is a freshman legislator running in a contested race.</p>				

(Continued on page 14.)

2014 Legislative Session SENATE Bills
Continued

Bill Numbers		Bill Names	Committee Assignments	Sponsors
House	Senate			
	SB 230	Energy Audits for Certain School Districts	Died in Senate Finance	Campos
<p>Appropriates \$10.5 million for Energy & Minerals to conduct energy audits and to install alternative energy systems at schools with less than 300 students.</p> <p>This Senator is from Las Vegas, NM (San Miguel County—which recently proposed an anti-oil and gas ordinance. This funding request is on top of the 80.3 million in requests submitted for capital outlay.</p>				
	SJM 7	Return BLM Lands to Land Grants	Died in Senate Corps	Martinez
<p>Requesting the NM Congressional Delegation to work closely with the BLM to return lands to New Mexico’s historic land grants.</p>				
	SJR 5	State Tax Expenditure Reporting, CA	Tabled—no message	Cote Keller
<p>Seeks to amend the Constitution to require the “consensus revenue estimating group” in cooperation with state and local agencies to compile and present a tax expenditure report to the governor and appropriate legislative committees.</p> <p>This issue has been presented for several sessions now; to understand the basis for a tax credit or deduction a significant understanding of the industry is needed, which the Department does not have at</p>				
	SJR 12	Land Grant Fund Balance and Education, CA	Died in Senate Finance	Sanchez
<p>Proposes an amendment to the Constitution to set distribution from the Land Grant Permanent Fund at 5.5% with an additional distribution of 1.5% from the Fund for non-sectarian early childhood education programs.</p> <p>This bill has caused problems for the Senate; the State Party Chair has been in the media attacking Senator John Arthur Smith for refusing to hear a version of this bill last Session; the Senate Majority Leader has defended Senator Smith saying that outside politicos have no business dictating how a bill will be heard in the Senate. This is a very sensitive issue this will probably roll over to the campaign. Note that the proponents of this proposal are also attacking oil and gas claiming we are against early childhood education.</p>				
	SJR 13	Annually Increase Minimum Wage, CA	Killed on House Floor 33-29 Vote	Martinez
<p>Proposes a Constitutional amendment to set the minimum wage to the rate of January 1, 2009, plus an increase for the cost of living with the rate to increase with the cost of living every year. ♠</p>				

House Energy Committee—2014 Voting Information and IPANM Voting Record 2012 Cycle
 Continued from page 3

Representative	District	Address	IPANM 2012 Voting Record**	Opposed	Name	Address	Notes
Donald Bratton (R)	62	Retiring	100%		Larry Scott (R)	406 E. Arriba Dr. Hobbs, NM 88240	Unopposed
Candy Spence-Ezzell (R)	58	4173 Old Hondo Channel Rd. Roswell, NM 88203	100%	No			
Bobby Gonzales (D)	42	26 Lavender Rd. Taos, NM 87571	43%	No			Chair of House Transportation
Bill Gray (R)	54	Retiring	94%		Pam Richardson (R)	643 N. 13th Rural St. Artesia, NM 88210	
	54				James Townsend (R)	69 W. Compress Rd. Artesia, NM 88210	
Tim Lewis	60	2236 Rancho Plata Avenue SE Rio Rancho, NM 87124	100%	Yes	Linda Sanchez Allison (D)	2300 Wrangler Ct. SE Rio Rancho, NM 87124	
James Roger Madalena (D)	65	373 Buffalo Hill Rd. Jemez Pueblo, NM 87024	40%	Yes	Orlando Lucero (D)	893 North Hill Rd. Bernalillo, NM 87004	Former Chair of Energy, has the highest number of natural gas wells of any legislator in NM
Bill McCamley (D)	33	1740 Calle de Suenos Las Cruces, NM 88001	Not in office in 2012; estimated 30% range	Yes	Neal Hooks (R)	940 Raleigh Rd. Las Cruces, NM 88005	
James Strickler (R)	2	2204 Santiago Ave. Farmington, NM 87401	100%	Yes	Nathan Thompson (D)	1253 N. Chaco Ave., Farmington, NM 87401	Small oil and gas producer



New IPANM Members

Teresa Brown
Suzanne Holland
Dave McNally
Scott Gates

Chevron U.S.A. Inc.
Chevron U.S.A. Inc.
Clayton Williams Energy, Inc.
HUB International

Houston, TX
Houston, TX
Midland, TX
Albuquerque, NM

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IPANM is the voice of the independent oil and gas producers in New Mexico. We advance and preserve the interests of independent oil and gas producers while educating the public to the importance of oil and gas to the state and all our lives.

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