

LFC Requester:	Mary McCoy
-----------------------	-------------------

**AGENCY BILL ANALYSIS
2013 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

And

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original **Amendment**
Correction **Substitute**

Date 1/29/2013
Bill No: HB 286--305

Sponsor: Rep. Chasey and M. Sanchez **Reviewing** Attorney General's Office
Short Oil and Gas Financial **Person Writing** Tannis Fox, AAG
Title: Assurance **Phone:** 827-6695 **Email** tfox@nmag.gov

SECTION II: FISCAL IMPACT **FOR LFC OFFICIAL PURPOSES******
AGO STAFF SHOULD LEAVE SHADED AREAS BLANK

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

This analysis is neither a formal Attorney General’s Opinion nor an Attorney General’s Advisory Opinion Letter. This is a staff analysis in response to the agency’s committee’s or legislator’s request.

BILL SUMMARY

Summary Synopsis:

HB 286 proposes to strengthen the financial assurance for plugging wells and strengthen enforcement actions by amending the Oil and Gas Act to:

- Authorize financial assurance for “blanket” plugging dry or abandoned wells from a maximum of \$50,000 to a minimum of \$100,000 or \$5,000 for each well (whichever is greater);
- Authorize suit for insufficient financial assurance against the most recent owner of the minerals or most recent lessee;
- Eliminates the knowing and willful requirement for violations of the Act;
- Adds a \$10,000 per day penalty for violations of the Act that result in unauthorized discharges to the environment of contaminants;
- Authorizes the Oil Conservation Division to assess penalties after an opportunity for a public hearing;
- Increases the maximum criminal penalty from \$5,000 to \$15,000.

FISCAL IMPLICATIONS WITH ENACTING THIS BILL

None identified.

SIGNIFICANT LEGAL ISSUES

None identified.

PERFORMANCE IMPLICATIONS WITH ENACTING THIS BILL

None identified.

ADMINISTRATIVE IMPLICATIONS WITH ENACTING THIS BILL

The Oil Conservation Division may be required to expend increase resources to assess penalties and go to hearing.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP WITH BILLS INTRODUCED THIS SESSION

None identified.

TECHNICAL ISSUES OR DRAFTING ERROR

None identified.

OTHER SUBSTANTIVE LEGAL ISSUES

None identified.

ALTERNATIVES TO ENACTING THIS BILL

None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The maximum financial assurance for plugging wells will continue to be \$50,000, which may not be sufficient. Only penalties of \$1,000 per violation for knowing violations will be able to be assessed. The Attorney General's Office will only be able to prosecute violations, not the Oil Conservation Division.

AMENDMENTS NEEDED TO IMPROVE THIS BILL

None identified.