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HOUSE BILL 444

50TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2011

INTRODUCED BY

Ben Lujan

AN ACT

RELATING TO TAXATION; PROVIDING A TAX CREDIT AGAINST OIL AND GAS SEVERANCE TAXES FOR OIL AND NATURAL GAS PRODUCERS THAT HAVE EXPENDITURES ON CLOSED-LOOP DRILLING CIRCULATION SYSTEMS USED IN ANY ACTION CONSTITUTING THE DRILLING, STIMULATION OR WORKOVER OF AN OIL OR GAS WELL.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Oil and Gas Severance Tax Act is enacted to read:

"[NEW MATERIAL] TAX CREDIT--CLOSED-LOOP DRILLING CIRCULATION SYSTEMS.--

A. A taxpayer may claim a tax credit against the taxpayer's oil and gas severance tax obligation, not to exceed one hundred thousand dollars (\$100,000) per well, in an amount equal to fifty percent of the expenditures made by the taxpayer

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1 in the taxable year on a closed-loop drilling circulation
2 system used in any action constituting the drilling,
3 stimulation or workover of a new oil or natural gas well that
4 produces oil or natural gas. If the expenditure for a closed-
5 loop drilling circulation system in any taxable year exceeds
6 the tax liability for that year, the credit may not be carried
7 forward to any subsequent tax year.

8 B. The department shall report annually to the
9 revenue stabilization and tax policy committee on the use of
10 the tax credit provided in this section.

11 C. As used in this section, "closed-loop drilling
12 circulation system" means a fluids circulation system whereby
13 one hundred percent of the original fluid, including any
14 additional fluids or additives applied and associated entrained
15 solids, are contained within the confines of a continuous and
16 closed circulation loop system that separates by mechanical,
17 chemical flocculation, induced gas chemistry or similar future
18 separation technologies the semi-wet to wet solids and captures
19 and contains them in sealed bins, which are removed to a
20 division-approved landfill. This process provides an
21 undisrupted and contiguous circulation loop of recycled,
22 reusable drilling-standard fluid and eliminates the need for
23 on-site fluid circulation reserve or disposal pits and is
24 certified and approved by the oil conservation division of the
25 energy, minerals and natural resources department."

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SECTION 2. APPLICABILITY.--The provisions of this act are applicable to tax years beginning on or after January 1, 2011 and ending on December 31, 2016.

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