

HOUSE BILL 137

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

Susan K. Herrera and George K. Muñoz

AN ACT

RELATING TO WATER; ENACTING THE STRATEGIC WATER SUPPLY ACT;
CREATING THE STRATEGIC WATER SUPPLY PROGRAM; AUTHORIZING THE
DEPARTMENT OF ENVIRONMENT, THE ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT AND THE OFFICE OF THE STATE ENGINEER TO
ENTER INTO CONTRACTS AND AWARD GRANTS FOR PROJECTS THAT REDUCE
THE STATE'S RELIANCE ON FRESH WATER RESOURCES OR EXPAND WATER
REUSE OPPORTUNITIES; CREATING THE STRATEGIC WATER SUPPLY
PROGRAM FUND; PROVIDING REQUIREMENTS BEFORE A PERSON DRILLS
WELLS OR RECOMPLETES EXISTING WELLS TO APPROPRIATE WATERS;
IMPOSING A FIVE-CENT (\$.05) FEE ON BARRELS OF PRODUCED WATER
FROM OIL OR GAS WELLS AND DEPOSITING MONEY COLLECTED FROM THE
FEE INTO THE STRATEGIC WATER SUPPLY PROGRAM FUND; MAKING
APPROPRIATIONS.

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

.229178.3GLG

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

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

underscored material = new
[bracketed material] = delete

1 SECTION 1. ~~[NEW MATERIAL]~~ SHORT TITLE.--Sections 1
2 through 5 of this act may be cited as the "Strategic Water
3 Supply Act".

4 SECTION 2. ~~[NEW MATERIAL]~~ DEFINITIONS.--As used in the
5 Strategic Water Supply Act:

- 6 A. "brackish water" means water that:
 - 7 (1) is sourced from an aquifer, the top of
 - 8 which is at a depth of two thousand five hundred feet or more
 - 9 below the surface of the ground;
 - 10 (2) contains not less than one thousand parts
 - 11 per million of dissolved solids; and
 - 12 (3) is not produced water;

13 B. "produced water" means a fluid that is an
14 incidental byproduct from drilling for or the production of oil
15 and gas;

16 C. "public entity" means a county, municipality,
17 political subdivision, state agency or state institution of
18 higher education;

19 D. "treated brackish water" means brackish water
20 that has undergone a process to remove or eliminate
21 contaminants to meet applicable standards for water quality
22 established pursuant to the Water Quality Act by the water
23 quality control commission; and

24 E. "treated produced water" means produced water
25 that is reconditioned by mechanical or chemical processes into

underscored material = new
[bracketed material] = delete

1 a reusable form.

2 SECTION 3. [NEW MATERIAL] APPLICABILITY.--The strategic
3 water supply program applies only to produced water under the
4 jurisdiction of the water quality control commission and
5 brackish water.

6 SECTION 4. [NEW MATERIAL] STRATEGIC WATER SUPPLY
7 PROGRAM.--

8 A. The "strategic water supply program" is created.
9 Subject to the availability of funds and a project that meets
10 all eligibility requirements, the department of environment,
11 the energy, minerals and natural resources department and the
12 office of the state engineer may each enter into contracts or
13 award grants for eligible projects involving treated brackish
14 water or treated produced water for the purposes of reducing
15 the state's reliance on fresh water resources or expanding
16 water reuse opportunities.

17 B. A contract entered into pursuant to this section
18 shall be in accordance with the Procurement Code, except that
19 the contract duration shall not exceed twenty years in length,
20 including extensions and renewals.

21 C. To be eligible for a strategic water supply
22 program contract, a project shall:

23 (1) comply with all applicable state, tribal
24 and local governmental standards, permit requirements and other
25 provisions of law to protect public health and the environment;

.229178.3GLG

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

1 (2) furnish financial assurance, other than
2 third party guarantees, to the oil conservation division of the
3 energy, minerals and natural resources department for the life
4 of the project in accordance with rules of the division,
5 running to the benefit of the state and with any forfeitures
6 deposited in the state treasury in the strategic water supply
7 program fund;

8 (3) clearly demonstrate how the project will
9 advance state, tribal or local government economic development
10 goals in accordance with the purposes of reducing the state's
11 reliance on fresh water resources or expanding water reuse
12 opportunities; and

13 (4) submit a specific, actionable and
14 measurable community benefits plan that includes a process for
15 community engagement and is designed to provide broadly shared
16 benefits to members of the public who are or may be impacted by
17 the strategic water supply program contract.

18 D. To be eligible for a strategic water supply
19 program grant, a project shall:

20 (1) be approved by the state engineer as
21 advancing the exploration, production or treatment of brackish
22 water in New Mexico;

23 (2) comply with applicable state, federal,
24 tribal and local governmental standards and permit requirements
25 and other provisions of law to protect public health and the

.229178.3GLG

1 environment;

2 (3) clearly demonstrate how the project will
3 advance state, tribal or local government economic development
4 goals in accordance with the purposes of reducing the state's
5 reliance on fresh water resources or expanding water reuse
6 opportunities; and

7 (4) be administered by or in partnership with
8 a public entity such that the public entity is the grant
9 recipient.

10 E. The agency awarding a strategic water supply
11 contract shall publish the community benefits plan to the
12 agency's website.

13 F. When evaluating grant or contract proposals for
14 compliance with Paragraph (3) of Subsection C or Paragraph (3)
15 of Subsection D of this section, the agency shall:

16 (1) do so in accordance with the State-Tribal
17 Collaboration Act, where applicable;

18 (2) consult with the secretary of economic
19 development; and

20 (3) evaluate how the projects in the proposals
21 will limit greenhouse gas emissions.

22 G. No contract shall be provided pursuant to the
23 provisions of the Strategic Water Supply Act for the production
24 of treated produced water except for treated produced water
25 uses that are in accordance with the Water Quality Act and

.229178.3GLG

underscoring material = new
[bracketed material] = delete

1 rules adopted by the water quality control commission.

2 SECTION 5. [NEW MATERIAL] STRATEGIC WATER SUPPLY PROGRAM
3 FUND.--

4 A. The "strategic water supply program fund" is
5 created in the state treasury and shall be administered by the
6 department of environment. The fund consists of distributions,
7 appropriations, gifts, grants, donations, income from
8 investment of the fund and fees collected pursuant to Section
9 70-13-6 NMSA 1978.

10 B. Money in the fund is appropriated to the
11 department of environment, the energy, minerals and natural
12 resources department and the office of the state engineer for
13 the purpose of administering the strategic water supply program
14 pursuant to Section 4 of the Strategic Water Supply Act and the
15 reporting and accounting of barrels of produced water pursuant
16 to Section 70-13-6 NMSA 1978.

17 C. Expenditures from the fund shall be to the
18 department of environment, the energy, minerals and natural
19 resources department or the office of the state engineer by
20 warrant of the secretary of finance and administration pursuant
21 to vouchers signed by all of the following: the secretary of
22 environment or the secretary's authorized representative, the
23 secretary of energy, minerals and natural resources or the
24 secretary's authorized representative and the state engineer or
25 the state engineer's authorized representative.

.229178.3GLG

underscored material = new
[bracketed material] = delete

1 SECTION 6. Section 7-1-2 NMSA 1978 (being Laws 1965,
2 Chapter 248, Section 2, as amended) is amended to read:

3 "7-1-2. APPLICABILITY.--The Tax Administration Act
4 applies to and governs:

5 A. the administration and enforcement of the
6 following taxes or tax acts as they now exist or may hereafter
7 be amended:

- 8 (1) Income Tax Act;
- 9 (2) Withholding Tax Act;
- 10 (3) Oil and Gas Proceeds and Pass-Through
11 Entity Withholding Tax Act;
- 12 (4) Gross Receipts and Compensating Tax Act,
13 Interstate Telecommunications Gross Receipts Tax Act and Leased
14 Vehicle Gross Receipts Tax Act;
- 15 (5) Liquor Excise Tax Act;
- 16 (6) Local Liquor Excise Tax Act;
- 17 (7) any municipal local option gross receipts
18 tax or municipal compensating tax;
- 19 (8) any county local option gross receipts tax
20 or county compensating tax;
- 21 (9) Special Fuels Supplier Tax Act;
- 22 (10) Gasoline Tax Act;
- 23 (11) petroleum products loading fee, which fee
24 shall be considered a tax for the purpose of the Tax
25 Administration Act;

.229178.3GLG

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

- 1 (12) Alternative Fuel Tax Act;
- 2 (13) Cigarette Tax Act;
- 3 (14) Estate Tax Act;
- 4 (15) Railroad Car Company Tax Act;
- 5 (16) Investment Credit Act, rural job tax
6 credit, Laboratory Partnership with Small Business Tax Credit
7 Act, Technology Jobs and Research and Development Tax Credit
8 Act, Film Production Tax Credit Act, Affordable Housing Tax
9 Credit Act and high-wage jobs tax credit;
- 10 (17) Corporate Income and Franchise Tax Act;
- 11 (18) Uniform Division of Income for Tax
12 Purposes Act;
- 13 (19) Multistate Tax Compact;
- 14 (20) Tobacco Products Tax Act;
- 15 (21) the telecommunications relay service
16 surcharge imposed by Section 63-9F-11 NMSA 1978, which
17 surcharge shall be considered a tax for the purposes of the Tax
18 Administration Act;
- 19 (22) the Insurance Premium Tax Act;
- 20 (23) the Health Care Quality Surcharge Act;
- 21 (24) the Cannabis Tax Act; and
- 22 (25) the Health Care Delivery and Access Act;
- 23 B. the administration and enforcement of the
24 following taxes, surtaxes, advanced payments or tax acts as
25 they now exist or may hereafter be amended:

.229178.3GLG

- 1 (1) Resources Excise Tax Act;
- 2 (2) Severance Tax Act;
- 3 (3) any severance surtax;
- 4 (4) Oil and Gas Severance Tax Act;
- 5 (5) Oil and Gas Conservation Tax Act;
- 6 (6) Oil and Gas Emergency School Tax Act;
- 7 (7) Oil and Gas Ad Valorem Production Tax Act;
- 8 (8) Natural Gas Processors Tax Act;
- 9 (9) Oil and Gas Production Equipment Ad
- 10 Valorem Tax Act;
- 11 (10) Copper Production Ad Valorem Tax Act;
- 12 (11) any advance payment required to be made
- 13 by any act specified in this subsection, which advance payment
- 14 shall be considered a tax for the purposes of the Tax
- 15 Administration Act;
- 16 (12) Enhanced Oil Recovery Act;
- 17 (13) Natural Gas and Crude Oil Production
- 18 Incentive Act; and
- 19 (14) intergovernmental production tax credit
- 20 and intergovernmental production equipment tax credit;
- 21 C. the administration and enforcement of the
- 22 following taxes, surcharges, fees or acts as they now exist or
- 23 may hereafter be amended:
- 24 (1) Weight Distance Tax Act;
- 25 (2) the workers' compensation fee authorized

underscored material = new
[bracketed material] = delete

1 by Section 52-5-19 NMSA 1978, which fee shall be considered a
2 tax for purposes of the Tax Administration Act;

3 (3) Uniform Unclaimed Property Act (1995);

4 (4) 911 emergency surcharge and the network
5 and database surcharge, which surcharges shall be considered
6 taxes for purposes of the Tax Administration Act;

7 (5) the solid waste assessment fee authorized
8 by the Solid Waste Act, which fee shall be considered a tax for
9 purposes of the Tax Administration Act;

10 (6) the water conservation fee imposed by
11 Section 74-1-13 NMSA 1978, which fee shall be considered a tax
12 for the purposes of the Tax Administration Act; ~~and~~

13 (7) the gaming tax imposed pursuant to the
14 Gaming Control Act; and

15 (8) the produced water fee imposed pursuant to
16 Section 70-13-6 NMSA 1978, which fee shall be considered a tax
17 for the purposes of the Tax Administration Act; and

18 D. the administration and enforcement of all other
19 laws, with respect to which the department is charged with
20 responsibilities pursuant to the Tax Administration Act, but
21 only to the extent that the other laws do not conflict with the
22 Tax Administration Act."

23 SECTION 7. Section 7-1-8.8 NMSA 1978 (being Laws 2019,
24 Chapter 87, Section 2, as amended) is amended to read:

25 "7-1-8.8. INFORMATION THAT MAY BE REVEALED TO OTHER STATE

.229178.3GLG

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

1 AND LEGISLATIVE AGENCIES.--An employee of the department may
2 reveal confidential return information to the following
3 agencies; provided that a person who receives the information
4 on behalf of the agency shall be subject to the penalties in
5 Section 7-1-76 NMSA 1978 if the person fails to maintain the
6 confidentiality required:

7 A. a committee of the legislature for a valid
8 legislative purpose, return information concerning any tax or
9 fee imposed pursuant to the Cigarette Tax Act;

10 B. the attorney general, return information
11 acquired pursuant to the Cigarette Tax Act for purposes of
12 Section 6-4-13 NMSA 1978 and the master settlement agreement
13 defined in Section 6-4-12 NMSA 1978;

14 C. the commissioner of public lands, return
15 information for use in auditing that pertains to rentals,
16 royalties, fees and other payments due the state under land
17 sale, land lease or other land use contracts;

18 D. the secretary of health care authority or the
19 secretary's delegate under a written agreement with the
20 department:

21 (1) the last known address with date of all
22 names certified to the department as being absent parents of
23 children receiving public financial assistance, but only for
24 the purpose of enforcing the support liability of the absent
25 parents by the child support enforcement division or any

.229178.3GLG

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

1 successor organizational unit;

2 (2) return information needed for reports
3 required to be made to the federal government concerning the
4 use of federal funds for low-income working families;

5 (3) return information of low-income taxpayers
6 for the limited purpose of outreach to those taxpayers;
7 provided that the health care authority [~~department~~] shall pay
8 the department for expenses incurred by the department to
9 derive the information requested by the health care authority
10 [~~department~~] if the information requested is not readily
11 available in reports for which the department's information
12 systems are programmed;

13 (4) return information required to administer
14 the Health Care Quality Surcharge Act and the Health Care
15 Delivery and Access Act; and

16 (5) return information in accordance with the
17 provisions of the Easy Enrollment Act;

18 E. the department of information technology, by
19 electronic media, a database updated quarterly that contains
20 the names, addresses, county of address and taxpayer
21 identification numbers of New Mexico personal income tax
22 filers, but only for the purpose of producing the random jury
23 list for the selection of petit or grand jurors for the state
24 courts pursuant to Section 38-5-3 NMSA 1978;

25 F. the state courts, the random jury lists produced

.229178.3GLG

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

1 by the department of information technology under Subsection E
2 of this section;

3 G. the director of the New Mexico department of
4 agriculture or the director's authorized representative, upon
5 request of the director or representative, the names and
6 addresses of all gasoline or special fuel distributors,
7 wholesalers and retailers;

8 H. the public regulation commission, return
9 information with respect to the Corporate Income and Franchise
10 Tax Act required to enable the commission to carry out its
11 duties;

12 I. the state racing commission, return information
13 with respect to the state, municipal and county gross receipts
14 taxes paid by racetracks;

15 J. the gaming control board, tax returns of license
16 applicants and their affiliates as provided in Subsection E of
17 Section 60-2E-14 NMSA 1978;

18 K. the director of the workers' compensation
19 administration or to the director's representatives authorized
20 for this purpose, return information to facilitate the
21 identification of taxpayers that are delinquent or noncompliant
22 in payment of fees required by Section 52-1-9.1 or 52-5-19 NMSA
23 1978;

24 L. the secretary of workforce solutions or the
25 secretary's delegate, return information for use in enforcement

.229178.3GLG

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

1 of unemployment insurance collections pursuant to the terms of
2 a written reciprocal agreement entered into by the department
3 with the secretary of workforce solutions for exchange of
4 information;

5 M. the New Mexico finance authority, information
6 with respect to the amount of municipal and county gross
7 receipts taxes collected by municipalities and counties
8 pursuant to any local option municipal or county gross receipts
9 taxes imposed, and information with respect to the amount of
10 governmental gross receipts taxes paid by every agency,
11 institution, instrumentality or political subdivision of the
12 state pursuant to Section 7-9-4.3 NMSA 1978;

13 N. the superintendent of insurance, return
14 information with respect to the premium tax and the health
15 insurance premium surtax;

16 O. the secretary of finance and administration or
17 the secretary's designee, return information concerning a
18 credit pursuant to the Film Production Tax Credit Act;

19 P. the secretary of economic development or the
20 secretary's designee, return information concerning a credit
21 pursuant to the Film Production Tax Credit Act;

22 Q. the secretary of public safety or the
23 secretary's designee, return information concerning the Weight
24 Distance Tax Act;

25 R. the secretary of transportation or the

.229178.3GLG

underscoring material = new
[bracketed material] = delete

1 secretary's designee, return information concerning the Weight
2 Distance Tax Act;

3 S. the secretary of energy, minerals and natural
4 resources or the secretary's designee, return information
5 concerning tax credits or deductions for which eligibility is
6 certified or otherwise determined by the secretary or the
7 secretary's designee and return information concerning the
8 produced water fee and to facilitate the identification of
9 taxpayers that are delinquent or noncompliant in payment of the
10 produced water fee pursuant to Section 70-13-6 NMSA 1978;

11 T. the secretary of environment or the secretary's
12 designee, return information concerning tax credits for which
13 eligibility is certified or otherwise determined by the
14 secretary or the secretary's designee; and

15 U. the secretary of state or the secretary's
16 designee, taxpayer information required to maintain voter
17 registration records and as otherwise provided in the Election
18 Code."

19 SECTION 8. Section 70-2-12 NMSA 1978 (being Laws 1978,
20 Chapter 71, Section 1, as amended) is amended to read:

21 "70-2-12. ENUMERATION OF POWERS.--

22 A. The oil conservation division of the energy,
23 minerals and natural resources department may:

24 (1) collect data;

25 (2) make investigations and inspections;

.229178.3GLG

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

1 (3) examine properties, leases, papers, books
2 and records;

3 (4) examine, check, test and gauge oil and gas
4 wells, tanks, plants, refineries and all means and modes of
5 transportation and equipment;

6 (5) hold hearings;

7 (6) provide for the keeping of records and the
8 making of reports and for the checking of the accuracy of the
9 records and reports;

10 (7) limit and prorate production of crude
11 petroleum oil or natural gas or both as provided in the Oil and
12 Gas Act; and

13 (8) require either generally or in particular
14 areas certificates of clearance or tenders in connection with
15 the transportation of crude petroleum oil or natural gas or any
16 products of either or both oil and products or both natural gas
17 and products.

18 B. The oil conservation division may make rules and
19 orders for the purposes and with respect to the subject matter
20 stated in this subsection:

21 (1) to require dry or abandoned wells to be
22 plugged in a way so as to confine the crude petroleum oil,
23 natural gas or water in the strata in which it is found and to
24 prevent it from escaping into other strata; pursuant to Section
25 70-2-14 NMSA 1978, the division shall require financial

.229178.3GLG

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

1 assurance conditioned for the performance of the rules;

2 (2) to prevent crude petroleum oil, natural
3 gas or water from escaping from strata in which it is found
4 into other strata;

5 (3) to require reports showing locations of
6 all oil or gas wells and for the filing of logs and drilling
7 records or reports;

8 (4) to prevent the drowning by water of any
9 stratum or part thereof capable of producing oil or gas or both
10 oil and gas in paying quantities and to prevent the premature
11 and irregular encroachment of water or any other kind of water
12 encroachment that reduces or tends to reduce the total ultimate
13 recovery of crude petroleum oil or gas or both oil and gas from
14 any pool;

15 (5) to prevent fires;

16 (6) to prevent "blow-ups" and "caving" in the
17 sense that the conditions indicated by such terms are generally
18 understood in the oil and gas business;

19 (7) to require wells to be drilled, operated
20 and produced in such manner as to prevent injury to neighboring
21 leases or properties;

22 (8) to identify the ownership of oil or gas
23 producing leases, properties, wells, tanks, refineries,
24 pipelines, plants, structures and all transportation equipment
25 and facilities;

.229178.3GLG

1 (9) to require the operation of wells with
2 efficient gas-oil ratios and to fix such ratios;

3 (10) to fix the spacing of wells;

4 (11) to determine whether a particular well or
5 pool is a gas or oil well or a gas or oil pool, as the case may
6 be, and from time to time to classify and reclassify wells and
7 pools accordingly;

8 (12) to determine the limits of any pool
9 producing crude petroleum oil or natural gas or both and from
10 time to time redetermine the limits;

11 (13) to regulate the methods and devices
12 employed for storage in this state of oil or natural gas or any
13 product of either, including subsurface storage;

14 (14) to permit the injection of natural gas or
15 of any other substance into any pool in this state for the
16 purpose of repressuring, cycling, pressure maintenance,
17 secondary or any other enhanced recovery operations;

18 (15) to regulate the disposition, handling,
19 transport, storage, recycling, treatment and disposal of
20 produced water during, or for reuse in, the exploration,
21 drilling, production, treatment or refinement of oil or gas,
22 including disposal by injection pursuant to authority delegated
23 under the federal Safe Drinking Water Act, in a manner that
24 protects public health, the environment and fresh water
25 resources;

.229178.3GLG

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

1 (16) to determine the limits of any area
2 containing commercial potash deposits and from time to time
3 redetermine the limits;

4 (17) to regulate and, where necessary,
5 prohibit drilling or producing operations for oil or gas within
6 any area containing commercial deposits of potash where the
7 operations would have the effect unduly to reduce the total
8 quantity of the commercial deposits of potash that may
9 reasonably be recovered in commercial quantities or where the
10 operations would interfere unduly with the orderly commercial
11 development of the potash deposits;

12 (18) to spend the oil and gas reclamation fund
13 and do all acts necessary and proper to plug dry and abandoned
14 oil and gas wells and to restore and remediate abandoned well
15 sites and associated production facilities in accordance with
16 the provisions of the Oil and Gas Act, the rules adopted under
17 that act and the Procurement Code, including disposing of
18 salvageable equipment and material removed from oil and gas
19 wells being plugged by the state;

20 (19) to make well price category
21 determinations pursuant to the provisions of the federal
22 Natural Gas Policy Act of 1978 or any successor act and, by
23 regulation, to adopt fees for such determinations, which fees
24 shall not exceed twenty-five dollars (\$25.00) per filing. Such
25 fees shall be credited to the account of the oil conservation

.229178.3GLG

underscored material = new
[bracketed material] = delete

1 division by the state treasurer and may be expended as
2 authorized by the legislature;

3 (20) to regulate the construction and
4 operation of oil treating plants and to require the posting of
5 bonds for the reclamation of treating plant sites after
6 cessation of operations;

7 (21) to regulate the disposition of
8 nondomestic wastes resulting from the exploration, development,
9 production or storage of crude oil or natural gas to protect
10 public health and the environment; ~~and~~

11 (22) to regulate the disposition of
12 nondomestic wastes resulting from the oil field service
13 industry, the transportation of crude oil or natural gas, the
14 treatment of natural gas or the refinement of crude oil to
15 protect public health and the environment, including
16 administering the Water Quality Act as provided in Subsection E
17 of Section 74-6-4 NMSA 1978; and

18 (23) to require reporting and accounting of
19 each barrel of produced water from an oil or gas well for the
20 purpose of imposing the produced water barrel fee pursuant to
21 Section 70-13-6 NMSA 1978."

22 SECTION 9. Section 70-13-1 NMSA 1978 (being Laws 2019,
23 Chapter 197, Section 1) is amended to read:

24 "70-13-1. SHORT TITLE.--~~[Sections 1 through 5 of this~~
25 ~~act]~~ Chapter 70, Article 13 NMSA 1978 may be cited as the

.229178.3GLG

underscored material = new
[bracketed material] = delete

1 "Produced Water Act"."

2 SECTION 10. A new section of the Produced Water Act,
3 Section 70-13-6 NMSA 1978, is enacted to read:

4 "70-13-6. [NEW MATERIAL] FEES--REGULATION AND
5 REPORTING.--

6 A. Until January 1, 2036, there is imposed on the
7 working interest owners of an oil or gas well in New Mexico a
8 fee of five cents (\$.05) per barrel of produced water from the
9 oil or gas well, as reported to the taxation and revenue
10 department by the oil conservation division of the energy,
11 minerals and natural resources department, regardless of the
12 ultimate destination of that produced water, except for
13 produced water that is:

- 14 (1) used for enhanced or secondary oil;
15 (2) recycled or reused at a well or facility
16 that is permitted by the oil conservation division of the
17 energy, minerals and natural resources department; or
18 (3) for a use regulated by the water quality
19 control commission pursuant to the Water Quality Act and for
20 which a permit from the department of environment is required.

21 B. The fee imposed by this section may be referred
22 to as the "produced water fee" and shall be imposed, collected
23 and administered by the taxation and revenue department in
24 accordance with the provisions of the Tax Administration Act.

25 C. The owner or operator of an oil or gas well

.229178.3GLG

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

1 shall report the monthly production volume of produced water on
2 or before the fifteenth day of the second month following the
3 month of the production in the electronic form and manner
4 required by the oil conservation division of the energy,
5 minerals and natural resources department. An owner or
6 operator may apply to the oil conservation division for an
7 exemption from the electronic filing requirement based upon a
8 demonstration that such requirement would be an economic or
9 other hardship. Within sixty days of receiving this report,
10 the oil conservation division shall report the volume of
11 produced water from oil and gas wells to the taxation and
12 revenue department.

13 D. The produced water fee shall be paid to the
14 taxation and revenue department within sixty days of the
15 monthly volume report required pursuant to Subsection C of this
16 section, and the department shall promulgate rules to provide
17 for the required manner and form of collection of the produced
18 water fee.

19 E. All money received from the fees imposed
20 pursuant to Subsection A of this section shall be delivered to
21 the state treasurer and deposited in the strategic water supply
22 program fund.

23 F. The oil conservation division of the energy,
24 minerals and natural resources department shall promulgate
25 rules for mandatory reporting and accounting of produced water

.229178.3GLG

underscoring material = new
[bracketed material] = delete

1 from an oil or gas well."

2 SECTION 11. Section 72-12-26 NMSA 1978 (being Laws 1967,
3 Chapter 86, Section 2) is amended to read:

4 "72-12-26. NOTICE OF DRILLING--DEPTH AND LOCATION.--Any
5 person proposing to drill wells or recomplete existing wells to
6 appropriate waters referred to in Section [~~1 of this act~~]
7 72-12-25 NMSA 1978 shall file a notice of intention to drill or
8 recomplete with the office of the state engineer in such form
9 as the state engineer shall prescribe and shall publish a
10 notice, in a newspaper of general circulation in the county in
11 which the proposed wells will be located once a week for three
12 consecutive weeks, stating the location and the proposed depth
13 of such wells, the purpose for which the water shall be used
14 and an estimate of the volume of water to be used. [~~Said~~] The
15 wells shall not be drilled or recompleted prior to [~~10~~] ten
16 days after the last publication of [~~such~~] the notice and until
17 the state engineer has determined that the use of water stated
18 in the notice will not impair existing water rights, be
19 contrary to the conservation of water within the state or be
20 detrimental to the public welfare of the state."

21 SECTION 12. APPROPRIATIONS.--

22 A. Seventy-five million dollars (\$75,000,000) is
23 appropriated from the general fund to the strategic water
24 supply program fund for expenditure in fiscal year 2026 and
25 subsequent fiscal years for the purposes of the fund. Any

.229178.3GLG

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

1 unexpended or unencumbered balance remaining at the end of a
2 fiscal year shall not revert to the general fund.

3 B. Twenty-eight million seven hundred fifty
4 thousand dollars (\$28,750,000) is appropriated from the general
5 fund to the board of regents of the New Mexico institute of
6 mining and technology for expenditure in fiscal years 2026
7 through 2028 for aquifer monitoring and improved ground water
8 characterization. Any unexpended or unencumbered balance
9 remaining at the end of fiscal year 2028 shall revert to the
10 general fund.

11 C. Four million dollars (\$4,000,000) is
12 appropriated from the general fund to the board of regents of
13 New Mexico state university for expenditure in fiscal years
14 2026 through 2028 for innovation, research, monitoring, support
15 and development of technology associated with potential
16 projects for a strategic water supply program grant or
17 contract. Any unexpended or unencumbered balance remaining at
18 the end of fiscal year 2028 shall revert to the general fund.