

**LFC Requester:** \_\_\_\_\_

**AGENCY BILL ANALYSIS**

**SECTION I: GENERAL INFORMATION**

*Check all that apply:*  
**Original**     X  **Amendment**    \_\_\_\_\_  
**Correction**    \_\_\_\_\_ **Substitute**    \_\_\_\_\_  
                          \_\_\_\_\_

**Date**  2/5/2025   
**Bill No:**  HB257   
                          \_\_\_\_\_

**Sponsor:**    Rep. Matthew McQueen  
                          Rep.  Kristina Ortez   
**Short**        Oil & Gas Well Transfer  
**Title:**        Rulemaking

**Agency Name**  
**and Code**        EMNRD 521  
**Number:** \_\_\_\_\_  
**Person Writing**         Samantha Kao   
**Phone:** \_\_\_\_\_ **Email**  Samantha.kao@emnrd.nm.gov

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

**Duplicates/Conflicts with/Companion to/Relates to:**

**Duplicates/Relates to Appropriation in the General Appropriation Act:**

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

HB 257 proposes to amend section 70-2-12 of the Oil and Gas Act to allow the Oil Conservation Division (OCD) to consider operator compliance and other risk factors, including financial assurance, when evaluating applications for well transfers.

#### **FISCAL IMPLICATIONS**

There is a foreseeable positive impact to New Mexico in the form of reduced taxpayer liability for the plugging and remediation of orphaned inactive wells. Improved oversight and analysis of well transfers will allow OCD to reduce the prevalence of orphaned inactive wells by limiting transfers to operators with a history of misconduct or incapability to bear the costs of plugging.

If HB257 is enacted, implementation of the act may prevent the transfer of hundreds, if not thousands, of wells to operators that are unlikely or incapable of adequately plugging the wells at the end of their useful life. Each well that is plugged by a responsible operator will save the state the expense of pursuing a plugging enforcement and the costs of plugging the well. Affected wells will be plugged much earlier than they would if plugged by the OCD, which will reduce potential venting of natural gas or other environmental impacts caused by open well bores.

#### **SIGNIFICANT ISSUES**

The increased scrutiny of well transfers plays an important role in HB 257 modernization efforts. Currently OCD has little authority to scrutinize transfers of wells between the large operators that drill, complete, and operate wells at their most productive, and the smaller operators that buy those wells later in the well lifespan when average production is at much lower volumes. Frequently, these smaller operators are less capable of providing adequate financial assurance and have fewer resources to comply with OCD requirements for reducing waste, reporting, and plugging and remediation. As a result, these well transfers are frequently the first domino to fall in the chain of events that ends with the state assuming liability for orphaned wells. HB 257 gives OCD the ability to consider additional factors in approving a well transfer, such as those which would suggest a higher liability to the state. These additional factors of consideration will allow OCD to resolve liability issues before they become critical enough that taxpayer funds are implicated.

#### **PERFORMANCE IMPLICATIONS**

OCD will likely see improved performance of its enforcement and regulatory duties under the reforms instituted.

#### **ADMINISTRATIVE IMPLICATIONS**

HB257 will require EMNRD to promulgate rules. OCD is already participating in a related rulemaking. Passage of HB257 would require modifications to the current petition but likely not require a separate rulemaking.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If HB 257 is not enacted there will be no changes to the Oil and Gas Act. Transfers to inadequate operators will continue. OCD will continue to lack some of the authority needed to keep pace with a quickly evolving oil and gas industry in New Mexico.

## **AMENDMENTS**