

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

**AGENCY BILL ANALYSIS  
2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO  
[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.gov)  
(Analysis must be uploaded as a PDF)**

**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 Prepared**    2/21/2025  
**Bill Number:**    SENATE BILL 178

**Sponsor:**    Sen. Pope  
**Short Title:**    PRODUCED WATER &  
ABANDONED WELLS FUND

**Agency Name and Code**    DFA-341  
**Number:**    \_\_\_\_\_  
**Person Writing**    Delgado L.  
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**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	FY28	FY29		
Fee on produced water		\$58,444	\$60,692	\$62,565	\$62,565	R	Oil and Gas Reclamation Fund
Oil and Gas Severance Tax		(\$0 to \$831)	(\$0 to \$905)	(\$0 to \$916)	(\$0 to \$949)	R	Severance Tax Bonding Fund

Oil and Gas Emergency School Tax		( \$0 to \$712)	(\$0 to \$621)	(\$0 to \$450)	(\$0 to \$300)	R	Early Childhood Trust Fund
Oil and Gas Emergency School Tax		(\$0 to \$119)	(\$0 to \$285)	(\$0 to \$466)	(\$0 to \$649)	R	Severance Tax Permanen t Fund
Oil and Gas Conservation tax		(\$0 to \$42)	(\$0 to \$46)	(\$0 to \$46)	(\$0 to \$48)	R	General Fund
Conservation Tax		(\$0 to \$4)	(\$0 to \$5)	(\$0 to \$5)	(\$0 to \$5)	(\$0 to \$5)	Reclama tion Fund
State Land Office Royalty Payments		\$0 to (\$2,816)	\$0 to (\$3,035)	\$0 to (\$3,079)	\$0 to (\$3,187)	R	Land Grant Permanen t Fund
Federal Land Royalty Payments		\$0 to (\$2,607)	\$0 to (\$2,810)	\$0 to (\$2,851)	\$0 to (\$2,951)	R	Early Childhood Trust Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<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**

**Senate Conservation Committee (SCONC) amendments for SB178 HB 137**

SCONC removed the Plugging and Remediating Abandoned Wells Fund. To manage the collected funds effectively, the bill replaces the "Plugging and Remediating Abandoned Wells Fund" with the "Oil and Gas Reclamation Fund administered by Oil Conservation Division of Energy, Minerals and Natural Resources Department."

**Synopsis:**

SB178 aims to regulate produced water from oil and gas operations while funding the remediation of abandoned wells to ensure environmental protection. The bill imposes a five-cent fee on each barrel of produced water, generating revenue to support state efforts to plug and remediate abandoned wells.

To manage the collected funds effectively, the bill establishes the "Plugging and Remediating

Abandoned Wells Fund." Additionally, it provides exemptions for specific uses of produced water, such as recycling, to promote sustainable industry practices.

The Taxation and Revenue Department is tasked with overseeing the collection and management of the produced water fee, ensuring compliance with reporting regulations. Lastly, the bill includes adjustments to existing laws, such as the Water Quality Act and the Tax Administration Act, to facilitate its implementation and align with its objectives.

Key highlights:

- **Section 1: Produced Water Fee Imposition and Administration**
  - Establishes a fee of five cents (\$0.05) per barrel of produced water from oil or gas wells.
  - Exemptions to the fee include produced water used for enhanced oil recovery, recycled or reused water at permitted facilities, and uses regulated by the Water Quality Act.
- **Section 2: Short Title Amendment**
  - Amends the short title of Chapter 70, Article 13 NMSA 1978 to be cited as the "Produced Water Act."
- **Section 3: Amendments to Water Quality Act**
  - Emphasizes various responsibilities and powers of the water quality commission, including adaptability in water quality standards and preventive regulations against water pollution.
- **Section 4: Tax Administration Act Amendment**
  - Updates the applicability of the Tax Administration Act to include the newly established produced water fee.

## **FISCAL IMPLICATIONS**

SB178 also imposes a \$0.05 per barrel fee on produced water from oil and gas wells to support the Strategic Water Supply Program Fund. This fee applies to all produced water, except for water used in enhanced oil recovery (EOR) or recycled/reused for other purposes.

Using Rystad Energy's ShaleWell Cube data on oil and water production from New Mexico wells over the past five years, the state averaged a water-to-oil ratio of 3.46 barrels of water per barrel of oil. According to the 2024 New Mexico Strategic Feasibility Study, 98.8% of produced water in 2023 came from wells in the Permian Basin, with 75% originating from oil wells. Since most natural gas production in the Permian occurs alongside oil production, this trend is significant. After consulting with EMNRD, the ratio was refined to exclude water used for enhanced oil recovery (EOR) and well completion. Adjusting for these factors, the revised water-to-oil ratio is 2.49 barrels of water per barrel of oil produced.

This analysis estimates the impact cost to net general fund revenues and other programs could range from none to minimal. The fiscal impact range of this analysis is detailed in the revenue table above.

## **SIGNIFICANT ISSUES**

## **PERFORMANCE IMPLICATIONS**

**ADMINISTRATIVE IMPLICATIONS**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

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

**AMENDMENTS**