



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

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Section 1 creates a new fund called the “plugging and remediating abandoned wells fund” This fund will receive monies through a tax rate of \$0.05 per barrel levied on produced water in the state that is not reused or used for a beneficial purpose. The Oil Conservation Division (OCD) will be tasked with rule making and determining the volumes to be taxed and the Taxation and Revenue Department shall administer and enforce collection of the fee. The changes also modify uses that can be allowed by the Department of Environment on where produced water can and cannot be used.

Section 2 is the Short Title

Section 3 amends the duties and powers of the water quality control commission to limit the discharge or reuse of produced water.

Section 4 amends the Tax Administration Act to include collection of the produced water fee.

**FISCAL IMPLICATIONS**

This tax is estimated to generate between 85-90 million based on 2023 produced water reports given to the OCD. This estimation is based on the below totals with the “total water not reused” as the taxable volume.

|             | <b>Total water produced</b> | <b>Total Injected for EOR</b> | <b>Total used for completions</b> | <b>Total water not reused</b> |
|-------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------------|
| <b>2023</b> | 2,331,664,569               | 411,310,177                   | 221,146,078                       | <b>1,699,208,314</b>          |

OCD projects that administration of the fund will require 2 additional FTE.

**SIGNIFICANT ISSUES**

The new fund duplicates the purpose and applications of the Reclamation Fund established in NMSA 70-2-37 and does so without allowing the OCD to utilize any balances to defray the costs of administration.

**PERFORMANCE IMPLICATIONS**

The OCD would need to integrate the new fund in how the plugging operations are already performed if there are differences between the new fund and the current existing fund.

## **ADMINISTRATIVE IMPLICATIONS**

This bill would require rule making and ITO development for implementation. It would also create a need to validate how the fund will be effectively utilized.

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

This bill directly conflicts with HB 137, the Strategic Water Supply bill, by establishing a nearly identical fee on produced water to the one proposed in that bill but redirected to a separate fund.

## **TECHNICAL ISSUES**

See Significant issues section

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

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

The new plugging fund would not be created.

## **AMENDMENTS**