

HOUSE AGRICULTURE, ACEQUIAS AND WATER RESOURCES
COMMITTEE SUBSTITUTE FOR
HOUSE BILL 137

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

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:

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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. "deep 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. "per- or polyfluoroalkyl substance" means a
14 substance in a class of fluorinated organic chemicals
15 containing at least one fully fluorinated carbon atom;

16 C. "produced water" means a fluid that is an
17 incidental byproduct from drilling for or the production of oil
18 and gas;

19 D. "public entity" means a county, municipality,
20 political subdivision, state agency or state institution of
21 higher education;

22 E. "treated deep brackish water" means deep
23 brackish water that has undergone a process to remove or
24 eliminate contaminants to meet applicable standards for water
25 quality established pursuant to the Water Quality Act by the

1 water quality control commission; and

2 F. "treated produced water" means produced water
3 that is reconditioned by mechanical or chemical processes into
4 a reusable form.

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

9 **SECTION 4. [NEW MATERIAL] STRATEGIC WATER SUPPLY**
10 **PROGRAM.--**

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

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

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

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

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

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

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

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

23 (1) be approved by the state engineer as
24 advancing the exploration, production or treatment of deep
25 brackish water in New Mexico;

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1 (2) comply with applicable state, federal,
2 tribal and local governmental standards and permit requirements
3 and other provisions of law to protect public health and the
4 environment;

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

10 (4) be administered by or in partnership with
11 a public entity such that the public entity is the grant
12 recipient.

13 E. The agency awarding a strategic water supply
14 contract shall publish the community benefits plan to the
15 agency's website.

16 F. When preparing a request for proposals pursuant
17 to Subsection C of this section or a grant solicitation
18 pursuant to Subsection D of this section, the agency shall:

19 (1) do so in accordance with the State-Tribal
20 Collaboration Act, where applicable; and

21 (2) consult with the secretary of economic
22 development.

23 G. The department of environment, the energy,
24 minerals and natural resources department and the office of the
25 state engineer shall notify the state investment council about

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1 new strategic water supply program grants or contracts and any
2 opportunities for public input associated with the strategic
3 water supply program within two business days of the date the
4 agency publishes the new grant, contract or public input
5 opportunity to the general public.

6 H. When evaluating grant or contract proposals for
7 compliance with Subsection C or D of this section, the agency
8 shall evaluate how the projects in the proposal will limit
9 greenhouse gas emissions.

10 I. No strategic water supply program contract shall
11 be provided pursuant to the provisions of the Strategic Water
12 Supply Act for the:

13 (1) production of treated produced water
14 except for treated produced water uses that are in accordance
15 with the Water Quality Act and rules adopted by the water
16 quality control commission;

17 (2) treatment of produced water from downhole
18 operations that contains an intentionally added per- or
19 polyfluoroalkyl substance; or

20 (3) use of treated produced water for drinking
21 water or agricultural activities, including crop growing and
22 livestock watering.

23 J. The agency awarding a strategic water supply
24 contract for the production of treated produced water shall
25 require from the contractor disclosures in a form, frequency

1 and manner specified by the awarding agency, and the
2 disclosures shall include at minimum the following information
3 related to any project covered by the contract:

4 (1) a list of any oil or gas wells and the
5 locations of the oil or gas wells;

6 (2) a description of the oil or gas activity
7 generating the produced water, if applicable;

8 (3) each chemical ingredient and additive used
9 in any prior hydraulic fracturing or other downhole operation
10 of the well, including the trade name and a brief description
11 of the intended use of or function of each chemical ingredient
12 or additive;

13 (4) the chemical abstracts service number of
14 each chemical used pursuant to Paragraph (3) of this
15 subsection, if applicable; and

16 (5) any other data on the constituents of the
17 produced water that the awarding agency determines is relevant
18 to protect public health and the environment or that is
19 required to be disclosed to any state regulatory authority
20 under another applicable provision of law.

21 **SECTION 5. [NEW MATERIAL] STRATEGIC WATER SUPPLY PROGRAM**
22 **FUND.--**

23 A. The "strategic water supply program fund" is
24 created in the state treasury and shall be administered by the
25 department of environment. The fund consists of distributions,

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1 appropriations, gifts, grants, donations, income from
2 investment of the fund and fees collected pursuant to Section
3 70-13-6 NMSA 1978.

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

11 C. Expenditures from the fund shall be to the
12 department of environment, the energy, minerals and natural
13 resources department or the office of the state engineer by
14 warrant of the secretary of finance and administration pursuant
15 to vouchers signed by all of the following: the secretary of
16 environment or the secretary's authorized representative, the
17 secretary of energy, minerals and natural resources or the
18 secretary's authorized representative and the state engineer or
19 the state engineer's authorized representative.

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

22 "7-1-2. APPLICABILITY.--The Tax Administration Act
23 applies to and governs:

24 A. the administration and enforcement of the
25 following taxes or tax acts as they now exist or may hereafter

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1 be amended:

2 (1) Income Tax Act;

3 (2) Withholding Tax Act;

4 (3) Oil and Gas Proceeds and Pass-Through
5 Entity Withholding Tax Act;

6 (4) Gross Receipts and Compensating Tax Act,
7 Interstate Telecommunications Gross Receipts Tax Act and Leased
8 Vehicle Gross Receipts Tax Act;

9 (5) Liquor Excise Tax Act;

10 (6) Local Liquor Excise Tax Act;

11 (7) any municipal local option gross receipts
12 tax or municipal compensating tax;

13 (8) any county local option gross receipts tax
14 or county compensating tax;

15 (9) Special Fuels Supplier Tax Act;

16 (10) Gasoline Tax Act;

17 (11) petroleum products loading fee, which fee
18 shall be considered a tax for the purpose of the Tax
19 Administration Act;

20 (12) Alternative Fuel Tax Act;

21 (13) Cigarette Tax Act;

22 (14) Estate Tax Act;

23 (15) Railroad Car Company Tax Act;

24 (16) Investment Credit Act, rural job tax
25 credit, Laboratory Partnership with Small Business Tax Credit

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

1 (7) Oil and Gas Ad Valorem Production Tax Act;

2 (8) Natural Gas Processors Tax Act;

3 (9) Oil and Gas Production Equipment Ad

4 Valorem Tax Act;

5 (10) Copper Production Ad Valorem Tax Act;

6 (11) any advance payment required to be made

7 by any act specified in this subsection, which advance payment

8 shall be considered a tax for the purposes of the Tax

9 Administration Act;

10 (12) Enhanced Oil Recovery Act;

11 (13) Natural Gas and Crude Oil Production

12 Incentive Act; and

13 (14) intergovernmental production tax credit

14 and intergovernmental production equipment tax credit;

15 C. the administration and enforcement of the

16 following taxes, surcharges, fees or acts as they now exist or

17 may hereafter be amended:

18 (1) Weight Distance Tax Act;

19 (2) the workers' compensation fee authorized

20 by Section 52-5-19 NMSA 1978, which fee shall be considered a

21 tax for purposes of the Tax Administration Act;

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

23 (4) 911 emergency surcharge and the network

24 and database surcharge, which surcharges shall be considered

25 taxes for purposes of the Tax Administration Act;

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

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

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

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

12 D. the administration and enforcement of all other
13 laws, with respect to which the department is charged with
14 responsibilities pursuant to the Tax Administration Act, but
15 only to the extent that the other laws do not conflict with the
16 Tax Administration Act."

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

19 "7-1-8.8. INFORMATION THAT MAY BE REVEALED TO OTHER STATE
20 AND LEGISLATIVE AGENCIES.--An employee of the department may
21 reveal confidential return information to the following
22 agencies; provided that a person who receives the information
23 on behalf of the agency shall be subject to the penalties in
24 Section 7-1-76 NMSA 1978 if the person fails to maintain the
25 confidentiality required:

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

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

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

12 D. the secretary of health care authority or the
13 secretary's delegate under a written agreement with the
14 department:

15 (1) the last known address with date of all
16 names certified to the department as being absent parents of
17 children receiving public financial assistance, but only for
18 the purpose of enforcing the support liability of the absent
19 parents by the child support enforcement division or any
20 successor organizational unit;

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

24 (3) return information of low-income taxpayers
25 for the limited purpose of outreach to those taxpayers;

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1 provided that the health care authority [~~department~~] shall pay
2 the department for expenses incurred by the department to
3 derive the information requested by the health care authority
4 [~~department~~] if the information requested is not readily
5 available in reports for which the department's information
6 systems are programmed;

7 (4) return information required to administer
8 the Health Care Quality Surcharge Act and the Health Care
9 Delivery and Access Act; and

10 (5) return information in accordance with the
11 provisions of the Easy Enrollment Act;

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

19 F. the state courts, the random jury lists produced
20 by the department of information technology under Subsection E
21 of this section;

22 G. the director of the New Mexico department of
23 agriculture or the director's authorized representative, upon
24 request of the director or representative, the names and
25 addresses of all gasoline or special fuel distributors,

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1 wholesalers and retailers;

2 H. the public regulation commission, return
3 information with respect to the Corporate Income and Franchise
4 Tax Act required to enable the commission to carry out its
5 duties;

6 I. the state racing commission, return information
7 with respect to the state, municipal and county gross receipts
8 taxes paid by racetracks;

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

12 K. the director of the workers' compensation
13 administration or to the director's representatives authorized
14 for this purpose, return information to facilitate the
15 identification of taxpayers that are delinquent or noncompliant
16 in payment of fees required by Section 52-1-9.1 or 52-5-19 NMSA
17 1978;

18 L. the secretary of workforce solutions or the
19 secretary's delegate, return information for use in enforcement
20 of unemployment insurance collections pursuant to the terms of
21 a written reciprocal agreement entered into by the department
22 with the secretary of workforce solutions for exchange of
23 information;

24 M. the New Mexico finance authority, information
25 with respect to the amount of municipal and county gross

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1 receipts taxes collected by municipalities and counties
2 pursuant to any local option municipal or county gross receipts
3 taxes imposed, and information with respect to the amount of
4 governmental gross receipts taxes paid by every agency,
5 institution, instrumentality or political subdivision of the
6 state pursuant to Section 7-9-4.3 NMSA 1978;

7 N. the superintendent of insurance, return
8 information with respect to the premium tax and the health
9 insurance premium surtax;

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

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

16 Q. the secretary of public safety or the
17 secretary's designee, return information concerning the Weight
18 Distance Tax Act;

19 R. the secretary of transportation or the
20 secretary's designee, return information concerning the Weight
21 Distance Tax Act;

22 S. the secretary of energy, minerals and natural
23 resources or the secretary's designee, return information
24 concerning tax credits or deductions for which eligibility is
25 certified or otherwise determined by the secretary or the

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1 secretary's designee and return information concerning the
 2 produced water fee and to facilitate the identification of
 3 taxpayers that are delinquent or noncompliant in payment of the
 4 produced water fee pursuant to Section 70-13-6 NMSA 1978;

5 T. the secretary of environment or the secretary's
 6 designee, return information concerning tax credits for which
 7 eligibility is certified or otherwise determined by the
 8 secretary or the secretary's designee; and

9 U. the secretary of state or the secretary's
 10 designee, taxpayer information required to maintain voter
 11 registration records and as otherwise provided in the Election
 12 Code."

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

15 "70-2-12. ENUMERATION OF POWERS.--

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

- 18 (1) collect data;
 19 (2) make investigations and inspections;
 20 (3) examine properties, leases, papers, books
 21 and records;
 22 (4) examine, check, test and gauge oil and gas
 23 wells, tanks, plants, refineries and all means and modes of
 24 transportation and equipment;
 25 (5) hold hearings;

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1 (6) provide for the keeping of records and the
2 making of reports and for the checking of the accuracy of the
3 records and reports;

4 (7) limit and prorate production of crude
5 petroleum oil or natural gas or both as provided in the Oil and
6 Gas Act; and

7 (8) require either generally or in particular
8 areas certificates of clearance or tenders in connection with
9 the transportation of crude petroleum oil or natural gas or any
10 products of either or both oil and products or both natural gas
11 and products.

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

15 (1) to require dry or abandoned wells to be
16 plugged in a way so as to confine the crude petroleum oil,
17 natural gas or water in the strata in which it is found and to
18 prevent it from escaping into other strata; pursuant to Section
19 70-2-14 NMSA 1978, the division shall require financial
20 assurance conditioned for the performance of the rules;

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

24 (3) to require reports showing locations of
25 all oil or gas wells and for the filing of logs and drilling

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1 records or reports;

2 (4) to prevent the drowning by water of any
3 stratum or part thereof capable of producing oil or gas or both
4 oil and gas in paying quantities and to prevent the premature
5 and irregular encroachment of water or any other kind of water
6 encroachment that reduces or tends to reduce the total ultimate
7 recovery of crude petroleum oil or gas or both oil and gas from
8 any pool;

9 (5) to prevent fires;

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

13 (7) to require wells to be drilled, operated
14 and produced in such manner as to prevent injury to neighboring
15 leases or properties;

16 (8) to identify the ownership of oil or gas
17 producing leases, properties, wells, tanks, refineries,
18 pipelines, plants, structures and all transportation equipment
19 and facilities;

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

22 (10) to fix the spacing of wells;

23 (11) to determine whether a particular well or
24 pool is a gas or oil well or a gas or oil pool, as the case may
25 be, and from time to time to classify and reclassify wells and

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1 pools accordingly;

2 (12) to determine the limits of any pool
3 producing crude petroleum oil or natural gas or both and from
4 time to time redetermine the limits;

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

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

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

20 (16) to determine the limits of any area
21 containing commercial potash deposits and from time to time
22 redetermine the limits;

23 (17) to regulate and, where necessary,
24 prohibit drilling or producing operations for oil or gas within
25 any area containing commercial deposits of potash where the

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1 operations would have the effect unduly to reduce the total
2 quantity of the commercial deposits of potash that may
3 reasonably be recovered in commercial quantities or where the
4 operations would interfere unduly with the orderly commercial
5 development of the potash deposits;

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

14 (19) to make well price category
15 determinations pursuant to the provisions of the federal
16 Natural Gas Policy Act of 1978 or any successor act and, by
17 regulation, to adopt fees for such determinations, which fees
18 shall not exceed twenty-five dollars (\$25.00) per filing. Such
19 fees shall be credited to the account of the oil conservation
20 division by the state treasurer and may be expended as
21 authorized by the legislature;

22 (20) to regulate the construction and
23 operation of oil treating plants and to require the posting of
24 bonds for the reclamation of treating plant sites after
25 cessation of operations;

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1 (21) to regulate the disposition of
2 nondomestic wastes resulting from the exploration, development,
3 production or storage of crude oil or natural gas to protect
4 public health and the environment; ~~and~~

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

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

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

18 "70-13-1. SHORT TITLE.--~~[Sections 1 through 5 of this~~
19 ~~act]~~ Chapter 70, Article 13 NMSA 1978 may be cited as the
20 "Produced Water Act"."

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

23 "70-13-6. [NEW MATERIAL] FEES--REGULATION AND
24 REPORTING.--

25 A. Beginning on January 1, 2026 and until January

1 1, 2036, there is imposed on the operators of an oil or gas
2 well in New Mexico a fee of five cents (\$.05) per barrel of
3 produced water from the oil or gas well, as reported to the
4 taxation and revenue department, regardless of the ultimate
5 destination of that produced water, except for produced water
6 that is:

7 (1) used for enhanced or secondary oil
8 recovery;

9 (2) recycled or reused at a well or facility
10 that is permitted by the oil conservation division of the
11 energy, minerals and natural resources department; or

12 (3) for a use regulated by the water quality
13 control commission pursuant to the Water Quality Act and for
14 which a permit from the department of environment is required.

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

19 C. The operator of an oil or gas well shall report
20 to the taxation and revenue department and the oil conservation
21 division of the energy, minerals and natural resources
22 department the monthly production volume of produced water on
23 or before the twenty-fifth day of the second month following
24 the month of the submission of the monthly volume report
25 required by the Oil and Gas Act.

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1 D. The produced water fee shall be paid to the
2 taxation and revenue department on or before the day of the
3 submission of the report on the monthly production volume of
4 produced water required pursuant to Subsection C of this
5 section.

6 E. All money received from the fees imposed
7 pursuant to Subsection A of this section shall be delivered to
8 the state treasurer and deposited in the strategic water supply
9 program fund.

10 F. The oil conservation division of the energy,
11 minerals and natural resources department shall promulgate
12 rules for mandatory reporting and accounting of produced water
13 from an oil or gas well."

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

16 "72-12-26. NOTICE OF DRILLING--DEPTH AND LOCATION.--Any
17 person proposing to drill wells or recomplete existing wells to
18 appropriate waters referred to in Section [~~1 of this act~~]
19 72-12-25 NMSA 1978 shall file a notice of intention to drill or
20 recomplete with the office of the state engineer in such form
21 as the state engineer shall prescribe and shall publish a
22 notice, in a newspaper of general circulation in the county in
23 which the proposed wells will be located once a week for three
24 consecutive weeks, stating the location and the proposed depth
25 of such wells, the purpose for which the water shall be used

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1 and an estimate of the volume of water to be used. [~~Said~~] The
 2 wells shall not be drilled or recompleted prior to [~~10~~] ten
 3 days after the last publication of [~~such~~] the notice and until
 4 the state engineer has determined that the use of water stated
 5 in the notice will not impair existing water rights, be
 6 contrary to the conservation of water within the state or be
 7 detrimental to the public welfare of the state."

8 **SECTION 12. APPROPRIATIONS.--**

9 A. Seventy-five million dollars (\$75,000,000) is
 10 appropriated from the general fund to the strategic water
 11 supply program fund for expenditure in fiscal year 2026 and
 12 subsequent fiscal years for the purposes of the fund. Any
 13 unexpended or unencumbered balance remaining at the end of a
 14 fiscal year shall not revert to the general fund.

15 B. Twenty-eight million seven hundred fifty
 16 thousand dollars (\$28,750,000) is appropriated from the general
 17 fund to the board of regents of the New Mexico institute of
 18 mining and technology for expenditure in fiscal years 2026
 19 through 2028 for aquifer monitoring and improved ground water
 20 characterization. Any unexpended or unencumbered balance
 21 remaining at the end of fiscal year 2028 shall revert to the
 22 general fund.

23 C. Four million dollars (\$4,000,000) is
 24 appropriated from the general fund to the board of regents of
 25 New Mexico state university for expenditure in fiscal years

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1 2026 through 2028 for innovation, research, monitoring, support
2 and development of technology associated with potential
3 projects for a strategic water supply program grant or
4 contract. Any unexpended or unencumbered balance remaining at
5 the end of fiscal year 2028 shall revert to the general fund.

underscoring material = new
[bracketed material] = delete