

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

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**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 THREE-CENT (\$.03) 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:

underscoring material = new  
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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 the first day of the month that is

1 at least ninety days after the effective date of this section  
2 and until ten years after that date, there is imposed on the  
3 operators of an oil or gas well in New Mexico a fee of three  
4 cents (\$.03) per barrel of produced water from the oil or gas  
5 well, as reported to the taxation and revenue department,  
6 regardless of the ultimate destination of that produced water,  
7 except for produced water that is:

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

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

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

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

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

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1 required by the Oil and Gas Act.

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

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

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

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

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

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

9 SECTION 12. APPROPRIATIONS.--

10 A. Seventy-five million dollars (\$75,000,000) is  
 11 appropriated from the general fund to the strategic water  
 12 supply program fund for expenditure in fiscal year 2026 and  
 13 subsequent fiscal years for entering contracts or awarding  
 14 grants pursuant to the Strategic Water Supply Act for only  
 15 those eligible projects involving deep brackish water. Any  
 16 unexpended or unencumbered balance remaining at the end of a  
 17 fiscal year shall not revert to the general fund.

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

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

9           **SECTION 13. CONTINGENT EFFECTIVE DATE.**--The provisions of  
10 Section 10 of this act shall become effective on the first day  
11 of the month subsequent to the effective date of the rules  
12 promulgated by the water quality control commission for the  
13 production of treated produced water pursuant to Paragraph (1)  
14 of Subsection I of Section 4 of the Strategic Water Supply Act.  
15 Upon this occurring, the chair of the water quality control  
16 commission or the secretary of environment shall immediately  
17 notify the New Mexico compilation commission, the director of  
18 the legislative council service, the secretary of taxation and  
19 revenue and the director of the oil conservation division of  
20 the energy, minerals and natural resources department.