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FISCAL IMPACT REPORT

SPONSOR McQueen/Ortez **LAST UPDATED** 02/11/2025
ORIGINAL DATE 02/10/2025
BILL House Bill
SHORT TITLE Natural Gas Capture Requirements **NUMBER** 258a/HENRC
ANALYST Gygi

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
EMNRD	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact		

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 257 and House Bill 259

Sources of Information

LFC Files

Agency Analysis Received From

Energy, Minerals and Natural Resources (EMNRD)

Agency Analysis was Solicited but Not Received From

Attorney General (NMAG)

Department of Environment (NMED)

SUMMARY

Synopsis of HENRC Amendment

The House Energy, Environment & Natural Resources Committee (HENRC) amendment to House Bill 258 removes the exception for “venting for normal operation of pneumatic controllers and pumps,” making them subject to the 98 percent capture requirement.

Synopsis of Original House Bill 258

House Bill 258 (HB258) would add a new section to the Oil and Gas Act (Chapter 70 Article 2 NMSA 1978) to require operators to capture 98 percent of natural gas produced by their facilities each year starting on January 1, 2027. The bill outlines exceptions for emergency releases, beneficial use by the operator, venting for normal operation of pneumatic controllers and pumps (removed by HENRC amendment), and venting or flaring from an exploratory well. The bill authorizes the Oil Conservation Division (OCD) to promulgate rules to meet this requirement.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the

Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

OCD is already implementing the same gas capture requirement in rule form so does not anticipate foreseeable fiscal implications from implementation of this bill.

SIGNIFICANT ISSUES

HB258 sets New Mexico’s “Methane Waste Rule” in statute, providing necessary regulatory stability for natural gas capture requirements in a rapidly developing oil and gas industry. OCD notes that enacting the proposed amendments to the Oil and Gas Act will protect the general guidelines of the state administrative code (NMAC 19.15.27 and 19.15.28) and ensure future gas capture remains at least at 98 percent. HB258 also expands the methane rule’s focus on oil wells to include midstream operations. OCD states it will likely see improved performance of its enforcement and regulatory duties as a result.

OCD notes the bill’s exemptions for pneumatic device emissions (removed by HENRC amendment), emergencies, and beneficial use are less restrictive than the current methane waste rule requirements.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB258 relates to House Bill 257, which places restrictions on oil and gas well transfers to mitigate risk to the state, and House Bill 259, which increases penalties for violations of the Oil and Gas Act and certain application fees.

The bill also relates to House Bill 133 introduced in 2024, which proposed to amend multiple sections of the Oil and Gas Act, including the 98 percent natural gas capture requirement.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

There will not be a statutory requirement for 98 percent annual natural gas capture by operators, but the methane waste rule will still be in effect.

KG/hj/hg/sgs/SR