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HOUSE BILL 137

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

INTRODUCED BY

Susan K. Herrera

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. "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. "produced water" means a fluid that is an  
14 incidental byproduct from drilling for or the production of oil  
15 and gas;

16           C. "public entity" means a county, municipality,  
17 political subdivision, state agency or state institution of  
18 higher education;

19           D. "treated brackish water" means brackish water  
20 that has undergone a process to remove or eliminate  
21 contaminants to meet applicable standards for water quality  
22 established pursuant to the Water Quality Act by the water  
23 quality control commission; and

24           E. "treated produced water" means produced water  
25 that is reconditioned by mechanical or chemical processes into

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1 a reusable form.

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

6 SECTION 4. [NEW MATERIAL] STRATEGIC WATER SUPPLY  
7 PROGRAM.--

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

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

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

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

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

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

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

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

20 (1) be approved by the state engineer as  
21 advancing the exploration, production or treatment of brackish  
22 water in New Mexico;

23 (2) comply with applicable state, federal,  
24 tribal and local governmental standards and permit requirements  
25 and other provisions of law to protect public health and the

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1 environment;

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

7 (4) be administered by or in partnership with  
8 a public entity such that the public entity is the grant  
9 recipient.

10 E. The agency awarding a strategic water supply  
11 contract shall publish the community benefits plan to the  
12 agency's website.

13 F. When evaluating grant or contract proposals for  
14 compliance with Paragraph (3) of Subsection C or Paragraph (3)  
15 of Subsection D of this section, the agency shall:

16 (1) do so in accordance with the State-Tribal  
17 Collaboration Act, where applicable;

18 (2) consult with the secretary of economic  
19 development; and

20 (3) evaluate how the projects in the proposals  
21 will limit greenhouse gas emissions.

22 G. No contract shall be provided pursuant to the  
23 provisions of the Strategic Water Supply Act for the production  
24 of treated produced water except for treated produced water  
25 uses that are in accordance with the Water Quality Act and

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1 rules adopted by the water quality control commission.

2 SECTION 5. [NEW MATERIAL] STRATEGIC WATER SUPPLY PROGRAM  
3 FUND.--

4 A. The "strategic water supply program fund" is  
5 created in the state treasury and shall be administered by the  
6 department of environment. The fund consists of distributions,  
7 appropriations, gifts, grants, donations, income from  
8 investment of the fund and fees collected pursuant to Section  
9 70-13-6 NMSA 1978.

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

17 C. Expenditures from the fund shall be to the  
18 department of environment, the energy, minerals and natural  
19 resources department or the office of the state engineer by  
20 warrant of the secretary of finance and administration pursuant  
21 to vouchers signed by all of the following: the secretary of  
22 environment or the secretary's authorized representative, the  
23 secretary of energy, minerals and natural resources or the  
24 secretary's authorized representative and the state engineer or  
25 the state engineer's authorized representative.

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

3           "7-1-2. APPLICABILITY.--The Tax Administration Act  
4 applies to and governs:

5           A. the administration and enforcement of the  
6 following taxes or tax acts as they now exist or may hereafter  
7 be amended:

- 8                           (1) Income Tax Act;
- 9                           (2) Withholding Tax Act;
- 10                          (3) Oil and Gas Proceeds and Pass-Through  
11 Entity Withholding Tax Act;
- 12                          (4) Gross Receipts and Compensating Tax Act,  
13 Interstate Telecommunications Gross Receipts Tax Act and Leased  
14 Vehicle Gross Receipts Tax Act;
- 15                          (5) Liquor Excise Tax Act;
- 16                          (6) Local Liquor Excise Tax Act;
- 17                          (7) any municipal local option gross receipts  
18 tax or municipal compensating tax;
- 19                          (8) any county local option gross receipts tax  
20 or county compensating tax;
- 21                          (9) Special Fuels Supplier Tax Act;
- 22                          (10) Gasoline Tax Act;
- 23                          (11) petroleum products loading fee, which fee  
24 shall be considered a tax for the purpose of the Tax  
25 Administration Act;

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

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- 1 (1) Resources Excise Tax Act;
- 2 (2) Severance Tax Act;
- 3 (3) any severance surtax;
- 4 (4) Oil and Gas Severance Tax Act;
- 5 (5) Oil and Gas Conservation Tax Act;
- 6 (6) Oil and Gas Emergency School Tax Act;
- 7 (7) Oil and Gas Ad Valorem Production Tax Act;
- 8 (8) Natural Gas Processors Tax Act;
- 9 (9) Oil and Gas Production Equipment Ad
- 10 Valorem Tax Act;
- 11 (10) Copper Production Ad Valorem Tax Act;
- 12 (11) any advance payment required to be made
- 13 by any act specified in this subsection, which advance payment
- 14 shall be considered a tax for the purposes of the Tax
- 15 Administration Act;
- 16 (12) Enhanced Oil Recovery Act;
- 17 (13) Natural Gas and Crude Oil Production
- 18 Incentive Act; and
- 19 (14) intergovernmental production tax credit
- 20 and intergovernmental production equipment tax credit;
- 21 C. the administration and enforcement of the
- 22 following taxes, surcharges, fees or acts as they now exist or
- 23 may hereafter be amended:
- 24 (1) Weight Distance Tax Act;
- 25 (2) the workers' compensation fee authorized

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1 by Section 52-5-19 NMSA 1978, which fee shall be considered a  
2 tax for purposes of the Tax Administration Act;

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

4 (4) 911 emergency surcharge and the network  
5 and database surcharge, which surcharges shall be considered  
6 taxes for purposes of the Tax Administration Act;

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

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

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

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

18 D. the administration and enforcement of all other  
19 laws, with respect to which the department is charged with  
20 responsibilities pursuant to the Tax Administration Act, but  
21 only to the extent that the other laws do not conflict with the  
22 Tax Administration Act."

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

25 "7-1-8.8. INFORMATION THAT MAY BE REVEALED TO OTHER STATE

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1 AND LEGISLATIVE AGENCIES.--An employee of the department may  
2 reveal confidential return information to the following  
3 agencies; provided that a person who receives the information  
4 on behalf of the agency shall be subject to the penalties in  
5 Section 7-1-76 NMSA 1978 if the person fails to maintain the  
6 confidentiality required:

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

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

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

18 D. the secretary of health care authority or the  
19 secretary's delegate under a written agreement with the  
20 department:

21 (1) the last known address with date of all  
22 names certified to the department as being absent parents of  
23 children receiving public financial assistance, but only for  
24 the purpose of enforcing the support liability of the absent  
25 parents by the child support enforcement division or any

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1 successor organizational unit;

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

5 (3) return information of low-income taxpayers  
6 for the limited purpose of outreach to those taxpayers;  
7 provided that the health care authority [~~department~~] shall pay  
8 the department for expenses incurred by the department to  
9 derive the information requested by the health care authority  
10 [~~department~~] if the information requested is not readily  
11 available in reports for which the department's information  
12 systems are programmed;

13 (4) return information required to administer  
14 the Health Care Quality Surcharge Act and the Health Care  
15 Delivery and Access Act; and

16 (5) return information in accordance with the  
17 provisions of the Easy Enrollment Act;

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

25 F. the state courts, the random jury lists produced

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1 by the department of information technology under Subsection E  
2 of this section;

3 G. the director of the New Mexico department of  
4 agriculture or the director's authorized representative, upon  
5 request of the director or representative, the names and  
6 addresses of all gasoline or special fuel distributors,  
7 wholesalers and retailers;

8 H. the public regulation commission, return  
9 information with respect to the Corporate Income and Franchise  
10 Tax Act required to enable the commission to carry out its  
11 duties;

12 I. the state racing commission, return information  
13 with respect to the state, municipal and county gross receipts  
14 taxes paid by racetracks;

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

18 K. the director of the workers' compensation  
19 administration or to the director's representatives authorized  
20 for this purpose, return information to facilitate the  
21 identification of taxpayers that are delinquent or noncompliant  
22 in payment of fees required by Section 52-1-9.1 or 52-5-19 NMSA  
23 1978;

24 L. the secretary of workforce solutions or the  
25 secretary's delegate, return information for use in enforcement

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1 of unemployment insurance collections pursuant to the terms of  
2 a written reciprocal agreement entered into by the department  
3 with the secretary of workforce solutions for exchange of  
4 information;

5 M. the New Mexico finance authority, information  
6 with respect to the amount of municipal and county gross  
7 receipts taxes collected by municipalities and counties  
8 pursuant to any local option municipal or county gross receipts  
9 taxes imposed, and information with respect to the amount of  
10 governmental gross receipts taxes paid by every agency,  
11 institution, instrumentality or political subdivision of the  
12 state pursuant to Section 7-9-4.3 NMSA 1978;

13 N. the superintendent of insurance, return  
14 information with respect to the premium tax and the health  
15 insurance premium surtax;

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

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

22 Q. the secretary of public safety or the  
23 secretary's designee, return information concerning the Weight  
24 Distance Tax Act;

25 R. the secretary of transportation or the

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1 secretary's designee, return information concerning the Weight  
2 Distance Tax Act;

3 S. the secretary of energy, minerals and natural  
4 resources or the secretary's designee, return information  
5 concerning tax credits or deductions for which eligibility is  
6 certified or otherwise determined by the secretary or the  
7 secretary's designee and return information concerning the  
8 produced water fee and to facilitate the identification of  
9 taxpayers that are delinquent or noncompliant in payment of the  
10 produced water fee pursuant to Section 70-13-6 NMSA 1978;

11 T. the secretary of environment or the secretary's  
12 designee, return information concerning tax credits for which  
13 eligibility is certified or otherwise determined by the  
14 secretary or the secretary's designee; and

15 U. the secretary of state or the secretary's  
16 designee, taxpayer information required to maintain voter  
17 registration records and as otherwise provided in the Election  
18 Code."

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

21 "70-2-12. ENUMERATION OF POWERS.--

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

24 (1) collect data;

25 (2) make investigations and inspections;

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1 (3) examine properties, leases, papers, books  
2 and records;

3 (4) examine, check, test and gauge oil and gas  
4 wells, tanks, plants, refineries and all means and modes of  
5 transportation and equipment;

6 (5) hold hearings;

7 (6) provide for the keeping of records and the  
8 making of reports and for the checking of the accuracy of the  
9 records and reports;

10 (7) limit and prorate production of crude  
11 petroleum oil or natural gas or both as provided in the Oil and  
12 Gas Act; and

13 (8) require either generally or in particular  
14 areas certificates of clearance or tenders in connection with  
15 the transportation of crude petroleum oil or natural gas or any  
16 products of either or both oil and products or both natural gas  
17 and products.

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

21 (1) to require dry or abandoned wells to be  
22 plugged in a way so as to confine the crude petroleum oil,  
23 natural gas or water in the strata in which it is found and to  
24 prevent it from escaping into other strata; pursuant to Section  
25 70-2-14 NMSA 1978, the division shall require financial

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1 assurance conditioned for the performance of the rules;

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

5 (3) to require reports showing locations of  
6 all oil or gas wells and for the filing of logs and drilling  
7 records or reports;

8 (4) to prevent the drowning by water of any  
9 stratum or part thereof capable of producing oil or gas or both  
10 oil and gas in paying quantities and to prevent the premature  
11 and irregular encroachment of water or any other kind of water  
12 encroachment that reduces or tends to reduce the total ultimate  
13 recovery of crude petroleum oil or gas or both oil and gas from  
14 any pool;

15 (5) to prevent fires;

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

19 (7) to require wells to be drilled, operated  
20 and produced in such manner as to prevent injury to neighboring  
21 leases or properties;

22 (8) to identify the ownership of oil or gas  
23 producing leases, properties, wells, tanks, refineries,  
24 pipelines, plants, structures and all transportation equipment  
25 and facilities;

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

3 (10) to fix the spacing of wells;

4 (11) to determine whether a particular well or  
5 pool is a gas or oil well or a gas or oil pool, as the case may  
6 be, and from time to time to classify and reclassify wells and  
7 pools accordingly;

8 (12) to determine the limits of any pool  
9 producing crude petroleum oil or natural gas or both and from  
10 time to time redetermine the limits;

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

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

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

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1 (16) to determine the limits of any area  
2 containing commercial potash deposits and from time to time  
3 redetermine the limits;

4 (17) to regulate and, where necessary,  
5 prohibit drilling or producing operations for oil or gas within  
6 any area containing commercial deposits of potash where the  
7 operations would have the effect unduly to reduce the total  
8 quantity of the commercial deposits of potash that may  
9 reasonably be recovered in commercial quantities or where the  
10 operations would interfere unduly with the orderly commercial  
11 development of the potash deposits;

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

20 (19) to make well price category  
21 determinations pursuant to the provisions of the federal  
22 Natural Gas Policy Act of 1978 or any successor act and, by  
23 regulation, to adopt fees for such determinations, which fees  
24 shall not exceed twenty-five dollars (\$25.00) per filing. Such  
25 fees shall be credited to the account of the oil conservation

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1 division by the state treasurer and may be expended as  
2 authorized by the legislature;

3 (20) to regulate the construction and  
4 operation of oil treating plants and to require the posting of  
5 bonds for the reclamation of treating plant sites after  
6 cessation of operations;

7 (21) to regulate the disposition of  
8 nondomestic wastes resulting from the exploration, development,  
9 production or storage of crude oil or natural gas to protect  
10 public health and the environment; ~~and~~

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

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

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

24 "70-13-1. SHORT TITLE.--~~[Sections 1 through 5 of this~~  
25 ~~act]~~ Chapter 70, Article 13 NMSA 1978 may be cited as the

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1 "Produced Water Act"."

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

4 "70-13-6. [NEW MATERIAL] FEES--REGULATION AND  
5 REPORTING.--

6 A. Until January 1, 2036, there is imposed on the  
7 working interest owners of an oil or gas well in New Mexico a  
8 fee of five cents (\$.05) per barrel of produced water from the  
9 oil or gas well, as reported to the taxation and revenue  
10 department by the oil conservation division of the energy,  
11 minerals and natural resources department, regardless of the  
12 ultimate destination of that produced water, except for  
13 produced water that is:

- 14 (1) used for enhanced or secondary oil;  
15 (2) recycled or reused at a well or facility  
16 that is permitted by the oil conservation division of the  
17 energy, minerals and natural resources department; or  
18 (3) for a use regulated by the water quality  
19 control commission pursuant to the Water Quality Act and for  
20 which a permit from the department of environment is required.

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

25 C. The owner or operator of an oil or gas well

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1 shall report the monthly production volume of produced water on  
2 or before the fifteenth day of the second month following the  
3 month of the production in the electronic form and manner  
4 required by the oil conservation division of the energy,  
5 minerals and natural resources department. An owner or  
6 operator may apply to the oil conservation division for an  
7 exemption from the electronic filing requirement based upon a  
8 demonstration that such requirement would be an economic or  
9 other hardship. Within sixty days of receiving this report,  
10 the oil conservation division shall report the volume of  
11 produced water from oil and gas wells to the taxation and  
12 revenue department.

13 D. The produced water fee shall be paid to the  
14 taxation and revenue department within sixty days of the  
15 monthly volume report required pursuant to Subsection C of this  
16 section, and the department shall promulgate rules to provide  
17 for the required manner and form of collection of the produced  
18 water fee.

19 E. All money received from the fees imposed  
20 pursuant to Subsection A of this section shall be delivered to  
21 the state treasurer and deposited in the strategic water supply  
22 program fund.

23 F. The oil conservation division of the energy,  
24 minerals and natural resources department shall promulgate  
25 rules for mandatory reporting and accounting of produced water

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underscoring material = new  
[bracketed material] = delete

1 from an oil or gas well."

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

4 "72-12-26. NOTICE OF DRILLING--DEPTH AND LOCATION.--Any  
5 person proposing to drill wells or recomplete existing wells to  
6 appropriate waters referred to in Section [~~1 of this act~~]  
7 72-12-25 NMSA 1978 shall file a notice of intention to drill or  
8 recomplete with the office of the state engineer in such form  
9 as the state engineer shall prescribe and shall publish a  
10 notice, in a newspaper of general circulation in the county in  
11 which the proposed wells will be located once a week for three  
12 consecutive weeks, stating the location and the proposed depth  
13 of such wells, the purpose for which the water shall be used  
14 and an estimate of the volume of water to be used. [~~Said~~] The  
15 wells shall not be drilled or recompleted prior to [~~10~~] ten  
16 days after the last publication of [~~such~~] the notice and until  
17 the state engineer has determined that the use of water stated  
18 in the notice will not impair existing water rights, be  
19 contrary to the conservation of water within the state or be  
20 detrimental to the public welfare of the state."

21 SECTION 12. APPROPRIATIONS.--

22 A. Seventy-five million dollars (\$75,000,000) is  
23 appropriated from the general fund to the strategic water  
24 supply program fund for expenditure in fiscal year 2026 and  
25 subsequent fiscal years for the purposes of the fund. Any

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underscoring material = new  
[bracketed material] = delete

1 unexpended or unencumbered balance remaining at the end of a  
2 fiscal year shall not revert to the general fund.

3 B. Twenty-eight million seven hundred fifty  
4 thousand dollars (\$28,750,000) is appropriated from the general  
5 fund to the board of regents of the New Mexico institute of  
6 mining and technology for expenditure in fiscal years 2026  
7 through 2028 for aquifer monitoring and improved ground water  
8 characterization. Any unexpended or unencumbered balance  
9 remaining at the end of fiscal year 2028 shall revert to the  
10 general fund.

11 C. Four million dollars (\$4,000,000) is  
12 appropriated from the general fund to the board of regents of  
13 New Mexico state university for expenditure in fiscal years  
14 2026 through 2028 for innovation, research, monitoring, support  
15 and development of technology associated with potential  
16 projects for a strategic water supply program grant or  
17 contract. Any unexpended or unencumbered balance remaining at  
18 the end of fiscal year 2028 shall revert to the general fund.