

HOUSE ENERGY, ENVIRONMENT AND NATURAL RESOURCES  
COMMITTEE SUBSTITUTE FOR  
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 AND THE OFFICE OF THE STATE ENGINEER  
TO ENTER INTO CONTRACTS AND AWARD GRANTS FOR PROJECTS INVOLVING  
BRACKISH WATER THAT REDUCE THE STATE'S RELIANCE ON FRESH WATER  
RESOURCES; CREATING THE STRATEGIC WATER SUPPLY PROGRAM FUND;  
PROVIDING REQUIREMENTS BEFORE A PERSON DRILLS WELLS OR  
RECOMPLETES EXISTING WELLS TO APPROPRIATE WATERS; MAKING  
APPROPRIATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--Sections 1  
through 4 of this act may be cited as the "Strategic Water  
Supply Act".

SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the  
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1 Strategic Water Supply Act:

2 A. "brackish water" means water that is sourced  
3 from an underground stream, channel, artesian basin, reservoir  
4 or lake, having reasonably ascertainable boundaries, that  
5 contains not less than one thousand parts per million of  
6 dissolved solids and is not produced water;

7 B. "produced water" means a fluid that is an  
8 incidental byproduct from drilling for or the production of oil  
9 and gas;

10 C. "public entity" means a county, municipality,  
11 political subdivision, state agency or state institution of  
12 higher education; and

13 D. "treated brackish water" means brackish water  
14 that has undergone a process to remove or eliminate  
15 contaminants to meet applicable standards for water quality  
16 established pursuant to the Water Quality Act by the water  
17 quality control commission.

18 SECTION 3. [NEW MATERIAL] STRATEGIC WATER SUPPLY  
19 PROGRAM.--

20 A. The "strategic water supply program" is created.  
21 Subject to the availability of funds and a project that meets  
22 all eligibility requirements, the department of environment and  
23 the office of the state engineer may each enter into contracts  
24 or award grants for eligible projects involving treated  
25 brackish water for the purposes of reducing the state's

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1 reliance on fresh water resources.

2 B. A contract entered into pursuant to this section  
3 shall be in accordance with the Procurement Code, except that  
4 the contract duration shall not exceed twenty years in length,  
5 including extensions and renewals.

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

8 (1) comply with all applicable state, federal,  
9 tribal and local governmental standards, permit requirements  
10 and other provisions of law to protect existing water rights,  
11 conservation of water within the state, public welfare, public  
12 health and the environment;

13 (2) furnish financial assurance, other than  
14 third party guarantees, to the department of environment in  
15 accordance with rules promulgated by the water quality control  
16 commission, running to the benefit of the state and with any  
17 forfeitures deposited in the state treasury in the strategic  
18 water supply program fund;

19 (3) clearly demonstrate how the project will  
20 advance state, tribal or local government economic development  
21 goals in accordance with the purposes of reducing the state's  
22 reliance on fresh water resources; and

23 (4) submit a specific, actionable and  
24 measurable community benefits plan that includes a process for  
25 community engagement and is designed to provide broadly shared

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1 benefits to members of the public who are or may be impacted by  
2 the strategic water supply program contract.

3 D. To be eligible for a strategic water supply  
4 program grant, the grant recipient shall be a public entity or  
5 federally recognized Indian nation, tribe or pueblo and the  
6 grant project shall:

7 (1) be approved by the state engineer as  
8 advancing the exploration, production or treatment of brackish  
9 water in New Mexico;

10 (2) comply with applicable state, federal,  
11 tribal and local governmental standards and permit requirements  
12 and other provisions of law to protect existing water rights,  
13 conservation of water within the state, public welfare, public  
14 health and the environment; and

15 (3) clearly demonstrate how the project will  
16 advance state, tribal or local government economic development  
17 goals in accordance with the purposes of reducing the state's  
18 reliance on fresh water resources.

19 E. The agency awarding a strategic water supply  
20 contract shall publish the community benefits plan to the  
21 agency's website.

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

25 (1) do so in accordance with the State-Tribal

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1 Collaboration Act, where applicable; and

2 (2) consult with the secretary of economic  
3 development.

4 G. The department of environment or the office of  
5 the state engineer shall notify the state investment council  
6 about new strategic water supply program contracts or grants  
7 and any opportunities for public input associated with the  
8 strategic water supply program within two business days of the  
9 date the agency publishes the new grant, contract or public  
10 input opportunity to the general public.

11 H. When evaluating contract or grant proposals for  
12 compliance with Subsection C or D of this section, the agency  
13 shall evaluate how the projects in the proposal will limit  
14 greenhouse gas emissions.

15 SECTION 4. [NEW MATERIAL] STRATEGIC WATER SUPPLY PROGRAM  
16 FUND.--

17 A. The "strategic water supply program fund" is  
18 created as a nonreverting fund in the state treasury and shall  
19 be administered by the department of environment. The fund  
20 consists of distributions, appropriations, gifts, grants,  
21 donations, income from investment of the fund and fees  
22 collected pursuant to Section 70-13-6 NMSA 1978.

23 B. Money in the fund is appropriated to the  
24 department of environment and the office of the state engineer  
25 for the purpose of administering the strategic water supply

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1 program pursuant to Section 3 of the Strategic Water Supply  
2 Act.

3 C. Expenditures from the fund shall be to the  
4 department of environment or the office of the state engineer  
5 by warrant of the secretary of finance and administration  
6 pursuant to vouchers signed by both the secretary of  
7 environment or the secretary's authorized representative and  
8 the state engineer or the state engineer's authorized  
9 representative.

10 SECTION 5. Section 72-12-26 NMSA 1978 (being Laws 1967,  
11 Chapter 86, Section 2) is amended to read:

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

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1 in the notice will not impair existing water rights, be  
 2 contrary to the conservation of water within the state or be  
 3 detrimental to the public welfare of the state."

4 **SECTION 6. APPROPRIATIONS.--**

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

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

19 C. Four million dollars (\$4,000,000) is  
 20 appropriated from the general fund to the board of regents of  
 21 New Mexico state university for expenditure in fiscal years  
 22 2026 through 2028 for innovation, research, monitoring, support  
 23 and development of technology associated with potential  
 24 projects for a strategic water supply program contract or  
 25 grant. Any unexpended or unencumbered balance remaining at the

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1 end of fiscal year 2028 shall revert to the general fund.

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