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## FISCAL IMPACT REPORT

SPONSOR McQueen/Ortez LAST UPDATED \_\_\_\_\_  
ORIGINAL DATE 02/10/2025  
BILL  
SHORT TITLE Oil & Gas Well Transfer Rulemaking NUMBER House Bill 257  
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	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal		Recurring	General Fund
Total						

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 258 and House Bill 259.

### Sources of Information

LFC Files

#### Agency Analysis Received From

New Mexico Attorney General (NMAG)

Energy, Minerals and Natural Resources Department (EMNRD)

## SUMMARY

### Synopsis of House Bill 257

House Bill 257 (HB257) proposes to amend Section 70-2-12 NMSA of the Oil and Gas Act (Chapter 70 Article 2 NMSA 1978) to allow the Oil Conservation Division (OCD) to consider operator compliance and other risk factors, including financial assurance, when evaluating applications for oil and gas well transfers. OCD could limit transfers when the transferor and transferee are financially entangled via ownership interests, or subject to a current violation, enforcement action, or out of compliance with natural gas capture or reporting requirements.

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

Neither the New Mexico Attorney General (NMAG) nor Energy, Minerals and Natural Resources Department (EMNRD) notes any fiscal impact. However, OCD may have new administrative responsibilities if the bill is enacted, which could have at least a minimal fiscal impact.

## **SIGNIFICANT ISSUES**

HB257 would mitigate risks to the state from potential abandoned or orphaned oil and gas wells by placing restrictions on transfers to operators with a history of misconduct or lack of capacity to bear the costs of plugging inactive wells. OCD reports it currently has little authority to scrutinize transfers of wells between the large operators that drill, complete, and operate wells at their most productive and smaller operators that buy those wells later in the well lifespan when average production is at much lower volumes. Frequently, these smaller operators are less capable of providing adequate financial assurance and have fewer resources for regulatory compliance. In many cases, these well transfers result in the state assuming liability for plugging orphaned wells and mitigating adverse environmental impacts.

OCD states, if enacted, HB257's provisions may prevent the transfer of hundreds or thousands of wells to operators that are unlikely or incapable of adequately plugging the wells at the end of their useful life. The agency also reports considering factors that suggest a high liability to the state when approving a well transfer will allow the division to resolve liability issues before they become critical enough that taxpayer funds are implicated.

Expected outcomes include reduced cost to the state for enforcement and plugging wells. OCD asserts that affected wells will be plugged much earlier, reducing venting of natural gas or other environmental impacts caused by open well bores.

## **ADMINISTRATIVE IMPLICATIONS**

HB257 will require EMNRD to promulgate rules. OCD reports it is already participating in related rulemaking. Passage of HB257 would require modifications to the current petition but likely not require a separate rulemaking.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB257 relates to House Bill 258, which amends the Oil and Gas Act to include the state methane rule regarding natural gas capture requirements, and House Bill 259, which increases penalties for violations of the 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 adding limitations on transfer of oil and gas wells to mitigate risk to the state.

KG/hj/hg/sgs