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FISCAL IMPACT REPORT

SPONSOR Leavell ORIGINAL DATE 2/02/18 HB _____
LAST UPDATED _____
SHORT TITLE Carlsbad Brine Well Remediation Fund SB 201
ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	\$35,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 263

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

Senate Bill 201 appropriates \$35 million from the general fund to the Carlsbad brine well remediation fund for the purpose of remediation of the Carlsbad brine well. Any unexpended balance remaining at the end of fiscal year 21 will revert to the general fund.

FISCAL IMPLICATIONS

The appropriation of \$35 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY21 shall revert to the general fund.

SIGNIFICANT ISSUES

According to EMNRD:

The “Carlsbad brine well” refers to an underground cavern located in the southern portion of the City of Carlsbad that was created by the historic operation of a brine well. A “brine well” is a

solution mining operation where fresh water is injected into salt formations to produce saturated brine which is extracted for use in oil and gas drilling operations. Brine wells result in underground caverns, with the stability of the caverns depending on their depth, width, and the strength of the overlying formations. Following the collapse of two brine wells in 2008, OCD examined the causes of the collapses and identified the Carlsbad brine well as having similar features to the wells that collapsed.

Unlike the brine wells that collapsed, the Carlsbad brine well is located in a developed urban area and the nearby infrastructure and facilities that could be impacted by a collapse include a mobile home park, a place of worship, a feed store, two highways (US 285 and US 180/62), a BNSF Railway facility, and Carlsbad Irrigation District's Southern Main canal. Both highways are designated Waste Isolation Pilot Plant (WIPP) transportation routes. A collapse of the brine well will also adversely impact groundwater, surface habitat, and a vital aquifer.

The Carlsbad Brine Well Remediation Fund (Fund) was established by the Legislature in 2017. NMSA 1978, §75-11-2. The Fund is administered by EMNRD and is to be used by the EMNRD Oil Conservation Division (OCD) "to remediate the Carlsbad brine well". The Legislature also established the Carlsbad Brine Well Remediation Advisory Authority (Advisory Authority) to advise the OCD on the remediation of the brine well. NMSA 1978, §75-11-1(B).

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB263 duplicates SB201

TECHNICAL ISSUES

The Carlsbad brine well remediation fund is administered by EMNRD and is subject to Legislative appropriation. EMNRD would need additional budget adjustment authority to spend monies appropriated to the Carlsbad brine well remediation fund.

CJ/sb/jle