

LFC Requester:

Austin Davidson

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/5/2025

Check all that apply:

Bill Number: HB 259

Original Correction
Amendment Substitute

Sponsor: Reps. Matthew McQueen & Kristina Ortez.

Agency Name and Code Number: 305 – New Mexico Department of Justice

Person Writing

Short Title: Oil & Gas Act Violation Penalties

Analysis: Esther Jamison

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/**Relates to:** HB 259 may relate to SB 9, which increases the civil penalties for violation of the Pipeline Safety Act to conform to federal guidelines.

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

This analysis is neither a formal Opinion nor an Advisory Letter issued by the New Mexico Department of Justice. This is a staff analysis in response to a committee or legislator's request. The analysis does not represent any official policy or legal position of the NM Department of Justice.

BILL SUMMARY

Synopsis: HB 259 would amend the Oil and Gas Act, N.M.S.A. §§ 70-1-1 to 70-13-5 (“OGA”), to increase civil penalties for violations of the OGA, and increase fees for permit applications and other administrative actions that would also be adjusted for inflation starting January 1, 2027.

Section 1: amends § 70-2-31 to increase the maximum civil penalty for violations of the OGA from \$2,500 per day per violation to \$10,000. For violations “present[ing] a risk either to the health or safety of the public or of causing significant environmental harm” or “continu[ing] beyond the time specified in the notice of violation or order,” HB 259 increases the penalty from \$10,000 per day per violation to \$25,000. It also sets a maximum penalty of \$3,650,000, unless higher penalties are court-ordered. Section 1 also breaks down § 70-2-31(B) into numbered subparts.

Section 2:

Subsection (A) increases the application fees payable to the Oil and Conservation Division (OCD) for:

- (1) Permits to drill, deepen, plug back, or reenter wells (from \$500 to \$1,500);
- (2) Applications for administrative approval for actions such as, for example, changing operators, modifying a surface waste management facility, creating a new pool, and moving produced water (from \$150 to \$450);
- (3) Fluid injection well permits (from \$500 to \$1,500);
- (4) (Fees for subsection (4) are unchanged);
- (5) Administrative hearings or rehearings before OCD or the Oil Conservation Commission (from \$500 to \$1,500); and
- (6) Continuances of such hearings (from \$150 to \$450).

Subsection (B) is a new subsection that provides that, effective January 1, 2027, OCD “may adjust for inflation the fees” provided in subsection A, and specifies the method for doing so using the consumer price index for September 2025 and the year prior to the inflation calculation. Subsection B also provides that the fees will not be less than those set out in Subsection A and that the fees will be posted on the OCD’s website.

Subsection (D) amends how money in the “oil conservation division systems and hearings fund” may be spent—in addition to projects already described in Subsection (D), the amendments would allow money in that fund to also be spent on “online data reporting and visualization systems” and “equipment upgrades necessary to support the efficient and transparent implementation and enforcement of the [OGA], including hiring necessary information technology personnel.”

Subsection (E) gives a definition of “consumer price index” applicable to Section 2.

FISCAL IMPLICATIONS

None noted.

SIGNIFICANT ISSUES

None noted.

PERFORMANCE IMPLICATIONS

N/A

ADMINISTRATIVE IMPLICATIONS

N/A

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 259 may relate to SB 9, which increases the civil penalties for violations of the Pipeline Safety Act (part of the OGA) to conform to federal statutes and regulations.

TECHNICAL ISSUES

The definition of “consumer price index” was unclear.

Consider using a definition already present in other parts of New Mexico Statutes, *e.g.*, N.M.S.A. § 7-2-18.34 (“‘[C]onsumer price index’ means the consumer price index for all urban consumers published by the United States department of labor for the month ending September 30.”); N.M.S.A. § 7-2-14 (same); N.M.S.A. § 7-36-21.3 (same); N.M.S.A. § 22-11-31 (“‘[C]onsumer price index’ means the average of the monthly consumer price indexes for a calendar year for the entire United States for all items as published by the United States department of labor.”).

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

AMENDMENTS