

**LFC Requester:** \_\_\_\_\_

**AGENCY BILL ANALYSIS**

**SECTION I: GENERAL INFORMATION**

*Check all that apply:*  
**Original**     X  **Amendment**    \_\_\_\_\_  
**Correction**    \_\_\_\_\_ **Substitute**    \_\_\_\_\_  
                          \_\_\_\_\_

**Date**  2/5/2025   
**Bill No:**  HB259   
                          \_\_\_\_\_

**Sponsor:**     Rep. Matthew McQueen   
                           Rep. Kristina Ortez   
**Short Title:**     Oil & Gas Act Violation   
                           Penalties

**Agency Name and Code**     EMNRD 521   
**Number:** \_\_\_\_\_  
**Person Writing**     Samantha Kao   
**Phone:** \_\_\_\_\_ **Email**  Samantha.kao@emnrd.nm.gov

**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		
2,731.2	3,641.6	3641.6	Recurring	Oil Conservation Division Systems and Hearings fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

**Duplicates/Conflicts with/Companion to/Relates to:**

**Duplicates/Relates to Appropriation in the General Appropriation Act:**

**SECTION III: NARRATIVE**

**BILL SUMMARY**

HB 259 proposes to make changes to the Oil and Gas Act (NMSA 70-2-1 *et seq*) that are intended to modernize and update the Act and allow the Energy, Minerals and Natural Resources Department (EMNRD)'s Oil Conservation Division (OCD) to keep pace with the growth of oil and gas development in New Mexico. The proposal amends NMSA 70-2-31 (Penalties) and NMSA 70-2-39 (Fees).

The changes to penalties increase the standard daily penalty cap from \$2,500 to \$10,000 and the high risk/noncompliance daily cap from \$10,000 to \$25,000. It also changes the \$200,000 cap to \$3,650,000 on administrative penalties.

The changes to the fees increase all the fees that OCD is authorized to collect for different applications except for commercial surface waste management facilities. All the fees are proposed to be tripled from current statutory amounts. The section authorizes OCD to increase the fees administratively based on Consumer Price Index (CPI) increases. Finally, the section authorizes OCD to use money in the Oil Conservation Division Systems and Hearings Fund (where the fees are directed) to support the efficient and transparent implementation and enforcement of the Oil and Gas Act, including hiring necessary IT personnel.

**FISCAL IMPLICATIONS**

The projectable fiscal impact of this legislation on EMNRD is primarily the increased revenues to the Oil Conservation Division Systems and Hearings Fund. The fee increases will generate approximately \$3,641,600 in additional revenue to the Oil Conservation Division Systems and Hearings Fund per year.

**SIGNIFICANT ISSUES**

The proposed changes to the penalty provisions are designed to make OCD's enforcement authority more nimble and responsive to the realities of the oil and gas development landscape. Given that most Notices of Violation are resolved in settlement, the existing daily and overall caps on penalties tend to result in enhanced bureaucratic workload for OCD to justify proposed penalty amounts, rather than limiting the penalties that non-compliant operators incur. The proposed changes to the penalties provision will serve to reduce that administrative burden on staff and increase the deterrent effect of the Oil and Gas Act's penalty provision.

**PERFORMANCE IMPLICATIONS**

OCD will likely see improved performance of its enforcement and regulatory duties under the reforms.

## **ADMINISTRATIVE IMPLICATIONS**

This bill will require EMNRD to promulgate rules and update civil penalty policy documents.

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

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If not enacted there will be no changes to the Oil and Gas Act. OCD will continue to lack some of the authority needed to keep pace with a quickly evolving oil and gas industry in New Mexico. OCD will also continue to lack the resources to properly administer, monitor, and enforce existing laws and regulations in periods of increased production and activity

## **AMENDMENTS**