

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

**AGENCY BILL ANALYSIS**

**SECTION I: GENERAL INFORMATION**

*Check all that apply:*

Original  Amendment \_\_\_\_\_  
 Correction \_\_\_\_\_ Substitute \_\_\_\_\_  
 \_\_\_\_\_

Date 2/13/2025  
 Bill No: HB 361  
 \_\_\_\_\_

**Sponsor:** Rep. Andrea Romero      **Agency Name and Code** EMNRD 521  
**Short Title:** EMNRD Conversion of Certain Wells      **Number:** \_\_\_\_\_  
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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 Expenditure Decreases)

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

	FY25	FY26	FY27	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**

HB361 provides a pathway for repurposing depleted oil and gas wells under Chapter 71 NMSA for alternative beneficial uses, such as energy storage or geothermal energy development. Once these uses are no longer viable, the well will be plugged in the same manner as an oil and gas well.

#### **FISCAL IMPLICATIONS**

The state is likely to see positive fiscal impacts from the beneficial use of these wells both in the form of increased economic activity and the potential benefits they may have in grid modernization and the clean energy transition. However, it is difficult to quantify these impacts at this time, as the technology is still emerging in New Mexico.

#### **SIGNIFICANT ISSUES**

EMNRD will likely need to initiate rulemaking through both the Energy Conservation & Management Division and the Oil Conservation Division to define how the transition of oil wells between the two divisions will occur when a well is being repurposed for geothermal purposes. EMNRD believes this rulemaking will primarily address logistical concerns, as the resulting well types are already regulated by both agencies.

This bill has the potential to address some of the infrastructure development, storage, and reliability concerns that may accompany the large-scale electrification that is currently being planned for the Permian Basin. The oil and gas industry in the Permian presents a potentially enormous consumer of electricity. Utilizing inactive (or soon to be inactive wells) for energy storage thus solves two problems at once by presenting a storage solution that is co-located with demand.

#### **PERFORMANCE IMPLICATIONS**

#### **ADMINISTRATIVE IMPLICATIONS**

In addition to the possible joint rulemaking mentioned above determining the conversion of oil and gas or other types of wells to geothermal uses, EMNRD (likely through the Oil Conservation Commission) would need to develop rules to establish safeguards for the conversion of oil and gas wells for mechanical energy storage purposes.

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

#### **TECHNICAL ISSUES**

#### **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

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

Existing depleted oil and gas wells would not be able to be used for an additional beneficial purpose in the state.

## **AMENDMENTS**