

LFC Requester: _____

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

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

Date Prepared: 2/12/2025 *Check all that apply:*
Bill Number: HB0361 Original Correction
Amendment Substitute

Sponsor: Andrea Romero **Agency Name and Code Number:** New Mexico Institute of Mining and Technology 962
Person Writing fsdfs Analysis: The VPAF Office
Short Title: ENMRD Conversion of Certain Wells **Phone:** 575-835-5606 **Email:** VPAF@nmt.edu

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	More information is needed to evaluate	More information is needed to evaluate	More information is needed to evaluate			

(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

Synopsis:

Relating to natural resources; providing that the energy, minerals and natural resources department may authorize the conversion of an oil or gas well into a facility that provides energy stage or develops geothermal energy.

FISCAL IMPLICATIONS

Certain statements in the bill are unclear. Preventing projections from being calculated accurately or consistently. More clarification or information is needed for an accurate fiscal estimate.

SIGNIFICANT ISSUES

This is similar in conversion of wells to disposal purposes. The primary issue is mineral holders and mineral leases. Wells must be abandoned if they are not producing. The conversion must be sure to address mineral issues and absolve the operator of the mineral extraction well of future liability which should be born by the new geothermal operator.

The bill does not include a discussion of how produced geothermal water, which has been in contact with petroleum fluids in a repurposed oil well, is treated once it arrives at the surface. The rules in Chapter 71 MSA 1978 Article 9 (71-9-6) that describe the handling of geothermal waters do not specifically cover geothermal waters produced from an oil well. With some rewording, rule 7 could be modified to cover treatment of produced water.

In addition, the source of the water needed to run an energy storage system is not discussed. The section of Chapter 71 MSA 1978 about impairment of water rights (71-9-10) should be considered.

The bill authors should clarify how sections 71-9-6 and 71-9-10 of Chapter 71 MSA 1978 Article 9 apply to repurposed oil wells.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

Transfer of the well to a geothermal project may require transfer from OCD to another division within EMNRD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

Most of the geothermal potential in NM is in the Rio Grande rift which runs north-south through the center of the state, and in the SW part of the state, well away from regions that are producing oil and gas. Produced water from oil and gas wells in New Mexico is not very high temperature, on average, so the Bill may have limited utility.

- 1) Permian basin – Produced water temperature typically less than 150F
- 2) San Juan basin – Produced water temperature typically less than 150. The deepest parts of the basin are higher, but also not under production.
- 3) Raton basin – Also typically less than 150F

The most likely path for conversion would be to deepen the well, which could give cost savings over drilling a new well.

OTHER SUBSTANTIVE ISSUES

None for NMIMT.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS