

LFC Requester:	Austin Davidson
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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: 2/20/2025 *Check all that apply:*
Bill Number: HB 457 Original Correction
 Amendment Substitute

Rep. Meredith A. Dixon
 Sen. William E. Sharer
 Rep. Jack Chatfield
 Rep. Nathan P. Small
 Sen. Steve D. Lanier

Agency Name and Code Number: 430 – Public Regulation Commission

Sponsor: _____

Person Writing: Ed Rilkoff

Short Title: GEOLOGIC CARBON DIOXIDE SEQUESTRATION ACT

Phone: (505)490-2696 **Email:** jerri.mares@prc.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		

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

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

HB 457 creates a legal framework for the underground sequestration of carbon dioxide in New Mexico. The bill regulates the injection and storage of CO₂ in geologic formations, defines property rights related to sequestration, and establishes a permitting and fee structure for operators.

Key Provisions:

Regulatory Authority & Jurisdiction

- The Oil Conservation Division (OCD) of the Energy, Minerals, and Natural Resources Department (EMNRD) is given authority over geologic carbon dioxide sequestration.
- The OCD is tasked with rulemaking and enforcement of sequestration operations.
- The bill applies to sequestration facilities that commence CO₂ injection after the effective date of the Act, but existing facilities may seek unitization under its provisions.

Unitization of Sequestration Facilities

- Unitization is the process of combining multiple land or mineral rights holders into a single, legally recognized unit.
- Operators shall obtain rights from landowners before forming a sequestration unit, which includes the geologic formations designated for CO₂ storage.
- The unitization process allows an operator to combine multiple properties for sequestration if at least 85% of landowners agree.
- The bill provides a detailed application process requiring geological, operational, and compensation details.

Landowner Rights and Compensation

- Operators must compensate landowners based on acreage and injected CO₂ volume.
- The bill does not supersede existing mineral or disposal rights and provides for compensation for surface use.

Environmental & Safety Regulations

- Sequestration units must not contaminate fresh water, oil and gas reserves, or other minerals.
- Operators must monitor carbon migration.
- The OCD may enforce compliance measures.

Establishment of Fees & Hearings Fund

- Operators must pay annual regulatory fees and application fees to fund oversight activities.
- The bill creates the Oil Conservation Division Systems and Hearings Fund to support the regulatory framework.

Ownership of Injected Carbon Dioxide:

- CO₂ injected into a sequestration unit, is the property of the operator.
- Mineral rights holders have the ability to drill through sequestration units for the purposes of drilling to deeper depths provided it does not allow CO₂ to escape.

Exemptions & Restrictions:

- Operators are not considered to be public utilities subject to the Public Utility Act.
- The bill does not apply to enhanced oil recovery (EOR) operations using CO₂ injection.
- The bill does not grant eminent domain beyond the unitization process.
- The bill clarifies that pore space (the underground voids used for CO₂ storage) is generally owned by the surface owner, unless severed.

FISCAL IMPLICATIONS

The bill has no direct impact on the PRC since the program is administered by the Oil Conservation Division of EMNRD.

SIGNIFICANT ISSUES

Carbon dioxide sequestration projects may appear in utility Integrated Resource Plans and other utility applications to assist utilities in meeting Energy Transition Act goals and would be subject to the Public Utility Act (PUA) and associated regulatory requirements.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates closely to HB458 CARBON DIOXIDE STORAGE STEWARDSHIP ACT.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS

None.