

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: 2/21/2025

Check all that apply:

Bill Number: HB 481

Original x Correction
Amendment Substitute

Sponsor: Rep. Mathew McQueen

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

Short Title: COSTS OF PLUGGING & ABANDONMENT OF WELLS

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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:
 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 481 would enact a new section of the oil and gas act entitled Plugging and Abandonment of Wells – Responsibility.

Section 1 of the bill would require that current and past owners and operators of oil and gas wells and other oil and gas facilities would be responsible for reimbursing the OCD for costs related to plugging and abandonment, removal, remediation, and restoration of impacted areas. Section 1 would further provide that owners and operators, and other responsible parties may contractually allocate responsibility among themselves, provided that any contract or other agreement shall not bind OCD or require OCD to seek recovery from any particular responsible party or among parties in any particular order.

Section 2 of the bill would make the section applicable to owners, operators and lessees with an interest or control in an oil or gas well, facility, pit or installation beginning on or after July 1, 2025.

FISCAL IMPLICATIONS

N/A

SIGNIFICANT ISSUES

It is not clear on the face of the bill at what point in time the OCD could step in and incur costs to perform plugging, remediation, and restoration, for which the owner or operator would then be responsible. In other words, when does the owner or operator’s duty and opportunity to perform such work under 19.15.25.1 – 15 NMAC end? To the extent the existing regulations do not clearly answer this question, it may be desirable to authorize the OCC to promulgate rules under this new section of the Act.

PERFORMANCE IMPLICATIONS

NA

ADMINISTRATIVE IMPLICATIONS

NA

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 257 authorizes OCD to regulate the transfer of wells where the transferee lacks sufficient capacity to manage liabilities (which would include plugging costs) for the wells at issue.

HB 403 and SB 519 require certain expenditures from the Oil and Gas Reclamation Fund be spent on plugging and remediation of abandoned wells.

SB 178 provides that fees from the produced water fee shall be deposited in the Oil and Gas Reclamation Fund.

TECHNICAL ISSUES

In the first sentence of Subsection 1 (A) reading: “An owner, operator or lessee with a current interest or control and an owner, operator or lessee with a prior interest ...”, question whether the second “an” should be “each,” to read “An owner, operator or lessee with a current interest or control and EACH owner, operator or lessee with a prior interest ...”. This would clarify that all former owners and operators are potentially responsible.

OTHER SUBSTANTIVE ISSUES

None noted

ALTERNATIVES

NA

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

AMENDMENTS

NA