

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

**AGENCY BILL ANALYSIS**

**SECTION I: GENERAL INFORMATION**

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

**Date**  2/25/2025   
**Bill No:**  HB481   
                          \_\_\_\_\_

**Sponsor:**  Rep. Matthew McQueen   
**Short Title:**  Costs of Plugging and Abandonment of Welks

**Agency Name and Code**             EMNRD 521   
**Number:** \_\_\_\_\_  
**Person Writing**             Jesse Tremaine   
**Phone:** \_\_\_\_\_ **Email**  Jessek.tremaine@emn

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
0	0		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
	➤ \$16,000	➤ \$16,000	Recurring	Oil and Gas Reclamation 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>	0	0	0	0		

(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**

HB481 proposes to clearly establish joint and several liability for persons with current or past control or benefit from oil and gas development under the Oil and Gas Act (NMSA 70-2-1 *et seq*) for costs incurred by the Energy, Minerals and Natural Resources Department (EMNRD) Oil Conservation Division (OCD) in the plugging, remediation, and reclamation of abandoned wells and associated production facilities. HB481 will increase the efficiency and effect of enforcement and indemnification activities which OCD is already performing.

HB481 proposes to address the substantial risk to the State presented by the predominant pattern of sale and transfer of less productive wells from operators with a greater ability to appropriately plug and abandon wells to operators with limited or no ability to appropriately plug and abandon wells. HB481 would complement OCD's regulatory efforts to hold current registered operators accountable for their projectable plugging liabilities by attaching that liability to the operators that benefitted the most from development and production of wells and associated production facilities.

**FISCAL IMPLICATIONS**

Currently, OCD uses \$16M from the Reclamation Fund for plugging abandoned wells. HB481 proposes to allow continuation of common industry practices including indemnification or specific allocation of responsibility between parties in purchase and sale agreements. However, by establishing joint and several liability, HB481 will establish a much more efficient pathway for OCD to seek indemnification for plugging expenses and is projected to substantially increase the overall likelihood and total value of recovered funds. This increased recovery and decreased likelihood of civil litigation directly involving OCD will increase the funds available in the Oil and Gas Reclamation Fund and allow OCD to proactively address more abandoned wells and necessary environmental remediation more quickly. HB481 is not projected to impact the General Fund and is expected to reduce the administrative and legal expenses associated with OCD's enforcement program.

**SIGNIFICANT ISSUES**

**PERFORMANCE IMPLICATIONS**

OCD will likely see improved recovery and a greater ability to perform necessary plugging and remediation activities.

**ADMINISTRATIVE IMPLICATIONS**

HB481 will not require OCD to promulgate rules. Further, HB481 will clarify and simplify causes of action for indemnification which may already be available.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES  
ALTERNATIVES**

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

If HB481 is not enacted, OCD will have to seek indemnification of plugging expenses through more complicated causes of action involving substantial investigation and litigation. Recovery will be both less likely and of less value.

**AMENDMENTS**