LFC Requester:

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

Chec	k all that apply:			Date	1/29/25
Original	X Amendment			Bill No :	SB 178
Correction	Substitute				
			Agency Name and Code	EMNRD 52	1
Sponsor:	Sen. Harold Pope		Number:		
Short	Produced Water & Ab	andoned	Person Writing	Brandon	n Powell
Title:	Wells Fund		Phone:	Email	Brandon.powell@emnrd.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropr	iation	Recurring	Fund Affected	
FY25	FY26	or Nonrecurring		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

	Recurring	Fund		
FY25	FY26	FY27	or Nonrecurring	Affected
	85,000	85,000	Recurring	Plugging and Remediating Abandoned Wells Fund (proposed)

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	210	210	210	630	recurring	GF

Duplicates/Conflicts with/Companion to/Relates to:

Reclamation Fund NMSA 70-2-37

Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

BILL SUMMARY

Section 1 creates a new fund called the "plugging and remediating abandoned wells fund" This fund will receive monies through a tax rate of \$0.05 per barrel levied on produced water in the state that is not reused or used for a beneficial purpose. The Oil Conservation Division (OCD) will be tasked with rule making and determining the volumes to be taxed and the Taxation and Revenue Department shall administer and enforce collection of the fee. The changes also modify uses that can be allowed by the Department of Environment on where produced water can and cannot be used.

Section 2 is the Short Title

Section 3 amends the duties and powers of the water quality control commission to limit the discharge or reuse of produced water.

Section 4 amends the Tax Administration Act to include collection of the produced water fee.

FISCAL IMPLICATIONS

This tax is estimated to generate between 85-90 million based on 2023 produced water reports given to the OCD. This estimation is based on the below totals with the "total water not reused" as the taxable volume.

	Total water produced	Total Injected for EOR	Total used for completions	Total water not reused
2023	2,331,664,569	411,310,177	221,146,078	1,699,208,314

OCD projects that administration of the fund will require 2 additional FTE.

SIGNIFICANT ISSUES

The new fund duplicates the purpose and applications of the Reclamation Fund established in NMSA 70-2-37 and does so without allowing the OCD to utilize any balances to defray the costs of administration.

PERFORMANCE IMPLICATIONS

The OCD would need to integrate the new fund in how the plugging operations are already performed if there are differences between the new fund and the current existing fund.

ADMINISTRATIVE IMPLICATIONS

This bill would require rule making and ITO development for implementation. It would also create a need to validate how the fund will be effectively utilized.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill directly conflicts with HB 137, the Strategic Water Supply bill, by establishing a nearly identical fee on produced water to the one proposed in that bill but redirected to a separate fund.

TECHNICAL ISSUES

See Significant issues section

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The new plugging fund would not be created.

AMENDMENTS