

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

HOUSE BILL

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO THE OIL AND GAS RECLAMATION FUND; INCREASING THE AMOUNT OF THE TAX IMPOSED PURSUANT TO THE OIL AND GAS CONSERVATION TAX ACT DISTRIBUTED TO THE FUND; AMENDING HOW MONEY IN THE FUND CAN BE USED; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-1-6.21 NMSA 1978 (being Laws 1985, Chapter 65, Section 7, as amended) is amended to read:

"7-1-6.21. DISTRIBUTION TO OIL AND GAS RECLAMATION FUND.--~~[A. With respect to any period for which the rate of the tax imposed by Section 7-30-4 NMSA 1978 is nineteen-hundredths percent, a distribution pursuant to Section 7-1-6.20 NMSA 1978 shall be made to the oil and gas reclamation fund in an amount equal to two-nineteenths of the net receipts attributable to the tax imposed under the Oil and Gas~~

.232553.3

underscored material = new
~~[bracketed material] = delete~~

underscored material = new
[bracketed material] = delete

1 ~~Conservation Tax Act.~~

2 ~~B. With respect to any period for which the total~~
3 ~~rate of the tax imposed on oil by Section 7-30-4 NMSA 1978 is~~
4 ~~twenty-four hundredths percent]~~ A distribution pursuant to
5 Section 7-1-6.20 NMSA 1978 shall be made to the oil and gas
6 reclamation fund in an amount equal to [~~nineteen and seven-~~
7 ~~tenths percent]~~ the following percentages of the net receipts
8 attributable to the tax imposed under the Oil and Gas
9 Conservation Tax Act:

10 (1) beginning July 1, 2027 and prior to July
11 1, 2028, fifty percent;

12 (2) beginning July 1, 2028 and prior to July
13 1, 2029, seventy-five percent;

14 (3) beginning July 1, 2029 and prior to July
15 1, 2037, one hundred percent; and

16 (4) beginning July 1, 2037, fifty percent."

17 SECTION 2. Section 70-2-37 NMSA 1978 (being Laws 1977,
18 Chapter 237, Section 4, as amended) is amended to read:

19 "70-2-37. OIL AND GAS RECLAMATION FUND CREATED--
20 DISPOSITION OF FUND.--~~[There is created]~~ The "oil and gas
21 reclamation fund" is created as a nonreverting fund in the
22 state treasury. In addition to other sources, money in the
23 fund may consist of distributions, appropriations, gifts,
24 grants and donations. [~~All funds in the oil and gas~~
25 ~~reclamation fund are appropriated to]~~ The energy, minerals and

.232553.3

underscored material = new
[bracketed material] = delete

1 natural resources department shall administer the fund, and
2 money in the fund is appropriated to that department for use by
3 the [oil conservation] division in carrying out the provisions
4 of [the Oil and Gas Act] Section 70-2-38 NMSA 1978; provided
5 that money in the fund may be appropriated upon a two-thirds'
6 majority vote of both houses of the legislature to avoid an
7 unconstitutional deficit in the event that general fund
8 balances, including all authorized revenues and transfers to
9 the general fund and balances in the general fund operating
10 reserve, the appropriation contingency fund, the state-support
11 reserve fund and the tax stabilization reserve, will not meet
12 the level of appropriations authorized for a fiscal year.
13 Expenditures from the fund shall be by warrant of the secretary
14 of finance and administration pursuant to vouchers signed by
15 the secretary of energy, minerals and natural resources or the
16 secretary's authorized representative."

17 SECTION 3. Section 70-2-38 NMSA 1978 (being Laws 1977,
18 Chapter 237, Section 5, as amended) is amended to read:

19 "70-2-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--
20 PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--
21 ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

22 A. ~~[The oil and gas reclamation fund shall be~~
23 ~~administered by the oil conservation division of the energy,~~
24 ~~minerals and natural resources department.]~~ Expenditures from
25 the oil and gas reclamation fund may be used by the director of

.232553.3

underscored material = new
[bracketed material] = delete

1 the division for the purposes of:

2 (1) employing the necessary personnel to
3 survey abandoned wells, well sites and associated production
4 facilities; and

5 (2) preparing plans for administering and
6 performing the plugging of abandoned wells that have not been
7 plugged or that have been improperly plugged and for the
8 restoration and remediation of abandoned well sites and
9 associated production facilities that have not been properly
10 restored and remediated ~~and~~

11 ~~(2) supporting energy education throughout the~~
12 ~~state in an amount not to exceed one hundred fifty thousand~~
13 ~~dollars (\$150,000) annually].~~

14 B. The director of the [~~oil conservation~~] division
15 [~~of the energy, minerals and natural resources department~~], as
16 funds become available in the oil and gas reclamation fund,
17 shall reclaim and properly plug all abandoned wells and shall
18 restore and remediate abandoned well sites and associated
19 production facilities in accordance with the provisions of the
20 Oil and Gas Act and the rules and regulations promulgated
21 pursuant to that act. The division may order wells plugged and
22 well sites and associated production facilities restored and
23 remediated on federal lands on which there are no bonds running
24 to the benefit of the state in the same manner and in
25 accordance with the same procedure as with wells drilled on

.232553.3

underscored material = new
[bracketed material] = delete

1 state and fee land, including using funds from the oil and gas
2 reclamation fund to pay the cost of plugging. When the costs
3 of plugging a well or restoring and remediating well sites and
4 associated production facilities are paid from the oil and gas
5 reclamation fund, the division is authorized to bring a suit
6 against the operator or district court of the county in which
7 the well is located for indemnification for all costs incurred
8 by the division in plugging the well or restoring and
9 remediating the well site and associated production facilities.
10 Any funds collected pursuant to a judgment in a suit for
11 indemnification brought under the Oil and Gas Act shall be
12 deposited in the oil and gas reclamation fund.

13 C. The director of the [~~oil conservation~~] division
14 [~~of the energy, minerals and natural resources department~~]
15 shall make an annual report to the secretary of energy,
16 minerals and natural resources, the governor and the
17 legislature on the use of the oil and gas reclamation fund.

18 D. Contracts for plugging and reclamation [~~and~~
19 ~~energy education~~] pursuant to this section shall be entered
20 into in accordance with the provisions of the Procurement Code.
21 A contractor employed by the [~~oil conservation~~] division [~~of~~
22 ~~the energy, minerals and natural resources department~~] to plug
23 a well or restore or remediate a well site or associated
24 production facility is authorized to sell the equipment and
25 material or product that is removed from the well, site or

.232553.3

underscored material = new
~~[bracketed material]~~ = delete

1 facility and to deduct the proceeds of the sales from the costs
2 of plugging, restoring or remediating.

3 E. As used in this section, "associated production
4 facilities" means those facilities used for, intended to be
5 used for or that have been used for the production, treatment,
6 transportation, storage or disposal of oil, gas, brine, product
7 or waste generated during oil and gas operations or used in the
8 production of oil and gas if that facility is, has been or
9 would have been subject to regulation by the ~~[oil conservation]~~
10 division ~~[of the energy, minerals and natural resources~~
11 ~~department]~~ or the ~~[oil conservation]~~ commission pursuant to
12 the Oil and Gas Act or the Water Quality Act."

13 SECTION 4. EFFECTIVE DATE.--The effective date of the
14 provisions of this act is July 1, 2027.