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FISCAL IMPACT REPORT

SPONSOR Lente/Roybal ORIGINAL DATE 1/30/17
Caballero LAST UPDATED _____ HJM 5

SHORT TITLE Chaco-Area Fracking Lease Moratorium SB _____

ANALYST Armstrong

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY17 | FY18 | FY19 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|------|------|----------------------|------------------------------|------------------|
| Total | | | None | | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

Indian Affairs Department (IAD)

SUMMARY

Synopsis of Joint Memorial

House Joint Memorial 5 (HJM5) requests the United States Bureau of Land Management (BLM) issue a temporary moratorium on all lease sales involving oil and gas drilling and related hydraulic fracturing operations within the greater Chaco area until the amended Resource Management Plan encompassing the greater Chaco area is complete. The joint memorial also requests that BLM include a complete public health and social impact report, including an analysis of transitioning to renewable energy sources and environmental justice issues in the area.

FISCAL IMPLICATIONS

None from this joint memorial. According to EMNRD analysis, reduction in leasing and associated drilling operations on federal and tribal lands within all, or a portion, of the Farmington Resource Management area will result in reduced royalty to the federal government and to the State of New Mexico, which receives approximately 48 percent of oil and gas royalties from wells on federal lands.

SIGNIFICANT ISSUES

BLM is currently using a 2003 Resource Management Plan to guide its leasing operations in this area. The 2003 Resource Management Plan does not account for, or analyze any adverse effects associated with technological advances in horizontal drilling and hydraulic fracturing operations that have occurred since 2003. The amended Resource Management Plan is expected to be finalized in 2018.

EMNRD notes HJM5 does not define “the greater Chaco area” and states it is necessary to define this area to properly analyze the impacts. If the North Road and other archeological features related to Chaco are included the greater Chaco area could exceed 100,000 acres.

The major concern related to this legislation appears to be hydraulic fracturing operations associated with horizontal drilling, most notably in the Mancos/Gallup shale in the greater Chaco area. The Oil Conservation Division (OCD) has jurisdiction over hydraulic fracturing operations on state/fee leases, and the BLM and the Bureau of Indian Affairs (BIA) have jurisdiction on federal and tribal leases.

Within the “greater Chaco area,” there is a combination of federal lands, tribal lands, fee lands, and state trust lands. However, state trust lands and fee lands represent only a small portion of the land type in this area. The BLM, Commissioner of Public Lands, and fee owners are responsible for oil and gas leasing on federal, state, and fee lands, respectively.

BLM has suspended issuing leases within 10 miles of Chaco, but if there are existing leases, operators can move ahead with drilling. Drilling and leasing are both off limits within the bounds of the Park. In January 2017, BLM auctioned drilling rights on four parcels totaling 843 acres in Rio Arriba and Sandoval counties. The agency will not issue the parcels to the winning bidders until several protests filed in connection with the sale are resolved.

JA/jle