

LFC Requester: _____

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 1/28/2026 *Check all that apply:*
Bill Number: H80cs Original Correction
 Amendment Substitute

Rep. Murphy
 Rep. Sariñana
 Rep. Sena Cortez
 Rep. Dixon

Agency Name and Code Number: DFA-341

Sponsor: _____
 OIL & GAS CONSERVATION
 TAX ACT CHANGES

Person Writing Analysis: George Hypolite

Short Title: _____

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28	FY29	FY30		
		(\$46,400)	(\$76,400)	(\$108,500)	R	General Fund
		\$46,400	(\$76,400)	\$108,500	R	Oil and Gas Reclamation Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected

Total						
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(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

The House Energy, Environment, and Natural Resources Committee Substitute for House Bill 80 (HB80) proposes amendments to the Oil and Gas Reclamation Fund and the Oil and Gas Conservation Tax Act in New Mexico. Below is a detailed synopsis of the bill:

- Increase in Tax Distribution to the Oil and Gas Reclamation Fund: HB80 amends § 7-1-6.21, NMSA 1978, to increase the percentage of net receipts from the Oil and Gas Conservation Tax Act distributed to the Oil and Gas Reclamation Fund. The new distribution rates are:
 - 50% from July 1, 2027, to June 30, 2028.
 - 75% from July 1, 2028, to June 30, 2029.
 - 100% from July 1, 2029, to June 30, 2037.
 - 50% beginning July 1, 2037, and thereafter.

- Changes to the Oil and Gas Reclamation Fund: HB80 amends § 70-2-37, NMSA 1978, to make the Oil and Gas Reclamation Fund a non-reverting fund in the state treasury. The fund may consist of distributions, appropriations, gifts, grants, and donations.
 - The Energy, Minerals, and Natural Resources Department will administer the fund, and the money is appropriated to the department for use by the Oil Conservation Division in carrying out provisions of § 70-2-38, NMSA 1978.

- Expanded Use of the Fund: HB80 amends § 70-2-38, NMSA 1978, to allow expenditures from the fund for:
 - Employing personnel to survey abandoned wells, well sites, and associated production facilities.
 - Preparing plans for plugging abandoned wells and restoring/remediating well sites and associated production facilities.
 - Beginning July 1, 2028, supporting statewide education on energy and energy-related emissions, with funding capped at \$250,000 annually.

- Responsibilities of the Oil Conservation Division: The division is tasked with reclaiming and properly plugging abandoned wells and restoring/remediating associated production facilities as funds become available.
 - The division may use the fund to plug wells and restore/remediate sites on federal

lands where no bonds benefit the state.

- The division is authorized to sue operators for indemnification of costs incurred in plugging wells or restoring/remediating sites, with recovered funds deposited back into the reclamation fund.
- Annual Reporting: The director of the Oil Conservation Division must submit an annual report to the Secretary of Energy, Minerals, and Natural Resources, the Governor, and the Legislature detailing the use of the fund.
- Contracting and Sale of Equipment: Contracts for plugging, reclamation, and energy education must comply with the Procurement Code. Contractors hired to perform plugging or restoration/remediation are authorized to sell equipment and materials removed from the sites and deduct proceeds from the costs.
- Effective Date: The provisions of the act will take effect on July 1, 2027.

FISCAL IMPLICATIONS

- HB80, Section 1, increases the share of net receipts under the Oil and Gas Conservation Tax Act allocated to the Oil and Gas Reclamation Fund.
 - The distribution is set at 50% from July 1, 2027, through July 1, 2028; 75% from July 1, 2028, through July 1, 2029; 100% from July 1, 2029, through July 1, 2037; and then returns to 50% beginning July 1, 2037.
 - Based on the phased-in distribution rates and the latest consensus revenue estimates, HB80 is projected to reduce General Fund revenue by \$46.4 million in FY28, \$76.4 million in FY29, and \$108.5 million in FY30, with corresponding increases to the Oil and Gas Reclamation Fund.

SIGNIFICANT ISSUES

While HB80 aims to address critical environmental issues related to oil and gas operations, its implementation may face challenges with funding sustainability, administrative capacity and legal disputes.

- Funding Allocation and Long-Term Sustainability: HB80 increases the percentage of tax revenue allocated to the Oil and Gas Reclamation Fund, reaching 100% from 2029 to 2037, but then reduces it to 50% starting in 2037.
 - This reduction could create long-term funding challenges for the fund, especially if the need for reclamation and remediation remains high after 2037.
- Legal Challenges and Indemnification: HB80 authorizes the Oil Conservation Division to sue operators for indemnification of costs incurred in plugging wells or remediating sites.
 - However, HB80 does not specify whether the fund can be used to cover litigation costs, which can be lengthy and costly. As a result, the Oil Conservation Division

will likely face economic and budgetary challenges in seeking indemnification for plugging wells or remediating sites.

- Additionally, if legal proceedings are successful but companies with indemnification obligations are insolvent, HB80 does not specify how litigation costs will be reimbursed.

PERFORMANCE IMPLICATIONS

N/A.

ADMINISTRATIVE IMPLICATIONS

HB80's administrative implications primarily concern the expanded responsibilities and oversight required for effective management of the Oil and Gas Reclamation Fund.

- Contractor Oversight: Contractors are allowed to sell equipment and materials removed from wells or sites and deduct the proceeds from their costs.
 - This provision does not establish a valuation or tracking measure and will likely create administrative difficulties for the Oil Conservation Division in tracking and accounting for equipment and materials costs removed from wells.
 - This will create administrative challenges in ensuring transparency and accountability in contractor operations, as well as potential disputes over the valuation of sold materials.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A.

TECHNICAL ISSUES

- Lack of Specificity in Reporting Requirements: While HB80 mandates annual reporting on the use of the fund, it does not specify the metrics or details that must be included in the report. This could lead to inconsistent reporting and make it difficult to assess the fund's effectiveness.

OTHER SUBSTANTIVE ISSUES

N/A.

ALTERNATIVES

N/A.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB80 is not enacted, the General Fund will avoid these revenue reductions, but the Oil and Gas Reclamation Fund will miss out on the related increases.

AMENDMENTS

N/A.