

HOUSE ENERGY, ENVIRONMENT AND NATURAL RESOURCES  
COMMITTEE SUBSTITUTE FOR  
HOUSE BILL 80

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

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~~

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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           A. beginning July 1, 2027 and prior to July 1,  
11 2028, fifty percent;

12           B. beginning July 1, 2028 and prior to July 1,  
13 2029, seventy-five percent;

14           C. beginning July 1, 2029 and prior to July 1,  
15 2037, one hundred percent; and

16           D. 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

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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."

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

7 "70-2-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--  
 8 PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--  
 9 ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

10 A. ~~[The oil and gas reclamation fund shall be~~  
 11 ~~administered by the oil conservation division of the energy,~~  
 12 ~~minerals and natural resources department.]~~ Expenditures from  
 13 the oil and gas reclamation fund may be used by the director of  
 14 the division for the purposes of:

15 (1) employing the necessary personnel to  
 16 survey abandoned wells, well sites and associated production  
 17 facilities; ~~[and]~~

18 (2) preparing plans for administering and  
 19 performing the plugging of abandoned wells that have not been  
 20 plugged or that have been improperly plugged and for the  
 21 restoration and remediation of abandoned well sites and  
 22 associated production facilities that have not been properly  
 23 restored and remediated; and

24 ~~[(2) supporting energy education throughout~~  
 25 ~~the state in an amount not to exceed one hundred fifty thousand~~

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1 ~~dollars (\$150,000) annually]~~

2 (3) beginning July 1, 2028, supporting  
3 statewide education on general energy and the sources and  
4 impacts of all energy-related emissions in an amount not to  
5 exceed two hundred fifty thousand dollars (\$250,000) annually.

6 B. The director of the [~~oil conservation~~] division  
7 [~~of the energy, minerals and natural resources department~~], as  
8 funds become available in the oil and gas reclamation fund,  
9 shall reclaim and properly plug all abandoned wells and shall  
10 restore and remediate abandoned well sites and associated  
11 production facilities in accordance with the provisions of the  
12 Oil and Gas Act and the rules and regulations promulgated  
13 pursuant to that act. The division may order wells plugged and  
14 well sites and associated production facilities restored and  
15 remediated on federal lands on which there are no bonds running  
16 to the benefit of the state in the same manner and in  
17 accordance with the same procedure as with wells drilled on  
18 state and fee land, including using funds from the oil and gas  
19 reclamation fund to pay the cost of plugging. When the costs  
20 of plugging a well or restoring and remediating well sites and  
21 associated production facilities are paid from the oil and gas  
22 reclamation fund, the division is authorized to bring a suit  
23 against the operator or district court of the county in which  
24 the well is located for indemnification for all costs incurred  
25 by the division in plugging the well or restoring and

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1 remediating the well site and associated production facilities.  
2 Any funds collected pursuant to a judgment in a suit for  
3 indemnification brought under the Oil and Gas Act shall be  
4 deposited in the oil and gas reclamation fund.

5 C. The director of the [~~oil conservation~~] division  
6 [~~of the energy, minerals and natural resources department~~]  
7 shall make an annual report to the secretary of energy,  
8 minerals and natural resources, the governor and the  
9 legislature on the use of the oil and gas reclamation fund.

10 D. Contracts for plugging and reclamation and  
11 energy education pursuant to this section shall be entered into  
12 in accordance with the provisions of the Procurement Code. A  
13 contractor employed by the [~~oil conservation~~] division [~~of the~~  
14 ~~energy, minerals and natural resources department~~] to plug a  
15 well or restore or remediate a well site or associated  
16 production facility is authorized to sell the equipment and  
17 material or product that is removed from the well, site or  
18 facility and to deduct the proceeds of the sales from the costs  
19 of plugging, restoring or remediating.

20 E. As used in this section, "associated production  
21 facilities" means those facilities used for, intended to be  
22 used for or that have been used for the production, treatment,  
23 transportation, storage or disposal of oil, gas, brine, product  
24 or waste generated during oil and gas operations or used in the  
25 production of oil and gas if that facility is, has been or

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1 would have been subject to regulation by the [~~oil conservation~~]  
2 division [~~of the energy, minerals and natural resources~~  
3 ~~department~~] or the [~~oil conservation~~] commission pursuant to  
4 the Oil and Gas Act or the Water Quality Act."

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

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