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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 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 the following percentages of the net receipts attributable to the tax imposed under the Oil and Gas Conservation Tax Act:

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

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

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

D. beginning July 1, 2037, fifty percent."

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

"70-2-37. OIL AND GAS RECLAMATION FUND CREATED--

1 DISPOSITION OF FUND.--The "oil and gas reclamation fund" is  
2 created as a nonreverting fund in the state treasury. In  
3 addition to other sources, money in the fund may consist of  
4 distributions, appropriations, gifts, grants and donations.  
5 The energy, minerals and natural resources department shall  
6 administer the fund, and money in the fund is appropriated to  
7 that department for use by the division in carrying out the  
8 provisions of Section 70-2-38 NMSA 1978."

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

11 "70-2-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--  
12 PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--  
13 ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

14 A. Expenditures from the oil and gas reclamation  
15 fund may be used by the director of the division for the  
16 purposes of:

17 (1) employing the necessary personnel to  
18 survey abandoned wells, well sites and associated production  
19 facilities;

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

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

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

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

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

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

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

1 Oil and Gas Act or the Water Quality Act."

2 SECTION 4. EFFECTIVE DATE.--The effective date of the  
3 provisions of this act is July 1, 2027. \_\_\_\_\_

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