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## FISCAL IMPACT REPORT

SPONSOR: Whitaker DATE TYPED: 3/19/03 HB 321/aSFC  
 SHORT TITLE: Oil and Gas Reclamation Fund Distribution SB \_\_\_\_\_  
 ANALYST: Neel

### APPROPRIATION

| Appropriation Contained |         | Estimated Additional Impact |      | Recurring or Non-Rec | Fund Affected                        |
|-------------------------|---------|-----------------------------|------|----------------------|--------------------------------------|
| FY03                    | FY04    | FY03                        | FY04 |                      |                                      |
|                         | \$150.0 |                             |      | Recurring            | O&G Reclamation Fund (for Education) |

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

| Estimated Revenue |           | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected        |
|-------------------|-----------|-------------------------|----------------------|----------------------|
| FY03              | FY04      |                         |                      |                      |
|                   | (\$624.0) | (\$495.0)               | Recurring            | General Fund         |
|                   | \$624.0   | \$495.0                 | Recurring            | O&G Reclamation Fund |

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC files

Responses Received From:

Taxation and Revenue Department (TRD)

Energy, Minerals and Natural Resources Department (EMNRD)

### SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment changes the distribution to the Oil and Gas Reclamation Fund from three-nineteenths to two-nineteenths when the Oil and Gas Conservation Tax is nineteen-hundredths percent and from 1/9 to 1/18 when the tax is at eighteen-hundredth percent. The amendment changes the threshold balance of \$1,350.0 to \$1,150.0 in the Oil and Gas Reclamation Fund by which the tax rates shift from nineteen-hundredths percent to eighteen-

hundredths percent. The amendment also deletes \$200.0 for New Mexico Tech's Institute of Mining and Technology Petroleum Recovery Research Center.

Synopsis of Original Bill

House Bill 321 amends the statute on distributions from the Oil and Gas Conservation Tax to the Oil and Gas Reclamation Fund. The bill increases distributions to the Reclamation Fund from one-nineteenth of one percent of the net revenue attributable to the tax (under present law) to three-nineteenths of one percent. HB 321 provides that when the rate of the tax is eighteen-hundredths percent, the distribution to the fund will be one-nineteenth of one percent; the rate of the tax drops from nineteen-hundredths of one percent to eighteen-hundredths of one percent when the unencumbered balance in the Reclamation Fund exceeds the sum of \$1.35 million.

HB 321 provides up to \$150,000 annually to support energy education throughout the state and up to \$200,000 annually to support research related to oil and gas recovery the New Mexico Institute of Mining and Technology, Petroleum Recovery Research Center or similar New Mexico schools or national research facilities located in New Mexico.

Significant Issues

According to EMNRD, the primary goals advanced by the bill are to support research related to recovery of oil and gas, provide funding for energy education, and increase funds distributed to the Reclamation Fund to plug abandoned wells and remediate abandoned well sites and associated production facilities.

With respect to the proposed research funds, oil and natural gas fields in New Mexico are maturing; operators are relying increasingly on technology to ensure that higher percentages of oil and natural gas are extracted and that oil and gas that was previously unrecoverable due to technical difficulties become recoverable. Research funds would support application of technology to maximize recovery of hydrocarbons, with corresponding benefits to state revenue and the state's economy as a whole. The bill would ensure that research presently being undertaken by institutions such as the Petroleum Recovery Research Center continues.

With respect to the education efforts, members of the public who do not reside in the northwest or southeast parts of the state are generally unaware of the state's prominence as an energy producer, and are unaware of the sources of the energy they use, the nonrenewable nature of the resources and the contributions of the energy industry to the state as a whole.

**FISCAL IMPLICATIONS**

EMNRD notes that the Oil and Gas Reclamation Fund has averaged about \$450.0 per year, with significant year-on-year variation. HB 321 will increase distributions to the fund by a factor of three (although the increase in distributions will be partially offset by the increased expenditures for public education and research). Therefore, the fund should see an average increase of \$900,000.

The exact fiscal impact in any given year is a function of oil and gas prices.