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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/18

SPONSOR Brown LAST UPDATED \_\_\_\_\_ HB 121

SHORT TITLE Oil & Gas Fund to Carlsbad Brine Well Fund SB \_\_\_\_\_

ANALYST Jorgensen

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
	(\$2,000.0)	(\$2,000.0)	Recurring	Oil and Gas Reclamation Fund
	\$2,000.0	\$2,000.0	Recurring	Carlsbad Brine Well Remediation Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates SB66, relates to HB123, HB124, HB125, and HB126.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Energy, Minerals and Natural Resources (EMNRD)

### SUMMARY

#### Synopsis of Bill

House Bill 212 appropriates \$2 million from the oil and gas reclamation fund to Carlsbad brine well remediation fund each year until the Secretary of EMNRD certifies to the Secretary of the Department of Finance and Administration that all obligations of the contract to remediate the Carlsbad brine well are fulfilled and remediation is complete.

### FISCAL IMPLICATIONS

In FY17, EMNRD received \$1.86 million from the oil and gas reclamation fund while expenditures from the fund totaled \$6.2 million. EMNRD estimates the fund will become insolvent by FY20. Approximately \$3.4 million is spent annually for employee salaries while \$1

million to \$1.6 million is used for plugging abandoned wells. Enactment of HB121 would further reduce oil reclamation fund balances.

### **SIGNIFICANT ISSUES**

NMED stated that without a general fund appropriation to the OCD to offset the dollars proposed to be distributed to the Carlsbad Brine Well Remediation Fund from the Oil and Gas Reclamation Fund, the OCD will not have sufficient funding to carry out its operations.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB121 is related to HB123, HB124, HB125, and HB126, in that all bills provide appropriations to the Carlsbad remediation fund.

HB121 duplicates SB66.

### **OTHER SUBSTANTIVE ISSUES**

According to EMNRD:

The “Carlsbad brine well” refers to an underground cavern located in the southern portion of the City of Carlsbad that was created by the historic operation of a brine well. A “brine well” is a solution mining operation where fresh water is injected into salt formations to produce saturated brine which is extracted for use in oil and gas drilling operations. Brine wells result in underground caverns, with the stability of the caverns depending on their depth, width, and the strength of the overlying formations. Following the collapse of two brine wells in 2008, OCD examined the causes of the collapses and identified the Carlsbad brine well as having similar features to the wells that collapsed.

Unlike the brine wells that collapsed, the Carlsbad brine well is located in a developed urban area and the nearby infrastructure and facilities that could be impacted by a collapse include a mobile home park, a place of worship, a feed store, two highways (US 285 and US 180/62), a BNSF Railway facility, and Carlsbad Irrigation District’s Southern Main canal. Both highways are designated Waste Isolation Pilot Plant (WIPP) transportation routes. A collapse of the brine well will also adversely impact groundwater, surface habitat, and a vital aquifer.

The Carlsbad Brine Well Remediation Fund (Fund) was established by the Legislature in 2017. NMSA 1978, §75-11-2. The fund is administered by EMNRD and is to be used by the EMNRD Oil Conservation Division (OCD) “to remediate the Carlsbad brine well”. The Legislature also established the Carlsbad Brine Well Remediation Advisory Authority (Advisory Authority) to advise the OCD on the remediation of the brine well. NMSA 1978, §75-11-1(B).

CJ/jle