

HOUSE BILL 403

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

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and Elaine Sena Cortez and Jonathan A. Henry

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.

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 of]~~ the net receipts attributable to the tax
8 imposed under the Oil and Gas Conservation Tax Act."

9 SECTION 2. 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. The oil and gas reclamation fund shall be
15 administered by the oil conservation division of the energy,
16 minerals and natural resources department. Expenditures from
17 the fund [~~may~~] shall be used by the director of the division
18 only for the purposes [~~of~~] provided by Subsection B of this
19 section.

20 B. The greater of forty million dollars
21 (\$40,000,000) or five percent of the average of the year-end
22 market values of the fund for the immediately preceding three
23 calendar years shall be dedicated for:

24 (1) employing the necessary personnel to
25 survey abandoned wells, well sites and associated production

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1 facilities; and

2 (2) preparing plans for administering and
3 performing the plugging of abandoned wells that have not been
4 plugged or that have been improperly plugged and for the
5 restoration and remediation of abandoned well sites and
6 associated production facilities that have not been properly
7 restored and remediated ~~and~~

8 ~~(2) supporting energy education throughout the~~
9 ~~state in an amount not to exceed one hundred fifty thousand~~
10 ~~dollars (\$150,000) annually].~~

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

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1 sites and associated production facilities are paid from the
2 oil and gas reclamation fund, the division is authorized to
3 bring a suit against the operator or district court of the
4 county in which the well is located for indemnification for all
5 costs incurred by the division in plugging the well or
6 restoring and remediating the well site and associated
7 production facilities. Any funds collected pursuant to a
8 judgment in a suit for indemnification brought under the Oil
9 and Gas Act shall be deposited in the oil and gas reclamation
10 fund.

11 ~~[G.]~~ D. The director of the oil conservation
12 division of the energy, minerals and natural resources
13 department shall make an annual report to the secretary of
14 energy, minerals and natural resources, the governor and the
15 legislature on the use of the oil and gas reclamation fund.

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

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[E-] F. As used in this section, "associated production facilities" means those facilities used for, intended to be used for or that have been used for the production, treatment, transportation, storage or disposal of oil, gas, brine, product or waste generated during oil and gas operations or used in the production of oil and gas if that facility is, has been or would have been subject to regulation by the oil conservation division of the energy, minerals and natural resources department or the oil conservation commission pursuant to the Oil and Gas Act or the Water Quality Act."

SECTION 3. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2025.