

NEW MEXICO REPORT

GOVERNMENTAL AFFAIRS, MIKE MILLER

Santa Fe, New Mexico

Largely, our work during Q1 2019 in New Mexico, focused on the 54th Legislative Session. The session began with a great deal of uncertainty after the November 2018 election results, but PBPA worked overtime to advocate for the industry to new members of the Lujan-Grisham Administration and the legislature to bring some clarity during the session, and we continue to do so today.

The good news is the New Mexico Legislature recognized the important role the oil and gas industry plays in the state and the concepts promoted by the most progressive members did not pass this session. This took a tremendous amount of work and we are happy that through this legislative session we built and improved many good relationships with new leadership in the House, Senate and the Administration. Long-time PBPA New Mexico consultant Mike Miller once again opened doors and led conversations few others in New Mexico could. He led our efforts tirelessly and successfully.

For example, Mike was able to secure visits by several members of the Administration, and other elected officials who attended our weekly PBPA New Mexico Legislative Committee meetings. One of those attendees was Energy, Minerals, and Natural Resources Department Secretary Sarah Cottrell Probst, who spoke to us about the Oil Conservation Division's priorities. This initial meeting began a fruitful dialogue which continues to this day. Senate Minority Leader Stuart Ingle also spoke to the PBPA Legislative Committee and provided some foreshadowing about how the Senate might work in comparison to the much more "progressive" House of Representatives during session.

In February, Mike led the members of the PBPA New Mexico Legislative Committee in a meeting with Land Commissioner Stephanie Garcia Richards. You may recall that Commissioner Garcia Richards stated last year on the campaign trail that she would "ban frac'ing on State lands if she could." Due to our efforts and the efforts of others, she has modified her view and no anti-frac'ing legislation was passed this session. At Commissioner Garcia Richards' request, and as part of our continuing relationship, PBPA assisted the Commissioner in getting a Senate amendment to the budget for funding three additional Permian-region inspectors for the Land Office.

Bill Report

For the session, we were tracking 66 pieces of legislation. Many of the bills had to do with water, roads and electricity (RPS and other power issues). All in all the session ended much better than we thought could be the case when early prognostications were made. Here is a look at a few of the major bills we tracked and what their final status ended up being:

Bills PASSED

SB 489 – Energy Transition Act - This bill started as the bill to securitize the closing of the San Juan power plants in the Farmington

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area which it does, but soon became the vehicle for increasing the Renewable Portfolio Standards. 50% by 2030, 80% by 2040 and 100% by 2050. This was a Governor priority bill.

HB 6 - Tax Changes - This bill has things that member companies are interested in, for example combined tax reporting and deductions for foreign source dividends. The Senate amendments removed increases in personal income taxes and capital gains increases. The final version of this bill that came out of conference committee was basically the same bill that the Senate had passed earlier. There were five amendments added:

- Increased working family tax credits;
- Reduced capital gains from 50% to 40%;
- Established new top personal income tax rate of 5.9% contingent on FY 20 general fund recurring revenues;
- Increased motor vehicle excise tax from 3.5% to 4% and the incremental .5% goes to the general fund for two years; thereafter, goes to the road fund;
- Internet sales technical correction; and,
- eCigs/Vaping language change.

HB 546 – Fluid Oil & Gas Waste Act (produced water) – This bill passed the House and was amended in Senate Judiciary to basically add the penalties bill (SB 186) and passed the Senate. The amended bill went to the House for concurrence and was passed with the penalties amendments. The penalties part of the bill, many in industry think, was a win for industry – minor infractions carry a penalty of up to \$2,500 per day and infractions deemed to pose a greater risk will carry fines up to \$10,000 per day with penalties capped at \$200,000 without going to court. The department and others wanted greater penalties and some in industry wanted a lower cap, so this was a good compromise.

SB 553 – Oil Conservation Commission Fees – Imposes fees very similar as those the Railroad Commission imposes in Texas. Secretary Propst, at EMNRD, worked with industry to put the fees in place.

HB 2 – The General Appropriations Act is a \$7 billion budget.

Bills were also passed to address road issues in SE New Mexico. Specifically, for US 285, NM 128 and NM 31. We are still researching to determine in what bills and the actual appropriations.

Bills PBPA Help Defeat

HB 206 – Environmental Review Act “State NEPA” - If passed, this bill would have required environmental assessments before the grant of any permit or action by the State. This bill did not make it out of House Energy and Natural Resources.

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HB 398 & SB 500 – Oil, Gas & Vented Royalties - If passed, this bill would have increased the royalty limits on state leases and required royalty on vented and flared gas. The House version was left in House Commerce & Economic Development; the senate version in Senate Conservation.

HB 590 – Oil & Gas Property Tax Valuations aka “Jerry Wisdom Employment Act” - If passed, this bill could have resulted in increases in property valuations at the local level, provided those properties could be identified, which in many counties could have created a cottage industry for consultants. This bill died in House Taxation & Revenue.

SB 459 – Hydraulic Fracturing Permits and Report - If passed, this bill would have placed a four year moratorium on hydraulic fracturing. This bill did not make it out of Senate Conservation.

HB 286 - Private-Public Partnerships Act – If passed, this bill would have created the framework for private public partnerships. This bill was voted down on the Senate Floor.

Many bills we were tracking ended up being part of other bills or were never heard in committee.

Since the end of the session we have been working with Commissioner Garcia-Richards in her establishing an oil and gas advisory committee. On a side note PBPA was responsible in helping the Commissioner obtain an additional \$335,000 to her budget to hire additional field personnel in SE New Mexico.

PBPA is also working with the Governor’s office to track and report infrastructure needs in SE New Mexico.