



RE: Oppose **HB 259 Oil and Gas Act Violation Penalties**

Mr./Madame Chair and Committee Members:

The New Mexico Business Coalition (NMBC) represents hundreds of businesses and thousands of New Mexicans. We focus on making New Mexico a better place to live and work, with abundant good-paying jobs to provide for our families.

NMBC respectfully opposes HB 259 Oil and Gas Act Violation Penalties for the following reasons:

Economic Impact on Industry and State Revenue: The proposed penalties under HB 259 are nothing short of outrageous with daily fines escalating from 400% to 1000% over current rates. This punitive approach could jeopardize the operational sustainability of companies within an industry that already contributes over 40% to New Mexico's state budget. This could lead to reduced investments, job losses, and a decrease in the state's substantial oil and gas revenue affecting every New Mexican who benefits from these funds through public services and infrastructure.

Disproportionate Penalties: The maximum total fine increase from \$200,000 to \$3,650,000 is not only excessive but could cripple businesses, particularly smaller operators, who would find compliance costs prohibitive. This level of financial punishment is disproportionate and does not correspond with the actual environmental or safety risks posed by most violations.

Fee Increases and Inflation Adjustment: The bill's proposed fee hikes, including drilling permits jumping from \$500 to \$1,500, alongside an automatic inflation adjustment, create an unpredictable financial environment.

Alternative Approaches: We advocate for a more measured approach:

- Strengthening education and compliance assistance rather than punitive measures.
- Encouraging technological and procedural advancements through incentives rather than penalties.
- Recognizing and rewarding companies that go beyond compliance in environmental stewardship.

Conclusion: The percentage increases in penalties proposed by HB 259 are excessively harsh, especially considering the sector's significant contribution to the state's fiscal health. This bill could backfire, reducing state revenue, jobs, and economic stability. We urge the committee to reject these penalties and vote NO on HB 259.

Thank you for considering my comments,

A handwritten signature in blue ink, appearing to read 'Carla J. Sonntag'.

Carla J. Sonntag
President and CEO