



March 9, 2026

The Honorable Michelle Lujan Grisham
Governor of New Mexico

Re: Request for Line-Item Veto – SB 151 Bonus Depreciation and Interest Expense Provisions

Dear Governor Lujan Grisham:

Following our initial correspondence on this matter, and after further discussion with member companies, we wish to continue that conversation by raising the following additional concerns regarding SB 151.

On behalf of the New Mexico Oil & Gas Association, the Permian Basin Petroleum Association, and the Independent Petroleum Association of New Mexico, we write to respectfully request that you exercise your line-item veto authority to strike two provisions in SB 151 that would impose significant and disproportionate tax burdens on upstream oil and gas producers operating in New Mexico: (1) the decoupling from federal bonus depreciation standards, and (2) modifications to the interest expense deduction.

Disallowance of Bonus Depreciation

One of the most troubling aspects of SB 151 is the requirement that companies add back federal bonus depreciation into their state taxable income calculations. This decoupling would defer the deduction of all tangible spend from 100% deductible in the year incurred to recover primarily over eight years under 7-Year MACRS depreciation schedules. In practical terms, businesses—particularly those that invest heavily in capital assets such as upstream oil and gas producers—would no longer be able to claim this deduction in the year costs are incurred, effectively increasing their tax burden and reducing cash flow available for reinvestment.

This change will lead to higher operational costs and reduced profitability for capital-intensive businesses across the state. More broadly, this tax modification risks hindering economic growth, limiting job creation, and undermining the competitive landscape for businesses in New Mexico. States that maintain alignment with federal bonus depreciation offer a more attractive environment for energy investment, and New Mexico should not place itself at a disadvantage by departing from this standard.

Interest Expense Limitation

SB 151 also modifies the interest expense deduction in ways that introduce meaningful risk and uncertainty for exploration and production companies. While current debt structures and projections may not immediately trigger the limitation for many operators, the provision creates significant exposure under foreseeable conditions. Should E&P companies increase their debt



levels to fund operations or growth, or should commodity prices decline substantially, producers could find themselves limited in their ability to deduct interest expenses that are essential to the financial viability of their businesses.

This kind of latent tax risk discourages long-term investment planning and may cause operators to reduce their commitment to New Mexico in favor of states that provide greater tax certainty and stability.

For these reasons, we respectfully request that you exercise your line-item veto authority to strike the bonus depreciation add-back requirement and the interest expense deduction modifications from SB 151. The oil and gas industry is the economic backbone of New Mexico, contributing billions annually to state revenues and supporting tens of thousands of jobs. We urge you to consider the broader implications of these provisions on the business community and the economy, and we welcome the opportunity to discuss these concerns further at your convenience.

Thank you for your consideration.

Sincerely,

Missi Currier
New Mexico Oil & Gas
Association

Ben Sheppard
Permian Basin Petroleum
Association

Jim Winchester
Independent Petroleum
Association of New Mexico