



New Mexico Oil Conservation Division FY 26 Plugging Program Update

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

Ben Shelton
Deputy Secretary

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Energy Minerals & Natural Resources Department (EMNRD) / Oil Conservation Division (OCD) Overview

- **OCD Leadership**
 - **Albert Chang**, Division Director
 - **Brandon Powell**, Deputy Director (Engineering & Environmental)
 - **Gerry Razatos**, Deputy Director (Administration, Hearings & Special Projects)
- **OCD Overview**
 - **What OCD regulates**
 - EMNRD's OCC & OCD are collectively New Mexico's oil and gas regulator.
 - OCD manages downhole and related activities across the state.
 - OCD has exclusive jurisdiction over oil and gas development on state and private lands and concurrent jurisdiction on federal lands.
 - **What OCD doesn't regulate**
 - OCD does not manage the underlying minerals or leasing.
 - OCD does not have jurisdiction on tribal trust or allotted lands or minerals.

OCD Plugging Program Overview

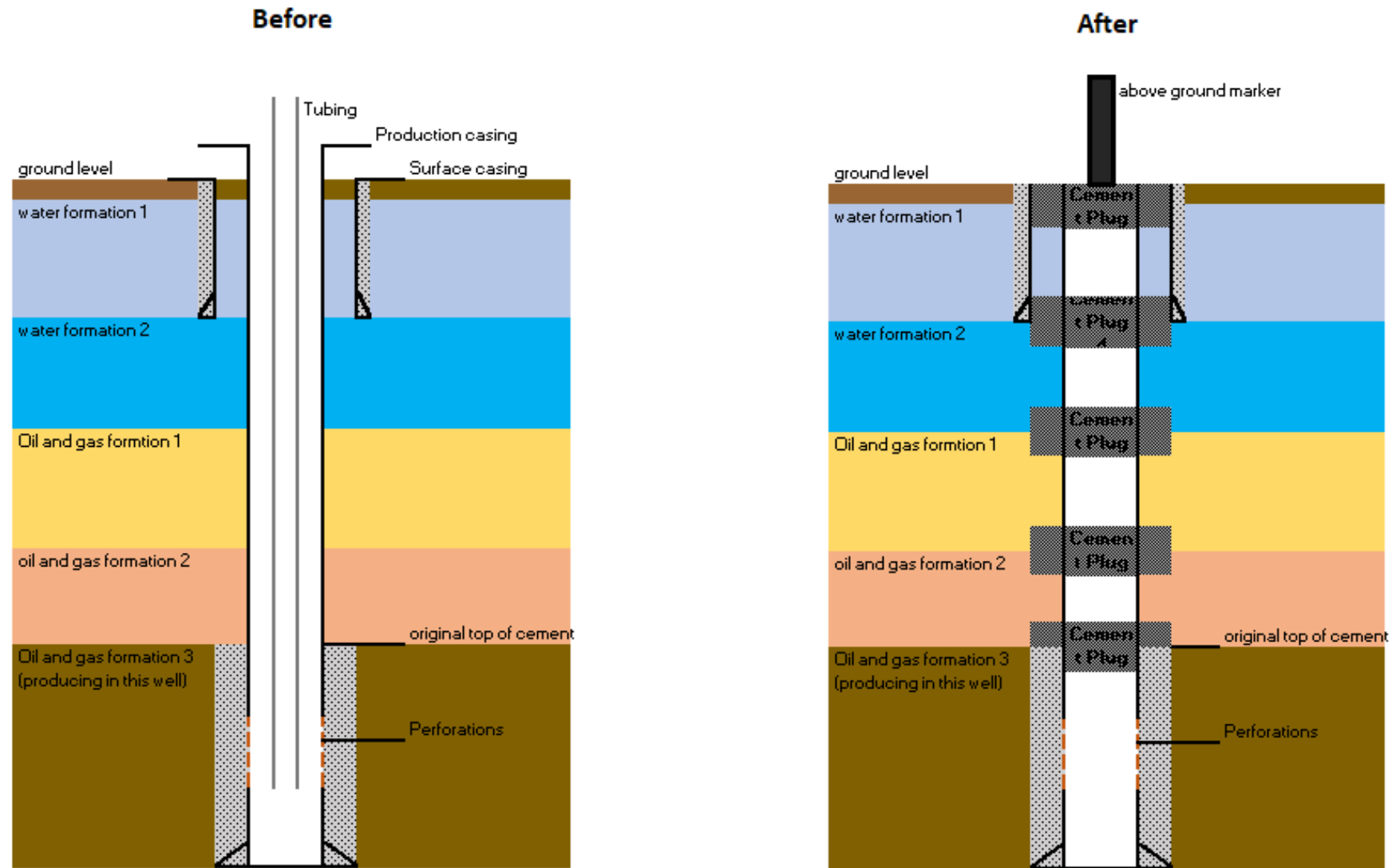
- **What are Orphan Wells?**

Orphan wells are a subset of inactive wells which have no viable operator of record.

- **Why Plug Orphan Wells?**

- Orphan wells are often decades old, and without ongoing maintenance or state intervention to properly plug them, the casing can deteriorate. When that happens, casing failures can lead to three major risks:
 - **Groundwater contamination:** Oil or gas can migrate through failed casing into drinking-water zones, causing permanent contamination of aquifers.
 - **Surface pollution:** Holes or failures in surface equipment can allow oil and produced water to reach the surface, resulting in significant environmental contamination.
 - **Loss of recoverable resources:** Oil and gas can escape through casing failures into geologic zones where they cannot be recovered, wasting valuable minerals.

Well Plugging Example



OCD Plugging Program Overview

- **There are thousands of orphan wells statewide**

Currently OCD has ~1,600 wells with plugging orders that are not plugged and/or remediated.

- ~700 state or private wells currently needing plugging and remediation.
- 682 state or private wells which are plugged but are still waiting on surface cleanup and reclamation.
- Financial liability for currently authorized wells and facilities will cost an estimated ~\$200 million.

- **How does OCD decide which wells to plug?**

- Highest priority are those which threaten human health and the environment, or that have integrity issues.

LFC Policy Spotlight Report: Orphaned Wells

- ~2,000 wells are currently orphaned on state and private land
- OCD is responsible for plugging 1,000 orphaned wells
- Future liability exceeds \$700 million

In FY26 OCD set a record by plugging 114 wells!

- OCD had up to 14 plugging rigs operating simultaneously in FY26. This is also a record number of plugging rigs that OCD has ever had operating simultaneously.
- Prior to 2022 OCD, historically was plugging 25-50 wells per year. This drastically changed with the new Bipartisan Infrastructure Law (BIL) grants.
- These 114 wells were plugged for a total of \$28.4 million using both the State Reclamation Fund as well as Federal Grants.

Examples of Orphan Wells OCD Plugged in FY 26

- OCD Plugged a well that was over 100 years old (Adkins Williams State #2)



Examples of Orphan Wells OCD Plugged in FY 26

The Kimbley #1 well was the most expensive well OCD plugged in FY 26.



Pre plugging, produced water leak



Post plugging, dry hole marker set

Plugging Challenges

Common challenges when plugging orphaned wells include:

- Locating the wells
- Wellsite access
- Downhole plugging issues
- Environmental contamination



*Abandoned
Well
previously
buried
underground*

Emergency Plugging's During FY26

In FY26 OCD responded to eight emergencies requiring immediate well plugging

- Littlefield BO Federal #4, leakage of oil and produced water near the Pecos River
- Oberholtzer #1, leakage of gas and produced water
- HH Harris #2, leakage of oil and produced water
- Justis A Fed #002, leakage of hydrogen sulfide
- Justis B Fed #001, leakage of hydrogen sulfide
- Kimbley #1, leakage of gas and produced water
- Kellahin 14 State #2, leakage of oil, gas and produced water
- Mary Ann Cannon #3, leakage of oil and produced water near the Pecos River

Photos of Emergency Wells



Littlefield BO Federal #4



Mary Ann Cannon #003

OCD Methane Monitoring Program

NM is the 1st state to undertake pre- and post-plug methane emission measurement.
To date OCD has eliminated 1700 tons of methane going into the atmosphere.



Looking Ahead: Growing the Orphan Well Program

New State Price Agreement

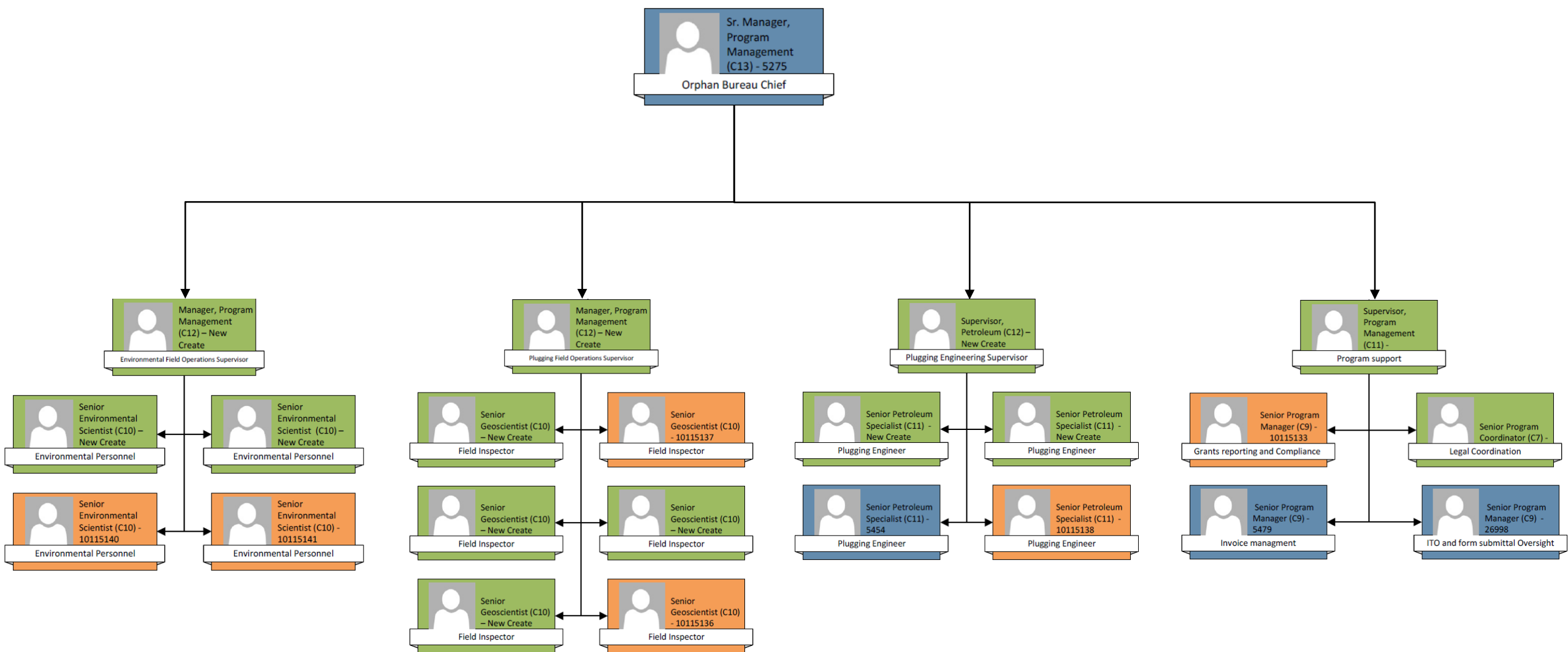
- OCD is currently advertising a new contract to address plugging and remediation.
 - OCD expects this new contract and the interest in it to greatly expand our plugging and remediation capabilities.
 - This will add more skilled contractors to help us continue to scale OCD's plugging and remediation efforts.

HB80 – Oil & Gas Conservation Tax Act Changes

- HB80 significantly increases future available OCD funding to address orphaned wells.
- To implement HB80, OCD is planning on creating an Orphan Well Bureau by consolidating current positions and adding new positions.

OCD is building a robust program that will significantly reduce risks and liabilities from orphaned wells, which directly benefits public health, environment and state finances.

Orphan Well Bureau Org Chart



Summary: OCD has had a record-breaking fiscal year in addressing Orphan Wells, and NM is poised to significantly reduce risks and liabilities from orphaned wells—benefitting public health, the environment, and state finances.

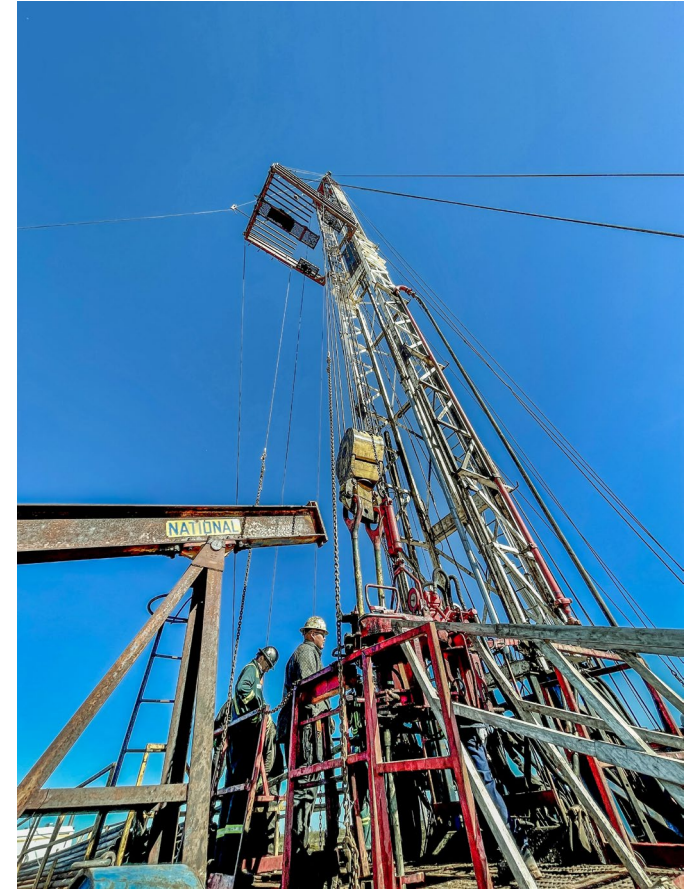
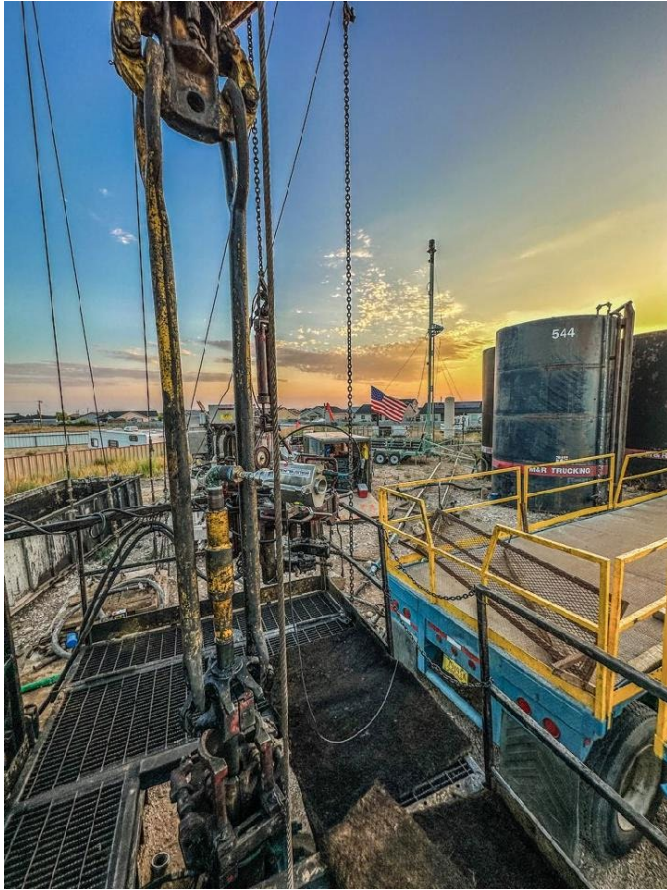
Ben Shelton, Deputy Secretary

Energy, Minerals & Natural Resources Dept.

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OCD Plugging Program

- Using BIL Initial and Performance Grant Funds the OCD has plugged 195 wells at an average cost of \$193,000 per well.



Meyers Federal #007 30-25-33361 Inspection Photos

Crude Oil release



Equipment inventory & size



OCD Environmental Restoration Program

