New Mexico Oil Conservation Division Orphaned Well Plugging Program Update

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT



Albert C.S. Chang
EMNRD OCD Director

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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.

Orphan Well Overview

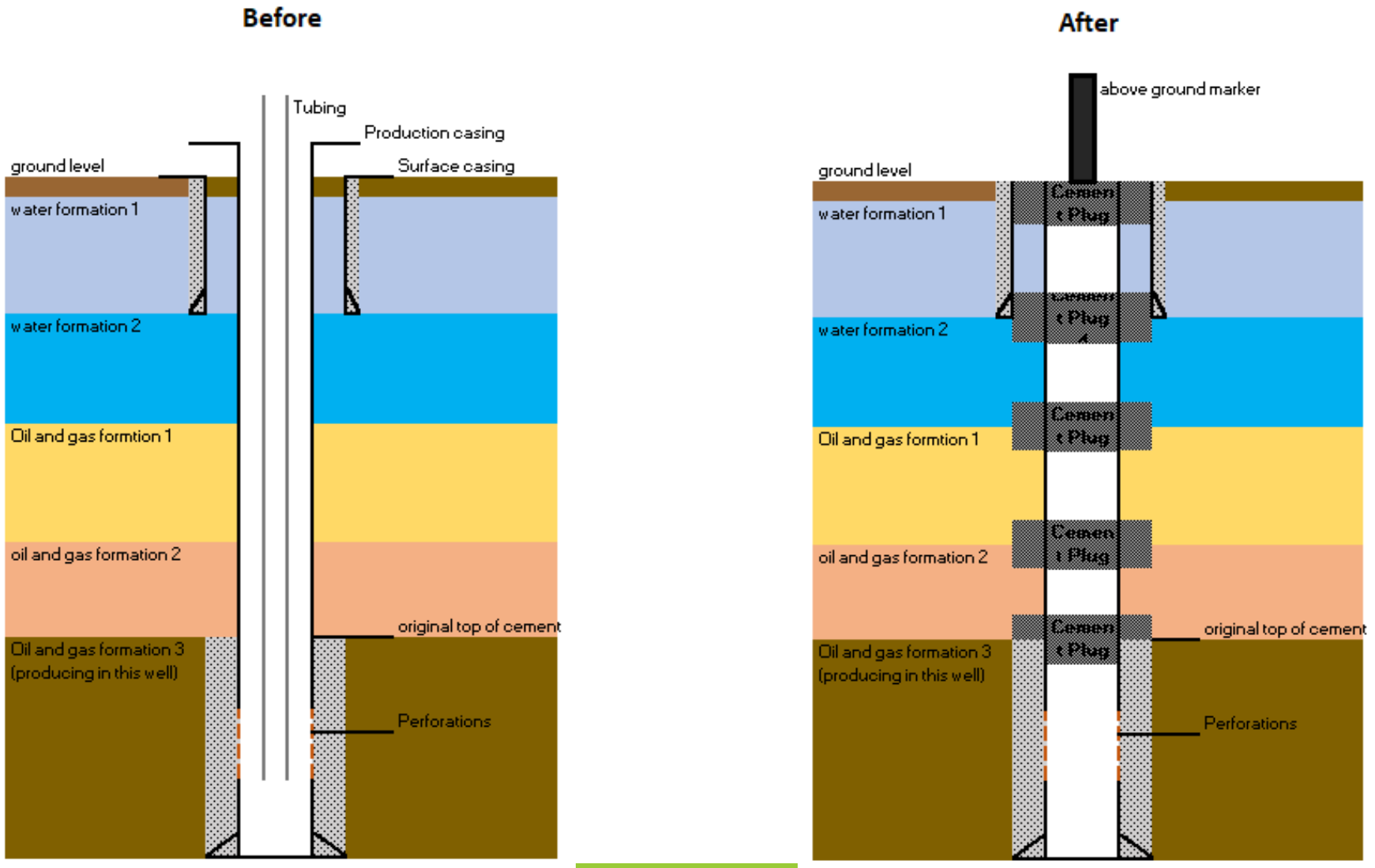
What are Orphan Wells?

- 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 by the Numbers

1,600	700	682	$200 M
Wells that OCD has the authority to plug and remediate	State and Private wells in need of plugging and remediation	State and private wells which are plugged but are still waiting on surface cleanup and reclamation	OCD's financial liability for the 1,600 currently authorized wells and facilities

**Data based on LFC's 2025 Policy Spotlight Report on Orphaned Wells*

How does OCD decide which wells to plug?

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



Above: Emergency Plug and Remediation: Mary Ann Cannon #003

HB 80: Unprecedented Funding to address orphaned wells

HB80 – Oil & Gas Conservation Tax Act Changes

- HB80 significantly increases available OCD funding to address orphaned wells.

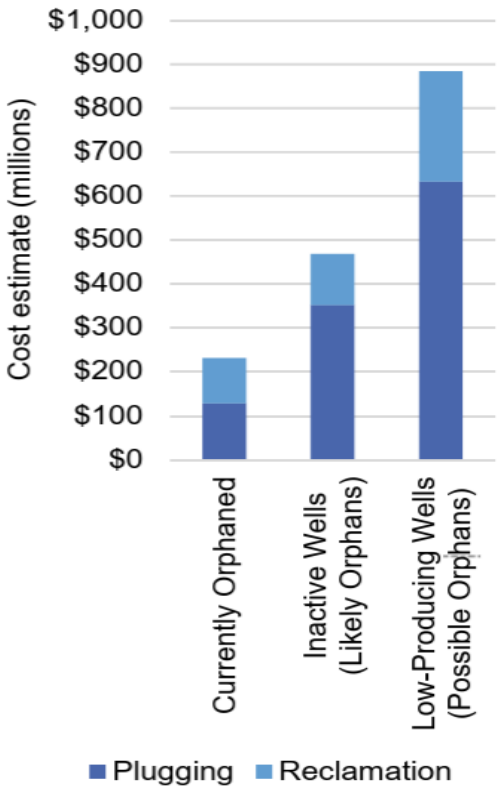
Financial Assurance Rule Changes at OCC

- OCC adopted new financial assurance and well transfer rules to mitigate the number of wells that are orphaned in the future.
- The new rules will complement HB 80 to address existing liabilities while mitigating future risk.

Fiscal year	Rec Fund %	*Estimated* distribution**
FY27	Existing formula	$19.31 million
FY28	50%	~ $53 million
FY29	75%	~ $80 million
FY30 - 37	100%	~ $109 million
FY38 and thereafter	50%	~$53 million

- *When West Texas Intermediate (WTI) is below $70/bbl, the Conservation Tax rate is 0.19%, and the Reclamation Fund receives 10.5% of the tax revenue.*
- *When WTI is above $70/bbl, the Conservation Tax rate is 0.24%, and the Reclamation Fund receives 19.7% of the tax revenue.*

Chart 7. Liability Estimates for Plugging and Reclamation

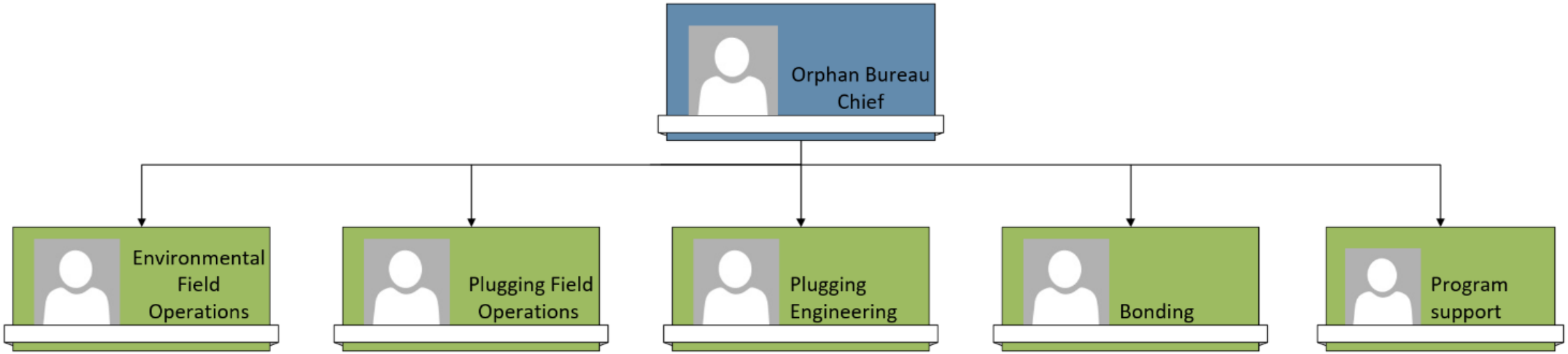


Source: LFC's 2025 Policy Spotlight Report on Orphaned Wells

**Based on LFC's December 2025 General Fund Consensus Revenue Estimate.

Creating a New Orphan Well Bureau

To implement HB80, OCD is creating an **Orphan Well Bureau** by consolidating current positions and adding new positions.



OCD Plugging FY 26 Accomplishments

In FY26 OCD set a record by plugging 114 wells!

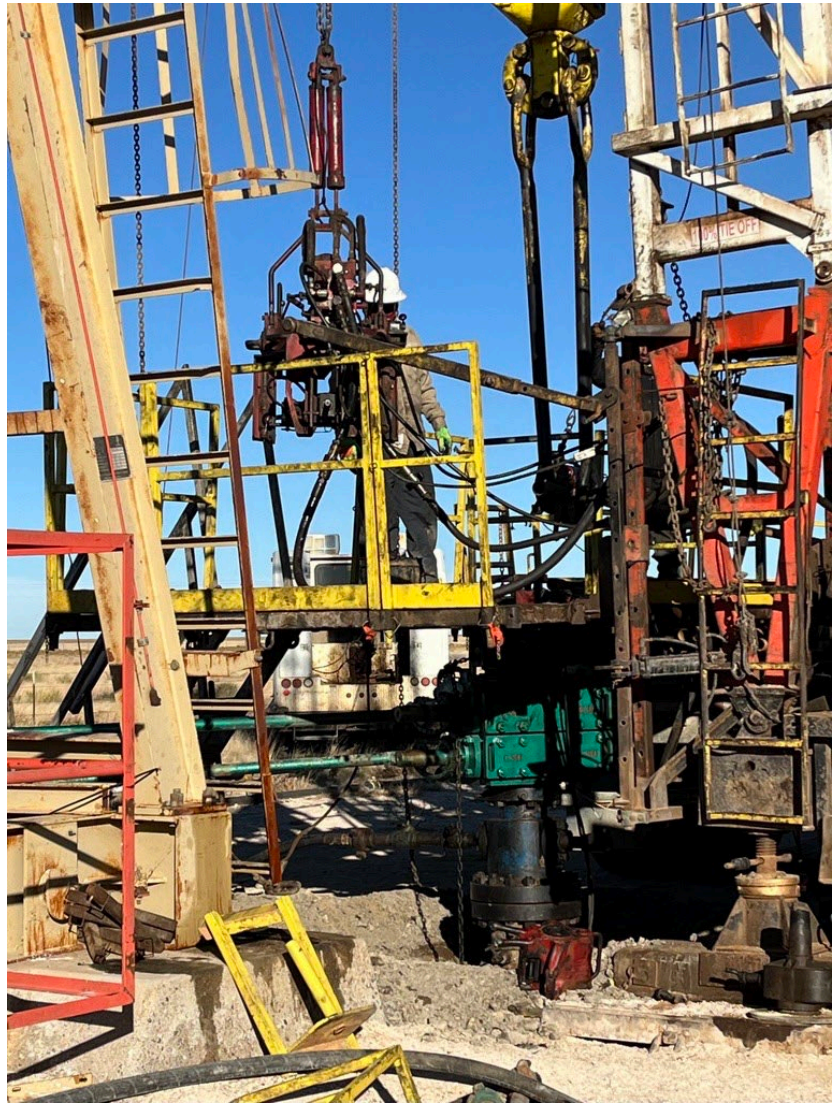
- OCD had up to 14 plugging rigs operating simultaneously in FY26. This is also a record number of plugging rigs that OCD has ever had operating simultaneously.
- Prior to 2022 OCD, historically was plugging 25-50 wells per year.
- These 114 wells were plugged for a total of $28.4 million using both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

OCD Plugging Track Record

With still two more months to go, **Calendar Year 2026 plugging accomplishments have already exceeded OCD's FY26 Record.**

From January 1, 2026, to October 31, 2026, OCD plugged: **122 wells**, which include 64 private mineral wells, 50 state mineral wells, and 8 federal mineral wells

There are **9** active rigs under contract working to plug 30 more orphan wells before the end of this year.



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

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 working on 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.

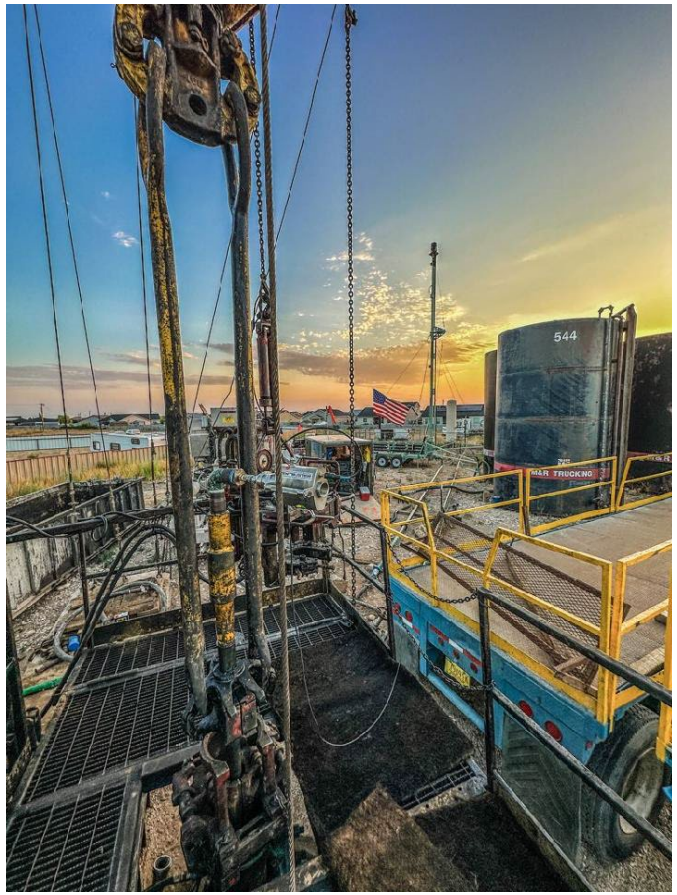
OCD is building a robust program that will significantly reduce risks and liabilities from orphaned wells, which directly benefits public health, environment and state finances.

Summary: OCD has had a record-breaking 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.

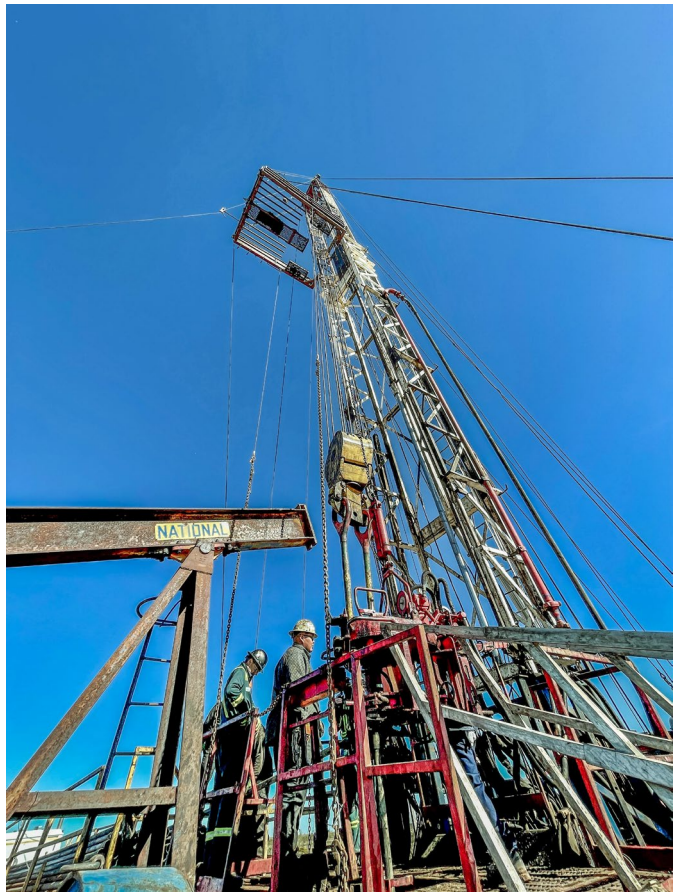
ALBERT C.S. CHANG, Director
Oil Conservation Division
Energy, Minerals & Natural Resources Dept.
albert.chang@emnrd.nm.gov

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





Photos of Emergency Wells



Littlefield BO Federal #4