



# **ORPHAN WELL RULE REFORM: NEW MEXICO LEADING THE NATION**

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Water and Natural Resources Interim Committee

July 13, 2026

**STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION**

**IN THE MATTER OF PROPOSED  
AMENDMENTS TO 19.15.2, 19.15.5,  
19.15.8, 19.15.9, AND 19.15.25 NMAC**

**CASE NO. 24683**

Applicants Western Environmental Law Center (WELC), Citizens Caring for the Future, Conservation Voters New Mexico Education Fund, Diné C.A.R.E., Earthworks, Naeva, New Mexico Interfaith Power and Light, Sierra Club, and WildEarth Guardians, represented by WELC, filed June 24, 2024.

Orphan wells can—

- Emit GHGs and hazardous air pollutants
- Contaminate ground and surface water
- Impact communities, including historically disadvantaged communities



# ORPHAN WELL CRISIS IN NEW MEXICO

## Legislative Finance Committee Policy Spotlight: Orphaned Wells (June 2025):

- New Mexico “faces significant and growing financial liabilities for oil and gas well cleanup.”
- OCD has plugging authority for approximately **700 wells**, the state likely will need to plug **1,400 inactive wells**, and more than **3,000 low producing wells** at risk of being orphaned, totaling **>5,000 wells**.
- The state’s current and near-future liability for plugging and remediation is between **\$700 million to \$1.6 billion**.

# A COMPLEX PROBLEM REQUIRING MULTI-PRONGED POLICY SOLUTIONS

- Increase financial assurance for **high risk wells** to reflect actual cost of plugging to provide the State with sufficient funds to cover the costs of plugging and incentivize operators to timely plug
- Protect against **high-risk well transfers** that have an increased chance of becoming orphaned
- Prevent inactive wells with **no future use** from lingering in inactive status indefinitely, thereby increasing the likelihood of orphaning



## Financial Assurance

- **High risk wells: \$150,000 per well**
  - **Low producing wells** [ $< 1,000$  BOE and  $< 180$  days in 12 months]
  - **Inactive wells** [carveout for wells in TA  $< 2$  years and not low producing or subject to operator level FA prior to going into TA]
- **High risk operators:** operators with more than 20% of their wells in inactive status; \$150,000 for all wells

## High Risk Well Transfers

- OCD has discretion to deny well transfers based on history of non-compliance or operator's financial inability to plug transferred wells

## Inactive Wells

- Operators must show inactive wells have **future beneficial use** or plug
- **Rebuttal presumption of no beneficial use** for wells  $< 90$  BOE in 12 months: demonstrate beneficial use or plug

# HB 80

## **7-1-6.21. Distribution to oil and gas reclamation fund. (Effective July 1, 2027.)**

A distribution pursuant to Section 7-1-6.20 NMSA 1978 shall be made to the oil and gas reclamation fund in an amount equal to the following percentages of the net receipts attributable to the tax imposed under the Oil and Gas Conservation Tax Act:

- A. beginning July 1, 2027 and prior to July 1, 2028, fifty percent;
- B. beginning July 1, 2028 and prior to July 1, 2029, seventy-five percent;
- C. beginning July 1, 2029 and prior to July 1, 2037, one hundred percent; and
- D. beginning July 1, 2037, fifty percent.



Thank you!