



OPEN FOR BUSINESS

Agriculture
Land Stewardship
Renewable Energy
Outdoor Recreation
Oil, Gas, and Minerals
Business Development

New Mexico State Land Office

Tarin Nix, Deputy Commissioner of Public Affairs

Water and Natural Resources Committee

Bonding Requirements and Abandoned Wells



Bonding Requirements and Abandoned Wells

State Land Office: By The Numbers

- 6,776 Active Leases (889 Lessees)
 - 14,060 active oil and gas wells and 17,686 inactive wells on STATE TRUST LAND.
 - 57,401 active oil and gas wells and 64,858 inactive wells STATEWIDE.
- 14,400 Miles Of Pipeline On State Trust Land
- Thousands Of Well Pads, Tank Batteries, and Compressors
- Hundreds of Salt Water Disposal Wells, Acid Gas Injection Wells, and Frac Ponds.

State Land Office Bonds

- 251 Blanket Bonds - \$20,000
- 298 Mega Bonds - \$25,000
- 471 Single Lease Bonds – \$10,000

BONDED FOR ONLY \$17 MILLION!!!



Bonding Requirements and Abandoned Wells

What We Know

- Average cost of plugging ONE oil or gas well is \$28,000.
- OCD estimates there are at least 708 abandoned wells costing nearly \$20 million to plug.
 - OCD only has \$2 million in bonding assurances for ALL wells.
 - With 136,319 active or inactive wells in New Mexico, cost of cleanup exceeds \$3 billion.
 - OCD's \$5.29 million budget cover salaries, operations, and plugging of wells.
- Removal of over 14,000 miles of radio-active laced pipe would cost hundreds of millions.
- Besides bonding of wells through OCD's \$250,000 bond, private land owners are not required to make companies have bonds on oil and gas-related infrastructure on their land.
- The US GAO estimates for companies operating on federal land, 77 percent of existing bonding on those operations is too low to reclaim the lowest scenario (\$46 million), while 95 percent of existing bonds are too low to reclaim the highest scenario (\$333 million).
- State Trust Land accounts for less than 1/3 of all oil and gas-related activity.



Bonding Requirements and Abandoned Wells

House Memorial 29

Sponsored by Chairman McQueen, requested a review of statewide remediation and reclamation bonds and expressed support for establishing sufficient bonding amounts for energy operations.





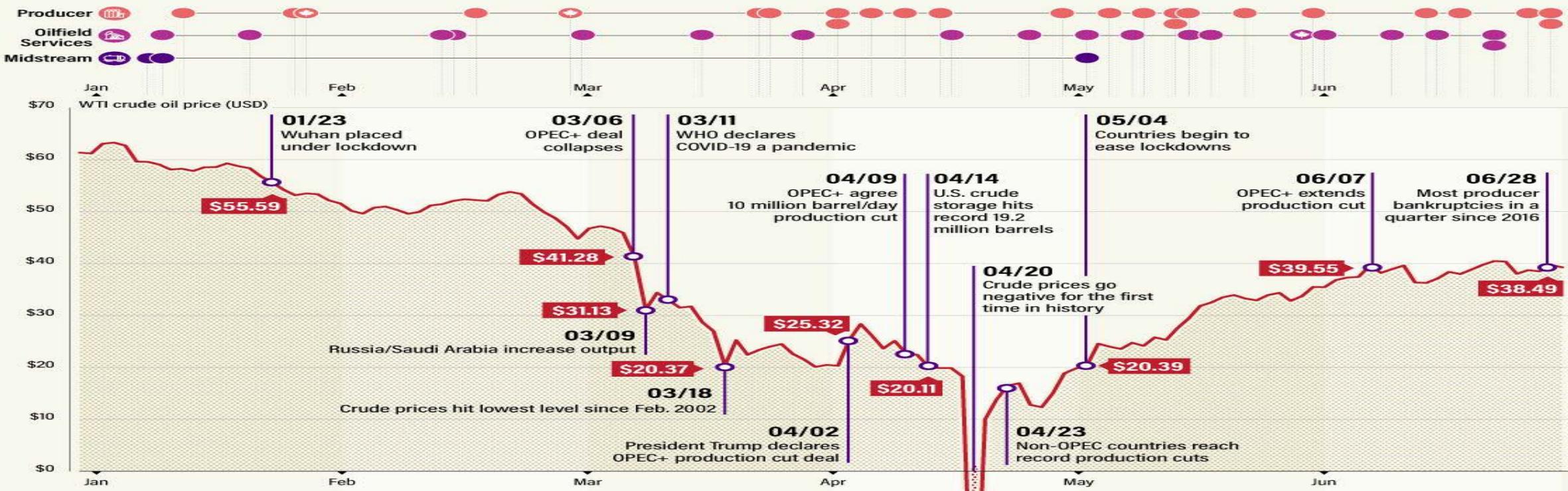
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TRACKING THE GROWING WAVE OF Oil & Gas Bankruptcies in 2020

The energy sector in North America was already in a tough spot heading into 2020. Unfortunately, the new decade only made things worse.

ENERGY BANKRUPTCIES IN NORTH AMERICA BY TYPE January 1 – June 30, 2020

● Located in the U.S. ● Located in Canada





Bonding Requirements and Abandoned Wells





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Bonding Adequacy Study and Working Group

- Study is in progress. Completed by November 2020.
- Working Group Convened
 - Members include: Major and independent producers (Permian and NW), midstream, produced water, and 3 NGO bonding experts
 - Will be completed by Dec 2020.

New State Land Office Bonding Rule

June 2021!





Bonding Requirements and Abandoned Wells

QUESTIONS?

**Follow up can be sent to:
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