New Mexico State Land Office
Tarin Nix, Deputy Commissioner of Public Affairs
Water and Natural Resources Committee
Bonding Requirements and Abandoned Wells
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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!!!
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.
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

Key Events:
- **01/23**: Wuhan placed under lockdown
- **02/25**: OPEC+ deal collapses
- **03/11**: WHO declares COVID-19 a pandemic
- **04/09**: OPEC+ agree to 10 million barrel/day production cut
- **04/14**: U.S. crude storage hits record 19.2 million barrels
- **05/04**: Countries begin to ease lockdowns
- **06/07**: OPEC+ extends production cut
- **06/28**: Most producer bankruptcies in a quarter since 2016

Key Points:
- Crude prices hit lowest level since Feb. 2002
- President Trump declares OPEC+ production cut deal
- Non-OPEC countries reach record production cuts
- Russia/Saudi Arabia increase output
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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!*
QUESTIONs?

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