

Energy, Minerals and Natural Resources Department

- Bonding and Reclamation Fund Changes

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Case Study: Cano Petroleum Co.

- 323 wells abandoned in total
- 155 on state and private land
 - Estimated plugging liability: \$23 million
 - Estimated environmental liability: UNKNOWN
- Cano Petroleum Financial Assurance: \$738,617

New Mexico's Bonding Problem

	Operator	Oil Produced	Gas Produced	Total Bonding Held By OCD	Well Count	Potential Liability if 1% Orphaned (plugging & remediation)	Potential Liability if 5% Orphaned (plugging & remediation)	Bonding Shortfall 1% Scenario	Bonding Shortfall 5% Scenario
1	EOG RESOURCES INC	102,418,941.00	340,887,195.00	\$ 1,250,000.00	3,716	\$ 8,732,600.00	\$ 43,663,000.00	\$ (7,482,600.00)	\$ (42,413,000.00)
2	DEVON ENERGY PRODUCTION COMPANY, LP	63,668,109.00	247,985,827.00	\$ 1,250,000.00	2,233	\$ 5,247,550.00	\$ 26,237,750.00	\$ (3,997,550.00)	\$ (24,987,750.00)
3	MEWBOURNE OIL CO	62,331,185.00	228,544,332.00	\$ 750,000.00	2,240	\$ 5,264,000.00	\$ 26,320,000.00	\$ (4,514,000.00)	\$ (25,570,000.00)
4	XTO PERMIAN OPERATING LLC.	37,662,764.00	191,107,826.00	\$ 1,250,000.00	1,124	\$ 2,641,400.00	\$ 13,207,000.00	\$ (1,391,400.00)	\$ (11,957,000.00)
5	COG OPERATING LLC	33,816,681.00	125,519,896.00	\$ 1,250,000.00	1,569	\$ 3,687,150.00	\$ 18,435,750.00	\$ (2,437,150.00)	\$ (17,185,750.00)
6	OXY USA INC	28,727,481.00	109,110,172.00	\$ 1,250,000.00	2,369	\$ 5,567,150.00	\$ 27,835,750.00	\$ (4,317,150.00)	\$ (26,585,750.00)
7	TAP ROCK OPERATING, LLC	27,322,534.00	101,490,810.00	\$ 400,000.00	550	\$ 1,292,500.00	\$ 6,462,500.00	\$ (892,500.00)	\$ (6,062,500.00)
8	MATADOR PRODUCTION COMPANY	24,199,017.00	102,801,570.00	\$ 1,250,000.00	1,221	\$ 2,869,350.00	\$ 14,346,750.00	\$ (1,619,350.00)	\$ (13,096,750.00)
9	KAISER-FRANCIS OIL CO	22,583,645.00	68,753,208.00	\$ 275,000.00	258	\$ 606,300.00	\$ 3,031,500.00	\$ (331,300.00)	\$ (2,756,500.00)
10	CHEVRON U S A INC	16,852,491.00	80,088,935.00	\$ 1,250,000.00	816	\$ 1,917,600.00	\$ 9,588,000.00	\$ (667,600.00)	\$ (8,338,000.00)
11	XTO ENERGY, INC	13,439,653.00	64,258,025.00	\$ 1,250,000.00	562	\$ 1,320,700.00	\$ 6,603,500.00	\$ (70,700.00)	\$ (5,353,500.00)
12	BTA OIL PRODUCERS, LLC	11,900,843.00	44,608,516.00	\$ 550,000.00	444	\$ 1,043,400.00	\$ 5,217,000.00	\$ (493,400.00)	\$ (4,667,000.00)

Midsized Snapshot

	Oil (bbl)	Gas (MCF)	Well Count	Bonding Held by OCD
Murchison Oil and Gas, LLC	326,652	3,273,368	116	\$136,086.00
PREMIER OIL & GAS INC	90,840	633,389	115	\$196,900.00
Opal Operating Company LLC	45,016	2,590,562	113	\$250,000.00
Petroleum Exploration Company Ltd., Limited P	50,036	303,534	113	\$625,000.00
RIM OPERATING, INC.	16,847	1,548,576	112	\$75,000.00
CAZA OPERATING, LLC	1,351,188	4,505,327	110	\$174,900.00
CHEVRON MIDCONTINENT, L.P.	58,713	237,276	108	\$1,250,000.00
3R Operating, LLC	20,833	302,428	106	\$175,110.00
RAY WESTALL OPERATING, INC.	18,458	6,632	106	\$250,000.00
LONGFELLOW ENERGY, LP	1,265,719	2,492,614	104	\$202,048.00
North Fork Operating, LP	42,935	579,473	99	\$157,520.00
K P KAUFFMAN COMPANY INC	9,406	763	98	\$66,920.00
SAHARA OPERATING CO	15,832	15,758	98	\$279,262.00
ARMSTRONG ENERGY CORP	347,266	691,824	92	\$550,000.00
FULFER OIL & CATTLE LLC	20,443	47,938	92	\$638,238.00
MR NM Operating LLC	595,197	1,807,054	92	\$575,000.00
SPECIAL ENERGY CORP	53,872	468,961	91	\$531,396.00

Environmental Risk

- Average plugging cost per well: \$155,000
- Average environmental remediation cost: \$10.1 Million spent at 4 sites for an average of \$2.5 million per site.
- Total OCD environmental remediation costs from FY24: \$ 8.4 million



Available Funds

- Current balance of money currently available to OCD: \$45 Million
 - \$16 million in state Rec funds
 - \$25 million in Federal BIL funds
 - \$4 million in BLM funds (Note: these are at the discretion of the BLM for allocation and our availability)

- \$>26 million Spent in FY24
 - 108 wells plugged
 - 4 sites with continued remediation

- \$6.4 Million encumbered so far in FY25, this is expected to increase as wells are continued to be plugged and sites are being reclaimed.

Reclamation Fund – Salary Expenditures

➤ EMNRD is specifically authorized to use some of the funds for employee salaries for administrative needs related to well plugging activities in NMSA 70-2-38(A)(1)

Year	Position Amount
2024	\$ 289,100
2023	\$ 194,100
2022	\$ 171,695
2021	\$ 153,300
2020	\$ 152,900
2019	\$ 145,700
2018	\$ 3,374,500
2017	\$ 3,817,900
2016	\$ 3,428,800
2015	\$ 1,614,500
2014	\$ 1,054,600
2013	\$ 752,600
2012	\$ 382,000
2011	\$ 300,000
2010	\$ 300,000
2009	\$ 380,000
2008	\$ 211,400

Reclamation Fund – Funding Sources

- The Rec Fund is currently funded in part from proceeds from the Oil Conservation Tax, which directs 10.5% of proceeds from oil and gas sales to the fund every year.
- 2024 SB 249
 - Proposed to modify distributions to the Rec Fund from 10.5% of proceeds to a flat \$5 million per month, with balances over \$80 million reverting at the end of the FY.

