

# OIL & GAS ACT REFORMS

## Bonding and Reclamation Fund Changes




**Senator Greg Nibert**

**October 28, 2024**



# AGENDA

- History of the Oil & Gas Reclamation Fund
- Current Situation
- Modernizing the Oil & Gas Reclamation Fund



# **OIL AND GAS RECLAMATION FUND**

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## **ORIGIN STORY**

# OIL & GAS TAXES

- SEVERANCE TAX
- CONSERVATION TAX (EST. 1950S)
- EMERGENCY SCHOOL TAX
- NATURAL GAS PROCESSOR TAX
- PRODUCTION TAX
- EQUIPMENT TAX



# HISTORY OF RECLAMATION FUND

- In the 1970s, the Reclamation Fund was established as a non-reverting fund and is funded by the Conservation Tax to ensure proper plugging and reclamation efforts on retired oil and gas wells and associated facilities.
- Could be thought of as an insurance pool that all producers already pay into.
- Over time, the balance of the Reclamation Fund has been swept when the state encountered hard economic times, and in one extreme example, the funding formula was amended so that currently only 2/19ths of the Conservation Tax proceeds are sent to the Reclamation Fund.

# FUNDING

- The O&G Conservation Tax rate is 0.0019, except when WTI is over \$70 for a quarter, in which case the rate is 0.0024. 10.5% of the proceeds are distributed to the Reclamation Fund, and the other 89.5% goes to the General Fund.
- When the O&G Conservation Tax rate is 0.0024, 19.7% of the proceeds are distributed to the Reclamation Fund and the remainder to the General Fund.

# Current Situation



**RECLAMATION FUND**

# Orphan Well Plugging

The background of the slide features a silhouette of an oil pumpjack against a clear blue sky that transitions to a lighter orange hue near the horizon, suggesting a sunset or sunrise. The pumpjack is the central focus, with its long walking beam and counterweights clearly visible.

## 68,516 ACTIVE NEW MEXICO WELLS

- 34,000 State & Fee wells
- 349 State & Fee orphaned wells
- Abandonment rate: 1%
- 2022, 451 state-plugged wells, 49 OCD-plugged wells.
- OCD Estimate: 1,700 total abandoned wells in the state, including Federal.



# Reclamation Fund Balance



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- 2022 Reclamation Fund Balance: \$21,336,29
- As of February 2024, the balance in the Reclamation Fund is \$54MM. Thanks to increased federal funding and continued healthy Conservation Tax funding.

# MODERNIZING THE FUND

The goal is to achieve and maintain a sustainable balance in the Oil and Gas Reclamation Fund to put to best use industry dollars to increase the plugging efforts and ensure the highest level of reclamation.

# MODERNIZING THE FUND

- Bipartisan legislation ensuring \$150MM stays in the Reclamation Fund, and anything over that will revert to the General Fund each year. This amount will plug and remediate approximately 1000 state wells.
- OCD should contract with additional outside providers to complete the plugging and remediation work. The OCD would still develop the abandoned well list, use their police powers to obtain plugging orders, inspect the quality of the work, then pay once the work is complete.

# THANK YOU



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