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Commissioner Stephanie Garcia Richard Issues Emergency Rule Allowing Operators to Apply for Temporary Shut-In of Oil Wells

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Stephanie Garcia Richard, Land Commissioner

State of New Mexico

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Contact:

Angie Poss, Assistant Commissioner of Communications

505.470.2965

aposs@slo.state.nm.us

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SANTA FE, NM – The New Mexico State Land Office has finalized emergency rulemaking to allow oil and gas lessees to temporarily stop production of oil wells for at least thirty days, with longer-term relief coming through the statutory rule change process. [Operators can find the shut-in application here.](#)

Shut-ins have been deemed necessary by the State Land Office based on plunging oil prices and storage capacity challenges, including the first-ever negative value of oil seen in the U.S. yesterday. Prices began to drop in February as a result of a contentious price war between Russia and Saudi Arabia. Prices continue to drop and remain unstable as the country confronts the COVID-19 crisis.

The State Land Office manages over 13 million mineral acres for the benefit of New Mexico public schools, hospitals, and universities.

“It is in the best interest of the vital public institutions we serve that the State Land Office allow the temporary oil well shut-ins to assure we get the best value for the resources that they rely on in order to operate. If oil is sold at \$8 a barrel, our public schools don’t get their fair share,” Commissioner Garcia Richard said. “Last week we held an online public meeting during which we heard from operators as well as environmental groups supporting our efforts. From the feedback given at that meeting, we’ve also decided to move forward with a rule change that will allow longer-term shut-ins. In that process, we will require that operators who are approved to shut-in wells be bound to comply with future bonding increases.”

The State Land Office in February announced its intention to conduct a statewide review of the environmental risk posed by oil and gas operations on state trust land. That review, once completed, will inform increases in the amount of bonding companies will be required to have on oil and gas leases held for state trust land operations. Currently, the State Land Office requires “mega-bonds” of only \$25,000. These can be used by a company to cover hundreds of wells, unlimited miles of pipe, and other infrastructure.

“I have not been silent when it comes to New Mexico’s need for adequate bonding to remediate our land when the boom goes bust,” Commissioner Garcia Richard added. “By including this provision in our next round of shut-in rule changes, we are taking a step to protect New Mexico taxpayers and state trust land beneficiaries because they cannot be left holding the bag to clean up our land if companies go out of business or if the current price crisis does not ease up.”

The next steps for a longer-term shut-in rule and language to make operators comply with future bonding increases will be announced soon. By statute, the State Land Office must provide the public with 30 days of notice and opportunity to provide public comment. After that period, a hearing will be held on the consideration of the rule change. Members of the public will be able to provide testimony.

View the emergency rule: [19.2.100.71 Temporary Shut-In Of Oil Wells Due To Severe Reduction In The Price Of Oil](#)

Oil, gas, and mineral production, ranching and farming, and commercial development on State Trust Lands support public schools, seven universities, New Mexico Military Institute, New Mexico School for the Deaf, New Mexico School for the Blind and Visually Impaired, three hospitals, correctional facilities, water conservation projects, and public building construction and repair. In fiscal year 2019, the State Land Office collected \$1 billion from lease payments, oil and gas lease sale earnings, rights-of-way, permits, interest, fees, and oil, gas and mineral royalties.

The State Land Office is closed to the public while remaining open for business following Governor Michelle Lujan Grisham's orders for employees to work from home and adhere to social distancing of six feet or more if working in an office setting. Essential operations that continue include royalty collection and distribution, leasing needs including renewable energy, rights of way, agriculture, and oil and gas. In these uncertain times, the beneficiaries of state trust land – our public schools, hospitals, colleges, and other vital institutions – rely on the Land Office to continue raising revenue for their operational budgets.

The New Mexico State Land Office
310 Old Santa Fe Trail, Santa Fe NM 87501 // P.O. Box 1148, Santa Fe, NM
87504 // 505-827-5760 // 505-827-5766 (Fax)

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