



State Land Office Hearing This Friday, June 12 Regarding Rule Change to Allow Temporary Shut-In of Oil Wells

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Stephanie Garcia Richard, Commissioner of Public Lands

State of New Mexico

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SANTA FE, NM – In April, the State Land Office finalized emergency rulemaking to allow oil and gas lessees to temporarily stop production of oil wells for at least thirty days. This Friday, June 12, at 1:00 PM, a second virtual hearing will take place to consider longer-term relief through a rule that would be in effect for up to one year.

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. Prices began to drop in February as a result of a contentious price war between Russia and Saudi Arabia paired with a sharp reduction in demand. Prices have since risen, hovering around \$30 a barrel, but remain unstable as the country continues to confront 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 move forward with longer term relief for well shut-ins to assure we get the best value for our resources. When oil is sold at a low price, our public schools don’t get their

fair share,” Commissioner Garcia Richard said. “Within the rule change under consideration, we will also require that lessees who are approved to shut-in wells be bound to comply with future bonding increases.”

In February, the Land Office announced its intention to conduct a statewide review of the environmental risk posed by infrastructure from oil and gas 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 accepts “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 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 if the current price crisis does not ease up.”

The virtual hearing regarding consideration of these changes is open to the public and members of the press. It will begin promptly at 1:00 PM, Friday, June 12, 2020. The hearing will be livestreamed on [Facebook](#) and [YouTube](#). Members of the public interested in providing virtual testimony are asked to register in advance at the [State Land Office website](#).

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