

Funds To Plug Abandoned Oil Wells Headed To New Mexico Via Biden's Infrastructure Bill

A plan for how the U.S. Department of Interior (DOI) will offer about \$4 billion in grant funding to states for cleaning up abandoned oil and gas wells is due on Jan. 30, and New Mexico is hoping to get a share of those dollars.

Director of New Mexico's Oil Conservation Division Adrienne Sandoval estimated during a Tuesday panel discussion there were about 1,700 abandoned or orphaned wells on state and private land in New Mexico.

Wells become orphaned when energy companies go bankrupt before wells are plugged or abandon the wells when they are no longer lucrative.

Companies are required to pay bonding rates to the state intended to cover the cost to plug the wells and remediate the land, but that's often not enough and the state must pick up the difference.

Sandoval said New Mexico has more than \$290 million in remaining liabilities for the wells on state and private land.

Abandoned wells can create myriad environmental and safety concerns, she said, as the wells are not monitored and not maintained, meaning they could leak pollutants into surrounding land, water, and air.

Pollutants can also reach nearby homes, presenting health concerns and other hazards.

The state is typically able to plug about 50 wells a year, Sandoval said, but will be able to increase efforts significantly with the federal funds allocated in the REGROW Act.

Today, plugging wells costs about \$55,000 each, she said, an increase from about \$35,000 in past years due to inflation and worsening well conditions.

After plugging, restoring the land to its natural state can cost up to \$200,000 a site, Sandoval said, depending on its conditions.

"What this is going to mean for us is it's really going to supersize the program," she said of the REGROW Act funding. "Instead of plugging 50 wells

a year I think we're going to be able to plug a substantial amount more which is great news for the environment and also at the end of the day put people back to work in some of these high-paying jobs.”

To help address the problem, U.S. Sen. Ben Ray Lujan (D-NM) last year introduced the Revive Economic Growth and Reclaim Orphaned Wells (REGROW) Act which was included in the recent \$1.2 trillion infrastructure bill signed into law by President Joe Biden.

In addition to about \$4.2 billion for well clean up on state and private land over nine years, the bill also allocated \$250 million to the U.S. Bureau of Land Management for the work on federal land, \$150 million for Tribal efforts and another \$30 million to support research on orphaned wells by the U.S. Department of Energy.

“In New Mexico and across the nation, communities have long been impacted by the environmental hazards and scars that orphaned wells leave behind,” he said. “That’s why it’s crucial to promote sustainable solutions to clean these contaminated sites.”

Lujan said while he was pushing the bill last year, he toured abandoned oil wells sites in New Mexico, and said it was clear something needed to be done after witnessing abandoned facility he said leaked oil and other contaminants into the environment.

“When I was out there doing some of these tours, anytime you’re out there it’s always eye-opening and it’s a little surreal,” he said. “You could clearly see where local wildlife had come into contact with the contaminated area.”

The work to address concerns created by abandoned wells, Lujan said, would help create jobs he said would be “technical” and “good-paying.”

“One silver lining is that cleaning and remediating these sites also creates job opportunities,” Lujan said. “While cleaning up the environment and making it safer for the public is always a priority, we always need to do it in a way that is good for the economy.

“This is another example of how we can get that done.”

Randy Pacheco, chief executive officer of A-Plus Well Services based in Farmington said the project to plug abandoned wells in New Mexico and across the U.S. would create new jobs taking advantage of a skilled oil and gas workforce already in place in fossil fuel regions throughout the country.

He estimated jobs could pay between \$50,000 to \$100,000 or more depending on the work which would also support local economies.

Pacheco predicted the national well plugging program could also lead to developing new technologies like the ability to not only detect methane released at wellheads but also calculate the rate of emissions.

“I know the taxpayers want the best bang for their buck,” he said. “There’s a lot of opportunity out there not just with the well plugging and remediation.”

The work must be done to take meaningful action on pollution and subsequent climate change, said Adam Peltz, a senior energy attorney with the Environmental Defense Fund.

“It’s useful to plug these wells at the end of their productive life, but historically that has not always happened.” he said. “There are many reasons to plug orphaned wells. We don’t want people exposed to air toxins.”