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Unreclaimed Oil and Gas Wells in New Mexico Hurt American Taxpayers and Local Communities



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Problem: Broken Bonds, Rising Costs

New Mexico's oil and gas bonding rules haven't kept pace with skyrocketing cleanup costs, leaving taxpayers with billions of dollars in potential reclamation liabilities. Now, the state is considering important amendments (Case No. 24683) to update bonding requirements.

In exchange for the privilege to extract resources from state lands, oil and gas operators in New Mexico are required to reclaim—clean up—wells and surrounding sites. To ensure complete and timely reclamation, the state obtains a bond or other financial assurance from operators before drilling begins, which is then used to cover at least some of the costs of reclamation. However, outdated bonding minimums have left taxpayers covering the bill.

Plugging Wells is Expensive:

The average cost rose from \$30,000 in 2019 to **\$163,000 in 2024**, with some exceeding \$700,000.

Current Bonds Don't Cover It:

The state holds a median financial assurance of just **\$7,000 per well**, with some as low as \$105.

New Mexico Faces a Funding Shortfall:

There is an **\$8.18 billion** shortfall between current financial assurance and actual cleanup needs for oil & gas infrastructure.

Low Blanket Bonds Hide Costs:

A single "blanket bond" can cover **hundreds of high-risk wells**, leaving taxpayers on the hook when operators default.

The Federal Backstop: Taxpayer Dollars Carry the Load

When bonds fall short, taxpayers pay. Since 2022, the state has received over \$55 million in federal orphan-well grants under the Infrastructure Investment and Jobs Act (IIJA), with eligibility for up to \$112 million more if funds allow. Those IIJA dollars—financed by national taxpayers—are covering methane testing, environmental compliance, and plugging for wells that private companies abandoned.

Meanwhile, the Oil Conservation Division reported no bond forfeitures or cost recoveries in FY 2020, 2021, or 2023. That means zero industry reimbursement for costs federal programs are now absorbing. The Reclamation Fund can't cover a systemwide shortfall; without stronger bonding rules and higher minimums, bailouts will continue.



Photo by OSHA

A Rapidly Expanding Problem Could Lead to More Oil and Gas Industry Bailouts

There are more than 3,000 orphaned wells in New Mexico, most of which taxpayers will ultimately pay to clean up. And according to the state's own data, that liability is growing:

- Actual plugging costs have more than quintupled.
- Technically complex, high-risk wells—the ones most likely to be orphaned—cost the most.
- Low bond amounts make it cheaper for companies to delay reclamation, transfer wells to smaller operators, or simply walk away and forfeit their bonds instead of cleaning up.
- Blanket bonding for inactive and other high-risk wells allows companies with questionable finances to rely on the same minimal assurance as responsible ones.



Photo by U.S. Geological Survey

The Solution: Common Sense Reform

The proposed amendments would modernize outdated bonding requirements to match today's realities.

- Raise minimum bond levels to cover real cleanup costs.
- Require single-well bonding for marginal and inactive wells.
- Limit how long operators can forgo reclamation under the guise of “temporary abandonment.”
- Add inflation adjustments to preserve value over time.
- Require transparency in transfers and temporary abandonment to protect the public from inherited liabilities.

Why This Matters

Every unreclaimed well today is a future liability for taxpayers. Modern bonding protects groundwater, air quality, and New Mexico's fiscal stability—ensuring that the clean-up costs of yesterday's drilling do not become tomorrow's public debt.

Bottom line: Updating these rules holds polluters accountable, protects taxpayer dollars, and ensures New Mexico's budget is sustainable.



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