

Good afternoon, Commissioners.

My name is Meredith McGehee. I'm speaking on behalf of Taxpayers for Common Sense, where I am the chair of the board. Taxpayers for Common Sense is a nonpartisan budget watchdog founded in 1995 to ensure taxpayer dollars are spent wisely and transparently. For three decades, TCS has supported policies that safeguard the public purse, prevent wasteful subsidies, and promote fiscal accountability in natural resource management.

Quick aside - my ties with New Mexico run deep. I live in Washington DC but I am a graduate of Eldorado High School in Albuquerque. My dad is a graduate of the College of Santa Fe. My mom is a graduate of New Mexico State. And my dad worked with Exxon for more than 30 years here in the Southwest, and was the head of the New Mexico Petroleum Marketers Association for several years. So I am well aware of the importance of the oil and gas industry to New Mexico.

So I just want us to remember the scale what we're talking about. We're talking about an oil and gas industry that generated a *record \$15.2 billion* for New Mexico in 2023. The General Fund now relies on oil and gas for roughly *forty percent* of its revenue. Against that backdrop, the bond amounts being discussed today are just a drop in the bucket—or in this case, the oil barrel—compared to the size and profitability of this sector.

TCS strongly supports the proposed amendments before the Commission today.

All wells eventually stop producing and must be reclaimed. Bonds are a down payment on that cleanup—an expected and required part of doing business. This proposal is not punitive. It simply ensures bonding amounts reflect reality and that operators are prepared for the true costs of reclamation.

Current bonding levels, however, are nowhere near sufficient. The median bond in New Mexico is about \$7,000 per well, while actual plugging and reclamation costs are more than twenty times higher. Low bond amounts make it cheaper for companies to delay cleanup, transfer wells to smaller operators, or walk away entirely. And when they do, it's not the oil and gas companies footing the bill—it's the taxpayers who pay for cleanup.

Every well that isn't properly bonded today is a future liability for New Mexico taxpayers. TCS estimates that 22,000 unreclaimed wells on state and private lands represent roughly \$3.5 billion in potential cleanup liabilities that could fall to federal and state taxpayers.

Since 2022, New Mexico has received more than \$55 million in federal orphan-well grants under the Infrastructure Investment and Jobs Act, with eligibility for up to \$100 million more. But that federal money was never meant to become a permanent subsidy for weak

state bonding. Without stronger rules, oil and gas operators will continue to abandon their cleanup responsibilities and federal and state taxpayers will continue to fill the gap.

That's why TCS strongly supports **raising bond minimums** and indexing them to inflation to preserve their real value. The proposed \$150,000 single-well assurance is still conservative compared to actual reclamation costs but would dramatically reduce taxpayer exposure. And while TCS generally opposes blanket bonding, the proposed \$250,000 operator bond, regardless of the number of wells, is a clear improvement over the current scaled system.

We also support **requiring single-well assurance for marginal and inactive wells** and **preventing operators with too many of these wells from relying on blanket bonds**. Marginal and inactive wells are unlikely to become economical again and likely to be orphaned. Individual bonding protects taxpayers from almost certain cleanup costs. The proposed updates to **well-transfer rules** are equally important.

Lastly, the **proposals for temporary abandonment** are important safeguards for taxpayer. When companies postpone plugging, wells can sit for years without oversight—deteriorating, leaking, and ultimately leaving taxpayers to pay for cleanup. Tightening time limits will prevent companies from indefinitely delaying cleanup.

In conclusion, modernizing bonding is fiscally prudent and long overdue. We recognize the vital economic role of the oil and gas industry in New Mexico. These reforms do not threaten that role—they strengthen it by ensuring responsible stewardship and protecting taxpayers.

TCS supports the proposed amendments and will submit detailed written comments shortly.

Thank you for your consideration of this important issue.