

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**IN THE MATTER OF PROPOSED
AMENDMENTS TO 19.15.2, 19.15.5,
19.15.8, 19.15.9, AND 19.15.25 NMAC**

CASE NO. 24683

REBUTTAL TESTIMONY OF CLAY PADGETT

Intervenor Independent Petroleum Association of New Mexico submits the following rebuttal testimony of Clay Padgett:

1 **Q: Please introduce yourself to the Commission.**

2 **A:** My name is Clay Padgett. I am employed by Hilcorp Energy Co. as its Chief
3 Operations Engineer.

4 **Q: Please describe Hilcorp to the Commission.**

5 **A:** Hilcorp specializes in operating aging oil and gas fields which are divested by
6 larger operators. After taking over those aging assets, Hilcorp focuses on revitalizing
7 those fields by returning wells to production, increasing production from wells that did not
8 receive investment for several years, and modernizing infrastructure.

9 **Q: What is the purpose of your rebuttal testimony?**

10 **A:** Hilcorp is concerned about the characterizations of low-producing wells and their
11 operators propounded in general terms by some of the witnesses for the Applicants.

12 **Q: When did Hilcorp begin operating in New Mexico?**

13 **A:** In 2017.

14 **Q: How many wells does Hilcorp operate across the Permian and San Juan**
15 **Basins?**

1 **A:** Hilcorp is the operator of approximately 14,000 wells in New Mexico.

2 **Q:** **Describe for the Commission Hilcorp's history with the lowest producing**
3 **wells or wells that this rulemaking would define as "marginal."**

4 **A:** Since entering New Mexico in 2017, Hilcorp has plugged, abandoned and
5 reclaimed the surface of 397 wells. Since 2017, Hilcorp has also returned to production
6 1,127 wells that were inactive or temporarily abandoned. The New Mexico wells in
7 Hilcorp's portfolio that produce less than 1,000 barrels of oil equivalent per year produce
8 on average a combined 19,350 mcf of gas per day and approximately 370 barrels of oil
9 per day (approximately 3,595 BOEPD). Subject to prices and varying royalty rates, this
10 amounts to between \$1,000,000 and \$3,000,000 of revenue to the State of New Mexico
11 per year. Wells producing 1,000 barrels of oil equivalent or less per year represent an
12 immense amount of production for the state of New Mexico and ensure that the State's
13 resources are not wasted by premature plugging.

14 **Q:** **What about the environmental issues concerning such wells?**

15 **A:** There is also some indication in the testimony of Justin Wrinkle submitted by the
16 OCD that suggests that operators of marginal wells do not engage in methane emission
17 reduction activities. Since it began working on reducing the methane emissions from its
18 San Juan Basin assets, Hilcorp has reduced such emissions by over 90%. Additionally,
19 as previously stated, Hilcorp has plugged and abandoned nearly 400 wells in the state of
20 New Mexico since entering the state in 2017. None of these plugging and abandonment
21 projects necessitated the use of financial assurance. They were the result of forward
22 planning and effective management of the asset.

1 **Q: What do you say to the notion that these types of wells only account for a**
2 **very small percentage of New Mexico's overall production?**

3 **A: In recent years, the State of New Mexico has been very fortunate that vast**
4 quantities of oil have been produced from shale formations that, until relatively recently,
5 were not capable of being extracted in economic volumes. In the past 10-15 years, a
6 combination of improved drilling and completion technologies allowed horizontal drilling
7 into a formation and the ability to produce significant volumes of oil and gas. New Mexico
8 went from flat or declining production over many decades to record setting production in
9 almost every year for the past 10 years. IPANM Exhibit 40 is the United States Energy
10 Information's chart and data of New Mexico oil production from 1981 to 2025. It shows
11 that from 1981 to 2011 New Mexico produced between 162,000 barrels of oil per day as
12 a low (in 2007) to a high of 217,000 barrels per day (in 1984). Beginning in 2012, New
13 Mexico exceeded the 1984 production figures with the number increasing each year. In
14 2025, New Mexico is producing 2,023,000 barrels of oil per day—almost ten times the
15 1984 production. For the 25-year period ending in 2011, low producing wells and so
16 called "marginal" wells were a significant economic driver for New Mexico tax revenues,
17 especially the various forms of severance taxes imposed by the State of New Mexico and
18 royalities paid to the State government. I cannot project the future, but as an engineer at
19 an operator specializing in secondary recovery, returning wells to production, and fully
20 developing the resource potential of marginal wells, there are often decades of productive
21 life left in wells that may, over some more limited period of time, be considered "marginal."
22 Future circumstances may create an environment in which these low-producing wells

1 produce a more significant percentage of revenues to the State of New Mexico just as
2 those wells did in the past.

3 **Q: Is Hilcorp opposed to increasing financial assurances obligations?**


4 **A:** Hilcorp is opposed to this rulemaking. Hilcorp would support legislation increasing
5 financial assurances if that legislation is rational and does not disincentivize operators in
6 New Mexico, or operators who may come to New Mexico, who are focused on taking over
7 aging wells, enhancing production from those wells, and committed to plugging and
8 abandonment programs for wells that are beyond their economic life. The proposed
9 rulemaking would disincentivize operators like Hilcorp who are responsibly enhancing
10 production from low-producing wells. In addition to its current financial assurance, Hilcorp
11 maintains a robust plugging and abandonment fund that facilitates the aggressive pace
12 of plugging and abandonment. Wells are plugged and abandoned after exhaustive study
13 and evaluation. Well-by-well financial assurance based on marginal well count would lead
14 to waste of the State's recourses and fundamentally shift the economics behind Hilcorp's
15 evaluation of wells aimed at increasing or maintaining production where possible and
16 strategically plugging and abandoning those wells that truly no longer have economic
17 potential for the state of New Mexico.

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19
20 
21 CLAY PADGETT
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1 I hereby affirm under the penalty of perjury of the laws of the State of New Mexico that
2 the above statements are true and correct to the best of my knowledge, information,
3 and belief.

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5 DATE: 9/18/25
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Clay Padgett