



N E W M E X I C O



Energy, Minerals and Natural Resources Department

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New Mexico fines Texas oil company over \$40 million for egregious air quality and Oil and Gas Act violations

Environment Department issues Administrative Compliance Order and the Energy, Minerals and Natural Resources Department issues separate Notice of Violation to Ameredev

SANTA FE — Today, the New Mexico Environment Department (NMED) and the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) announced separate, but significant enforcement actions against Ameredev II, LLC and Ameredev Operating, LLC (collectively “Ameredev”) – an Austin, Texas-based oil and gas production company – for egregious violations of state rules and permitting requirements.

NMED issued an Administrative Compliance Order (Order) to Ameredev for violations of state rules including significant excess emissions of five regulated air pollutants from five facilities in Lea County. NMED’s Order requires:

- Cease and desist all excess emissions from its facilities in accordance with applicable regulations.
- Seek permits reflective of the equipment and operations on-site.
- Hire an NMED-approved independent, third-party auditor to assess all Ameredev facilities in New Mexico.
- Undertake projects to mitigate excess emissions.
- Pay a civil penalty \$40,336,818 to the State of New Mexico’s general fund.

Ameredev must respond to NMED’s Order and pay the penalty within 30 days or request a hearing. NMED’s Order is available [here](#).

NMED identified five Ameredev facilities that actively extracted oil and natural gas without any means to transport the gas to a midstream pipeline as required by state law. Instead, Ameredev chose to flare over 3,219,402 thousand cubic feet of natural gas, releasing an amount of CO₂ equivalent to heating 16,640 homes for one year. As a result of flaring 3,219,402 thousand cubic feet of natural gas, Ameredev emitted

over 7.5 million pounds of excess hydrogen sulfide, sulfur dioxide, nitrogen oxides, carbon monoxide and volatile organic compound emissions. These pollutants are known to cause serious health issues, including respiratory issues, impaired cognition, convulsions, and even death, as well as contribute to climate change.

“Ameredev is a Texas-based exploration and production company that exploited public health for profit,” said **Environment Secretary James Kenney**. “Ameredev’s management team have shown blatant disregard for our right to breathe clean air and now they must be held accountable.”



An unauthorized flare at Ameredev’s Nandina facility, photo by AQB inspectors taken on Dec. 31, 2019.

In 2019, Lea County citizens contacted the state to express concern about excessive flaring at the Ameredev facilities. State inspectors visited the sites and found unpermitted equipment present at each site, and in some cases twice as many emission sources as the company had reported to the state. Records of actual emissions documented that emissions were excessive, as many of the required air pollution emissions controls were not in place or operational.

“The violations we identified at the sites show ignorance of the law or at worst willful disregard by the company for environmental regulations and our regulatory program,” said NMED **Air Quality Bureau Compliance & Enforcement Section Chief Cindy Hollenberg**, who was also a member of the site investigation team. “This action sends a strong message this company and to the oil and gas industry as a whole that we take compliance seriously.”

In a separate action, EMNRD’s Oil Conservation Division (OCD) issued a Notice of Violation ([NOV](#)) and proposed civil penalty of \$2,412,000 dollars to Ameredev for a series of violations of OCD’s rules at one of its wells. Most notably, Ameredev failed to file required production or natural gas waste reports. Such reports are critical for operators to demonstrate compliance with OCD’s waste rules, which themselves are a key component of New Mexico’s climate policy. Other required reports were submitted but were unacceptably late. A preliminary review of Ameredev’s other facilities suggests that there may be similar problems across the company’s portfolio of New Mexico holdings. OCD’s NOV requires:

- Immediate correction of the issues identified at the Facility;
- Payment of a civil penalty; and
- Ameredev to undertake an audit of its other facilities to identify any similar issues.

“Ameredev willfully ignored basic tenets of New Mexico’s Oil and Gas Act that have been on the books since 1935, not to mention the state’s nation-leading rules to prevent climate pollution that ban routine venting and flaring,” said **Energy, Minerals and Natural Resources Department Secretary Sarah Cottrell Propst**. “Today we’re pursuing the maximum penalties EMNRD is allowed to assess by law. If the legislature had not imposed caps on EMNRD’s penalty authority, the fine would be much higher.”

The NOV also signals that if a division or commission order is issued as a result of the NOV, OCD intends to then review whether it should revoke Ameredev’s authority to transport given its significant compliance issues.

“We are very concerned with the pattern and practice we are seeing in Ameredev’s operation given the fact that the operator and its facilities are relatively new in New Mexico,” said **OCD Director Dylan Fuge**. “OCD will conduct a more detailed review of the remainder of Ameredev’s operations.”

According to its website, Ameredev is an independent exploration and production company based in Austin, Texas, “with a track record of value creation and operational excellence”. Ameredev is backed by a \$400 million capital commitment from EnCap Investments L.P. (“EnCap”). According to its website, EnCap has been a leading provider of venture capital to the independent sector of the U.S. energy industry since 1988. EnCap has raised 24 institutional funds totaling more than \$40 billion and currently manages capital on behalf of more than 350 U.S. and international investors. NMED and EMNRD notified EnCap of the violations at Ameredev. The NMED and EMNRD letter to EnCap is available [here](#).

To learn more about Ameredev, click [here](#).

To learn more about EnCap Investments L.P., click [here](#).

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