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PRESS RELEASE

Bankruptcies and Inadequate Bonds Threaten Taxpayers, Landowners with Orphan Oil and Gas Wells

Bonding levels leave massive liability in time of economic crisis

BILLINGS, MT – In the midst of historically low oil prices and plummeting demand due to coronavirus restrictions, inadequate federal and state reclamation bonding requirements make it easier for deeply indebted oil and gas operators to declare bankruptcy and walk away from orphaned wells en masse. A recent [report](#) by the Western Organization of Resource Councils examining the bonding rules in eleven Western states found that the federal Bureau of Land Management’s (BLM) rules are weaker than any state’s. BLM’s \$25,000 minimum statewide bond, which covers unlimited federal wells in a single state, is four times lower than the typical state requirement. While the federal rules are the weakest, rules vary from state to state and no state’s rules fully protect against abandoned wells.

The report also found that BLM’s statewide minimum bond amount is unlikely to be high enough to plug even a single well. BLM requires a mere \$25,000 minimum bond to cover all of an operator’s federal leases, wells, and operations in an entire state. State regulators estimate plugging and claiming a single well costs \$82,500 per well in Colorado and \$150,000 in North Dakota. Although BLM has the authority to increase bonds above the minimum amount, a 2019 Government Accountability Office [report](#) found that 82% of federal bonds are set at the minimum amount.

“The bonds required by the BLM for federal minerals are vanishingly small relative to the cost of reclamation. Taxpayers and landowners should not foot the bill for oil company cleanups—especially not while we’re dealing with this unprecedented economic and public health crisis,” said **Barbara Vasquez**, of Cowdrey, Colorado, WORC’s Oil and Gas Team Chair and member of Western Colorado Alliance. “Until oil and gas companies are required to put up enough money to cover the actual costs for reclamation, there should be no more ‘gifts’ granted by the administration.”

[BLM reported 93,363 active wells](#) on federal lands in the West in FY 2018, making the scale of potential liabilities truly massive. In 2018, the total value of bonds held by BLM for oil and gas operations was \$204 million, dwarfed by a potential clean up liability of \$6.1 billion.

“For decades, many of these companies have been operating in the red and piling up debt,” said **Bob LeResche**, of Clearmont, Wyoming, a board member of Powder River Basin Resource Council. “Many are starting to shed their debt by declaring bankruptcy. BLM’s weak bond requirements provide far too little money for abandoned wells, and a major crisis looms for public and private lands overlying federal minerals. Reclaiming the land should be a fundamental cost of doing business, but current BLM requirements are sorely lacking. BLM needs to implement common-sense rules to match the financial crisis in the industry.”

The report recommends several long overdue and common-sense reforms to protect taxpayers, private landowners, and public lands from this growing crisis.

- BLM should end blanket bonding and require bonds based on the actual cost of reclamation of each well, similar to federal and state requirements for coal mines.
- Barring this, BLM should create a tiered bonding system that increases bond amounts as the number of wells increases, and as reclamation costs increase based on predictable factors such as well depth, location, and inflation.
- For wells that have not produced for 24 consecutive months, BLM should require repeated mechanical integrity testing and an increased bond, or require the well be plugged.
- Congress should establish an orphaned well fee and create a reclamation fund, either based on recent GAO suggestions or modeled on Wyoming’s fee and fund.
- If BLM fails to act, Congress should pass legislation to update bonding requirements.

Full report: <http://www.worc.org/media/2020.04-Oil-and-Gas-Bonding-Federal-vs-State-sm2.pdf>

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The [Western Organization of Resource Councils \(WORC\)](#) is a network of grassroots organizations that span seven Western states with more than 15,000 members. Many WORC members live on lands overlying and neighboring federal, tribal, state and privately-owned oil and gas deposits, and experience numerous impacts due to federal oil and gas production. Headquartered in Billings, Montana, WORC also has offices in Colorado and Washington, D.C.

The Powder River Basin Resource Council, founded in 1973, is a family agriculture and conservation organization in Wyoming. Resource Council members are family farmers and ranchers and concerned citizens who are committed to conservation of our unique land, mineral, water, and clean air resources.

Western Colorado Alliance for Community Action brings people together to build grassroots power through community organizing and leadership development. We believe that right now,

today, we have the ability and opportunity to create a future where engaged local voices are leading communities across Western Colorado that are healthy, just and self-reliant.