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Contact:

Angel Amaya, aamaya@worc.org, (361) 779-2572

Bob LeResche, leresche@rangeweb.net, (907) 723-2506

PRESS RELEASE

Government Watchdog: Inadequate Oil & Gas Reclamation Bonds Cost Taxpayers

GAO Finds More Orphaned Wells on Public Lands

WASHINGTON, D.C. – Today, the Government Accountability Agency (GAO) released a [report](#) finding that the Bureau of Land Management (BLM) should take action to address risks from insufficient reclamation bonds in order to ensure that oil and gas wells on federal lands are reclaimed by industry and not taxpayers.

“As we have seen firsthand in the West, and GAO has reported today what, the boom-and-bust nature of the oil and gas industry is resulting in more and more abandoned wells, leaving us, the American taxpayers, to pick up a steadily-increasing tab,” said Barbara Vasquez, of Cowdrey, Colorado, who chairs WORC’s Oil and Gas Campaign Team. “Action is long overdue -- the BLM’s bonding amounts are grossly inadequate to ensure operators don’t walk away, leaving abandoned wells littering the landscapes of our country. Bond amounts must be scaled to match the size and complexity of the disturbances, keep pace with the changes in oil and gas extraction technologies and cover reclamation costs. Otherwise, operators will continue to have no financial incentive to reclaim their wells and BLM won’t have the funds to do the job if it comes to that.”

“If we connect the dots between today’s report and past investigations by GAO and others, it’s clear that the problem is much bigger than BLM have acknowledged,” said Bob LeResche, of Clearmont, Wyoming, who is Vice-Chair of Powder River Basin Resource Council. “BLM seems to do everything they can to avoid tracking idle and orphaned wells so they don’t have to acknowledge that thousands of wells are orphaned or at high risk of being orphaned, imposing billions of dollars of unfunded liability on taxpayers. For decades, BLM officials have agreed with recommendations from GAO and others that they need to increase industry bonds, but have never taken action. Now, BLM’s weak bond requirements have created a looming major crisis for public lands. Everyone agrees that reclaiming the land is a fundamental cost of doing business. Updating bonding rules to ensure industry pays that cost should be BLM’s top priority. What will it take for BLM to implement common sense rules?”

GAO's findings include:

- Even though BLM has a process for reviewing and increasing bond amounts, 82% of all bonds remain at the minimum amounts required by rules set in the 1950s and 1960s.
- The average value of bonds held by BLM is \$2,122 per well.
- Reclamation costs vary depending on factors including depth and geography, and typically cost \$20,000 for a low-cost well and \$145,000 for a high-cost well.
- At least 99.5% of federal wells carry bonds that are grossly insufficient to cover the cost of reclamation.
- BLM does not track the number of orphaned wells over time, but identified 219 orphaned wells in 2017 and 44 new orphaned wells since then, which is nearly double the 144 orphaned wells GAO reported in 2009.
- The delayed and incomplete reclamation of oil and gas wells threatens air, water and health: unplugged wells may be leaking methane and other pollutants, and degraded well casing or cement can allow oil, gas, or salty water to leak into freshwater aquifers.

GAO recommends that the BLM increase decades-old bond levels, as well as develop a way to obtain funds from companies to pay for reclaiming orphaned wells.

To help address this inadequacy, Congressman Alan Lowenthal (D-CA), chair of the House Energy and Mineral Resources Subcommittee, introduced legislation on Tuesday to update oil and gas bond amounts for the first time in nearly sixty years. H.R. 4346, the Bonding Reform and Taxpayer Protection Act of 2019, would increase bonding amounts to ensure complete and timely reclamation, updating minimum bond amounts for individual, statewide, and national bonds to \$50,000 for an individual lease, \$250,000 for all of a company's wells in a state, and \$1,000,000 for all wells nationwide, all to be adjusted at least every three years for inflation. It would also require oil and gas operators to submit interim and final reclamation plans with each drilling permit application.

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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.