

Study Finds Multi-billion Dollar Taxpayer Liability for Oil and Gas Clean-up

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Billings, Mont. – Federal and state agencies need to overhaul regulation of oil and gas development or taxpayers and landowners could be saddled with billions in clean-up costs, a new study finds.

Released by WORC, the Western Organization of Resource Councils, *Filling the Gaps – How to Improve Oil and Gas Reclamation and Reduce Taxpayer Liability* reveals a potential multi-billion dollar taxpayer liability for clean-up of oil and gas sites throughout the West. The study focused on reclamation planning and financial assurance for oil and gas drilling on public and private land.

“Existing financial assurance for oil and gas sites, known as blanket bonds, falls far short of actual clean-up needs,” said James Kuipers, of Kuipers and Associates and study author. “The overall industry-wide liability is estimated in the billions of dollars, and just a few bad actor companies could saddle taxpayers and landowners with millions of dollars of clean-up liability.”

Kuipers said the federal government requires the hard rock and coal mining industries to post bonds based on actual clean-up costs.

WORC’s report supports the findings of a recent Government Accountability Office (GAO) analysis of shortfalls in management of federal oil and gas drilling. In July, the GAO concluded that the Bureau of Land Management’s (BLM) focus on issuing oil and gas drilling permits has led the agency to neglect its responsibility to protect the land and other resources. That GAO report confirmed the findings of a WORC report released in February, *Law and Order in the Oil and Gas Fields*

“Filling the Gaps is one more report showing land management agencies are not balancing booming energy development with protecting taxpayers, landowners, and natural resources,” said Peggy Utesch, WORC spokesperson and member of the Western Colorado Congress from New Castle, Colo. “We should have better reclamation planning and bonding programs to handle the clean-up of oil and gas projects.”

The key findings of *Filling the Gaps* are:

- Financial assurance (damage deposit) amounts in all cases examined fall far short of potential clean-up costs;
- Reclamation plans rarely cover true clean-up needs; and
- The failure of a few oil and gas companies to reclaim could cost taxpayers and landowners billions of dollars of clean-up liability.

WORC's report recommends four steps to improve the bonding and reclamation programs of the BLM and state permitting agencies:

- Land management agencies should adopt clear, specific reclamation requirements and standards, especially for land reclamation;
- BLM and states should require reclamation plans tailored for specific sites and update them yearly;
- Professional engineers – not oil and gas industry executives – should prepare reclamation cost estimates; and
- Bonds should cover reclamation costs and potential liabilities.

“The federal government has done a terrible job of making drillers develop comprehensive reclamation plans,” said Keith Ashdown, vice president of Taxpayers for Common Sense, a national, nonpartisan budget watchdog organization. “It has let companies get away with issuing blanket bonds that in reality cover only a tiny portion of the clean-up costs. When oil and gas companies don't pick up the tab to clean-up their own mess, taxpayers get stuck with the bill. At a time when the federal treasury is running on empty, this mismanagement will create billions of dollars of future liabilities for our grandchildren.”

WORC is a network of grassroots organizations representing farmers, ranchers, landowners and consumers in Colorado, Idaho, Montana, North Dakota, Oregon, South Dakota, and Wyoming.

The report, appendix, and summary are available [here](#). The website also provides statements by the following spokespersons: James Kuipers; Peggy Utesch; Keith Ashdown; Thomas Irgens, Dakota Resource Council; Ray Muggli, Northern Plains Resource Council; and Donald Spellman, Powder River Basin Resource Council.