



Protect Taxpayers: Bonding Reform Is Essential to Responsible Orphaned Well Cleanup

June 16, 2021

Dear Senator,

Orphaned wells create significant financial liabilities for taxpayers and pose environmental and public health risks. They can leak methane gas, contaminate surface water and groundwater, fragment habitats, erode soil, and interfere with agricultural land use. It is in the national interest to ensure they are properly reclaimed. As you consider efforts to address the cleanup of orphaned wells, we urge you to protect taxpayers and hold industry accountable by including reforms to federal oil and gas bonding.

While proposals like the Revive Economic Growth and Reclaim Orphaned Wells Act, or “REGROW” Act (S.1076) take the positive step of seeking to address orphan wells, we are concerned about the omission of oil and gas bonding reform measures. We urge you to protect taxpayers and prevent wells from being orphaned in the future by holding industry accountable for the cost of cleanup going forward. Without federal oil and gas bonding reforms, taxpayers will continuously foot the bill for orphaned well cleanup while the oil and gas industry gets a free pass.

Federal oil and gas bonding rates have not been updated since the 1960s. The Government Accountability Office found that current bonds are insufficient to cover reclamation costs.

The Bureau of Land Management (BLM), the agency in charge of onshore federal oil and gas leasing, is required by the Mineral Leasing Act to obtain adequate bonds or other financial assurance from operators before they can start drilling on federal lands. In the event an operating company dissolves or goes bankrupt, [as they do regularly throughout the oil and gas boom-and-bust cycle](#), the BLM uses the company’s bond to cover the costs of any remaining reclamation work. **If the amount of the bond is insufficient, taxpayers are forced to cover the costs of reclaiming the orphaned wells.**

The current minimum for a bond covering wells on an individual lease is \$10,000; for a bond with statewide coverage, it is \$25,000, and for a bond with nationwide coverage \$150,000. These minimums were set in 1954 and 1960 and now only provide 10 percent of their original coverage due to inflation over 60 years.

These minimums are inadequate. According to a [Government Accountability Office \(GAO\) report published in 2019](#), the average value of bonds held by the BLM does not reflect the full reclamation costs of wells they cover. In fact, 84 percent of bonds, covering 99.5 percent of wells, are not high enough to cover even the lower end of estimated reclamation costs. As a

result, the financial burden of cleaning up some orphaned wells inevitably falls to taxpayers. For more information on oil and gas bonding, view Taxpayers for Common Sense's [fact sheet here](#).

The GAO found that low bonding requirements disincentivize operators from promptly reclaiming wells as it is often more costly to reclaim the wells than to forego the bonded amount. The GAO also calculated that imposing an annual idle well fee of less than \$350 could generate enough revenue over a decade to reclaim orphaned wells on federal land, **without using any taxpayer dollars, or the \$250 million the bill proposes.**

As the Senate Energy and Natural Resources Committee considers this important issue, Taxpayers for Common Sense urges you support federal oil and gas bonding reform or taxpayers will continue paying to clean up industry's mess in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Ellis".

Steve Ellis
President