

February 14, 2025

Hon. Doug Burgum, Secretary  
U.S. Department of the Interior  
Bureau of Land Management  
1849 C St. NW  
Washington, DC 20240

**RE: Preserving BLM’s Bonding Provisions of the April 2024 “*Fluid Mineral Leases and Leasing Process Rule*” to Guarantee Protection from Undue Burdens**

Dear Secretary Burgum,

On behalf of Western Organization of Resource Councils, Powder River Basin Resource Council (Wyoming), Western Colorado Alliance, Dakota Resource Council (North Dakota), and Northern Plains Resource Council (Montana) and our more than 20,000 members throughout the Intermountain West, we urge you to retain and fully implement BLM’s *Fluid Mineral Leases and Leasing Process Rule*. This commonsense rule addresses the serious and growing taxpayer liability resulting from idle and orphaned wells by updating BLM’s minimum reclamation bond amounts for the first time in over sixty years.<sup>1</sup> Adequate reclamation bonds are a well-accepted cost of producing coal, and are a logical cost of producing oil and gas. They cannot be considered an added burden on the development of domestic energy resources, but are simply an integral cost of doing business.

Our members – many of them landowners and ranchers – have long been frustrated by the burdens on them created by unacceptable delays in plugging and remediation of orphan and idle wells. Our members include family farmers and ranchers living above split estate minerals, including federal mineral estate and Native American mineral allottees, as well as grazing lessees. These Americans rely on federal rules to ensure the wells on their land are appropriately leased, operated, plugged, and reclaimed back to pre-drilling (reusable) landscape, and many have long suffered the consequences of unreclaimed, inactive, and orphan wells on wasted land.

For decades, our organizations have advocated for policies at the federal level that ensure a fair return for development of publicly owned resources under both public and private lands and a management structure that ensures those corporations that profit from public resources finish the job at each well's end of life. That includes requiring sufficient financial assurance (bonds) that ensure prompt reclamation, eliminating the surface loss burden for split-estate owners and protection of local communities from the consequences of long-standing unplugged idle, abandoned and orphan wells.

On April 23rd, 2024 the Interior Department finalized and published in the Federal Register the *Fluid Mineral Leases and Leasing Process Rule* which addressed many of these undue burdens, particularly the needed and long overdue increase in bonding rates for onshore oil and gas leases. For the

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<sup>1</sup> Orphaned Wells Program Annual Report to Congress, Nov 2024:  
<https://www.doi.gov/sites/default/files/documents/2024-11/fy-2024-owpo-annual-congressional-reportfinal-publishing.pdf>

reasons outlined below, we urge you as Secretary of Interior to protect the increased oil and gas bonding rates on our federal lands and minerals:

### **Increased Federal Bonding Rates for Onshore Oil and Gas Leasing Alleviate Burdens on Taxpayers and the Federal Government**

Prior to the finalization of the *Fluid Mineral Leases and Leasing Process Rule*, federal bonding rates had not been updated in over 60 years, placing undue burdens on the Bureau of Land Management (BLM) and taxpayers. This common sense rule addressed these major discrepancies by raising bond rates to account for skyrocketing inflation rates, technological advances in vertical and horizontal drilling, and the undue burdens placed on taxpayers.

Adequate bonding serves two main functions. First, it incentivizes reclamation to occur promptly and effectively. If bond amounts provide sufficient financial incentive, operators will carry out timely and effective plugging and reclamation of wells and associated oil and gas infrastructure. Second, adequate bonding protects the American taxpayer from the burden of having to pay for any plugging and reclamation of wells left abandoned or orphaned by the industry. In other words, adequate bonding ensures the availability of funds for the regulator to complete remediation if the operator is unable or unwilling. For both main functions of bonding, the BLM's finalized rule addresses these burdens and provides substantial economic analysis for their reasoning.

The BLM's economic analysis and research on the financial impacts to the *Fluid Mineral Leases and Leasing Process Rule* states, "The rule is expected to provide benefits to the public by reducing the federal funding that may be required to cover the plugging, remediation and reclamation costs of covered wells and reducing the possible environmental damage associated with a delay in plugging and reclamation."<sup>2</sup> Groundwater contamination is also a possible consequence from unreclaimed wells, which increases the cost of plugging and reclaiming the land while also threatening nearby communities.<sup>3</sup>

The BLM currently spends approximately \$2.7 million per year to plug and reclaim between 15 and 24 wells annually. The BLM notes that under the current rule, with strong bonding rates, "the minimum bonding requirements will reduce the necessary public funding by between \$1.3 million to \$3.8 million per year"<sup>4</sup>.

The BLM also notes in their economic analysis that the changes in bonding requirements will reduce the public burden for well reclamation by ensuring that operators fulfill their responsibility for complete and timely reclamation. The BLM also mentions that updated bonding rates will also alleviate undue burdens for the BLM, specifically noting that under the finalized rule, "the bond amount will cover the average cost of reclamation, negating any need for the BLM to spend time and effort trying to require those responsible to conduct the reclamation. This change could benefit the BLM by reducing the amount

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<sup>2</sup>BLM Economic Analysis, Fluid Mineral Leases and Leasing Process, ES-2, June 2023

<sup>3</sup>USGS, Plugging the Gaps, July 2023,

<https://www.usgs.gov/news/featured-story/plugging-gaps-how-usgs-working-fill-data-gaps-orphaned-oil-and-gas-wells>

<sup>4</sup>BLM Economic Analysis, Fluid Mineral Leases and Leasing Process, ES-2, June 2023

of administrative time and costs required to pursue other parties as well as reduce the amount of appropriated funds that the BLM must expend to conduct the reclamation itself.”<sup>5</sup>

The updated bonding rates will also alleviate the need for Congress to appropriate funds to clean up orphaned wells in the future. With bonding rates adjusted, operators will be more incentivized to clean up their mess, knowing there is a pot of money waiting for them once they follow through with complete and timely reclamation. In 2021, the Infrastructure Investment and Jobs Act was passed that allocated \$4.7 BILLION to address orphaned oil and gas wells. If bonding rates had been sufficient prior to this bill passing, there would not have been a need for that funding; however now, with the updated bonding rates, taxpayer dollars can be utilized in more efficient and effective ways that support taxpayers rather than oil and gas operators.

Additionally, the oil and gas industry is rife with risk, as evidenced by the history of bankruptcy and the boom-bust nature of development that comes with the rise and fall of international commodity prices. Roughly 275 oil and gas operators filed for bankruptcy from 2015-2021. Including midstream operators, this number jumps to roughly 600 bankruptcies in the oil and gas industry.<sup>6</sup> The history of oil and gas development is played out time and time again across the country – when prices are high, drilling increases, and when prices are low, wells are left idle and orphaned or sold off so current operators can offload liabilities. Those assets are often sold to a buyer who is less financially viable than the seller. While the BLM cannot control oil and gas prices, it can control the risk and costs borne by the American taxpayer. This finalized rule is a necessary first step in alleviating that burden.

There are more than 2.6 million unplugged onshore wells across the United States, and it is estimated that it would cost \$280 billion to plug onshore wells. This does not include the estimated 1.2 million wells that are undocumented.<sup>7</sup> This has spurred many state regulators to implement stronger bond rates, recognizing that oftentimes the burden falls on the state to clean up the mess once operators walk away. Wyoming, for example, increased the cost for bonding on state and private lands in 2014, mainly spurred by its experience with insufficient financial assurance during the coalbed methane boom in the state, which later left the public responsible for the cleanup.<sup>8</sup> Wyoming’s oil and gas industry and elected officials recognized the financial arguments for increasing the bonds. Former Governor Matt Mead stated in 2015 that, “I think what we’ve done effectively is proactively looked at this situation so we don’t leave taxpayers holding the bag, they recognize that in order to have the best success in oil and gas, you have to be able to address these things to where the public is satisfied that we’re doing our job of being good stewards of the land.”<sup>9</sup> For ten years, Wyoming bond rates were significantly higher than federal bond rates until the BLM finalized the *Fluid Mineral Leases and Leasing Process Rule*. This points to how out of step federal bonding rates were from high producing oil and gas states, such as Colorado and Wyoming, which have implemented strong bonding provisions over the last decade.

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<sup>5</sup>ibid

<sup>6</sup> Haynes Boone Oil Patch Bankruptcy Monitor, Jan. 31, 2022,

[https://www.haynesboone.com/-/media/project/haynesboone/haynesboone/pdfs/energy\\_bankruptcy\\_reports/oil\\_patch\\_bankruptcy\\_monitor.pdf?rev=61c2606a5be547598c8d716d1a795c39&hash=97ECA4B149560404B19497FA37CB2B50](https://www.haynesboone.com/-/media/project/haynesboone/haynesboone/pdfs/energy_bankruptcy_reports/oil_patch_bankruptcy_monitor.pdf?rev=61c2606a5be547598c8d716d1a795c39&hash=97ECA4B149560404B19497FA37CB2B50) (attached).

<sup>7</sup> See <https://carbontracker.org/reports/billion-dollar-orphans/>

<sup>8</sup> Wyoming Bonding Case Study, Accountable.U.s,

<https://accountable.us/wp-content/uploads/2023/09/20230918-Wyoming-Bonding-Case-Study-FINAL.docx.pdf>

<sup>9</sup> Casper Star Tribune, 12.8.2015,

[https://trib.com/business/energy/wyoming-raises-bonding-requirements-for-oil-and-gas-wells/article\\_74fe1dff-3305-5e5d-881a-27a6d6b874c8.html](https://trib.com/business/energy/wyoming-raises-bonding-requirements-for-oil-and-gas-wells/article_74fe1dff-3305-5e5d-881a-27a6d6b874c8.html)

## **The Interior Secretary has a Statutory Responsibility and Authority to Uphold and Ensure Adequate Bond Rates**

The Department of the Interior and the BLM have a statutory obligation under the Mineral Leasing Act to require adequate bonds:

*“The Secretary [shall]... by rule or regulation, establish such standards as may be necessary to ensure that an adequate bond, surety, or other financial arrangement will be established prior to the commencement of surface-disturbing activities on any lease, to ensure the complete and timely reclamation of the lease tract, and the restoration of any lands or surface waters adversely affected by lease operations after the abandonment or cessation of oil and gas operations on the lease.”<sup>10</sup>*

This statutory responsibility was not being fully upheld until the Secretary of Interior finalized the *Fluid Mineral Leases and Leasing Process Rule* in April of 2024. Prior to the finalization of the rule, the average bond held by the BLM was a mere \$2,122 per well, when in reality the average cost of cleaning up a well can range from \$20,000 up to \$150,000.<sup>11</sup> This discrepancy led to oil and gas operators not feeling incentivized to clean up their wells; consequently, complete and timely reclamation and restoration of any lands or surface waters was not adequately done for decades, ultimately leading to an epidemic of orphaned and abandoned wells throughout the country.

In 2019 the GAO found that only 16% of newly identified orphaned BLM wells had reclamation bonding sufficient to cover the remaining reclamation costs.<sup>12</sup> The Orphaned Wells Program Annual Report to Congress in November of 2024 outlines the ever growing orphaned well inventory that plagues our public lands and minerals. As of 2022, the Interior Department identified more than 16,000 orphaned wells on federal lands.<sup>13</sup> However, that number is steadily increasing as regulators continue the on the ground work of assessing the inventory, and unfortunately, there is no way to know the true scope of the orphaned well problem since a comprehensive national inventory does not exist. And as noted above, when onshore oil and gas wells are left unplugged and abandoned by their operator, the responsibility to clean up and reclaim the well and surrounding land falls on taxpayers while also becoming an administrative burden for the BLM.

It is of the utmost importance for the Department of Interior to uphold its statutory responsibility of ensuring complete and timely reclamation of federal oil and gas wells by ensuring that current bonding rates remain in place.

For the reasons outlined above, we urge you and the Department of the Interior to uphold the *Fluid Mineral Leases and Leasing Process Rule*, which ensures that financial burdens are lifted from taxpayers and the federal government. We appreciate your time and consideration. Upholding these

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<sup>10</sup> 30 U.S.C. § 226(g) - Lease of oil and gas lands

<sup>11</sup> Government Accountability Office. (2019). OIL AND GAS: Bureau of Land Management Should Address Risks from Insufficient Bonds to Reclaim Wells. (GAO Publication No. 19-615).

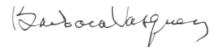
<sup>12</sup> *ibid*

<sup>13</sup> Orphaned Wells Program Annual Report to Congress, pg.37, Nov 2024:

<https://www.doi.gov/sites/default/files/documents/2024-11/fy-2024-owpo-annual-congressional-reportfinal-publishing.pdf>

bonding requirements is a critical step toward safeguarding taxpayers, public lands, and mineral resources from unnecessary financial burdens. We urge you to take decisive action in maintaining these protections, ensuring a responsible energy policy that benefits both communities and the environment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Barbara Vasquez".

Dr. Barbara Vasquez  
WORC Oil & Gas Chair