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December 21, 2022

The Honorable Deb Haaland
Secretary
U.S. Department of the Interior
1849 C Street NW
Washington, D.C. 20240

Dear Secretary Haaland –

I write to request that the Department of Interior (DOI) move swiftly to address inadequate and outdated federal oil and gas bonding rates. I continue to work with my colleagues to urgently advance bonding reform through Congress to increase minimum financial assurance rates, but the challenge that dangerous orphaned wells pose on our federal lands in Colorado and across the West demands immediate action across the government.

I appreciate DOI's efforts to address the growing orphaned and abandoned well issue. These wells release harmful pollution affecting our water and air, pose a hazard to fish and wildlife, and can impair other uses of public lands such as recreation. Research has found that climate-harming methane pollution from abandoned oil and gas wells is currently the 10th and 11th largest sources of anthropogenic methane emissions in the United States and Canada, respectively.[1] DOI's distribution of funding from the Bipartisan Infrastructure Law (BIL) to states, including Colorado, to clean up these wells is a critical step forward.

However, in order to prevent this crisis from persisting and growing, we must address the underlying problem of outdated federal bonding rates to ensure that taxpayers do not continue to bear the costs of cleaning up wells drilled on federal lands. The Government Accountability Office (GAO) has reviewed the federal oil and gas leasing system numerous times, and has included the oil and gas program on its "High Risk List" every year since 2011, noting the risks of waste, abuse, fraud, and mismanagement and the pressing need for reform. Their 2019 report found that "weaknesses with bonds for coal mining and for oil and gas development pose a financial risk to the federal government as laws, regulations, or agency practices have not been adjusted to reflect current economic circumstances."[2]

Federal oil and gas bonds serve as an insurance policy for taxpayers in case companies will not or cannot clean up their wells and drilling sites themselves. However, the current minimum bond amounts – which GAO has found to be used 82% of the time – were set in the 1950s and 60s and have not since been updated, even to account for inflation. As a result, the Bureau of Land Management (BLM) now holds bonds that are worth just over $2,000 per well, even

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[1] Williams, James P., Amara Regehr, and Mark Kang. "Methane Emissions from Abandoned Oil and Gas Wells in Canada and the United States" (Dec. 2020), *Environmental Science and Technology*, https://pubs.acs.org/doi/pdf/10.1021/acs.est.0c04265

[2] U.S. Government Accountability Office (GAO), "Bureau of Land Management Should Address Risks from Insufficient Bonds to Reclaim Wells" (Sept. 2019), https://www.gao.gov/assets/gao-19-615.pdf.

though the costs to plug and reclaim modern oil and gas wells can exceed $300,000 on average.[3]

In DOI's November 2021 report on the federal oil and gas leasing program, the outdated bonding system for onshore oil and gas leases is identified as one of the key areas in need of reform. Citing GAO reviews, the report recommends that "[t]he BLM should increase minimum bond amounts and set the appropriate levels taking into consideration changes in technology, the complexity and depth of modern wells, inflation, and the risk of abandonment."[4]

My bill – the *Oil and Gas Bonding Reform and Orphaned Well Remediation Act* – would strengthen and increase minimum bonding requirements for oil and gas development on federal lands to ensure adequate financial resources are available to remediate and reclaim the land and water if wells are abandoned. Codifying bonding reform into law to increase minimum financial assurance rates is absolutely critical – and I will continue working to pursue passage of these measures. In the meantime, I urge DOI to swiftly move forward on its rulemaking to address inadequacies in the federal oil and gas system as was included in the Office of Information and Regulatory Affairs' Spring 2022 unified agenda.[5]

By taking steps to fix this broken system, we will help ensure that companies – not taxpayers – bear the costs for cleaning up drilling sites, while ensuring responsible stewardship of our federal lands.

Thank you for considering this request. I look forward to your reply.

Sincerely,

Michael F. Bennet
United States Senator

Cc:
Director of the Bureau of Land Management, Tracy Stone Manning
Chair of the Council on Environmental Quality, Brenda Mallory

[3] Carbon Tracker, "Taxpayers may have to pay $280 billion in onshore plugging costs for oil and gas wells" (Oct. 2020), https://carbontracker.org/taxpayers-may-have-to-pay-280-billion-in-onshore-plugging-costs-for-oil-and-gas-wells/.
[4] U.S. Department of the Interior (DOI), "Report on the Federal Oil and Gas Leasing Program" (Nov. 2021), https://www.doi.gov/sites/doi.gov/files/report-on-the-federal-oil-and-gas-leasing-program-doi-eo-14008.pdf
[5] Office of Information and Regulatory Affairs (Spring 2022), "Revision of Existing Regulations Pertaining to Fossil Fuel Leases and Leasing Process", https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202204&RIN=1004-AE80