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## **GAO Report Highlights BLM’s Inadequate Bonding for Oil and Gas Landowners call for Reform**

Landowners with the Powder River Basin Resource Council impacted by expansive coalbed methane drilling and development are calling on the Bureau of Land Management to increase its oil and gas bonding in light of a Government Accounting Office (GAO) report released today.

“Requiring the oil and gas industry to have adequate bonding that covers the cost of reclamation and clean up is long overdue,” said Powder River Basin rancher Eric Barlow. “We’ve worked for decades with the BLM to get the old oil wells on our ranch cleaned up and reclaimed and we don’t want to be doing that in the future with over 50,000 CBM wells in the Powder River Basin.”

GAO, the investigative arm of Congress, documented in this report that bond amounts for oil and gas projects have not been updated since the 1950s and 60s. They wrote, “These minimum bond amounts were set in the 1950s and 1960s and have not been updated. Specifically, the bond minimum of \$10,000 for individual bonds was last set in 1960, and the bond minimums for statewide bonds—\$25,000—and for nationwide bonds—\$150,000—were last set in 1951. If adjusted to 2009 dollars, these amounts would be \$59,360 for an individual bond, \$176,727 for a statewide bond, and \$1,060,364 for a nationwide bond.”

The report also documents nearly \$4 Million spent by BLM to reclaim 295 Orphaned Wells since Fiscal Year 1988 and found an additional 144 orphaned wells that need to be reclaimed. The report noted that one-third of the amount spent to reclaim orphaned wells—about \$1.3 million—went toward reclaiming 44 wells in Wyoming. The GAO said, “The amount spent per reclamation project varied from a high of \$582,829 for a single well in Wyoming in fiscal year 2008, to a low of \$300 for three wells in Wyoming in fiscal year 1994. These variations are due to differences in the amount of surface and subsurface disturbance and the amount of effort required to reclaim these wells.”

The GAO report highlighted the shortcomings of BLM’s oil and gas bonding by pointing to the fact that 12 western states generally require bond amounts that are equal to or higher than the minimum amount BLM requires for its individual lease and statewide bonds. More importantly, many states determine bond amounts based on well depth or number of wells covered by the bond, to make money available to match the risk involved. They also noted that, “regulations governing the extraction of other resources owned by the federal government generally require (1) bond amounts that consider the cost of reclamation, which reduces the

government's potential liability for reclamation costs; or (2) use minimum amounts that were established more recently than the amounts for BLM oil and gas bonds.”

This fact is not lost on landowners with the Powder River Basin Resource Council who have repeatedly pointed out that the federal government requires hard rock and coal mining companies to post bonds based on accurate reclamation costs. “It makes good business sense and good common sense to require the oil and gas industry to have bonding requirements like the coal and hard rock mining industry,” remarked Bob LeResche, Chair of Powder River Basin Resource Council.

The GAO study is only the latest in a series of troubling reports, including an earlier GAO report, pointing out the inadequacy of BLM oil and gas regulations. A 2005 report by the Western Organization of Resource Councils (WORC), *Filling the Gaps – How to Improve Oil and Gas Reclamation and Reduce Taxpayer Liability*, recommended improvements to the BLM's bonding program, citing a potential multi-billion dollar taxpayer liability for clean-up of oil and gas sites throughout the West. That same year, the GAO found that BLM's focus on issuing oil and gas drilling permits had led the agency to neglect its responsibility to protect the land and other resources.

In 2005, the Buffalo Field Office conducted its own internal review of reclamation. This review found over 85% of CBM projects were out of compliance with reclamation requirements. The report stated, “It was found that most wells and facilities in the Basin were out of compliance. Most non-compliance issues were related to a lack of seeding and excessive weeds.”

In 2006, Powder River Basin Resource Council, the Western Organization of Resource Councils and other groups submitted a rulemaking petition to BLM to require the oil and gas industry to reclaim land damaged by drilling and to provide financial assurance bonds to protect taxpayers and landowners from restoration liabilities. The agency took no action. In 2009, Powder River Basin Resource Council wrote to the Buffalo BLM and requested an increase in bonding due to concerns over the lagging financial ability of some CBM companies and the increasing cost of reclamation.

Powder River Basin rancher Ed Swartz points to 15 oil wells abandoned in 1972 on his ranch that have still not been reclaimed. “Adequate bonding will ensure that reclamation happens and landowners are not waiting for 40 years to have a mess cleaned up on their property,” said Swartz.

Powder River Basin Resource Council was formed in 1973 to protect Wyoming's agricultural and rural heritage and to work to ensure responsible development of Wyoming's vast mineral resources.

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

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See these links for GAO report, WORC bonding Report and the WORC Oil and Gas petition.

<http://www.gao.gov/new.items/d10245.pdf>

<http://www.worc.org/Filling-the-Gaps/>

<http://www.worc.org/Oil-and-GasPetition/>