What GAO Found

According to GAO’s analysis of BLM data, as of December 2008, oil and gas operators had provided 3,879 bonds, valued at $162 million, to ensure compliance with lease terms and conditions for 88,357 wells. BLM regulations establish minimum bond amounts: $10,000 for an individual lease, $25,000 to cover all leases of a single operator in a state, and $150,000 to cover all leases of a single operator nationwide. The bond amount for individual leases was set in 1960, while the statewide and nationwide bond amounts were set in 1951.

For fiscal years 1988 through 2009, BLM spent about $3.8 million to reclaim 295 orphaned wells in 10 states and has identified an additional 144 orphaned wells in 7 states that need to be reclaimed, according to BLM. The amount spent per reclamation project varied greatly, from a high of $582,829 for a single well in Wyoming in fiscal year 2008 to a low of $300 for 3 wells in Wyoming in fiscal year 1994. BLM reclamation cost estimates were not available for all of the wells it has yet to reclaim, but BLM field office officials have completed reclamation cost estimates of approximately $1.7 million for 102 of the 144 orphaned wells.

The 12 western states (Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming) and other Interior agencies and offices have bonding approaches that differ from BLM’s oil and gas bonding requirements. The states generally require higher bond amounts than the minimum amounts established by BLM regulations for individual and statewide oil and gas leases. Regulations governing the extraction or use of other federally owned resources generally require bond amounts based on the cost of reclamation or use minimum amounts that were established more recently than the bond amounts for oil and gas.

GAO provided a draft of this report to the Department of Interior for review and comment. The Department provided technical comments, which were incorporated as appropriate.