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Highlights

Highlights of [GAO-10-245](#), a report to congressional requesters

Why GAO Did This Study

The Federal Land Policy and Management Act of 1976 directs the Department of the Interior (Interior) to manage lands for multiple uses while also taking any action to prevent “unnecessary or undue degradation” of the land. To do this, Interior’s Bureau of Land Management (BLM), among other things, requires oil and gas operators to reclaim the land they disturb and post a bond to help ensure they do so. Despite these requirements, not all operators perform reclamation. If the bond is not sufficient to cover well plugging and surface reclamation and there are no responsible or liable parties, the well is considered “orphaned,” and BLM uses federal dollars to fund reclamation. The 12 western states where most oil and gas production occurs and other Interior agencies also require bonds to ensure reclamation.

GAO was asked to (1) determine the number, value, and coverage of bonds held by BLM for oil and gas operations; (2) determine the amount that BLM has paid to reclaim orphaned wells over the past 20 years and the number of orphaned wells BLM has identified but has not yet reclaimed; and (3) compare BLM’s bonding requirements for oil and gas operations with those the 12 western states use for oil and gas operations on state and private lands and other Interior agencies’ bonding requirements for other resources. Among other things, GAO analyzed BLM data on wells and BLM-held bonds, and interviewed BLM officials.

View [GAO-10-245](#) or [key components](#). For more information, contact Anu K. Mittal, (202) 512-3841 or mittala@gao.gov.

OIL AND GAS BONDS

Bonding Requirements and BLM Expenditures to Reclaim Orphaned Wells

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.

Oil Wells on BLM Land Southwest of Ely, Nevada



Source: Bureau of Land Management.