

# GAO Highlights

Highlights of [GAO-18-250](#), a report to congressional requesters

## Why GAO Did This Study

In fiscal year 2016, private entities operated about 94,000 oil and gas wells on federal lands overseen by BLM. Once wells cease production, they can become inactive and potentially orphaned if an operator does not perform required reclamation and if an operator's bond is insufficient to cover the expenses. BLM considers oil and gas wells on federal and Indian lands and the associated leased lands as potential liabilities for the federal government because BLM may have to cover the costs of reclaiming well sites. To better manage its potential liabilities, BLM issued well and bond adequacy review policies in 2012 and 2013, respectively.

GAO was asked to review how BLM manages its potential oil and gas well liabilities. This report examines, among other things: (1) how BLM's actual costs and potential oil and gas well liabilities have changed for fiscal years 2010 through 2017 and (2) the extent to which BLM has implemented its well and bond review policies. GAO analyzed BLM's policies and data and interviewed BLM officials and representatives from stakeholder organizations.

## What GAO Recommends

GAO is making seven recommendations, including that BLM systematically track the agency's actual reclamation costs and potential liabilities and strengthen its approach to monitoring field offices' implementation of the well review and bond adequacy review policies. BLM agreed with GAO's recommendations.

View [GAO-18-250](#). For more information, contact Frank Rusco at (202) 512-3841 or [ruscof@gao.gov](mailto:ruscof@gao.gov)

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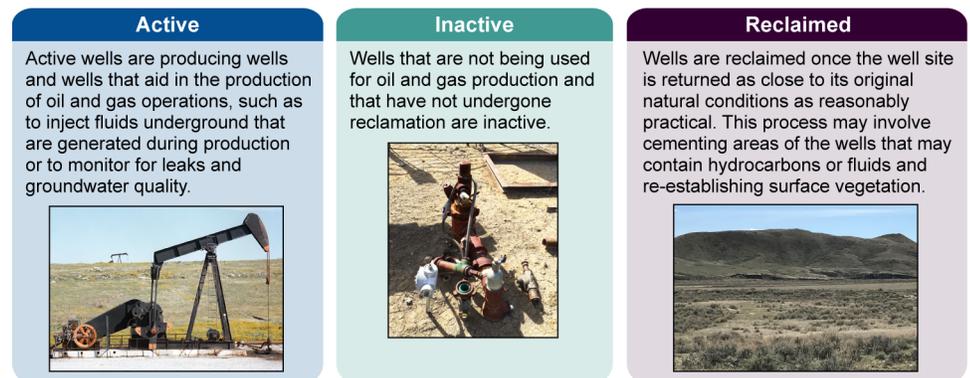
## OIL AND GAS WELLS

### Bureau of Land Management Needs to Improve Its Data and Oversight of Its Potential Liabilities

## What GAO Found

GAO's analysis indicates that the Bureau of Land Management's (BLM) actual costs incurred and potential liabilities for reclaiming oil and gas wells have likely increased for fiscal years 2010 through 2017. However, the full extent of the increase is not known because BLM does not systematically track needed data. Based on GAO's analysis of data obtained from 13 of BLM's 33 field offices that manage oil and gas programs, the average annual reclamation cost was \$267,600, an increase compared to the \$171,500 annual average across all BLM offices that GAO reported in 2010. Similarly, GAO's analysis of BLM data found that the number of known orphaned wells, those that generally have no responsible or liable parties, for all field offices has increased from 144 in 2010 to 219 as of 2017. However, BLM's database that contains information on oil and gas wells on federal and Indian lands does not collect information on costs incurred or on potential liabilities that might result from an increase in the number of orphaned wells. Under federal internal control standards, management should use quality information to achieve the entity's objectives. Without systematically tracking such information, BLM does not have assurance that it has sufficient bonds or financial assurances to cover the costs of reclaiming orphaned wells.

### Lifecycle of Oil and Gas Wells Overseen by the Bureau of Land Management (BLM)



Sources: GAO analysis of BLM information; Department of Energy (left photo); GAO (center and right photos). | GAO-18-250

GAO was unable to fully assess the extent to which BLM field and state offices have implemented the agency's policies on reviewing wells and bond adequacy in part because of deficiencies in BLM's monitoring approach. For example, reports BLM headquarters used to monitor field offices' implementation of the policies have limitations. GAO identified discrepancies between the well and bond adequacy review reports that BLM state offices submitted to headquarters and the national summary consolidating states' information. Out of 10 state offices, 3 reported a different number of reviews completed in fiscal year 2016 than what BLM reported in its fiscal year 2016 national summary. Leading practices for monitoring the implementation of agency policies call for taking steps such as collecting and analyzing data on performance indicators. Without strengthening BLM's approach to monitoring, its ability to assess field offices' reviews of all inactive wells and determine the adequacy of all bonds is limited.