

Congress of the United States
Washington, DC 20515

June 16, 2020

The Honorable David Bernhardt
Secretary of the Interior
1849 C Street, NW
Washington, D.C. 20240

Re: Interior Department's Response to Oil & Gas Well Abandonments Related to the COVID-19 Crisis

Dear Secretary Bernhardt:

We are concerned about the status of the nearly 100,000 oil and gas wells that are currently operating on America's public lands. A significant number of these wells may become orphaned due to the economic downturn caused by COVID-19. We are also alarmed that the Interior Department has granted royalty relief and lease suspensions to over-leveraged oil and gas companies without making any apparent effort to review or increase their reclamation bonds so that American taxpayers are not forced to assume even more orphaned well clean-up costs.

According to the Government Accountability Office (GAO), as of April 2019 there were at least 296 orphaned wells on public lands and nearly 2,300 that are "at risk" of becoming orphaned. The actual number of orphaned wells on public lands is likely much higher, because GAO found that the Bureau of Land Management (BLM) does not "systematically or comprehensively track orphaned wells." Further, the Interstate Oil and Gas Compact Commission (IOGCC) recently found that there were at least 56,000 documented—and potentially 746,000 undocumented— orphaned wells in the United States.

The economic downturn caused by COVID-19 will compound this problem and lead to the orphaning of countless more wells on public lands and elsewhere. The Federal Reserve Bank of Kansas City estimates that as many as 40 percent of oil and gas companies in the United States could become insolvent if oil prices do not hold steady above \$30/barrel.¹ As a result, we could see a "mass abandonment of wells."² The fiscal and environmental effects of this scenario would be catastrophic.

Unfortunately, the Interior Department has done nothing to protect American taxpayers over the past three years. BLM has not updated its minimum bonding rates since the 1950 and 1960s, despite repeated calls from ranchers and other western stakeholders.³ Interior has also failed to properly and consistently review the adequacy of bonds posted by operators that are facing insolvency and is even allowing those operators to engage in new leasing activities. As a result, GAO estimates that between 84 percent (low cost scenario) and 99 percent (high cost scenario) of

¹ <https://www.reuters.com/article/us-global-oil-usa-restructuring/bankruptcy-looms-over-u-s-energy-industry-from-oil-fields-to-pipelines-idUSKCN2250FQ>

² <https://www.eenews.net/stories/1063049965>

³ https://trib.com/business/energy/leresche-doi-needs-to-reform-oil-and-gas-policies-to/article_94c0f9e1-c2b6-501c-b58d-22caba3274f0.html

existing bonds held by BLM are insufficient to fully cover potential reclamation costs. This leaves taxpayers on the hook for a significant portion of clean-up costs, which could range from \$46 million to \$333 million dollars solely for the 2,300 wells identified by GAO before the pandemic as being “at risk” of being orphaned.

In light of the Interior Department’s failure to protect the interests of American taxpayers during these challenging times, we request a response to the following questions by Wednesday, July 1, 2020:

- What steps, if any, is the Interior Department taking to strengthen federal oil and gas bonding requirements and shield American taxpayers from orphaned well liabilities considering the recent drop in oil prices?
- How many orphaned wells are currently under BLM’s jurisdiction?
- How many “idled” wells – defined in accordance with 42 U.S.C. § 15907(e) as wells that have not operated in seven or more years and that have no anticipated beneficial use – are currently under BLM’s jurisdiction? How many of these wells are covered under bonds reviewed by BLM in the last five years and, of these, for how many has BLM proposed bond increases?
- Is BLM continuing to maintain a list of “entities in noncompliance with reclamation requirements of section 17(g) of the Mineral Leasing Act,” as required by Appendix 4 of BLM’s Competitive Leases Handbook (H-3120-1)? If so, can you please provide the most current version of this list? If not, can you please explain why not, and also explain how BLM is ensuring compliance with section 17(g), which prohibits entities that are violating reclamation requirements from obtaining new leases?
- What steps is BLM taking to assure that its inventory of 96,000 wells accurately reflects current ownership and operational status, including companies currently in bankruptcy proceedings as well as those with orphaned wells on private and state lands? What is BLM doing to develop and implement reclamation plans for remediation of idled and abandoned wells?

Thank you for your attention to this matter and your prompt response to these questions.

Sincerely,



Alan Lowenthal
Member of Congress



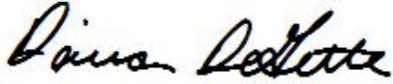
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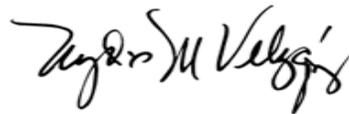
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