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Landowners' group urges reform of federal oil, gas bonding program

A new report released by the Government Accountability Office on the Bureau of Land Management's oil and gas bonding program confirms the program needs an overhaul, says Donald Nelson, of Keene, speaking on behalf of the Western Organization of Resource Councils.

Nelson, a rancher/farmer, said the bonding levels are too low and present a huge liability for the American taxpayer.

Nelson's ranch is a mixture of private and public surface with private and federal oil and gas holdings. He was recently appointed to the Dakotas citizen-based Resource Advisory Council, which advises the BLM on public land issues.

"Bonding reform would reduce the odds that taxpayers will have to pay for the cleanup of oil and gas projects in the event of default by energy companies, and it would help ensure proper reclamation of drilling sites," Nelson said.

"As a landowner in the oil and gas drilling fields, I strongly encourage the BLM to fully implement the GAO's recommendations and to ensure that oil and gas companies pay the full cost of reclaiming drilling areas," he said.

In its report released Friday, GAO found that the Bureau of Land Management has not consistently implemented its policies for managing potential liabilities from idle, unclaimed oil and gas wells. For example, 13 of the 33 BLM field offices GAO interviewed reported that they "either did not conduct any reviews or did not know the number of reviews conducted" on the adequacy of bonds set for federal oil and gas leases.

In addition, GAO reported 11 of the respondents had not conducted any reviews of the status of idle or orphaned wells in one or more years out of the last five. To improve management of potential liability of federal land, GAO recommended that the BLM should develop a comprehensive strategy to increase bonding over time, improve its data system to ensure complete and consistent well records, and better monitor agency performance in reviewing bond adequacy and idle wells.

According to GAO, the BLM has agreed with the report's recommendations and said the agency has moved to address the completeness and accuracy of its oil and gas data.