OMB Meeting – Bonding Rule – Comment

I want to briefly speak about a real world example of how insufficient bonding negatively affects both taxpayers and the BLM. Carbon Creek Energy, a gas company operating in the Powder River Basin in Wyoming, illustrates this example perfectly. Eight years ago, Carbon Creek Energy acquired over 7500 low and non-producing coalbed methane wells. They believed that they could profit off of the wells by increasing production – they believed this despite the failure of previous operators to increase production, and during a time of depressed gas prices. The unsurprising result of their endeavors is bankruptcy. Carbon Creek now owes more than $28 million in production taxes and royalties. In 2020, the BLM requested over $67 million from Carbon Creek to cover plugging and surface reclamation costs of the company's wells and associated infrastructure. Currently, BLM holds a meager $118,000 in bonds from Carbon Creek, falling far short of the assessed cost of reclamation of the company's thousands of abandoned wells. This extreme discrepancy between the funds required for reclamation and the funds available exists even after BLM conducted a bond adequacy review and raised Carbon Creek's bond amount above the federal minimum. BLM spent time and resources reviewing this company's bond amount, and still fell 500 times short of the amount it will take to clean up the wells if they are designated as orphaned. Still, this bond adequacy review result is better than most – generally, by the time the review is finished, the company in question has disappeared, and the BLM's efforts are all for naught. Requiring per-well bonding will help avoid situations like the Carbon Creek disaster in the future, and will remove administrative burden from BLM staff, who would no longer have to carry out bond adequacy reviews. Per-well bonding will also ensure that it is the company who created the mess, and not the US taxpayer, on the hook for clean-up costs.

Thank you for your attention to this matter.