

Stephen G. Handy

MARKETING COMMUNICATIONS

Public Relations in the Public Interest

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Honorable Utah Board of Oil, Gas and Mining Attn: LaVonne Garrison, Madam Chair P.O. Box 145801 Salt Lake City, UT 84114-5801 Email: lavonne.dogm@gmail.com

Mr. Mick Thomas, Director Utah Division of Oil, Gas, and Mining P.O. Box 145801 Salt Lake City, UT 84114-5801 Email: mickthomas@utah.gov

Re: Comments on Proposed Updates to Performance Bonding Rules

Madam Chair and Director Thomas:

I am a former Utah Legislator, (Utah House of Representatives, 2010-2022). While serving in the legislature, I worked in air quality policy and was a multi-year co-chair of the Legislature's bi-partisan Clean Air Caucus.

Since my retirement, I have continued to consult in the energy and environment sectors and specifically with the Environmental Defense Fund in Utah with a focus on methane emissions in the Uinta Basin.

As OGM is well aware, orphan wells are an unnecessary legacy of the oil and gas industry that present hazards to people and the environment, pollute our air, streams and lakes, groundwater; alter the integrity of the subsurface for other uses and lower property values. While most Utah operators largely comply with the law and properly plug and reclaim their end-of-life wells, the financial risks to the state and its taxpayers will only grow if idle and very low producing At-Risk wells are allowed to linger indefinitely, production from aging wells continues to decline, and plugging and reclamation costs continue to rise.

Salient Points

- A legislative audit from 2019 found that the state needed to do more to protect taxpayers from inheriting plugging and clean-up responsibility for end-of-life wells
- DOGM began a stakeholder process to reform the state's oil and gas well bonding rules, which were last adjusted in 2003
- The rule that DOGM has proposed is conservative, and tailored to manage the risk of well orphaning from the state's less capitalized operators

- While Utah does not have a lot of orphan wells now, the experience in neighboring states makes clear that as production ultimately falls, many of these assets will end up as taxpayer responsibility in the absence of policy change, and now is an excellent opportunity to establish protections for the years and generations to come.

Conclusion

These proposed draft rules represent a major step toward protecting current and future generations of Utahns from the growing financial burden of orphan well plugging, a risk now rearing its head across the country's oil and gas producing states. By tailoring the amount of financial assurance an operator must provide to reflect better measures of risk, including average daily production volume and At-Risk Well ratio, the rule will help prevent a wave of future orphan wells – and ensure that when wells are orphaned they will be cleaned up by the industry that created them, not by taxpayers. The September 2025 Draft rules address the key issues raised in 2019 by the Auditor General and are light-years beyond the long outdated existing Performance Bond Rules. Further strengthening the At-Risk Well supplemental bonding requirements as recommended in these comments would provide even greater assurance that Utah taxpayers will not be saddled with the costs of covering industry's riskiest bets, regardless of the booms or busts of the years to come.

Thank you for your consideration.

Regards,

A handwritten signature in black ink that reads "Stephen G. Handy". The signature is written in a cursive, flowing style.

Stephen G. Handy
President