

## **Comments of Taxpayers for Common Sense on March 2026 Draft Bonding Rule**

### **A. Introduction**

Taxpayers for Common Sense (TCS) is a nonpartisan budget watchdog founded in 1995 to ensure taxpayer dollars are spent wisely and transparently. For three decades, TCS has supported policies that safeguard the public purse, prevent wasteful subsidies, and promote fiscal accountability in natural resource management.

TCS submits these comments on the Utah Division of Oil, Gas and Mining’s draft update to Rule R649-13 (Performance Bonds) and related definitions in R649-1-8. These comments respond to the current, March 2026 draft. TCS has previously submitted comments on the September 2025 draft and presented oral comments on both drafts. Our comments today reiterate our support for maintaining key elements of the proposed update and identify opportunities to better protect taxpayers and communities.

### **B. Implications of Inadequate Bonding for Federal and State Taxpayers**

TCS supports changes to modernize Utah’s financial assurance and well-management framework. These updates fulfill long-standing legislative recommendations to align bond amounts with actual reclamation costs and hold operators accountable for cleanup obligations.

Across the country, outdated bonding rules have left taxpayers exposed to potentially massive liabilities. Federal and state investigations—including Utah’s 2019 legislative audit—have shown that legacy bond amounts, often unchanged for decades, fall far below the real costs of plugging and reclamation.<sup>1,2</sup> This gap has driven up public expenditures and shifted liability from industry to taxpayers.

When bond requirements fall short, Utah must draw from its dwindling Orphan Well Fund, the dedicated account that finances the state’s Orphan Well Plugging Program. The program, funded by a 0.002 levy (2/10th of a cent per dollar collected) on the value of oil and gas production and supplemented by forfeited bonds, covers the costs of plugging and reclaiming wells when operators default. Of the \$5.7 million the Division has spent plugging wells since its founding, just 22 percent came from forfeited bonds. The remaining \$4.43 million was drawn from the Fund itself.<sup>3</sup> If these trends continue, the Division anticipates the Orphan Well Fund could be depleted as soon as this year.<sup>4</sup>

These gaps are not just a state problem—they reverberate at the federal level. As the Orphan Well Fund approaches a zero balance, federal taxpayers are at high risk of becoming a backstop for insufficient state bonding.

### **C. Changes from the September 2025 Draft**

The March 2026 draft makes several changes, primarily technical in nature, to the previous draft.

TCS supports the new changes to R649-3 that limit the amount of time a well can be inactive, enforcing the same guidelines that apply to shut-in and temporarily abandoned wells. Under the new draft, an operator must submit a Sundry Notice after 12 months of inactivity, must plug the well after 5 years of inactivity, and must forfeit their bond after an additional 5 years of inactivity if the well is not properly plugged. We believe these requirements are reasonable for operators to comply with and important for limiting the risk of inactive wells become abandoned.

TCS opposed the new changes to base blanket bond inflation adjustments, which was changed from “not to exceed five years” to “every five years.” Our interpretation of this change is that bonds amounts can be adjusted for inflation no more frequently than every 5 years. If this is the correct interpretation, we recommend the Division to instead grant the authority to adjust base blanket bond amounts for inflation more frequently than every five years. If this is not the correct interpretation, we recommend the Division clarify the language.

### **D. Opportunities to Better Protect Taxpayers and Communities**

TCS supports the state’s proposal to update bonding requirements for oil and gas operators and offers the following recommendations to better protect state and federal taxpayers.

#### **I. Include an Operators’ Full Portfolio When Calculating its At-Risk Well Ratio**

TCS generally opposes blanket bonds, as set amounts covering a large number of wells—regardless of their estimated cleanup costs—can cost billions when a company goes bankrupt or otherwise orphans its wells. Should the state continue with the proposed blanket bond framework, we strongly support its proposal to raise blanket bond minimums and to establish different bond amounts within each tier, depending on the number of wells covered.

However, TCS has concerns with how the numerator and denominator are calculated for the at-risk well ratio. We advise the committee to include an operator’s state, fee, and federal wells when calculating an operator’s production and the number of its at-risk wells to determine tier eligibility. The operator should be able to count on production revenue from all sources, just as the state must consider the potential plugging liability from its full portfolio.

#### **II. Do Not Allow Any Number of At-Risk Wells To Be Covered Under Blanket Bonds**

TCS supports the creation of supplemental bonds to account for inactive, shut-in, and other high risk wells. The supplemental bond amounts, while extremely conservative compared to actual reclamation costs, will help protect taxpayers from wells that are most likely to be orphaned.

However, TCS does not support allowing operators to cover any number of at risk wells under blanket bonds. If the state decides to pursue a tiered blanket bond system in which operators with lower risk well ratios are eligible for lower bond minimums, we urge it to decrease the percentage of at-risk wells operators can cover under a blanket bond.

### **III. Ensure Adequate Bonding Immediately After Transfer**

Oil and gas operators often transfer wells near the end of their productive life to smaller operators who can't afford reclamation.<sup>5</sup> A 2023 report on well transfers in California found that more than 96% of such transfers were either to smaller holding companies or operators, the result of bankruptcy, or intended to facilitate a company's exit from the California exploration and production market.<sup>6</sup> Monitoring well transfers is essential to ensuring smaller operators can properly reclaim wells after production ends, rather than leaving taxpayers to shoulder the costs. For this reason, TCS supports the proposal to remove the provision allowing a 12-month delay for updating bonding amounts after a well transfer.

### **D. Conclusion**

The oil and gas industry plays a critical role in Utah's state economy. Its management, including bonding policies, has cascading effects for taxpayers. This rulemaking will not hamper the industry—instead, it offers a chance to modernize a bonding framework that has failed taxpayers for decades. Claims that reform will trigger mass abandonment ignore the greater fiscal risk of doing nothing. Adequate bonding ensures solvent, responsible operators remain in the field and protects the public from future bailouts.

Bonding reform keeps cleanup costs off the state and federal ledger. Every unreclaimed well that slips through today becomes a future claim on taxpayers. Without stronger bonding, the federal government will underwrite inadequate state requirements. Strengthening Utah's rules now will reduce dependence on state and federal remediation programs, align with emerging federal and state standards, and demonstrate fiscal responsibility.

Respectfully submitted,

*Taxpayers for Common Sense*  
Washington, DC

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<sup>1</sup> Office of the Legislative Auditor General State of Utah, “A Performance Audit of Utah’s Oil and Gas Program,” Number 2019-11, November 2019. [https://le.utah.gov/audit/19\\_11rpt.pdf](https://le.utah.gov/audit/19_11rpt.pdf)

<sup>2</sup> U.S. Department of the Interior (DOI), “Report On The Federal Oil And Gas Leasing Program,” November 2021. <https://www.doi.gov/sites/default/files/report-on-the-federal-oil-and-gas-leasing-program-doi-eo-14008.pdf>

<sup>3</sup> Utah Division of Oil, Gas and Mining, “Orphan Well Program,” accessed November 5, 2025. <https://ogm.utah.gov/orphan-well/>

<sup>4</sup> Bart Kettle, Utah Division of Oil, Gas and Mining, “Draft Bond Rule Briefing,” February 26, 2025. [https://ut-dnr-ogm-prod-sf-public-bucket.s3.amazonaws.com/a0Scs00000JC6ebEAD\\_1740528461340\\_20250226.3\\_Board\\_Bond\\_Briefing.pdf](https://ut-dnr-ogm-prod-sf-public-bucket.s3.amazonaws.com/a0Scs00000JC6ebEAD_1740528461340_20250226.3_Board_Bond_Briefing.pdf)

<sup>5</sup> Naveena Sadasivam, “How bankruptcy lets oil and gas companies evade cleanup rules,” Grist, Jun 07, 2021, <https://grist.org/accountability/oil-gas-bankruptcy-fieldwood-energy-petroshare/>

<sup>6</sup> Kyle Ferrar, “Assessment of Oil and Gas Well Ownership Transfers in California,” May 18, 2023. <https://www.fractracker.org/2023/05/assessment-of-oil-and-gas-well-ownership-transfers-in-ca/>