



Hearing on

**BUILDING BACK BETTER:  
Creating Jobs and Reducing Pollution by Plugging and  
Reclaiming Orphaned Wells**

*The Orphaned Well Cleanup and Jobs Act of 2021*

Written Testimony of Don Schreiber  
Devil's Spring Ranch — San Juan Basin — New Mexico

Prepared for the U.S. House Committee on Natural Resources,  
Subcommittee on Energy and Mineral Resources

April 15, 2021

## Introduction

Chair Lowenthal, Ranking Member Stauber, members of the Subcommittee:

I am very honored to return to this Subcommittee today, marking exactly the two year anniversary of my first appearance on April 15, 2019 at your Field Hearing in Santa Fe, New Mexico. — I've marked my calendar to keep April 15, 2023 open and hope I'll be invited by the Subcommittee to report on all the progress that has been made on orphaned wells.

My name is Don Schreiber, for myself and for our ranch, I would like to say that we stand on Navajo Land, and the entire San Juan Basin stands on, Navajo, Ute and Jicarilla lands.

I am a rancher in Northwest New Mexico, in the heart of New Mexico's San Juan Basin, historically the nation's second largest gas field. For the last 20 years, I have been an advocate for our ranch, other landowners, and communities faced daily with the impacts of oil and gas drilling and production. There are 122 gas wells on and immediately adjacent the ranch, including our deeded property and our federal grazing permit.

Prior to ranching here in Rio Arriba county, I was an insurance broker and risk manager specializing in oil and gas insurance in the nearby town of Farmington, New Mexico where I managed risk for all types of oil and operations for 22 years, as my father did before me for the previous 22 years. So, 44 years of oil and gas insurance operations in Farmington, including as agent for the plugging bonds required by the state and federal government.

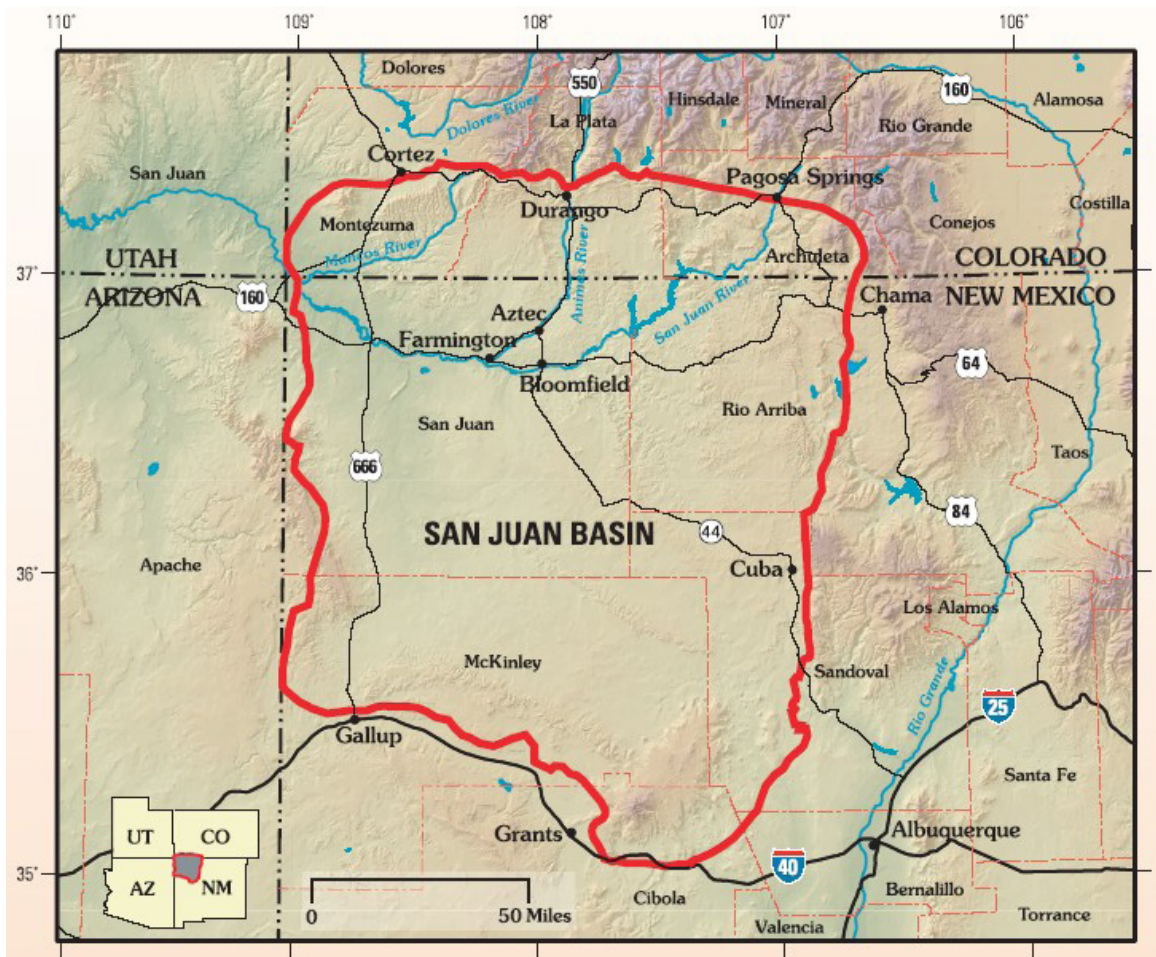
Today, I'm especially excited to appear in support of the *The Orphaned Well Cleanup and Jobs Act of 2021* — I see this legislation as an opportunity to not only tackle the critical environmental issues that accompany orphaned wells in the Four Corners region, where I grew up and lived for 50 years, but also to benefit from and contribute to jobs and economic opportunities. Representative Leger Fernández' bill creates a model to address these critical problems throughout the U.S.



## About the San Juan Basin

I would ask the Committee members to keep in mind that the vast infrastructure of the San Juan Basin, the approximately 30,000 oil and gas wells, the tanks and separators, dehydrators, the compressors and processing facilities and more were built by local businesses — many of them mom and pop shops. This oilfield was developed on the ingenuity and hard work of people in these communities. That same creativity, innovation and hard work that built the Basin can be used to revolutionize the plugging, remediation and restoration processes that will be necessary to meet the coming challenge of orphaned wells and the even *greater* challenge of thousands more idle and inactive wells.

Historically what has happened in the San Juan Basin shows us what is coming to other oil and gas fields in the U.S., and to the communities previously dependent on this industry. For years planning was based on growth in the field — shutting down was always in the future, but the future is here right now. More than 200 APDs (Approved Permits to Drill) approved in 2014 dropped to 40 APDs in 2020.<sup>1</sup> This is not a stable industry, and the boom and bust cycle is ending in a bust in our Basin<sup>2</sup> as it is in oil and gas fields all across the United States.



U.S. Geological Survey map of the San Juan Basin.

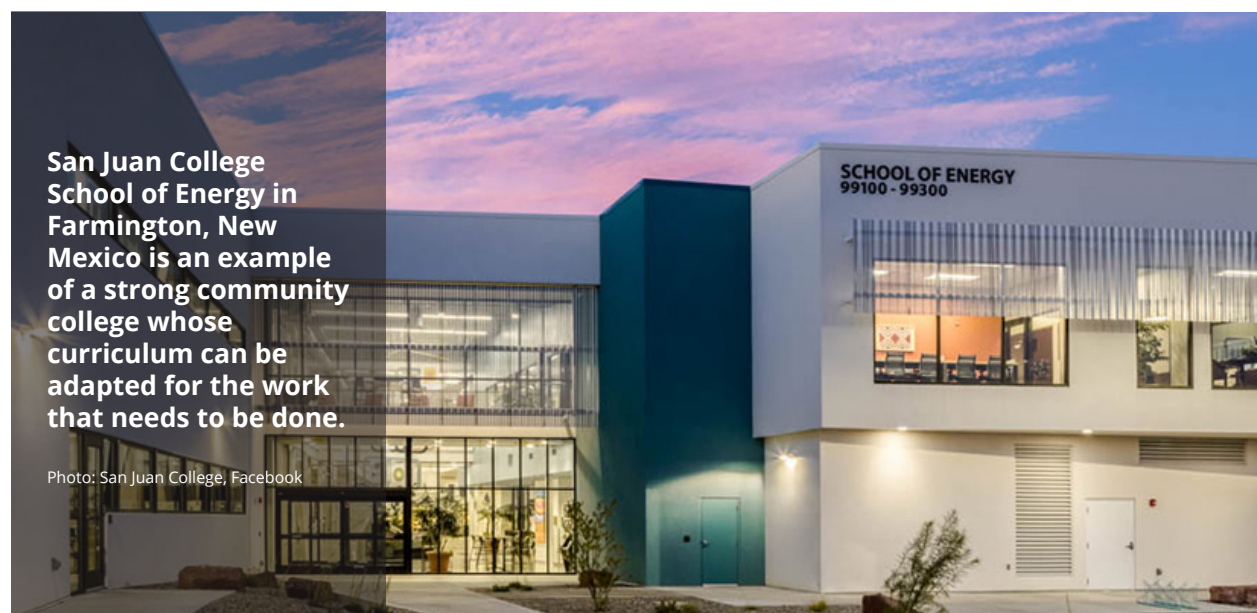


## Regulation Drives Innovation

This is a changing world. We are shifting gears, and it's time to get people and business to work, federal and state oversight increased, including reallocating BLM resources and staff. We've always had innovation and in spirit, this place, the country is ready to problem solve. The innovation will come from local entrepreneurs or the next creative and determined individual who will invent or improve a plug and abandon process that has remained largely unchanged for decades. *The Orphaned Well Cleanup and Jobs Act of 2021* will give us the funding and the drive to jump start this work.

An important feature of the *The Orphaned Well Cleanup and Jobs Act of 2021* is that it provides 10 percent funding for additional staff for state agencies like the New Mexico Oil Conservation Division (NMOCD) to assist the BLM in their implementation of the Act, monitoring of the plugging process, and remediation and reclamation of the wellsite. State agencies provide valuable help to the BLM to ensure the necessary quality control so that plugged, remediated and reclaimed wells do not fail in the future.

*The Orphaned Well Cleanup and Jobs Act of 2021* would provide millions of dollars in Initial Grants, Formula Grants, and Discretionary Grants that become the engine that drives orphan well plugging here in the San Juan Basin and throughout the nation to immediately work on orphaned wells. This would create immediate change and boost local economy, jobs and innovation.



**San Juan College  
School of Energy in  
Farmington, New  
Mexico is an example  
of a strong community  
college whose  
curriculum can be  
adapted for the work  
that needs to be done.**

Photo: San Juan College, Facebook

## Idle/Inactive Wells — an Even Larger Issue

The crisis of orphaned/abandoned wells is overwhelmed by the looming crisis of idle and inactive wells that are many times the number of orphaned/abandoned wells.

Oil and gas operators sometimes shut-in their wells for periods of time to ride out soft commodity pricing. In most jurisdictions, operators are required to plug wells after a certain duration of inactivity (typically 90 days to one year) unless they receive an exemption from the oil and gas agency. Those exemptions tend to last a year, and can be renewed. Some jurisdictions require environmental monitoring during this time, some require integrity testing, fees to be paid during this idle time period, and some require, after enough years have elapsed, a showing of future economic utility.

The general idea is that wells should not be allowed to sit idle without good reason. In practice however, wells in many jurisdictions are allowed to remain idle for five, ten, even twenty-five years or more with minimal oversight and with the flimsiest hint of future economic activity, if that analysis is completed at all.

**More than 100,000 oil and gas wells in Texas and New Mexico are idle or inactive.**

The upshot of this is not only are these idle/inactive wells sources of pollution, but many operators use the Temporary Abandoned status to avoid the cost of plugging for as long as possible, “hiding” abandoned wells behind the inactive status. Over the years, the operators may go bankrupt leaving the taxpayers on the hook, or the wells may get transferred to bankruptcy-proof entities which in turn go bankrupt. Any bonds required for the initial operator are much too small to cover the costs of plugging, remediation and reclamation.

*The Orphaned Well Cleanup and Jobs Act of 2021* aims to tighten idle/inactive well rules on federal lands and revise BLM's definition of idle/inactive wells. Currently BLM does not even consider wells to be idled until after seven years of non-production. Further, *The Orphaned Well Cleanup and Jobs Act of 2021* would require operators with idle wells to pay annual fees. These fees would incentivize timely plugging, remediation and reclamation and provide BLM with additional funds for inspections to plug, remediate and reclaim orphaned wells.

As an example of orphaned/abandoned wells being the tip of the iceberg, in New Mexico and Texas, there are 7,000 orphaned/abandoned wells now, another 13,000 are likely to be orphaned/abandoned in the upcoming years. And more than 100,000 oil and gas wells are idle according to statistical modeling by *Grist* and *The Texas Observer*.<sup>3</sup>

These idle/inactive wells need to be included in the economic and financial reality of what happens as our oil and gas fields age. Consider that in the San Juan Basin where there are 7 plugging rigs, only 1 or 2 may be operating at any given time today. Operators are forced to move their rigs to the Permian Basin, to Colorado or other areas, or stack the rigs out in the yard. For a field that has been in decline for over a decade, isn't it strange that there would be fewer plugging rigs running now than there were 5 years ago, or even 15 years ago? That is because companies are avoiding plugging their wells.

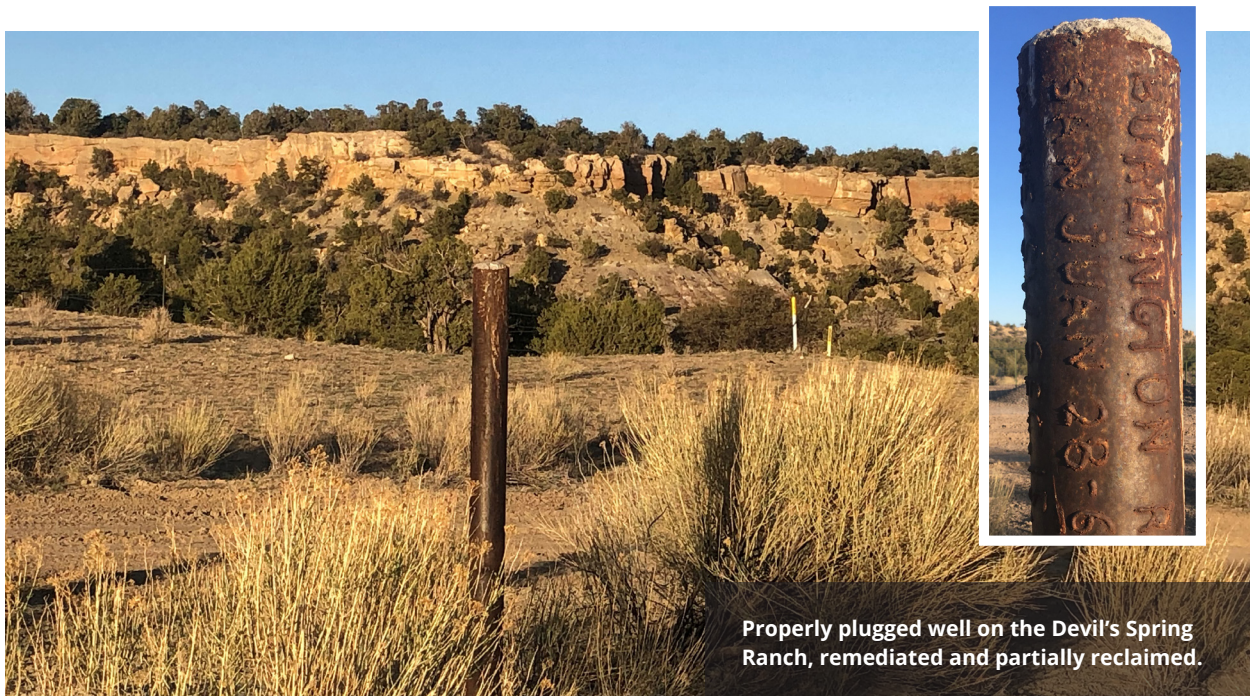
## Importance of Financial Assurance Reform

When oil and gas wells reach the end of their economically productive lives, they must be properly plugged and abandoned to prevent contamination of groundwater and migration of methane and other contaminants to the surface via the wellbore or through horizontal subsurface migration.<sup>4</sup>

Plugging costs for oil and gas wells vary considerably based on well depth, well age and condition, and surface conditions, ranging from \$10,000 per well to hundreds of thousands of dollars in extreme cases — particularly when orphaned wells are found under water or under buildings.<sup>5</sup>

Historically, oil and gas operators have paid for the plugging of old wells with revenue from new wells. But market conditions do not always allow this to occur — hence the huge number of orphaned wells we see nationwide today. A common pattern is for the companies that initially drill the wells sell them to smaller companies with lower overhead costs once the production goes below a certain threshold. Such wells can still be operated economically, but eventually those wells tend to get sold or even given away to bankruptcy-proof entities, leaving BLM, states and the Tribes holding the liability for plugging, remediating and reclaiming the wells.<sup>6</sup>

In order to overcome this common occurrence, oil and gas agencies have long required financial assurances from oil and gas operators as part of permitting. Those financial assurances can include bonds, letters of credit, cash deposits or other instruments that can be used by the oil and gas state or federal agencies to help pay for the plugging, remediation and reclamation of orphaned wells in cases of bankruptcy and the absence of a solvent owner of record.



Properly plugged well on the Devil's Spring Ranch, remediated and partially reclaimed.



Unfortunately, the financial assurance amounts, though they vary from jurisdiction to jurisdiction, tend to be too low for the size of the orphan well burden. Single well bond amounts of \$10,000 to \$25,000 are common (BLM's is \$10,000), but many states have single well bonds in the \$1,000 to \$2,000 range.<sup>7</sup>

Recognizing the fact that the BLM individual well bonding limit is wholly inadequate to plug, remediate and reclaim orphaned wells, the taxpayer would be much better served if this individual limit was applied to each well instead of the blanket bonding limits that further dilute the amount available to plugging, remediation and reclamation.

Perhaps the most significant factor in the large number of orphaned wells is lax blanket bonds. These are bonds covering multiple wells in a single state — in many cases all of the wells owned by a single operator within the state, and in BLM's case, all of an operator's wells in the entire country. Blanket bonds are usually in the \$25,000 to \$100,000 range, with BLM allowing \$25,000 bonds to cover all of an operator's wells within a state and \$150,000 nationwide.<sup>8</sup> When operators own hundreds or thousands or in some cases tens of thousands of wells within a jurisdiction, blanket bonds mean that the oil and gas agencies have only pennies on the dollar for plugging, remediation and reclamation if the wells are orphaned.

**BLM's blanket bonds are only \$25,000 to cover all of an operator wells in a state.**

Financial assurance rates are too low. This is especially true for blanket bonds. *The Orphaned Well Cleanup and Jobs Act of 2021* addresses this issue for wells under federal jurisdiction, raising single well bonds to \$150,000, state blanket bonds to \$500,000, and eliminating national bonds. These increases will go a long way toward ensuring that, in the event of a well is orphaned, the BLM will have ample private funds to pay for the plugging, remediation and reclamation of those wells without having to rely on future taxpayer dollars.

Federal bonding limits were set in 1960 at \$10,000 for an individual well and that limit has not changed. When my father was writing a \$10,000 federal plugging bond in the 1950s, a new Ford pickup truck cost about \$2,000. When I was writing a \$10,000 federal plugging bond in the 1980s, the cost of a new Ford truck was about \$5,700. Today, we all know a basic pickup is going to cost \$40,000 or more, yet the federal bonding limit is still the same \$10,000.



**\$2,000 new truck**  
**\$10,000 for federal plugging bond**



**\$5,700 new truck**  
**\$10,000 for federal plugging bond**



**\$40,000+ new truck**  
**\$10,000 for federal plugging bond**

## Conclusion

Across the country, over 56,000 known orphaned oil and gas wells are leaking methane and hazardous pollutants, contaminating groundwater, polluting our air, and creating safety risks. Even before the economic consequences of the COVID-19 pandemic, federal agencies and states responsible for plugging, remediating and reclaiming these wells had limited funding to perform these tasks. Under *The Orphaned Well Cleanup and Jobs Act of 2021*, \$8 billion would be authorized to put people to work solving the problem of orphaned wells.

The plugging, remediation and restoration work funded in the Act will help stimulate rural economies, create jobs, and reduce the pollution that endangers our most precious resources of air and water. As we have shown, local community colleges — such as San Juan College and its School of Energy — are poised to provide plugging, remediation and restoration training and help speed the innovative solutions that always accompany strong federal regulations. As it has many times before, the San Juan Basin could again be both a leader and an example for how other rural communities can address a serious problem, and strengthen their economy, their environment, and their community.

Additionally, funding in the bill helps state oil and gas agencies like the New Mexico Oil Conservation Division increase their staff and expertise to provide vital assistance to the BLM and ensure that work is performed to the highest standards and will provide a lasting fix to the problem.

To protect taxpayers' interest in the future, *The Orphaned Well Cleanup and Jobs Act of 2021* provides a long overdue modernization of the federal bonding limits, written in the 1960s, to bring them current with today's financial requirements to plug, remediate and reclaim orphaned wells. The federal assistance provided in the Act will help us fix our immediate problems, and modernizing bonding limits will prevent us from facing the same problems in the future.

America is trending farther and farther away from community-centered companies like the ones I grew up with. Today local and regional businesses are often replaced by private equity companies or corporations with remote management, whose first considerations are often for a bottom-line profit without consideration for either the community where they operate, or the environmental damage that oil and gas drilling and production inevitably brings.

No longer can we rely on the goodwill of a company to fulfill its social contract. Those who benefit from the extraction of our non-renewable natural resources cannot be allowed to continue to enrich their stockholders or their private equity partners and leave what amounts to their "mess" behind for all of the rest of us to live with. As Representative Leger Fernández said, "Weren't we all raised to clean up after ourselves? Isn't that the expectation we all have in our own families?"





**Hilcorp Energy Company**  
 SAN JUAN 20-6 UNIT 155  
 LATITUDE 36° 37' 45"  
 LONGITUDE 107° 28' 37"  
 NW/ SW, 1550' FSL & 1190' FWL  
 SEC. 28 T028N R006W  
 SF-079050C  
 API NO. 30-039-20397  
 RIO ARRIBA COUNTY, NM ELEV 6605  
 EMERGENCY NUMBER (505) 324-5170  
 NO SMOKING NO TRESPASSING

Form 1040-1 (June 2019)  
 UNITED STATES DEPARTMENT OF THE INTERIOR  
 BUREAU OF LAND MANAGEMENT  
**SUNDRY NOTICES AND REPORTS ON WELLS**  
 Do not use this form for proposals to drill or re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.  
**SUBMIT IN TRIPLICATE - Other instructions on page 2**

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	2. Name of Operating Company HILCORP ENERGY COMPANY	3. E-MAIL etia.trujillo@hilcorp.com	4. E-MAIL etia.trujillo@hilcorp.com	5. Permit No. (include area code) 305-324-5191	6. Field and Pool or Exploratory Area BASIN DAWOTA
7. If used, License or Title No. 891001010	8. Well Name and No. SAN JUAN 20-6 UNIT 155	9. Well No. 30-039-20397-00-S1	10. Field and Pool or Exploratory Area BASIN DAWOTA	11. County or Public State RIO ARRIBA COUNTY, NM	

12. CHECK THE APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Action
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Change Plans
	<input type="checkbox"/> Convert to Injection
	<input type="checkbox"/> Deepen
	<input type="checkbox"/> Hydraulic Fracturing
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Plug Back
	<input type="checkbox"/> Production (Start/Resume)
	<input type="checkbox"/> Reclamation
	<input checked="" type="checkbox"/> Well Integrity
	<input type="checkbox"/> Other
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Well Integrity
	<input type="checkbox"/> Temporary Abandon
	<input type="checkbox"/> Water Disposal

14. I hereby certify that the foregoing is true and correct.  
 Electronic Submission #202012 verified by the BLM Well Information System  
 For HILCORP ENERGY COMPANY, verified by the Farmington  
 Operations Regulatory Tech SR  
 Name (Printed Type): ETIA TRUJILLO  
 Title: OPERATIONS REGULATORY TECH SR  
 Signature: (Electronic Submission) Date: 02/12/2020

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

APPROVED BY: JOE KILLINS (Electronic Submission) Date: 04/03/2020  
 Title: ENGINEER  
 Office: Farmington

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject land which would enable the applicant to conduct operations thereon.

18. U.S.C. Section 1001 and 1004; 43 U.S.C. Section 1212; make a copy for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations or to any matter within its jurisdiction.

Continuation on page 2: **"BLM REVISED" BLM REVISED "BLM REVISED " BLM REVISED " BLM REVISED "**

FORM APPROVED (April 2019) (MMS) (BLS)  
 NMSF079050C

1. Type of Well  
 Oil Well  Gas Well  Other

2. Name of Operating Company  
HILCORP ENERGY COMPANY

3. E-MAIL  
etia.trujillo@hilcorp.com

4. E-MAIL  
etia.trujillo@hilcorp.com

5. Permit No. (include area code)  
305-324-5191

6. Field and Pool or Exploratory Area  
BASIN DAWOTA

7. If used, License or Title No.  
891001010

8. Well Name and No.  
SAN JUAN 20-6 UNIT 155

9. Well No.  
30-039-20397-00-S1

10. Field and Pool or Exploratory Area  
BASIN DAWOTA

11. County or Public State  
RIO ARRIBA COUNTY, NM

12. CHECK THE APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Action
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing
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	<input type="checkbox"/> Convert to Injection
	<input type="checkbox"/> Deepen
	<input type="checkbox"/> Hydraulic Fracturing
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Plug Back
	<input type="checkbox"/> Production (Start/Resume)
	<input type="checkbox"/> Reclamation
	<input checked="" type="checkbox"/> Well Integrity
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As Representative Leger Fernández has said, "Weren't we all raised to clean up after ourselves? Isn't that the expectation we all have in our own families?"



## Thank you

New Mexico Oil Conservation Division Director, Adrienne Sandoval

New Mexico Oil Conservation Division Bureau Chief Engineer, Brandon Powell

San Juan College School of Energy, Dean Alicia Corbell

Sand Juan College School of Energy Acting Coordinator, Tony Gale

The many San Juan Basin oilfield workers and contractors willing to provide information and insight.

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## Endnotes

- 1 <https://capitalandmain.com/frackings-fall-in-the-san-juan-basin-0924>. <https://www.blm.gov/sites/blm.gov/files/docs/2021-03/>
- 2 Permits are down dramatically [https://www.blm.gov/sites/blm.gov/files/docs/2021-03/Table16ApplicationsforPermittoDrillStatusReport\\_2020.xlsx](https://www.blm.gov/sites/blm.gov/files/docs/2021-03/Table16ApplicationsforPermittoDrillStatusReport_2020.xlsx). San Juan County Manager Mike Stark said he doubted the San Juan Basin would ever relive the booms of its past, <https://capitalandmain.com/frackings-fall-in-the-san-juan-basin-0924>
- 3 Statistical modeling by Grist and *The Texas Observer* suggests [https://grist.org/abandoned-oil-gas-wells-permian-texas-new-mexico/?utm\\_id=26884&sfmc\\_id=3488412&fbclid=IwAR0NQfhVZRzMzSaA6KSMRXu60tsYLoE8REj6qpM15aXBdCcFs7LtQsrXu8](https://grist.org/abandoned-oil-gas-wells-permian-texas-new-mexico/?utm_id=26884&sfmc_id=3488412&fbclid=IwAR0NQfhVZRzMzSaA6KSMRXu60tsYLoE8REj6qpM15aXBdCcFs7LtQsrXu8)
- 4 Reuters <https://www.reuters.com/article/us-usa-drilling-study/u-s-and-canada-underestimating-climate-risk-from-abandoned-oil-and-gas-wells-study-idUSKBN29P2OZ>
- 5 See generally IOGCC, *Idle and Orphan Oil and Gas Wells: State and Provincial Regulatory Strategies*, March 2020, [https://iogcc.ok.gov/sites/g/files/gmc836/f/2020\\_03\\_04\\_updated\\_idle\\_and\\_orphan\\_oil\\_and\\_gas\\_wells\\_report\\_0.pdf](https://iogcc.ok.gov/sites/g/files/gmc836/f/2020_03_04_updated_idle_and_orphan_oil_and_gas_wells_report_0.pdf); RFF and Columbia/SIPA, *Green Stimulus for Oil and Gas Workers: Considering A Major Federal Effort to Plug Orphaned and Abandoned Wells*, July 2020, [https://www.energypolicy.columbia.edu/sites/default/files/file-uploads/OrphanWells\\_CGEP-Report\\_071620.pdf](https://www.energypolicy.columbia.edu/sites/default/files/file-uploads/OrphanWells_CGEP-Report_071620.pdf)
- 6 WORC, March 2021, *Reclaiming Oil and Gas Wells and Addressing Climate Impacts: State Policy Recommendations* <http://www.worc.org/publication/reclaiming-oil-and-gas-wells-and-addressing-climate-impacts-state-policy-recommendations/>
- 7 IOGCC, *Idle and Orphan Gas Wells: State and Provincial Regulatory Strategies*, [https://iogcc.ok.gov/sites/g/files/gmc836/f/2020\\_03\\_04\\_updated\\_idle\\_and\\_orphan\\_oil\\_and\\_gas\\_wells\\_report\\_0.pdf](https://iogcc.ok.gov/sites/g/files/gmc836/f/2020_03_04_updated_idle_and_orphan_oil_and_gas_wells_report_0.pdf)
- 8 See <https://www.blm.gov/programs/energy-and-minerals/oil-and-gas/leasing/bonding>