



Unplugged: The High Cost of Bonding Reform Rollbacks

Ditching Oil and Gas Reforms Will Enrich Industry Bad Actors while Burdening Taxpayers with Billions in Clean-up Costs

Introduction

For decades, American taxpayers were getting fleeced by derelict oil and gas operators – and a largely compliant Bureau of Land Management (BLM).

Despite agreeing—as a condition of their drilling permit—to fully plug and clean up well sites on federal public lands once they are finished using them, too many oil and gas companies have a long history of [renegeing on that obligation](#), using strategic bankruptcy filings and other means to avoid their financial obligations—and scam the American taxpayer.

Due to the boom-and-bust nature of the industry, the problem is chronic and can spike dramatically based on a fickle global oil and gas market. The result is parasitic bad actors in the oil and gas industry gaming the system, extracting all the profits while offloading the enormous cleanup costs on the American public.



As we will explore in this report, this problem is at imminent risk of getting much, much worse. Due to new leasing policies enacted by Congress in July, the Trump administration's executive orders, and the [forthcoming rulemaking](#) to rollback updated federal bonding requirements, the industry is poised to drill as many as 3.8 million wells on national public lands in the coming years, **and to then pass as much as \$753 billion in potential financial liabilities back onto local communities and taxpayers.**

A Fiscally Responsible Solution to a Longstanding Problem

In 2024, the BLM finally took a stand against this pervasive issue and addressed the problem of oil and gas companies abandoning their unplugged wells on national public lands and then sticking the American public with the bill. Recognizing that the only way to protect taxpayers from having to pony up as much as [\\$15 billion](#) in clean-up costs is to require companies that drill wells on our public lands to post sufficient bond amounts, the BLM [appropriately adjusted its minimum bonding requirements](#) to better reflect the actual costs of well plugging and clean-up. This was the first time that the BLM had updated its minimum bond amounts since they were first established in regulation more than sixty years ago. Prior to 2024, minimum bonding rates had never even been adjusted to account for inflation.

These changes represented a [big fiscal win for taxpayers](#), ensuring that the parties profiting from the drilling on public lands bear the cost of cleaning up after themselves—not the American public. They also aligned with the opinions of the [vast majority of western voters](#) who have expressed support for the requirement that oil and gas companies, rather than taxpayers, pay for all of the clean-up and land restoration costs after drilling is finished.

Putting Taxpayers Back on the Hook to Clean Up the Oil Industry's Mess

Unfortunately, the Trump administration has now moved to [reverse these common-sense updates](#) to the federal bonding system. In a show of undisputable preference towards oil and gas industry bad actors and complete disregard for the American people, the BLM plans to roll back federal bonding requirements to the paltry levels they were initially set at more than 60 years ago.

Reclamation bonds are supposed to act as an insurance policy so that, if a company abandons a drilling site, then there is a financial mechanism in place to cover clean-up costs and to ensure that the oil and gas companies who profit from the wells—not American taxpayers—are the ones who are covering the costs. Yet the Trump administration has decided that there is nothing wrong with putting taxpayers at direct risk of shouldering the industry's



clean-up costs—even though the harmful consequences of doing so are [well-documented](#).

200+ Millions of Acres of Public Land Open to Drilling, Hundreds of Billions of Dollars of Future Taxpayer Liability

In our 2023 report [Restoring Accountability](#), we found that taxpayers were at risk of being on the hook for as much as \$15.31 billion in estimated clean-up costs associated with plugging and reclaiming federal wells on public lands. The bonding reforms finalized in the 2024 Oil and Gas Rule aimed to prevent that fiscal burden on hardworking Americans from getting larger and more onerous, but now that figure is just a drop in the bucket compared to the clean-up liability that taxpayers may face in the years to come.

There are currently more than [200 million acres](#) of western public lands that are open to drilling. While the federal leasing process previously followed important steps for ensuring that nominated lands are appropriate for energy development before making them available for oil and gas companies to bid upon, the recent “One Big Beautiful Bill Act” took extreme action to effectively [transfer management and control over all 200 million acres to the industry](#). It is now significantly cheaper and easier for companies to both lease and drill on our national public lands – a fact of which the industry has already brazenly taken advantage.

Consistent with [previous findings](#) from the Government Accountability Office (GAO), it is estimated that 275,440 competitive leases could be sold on the 208.2 million acres of western public lands that are currently open to drilling.¹ Using the BLM’s recent determination that [an average of 14 wells](#) are covered per-individual lease bond, that means that the industry could theoretically drill more than 3.8 million wells on public lands in the years to come.

[According to the BLM](#), at the end of FY21 the agency held a total of \$151,723,000 in bonds for the 88,887 producible and service wellbores that were on federal public lands. This means that the average bond value that the BLM held per-well as of FY21 was \$1,707—even though the cost to plug just one modern well and reclaim the surface ranges from \$35,000 to \$200,000, with an average cost of \$71,000.

With the Trump administration now proposing to knock minimum bond amounts back down to their previous, wildly outdated levels, that would create a bonding shortfall of up to **\$753.5 billion** to clean up the 3.8 million wells that could now be drilled on national public lands (see table below). Taxpayers would effectively be

¹ In its report on competitive and noncompetitive onshore oil and gas lease revenues, published in November 2020, GAO found that competitive leases covered an average of 756 acres.

uninsured, facing tens, or even hundreds, of billions of dollars in costs to clean-up industry's mess on our public lands. While the American public would be left to foot this ginormous bill, the public lands on which these 3.8 million orphaned wells could be scattered would also pay a heavy price. And since orphaned wells and other abandoned oil and gas infrastructure can lead to [significant greenhouse gas emissions](#), the Administration's myopic bonding policies would have consequential impacts for climate as well.

Acres of Public Land Currently Open to Leasing	Leases Estimated to be Sold on Federal Public Lands Under Current Leasing Policies, assuming an average lease size of 756 acres	Wells Estimated to be Drilled on Federal Public Lands Under Current Leasing Policies, assuming an average of 14 wells are drilled per lease	Cost of Plugging and Reclaiming a Single Oil & Gas Well on Federal Public Lands, using BLM's own findings			Estimated Bonding Shortfall That Will Fall to Taxpayers, assuming BLM continues to hold an average of only \$1,707 in bonding per-well under outdated bonding rates		
			Low-End Cost	High-End Cost	Average Cost	Low-End Liability	High-End Liability	Average Liability
208,232,669	275,440	3,800,000	\$35,000	\$200,000	\$71,000	\$126.5B	\$753.5B	\$263.3B

Rolling Back Bonding Reform Makes Fleecing Taxpayers Easy Again

When the Trump administration took office in January, U.S. oil production—at 13 million barrels per day—was breaking all previous U.S. and global records. The U.S. currently produces more oil than any other nation, including Saudi Arabia. The same is true for natural gas—the U.S. is the global leader, producing a record 41.2 million cubic feet in in 2023.

However, that reality did not prevent the Trump administration from taking America down a dangerous path of expanded leasing and development by declaring an energy emergency that is based on [completely false claims](#) about U.S. energy production. From day one, the Administration has made clear its plans to make oil and gas development the dominant use of America's public lands, lease as much of them as possible to the industry, and subvert all other natural resource values and uses in the process.

And with 81% of public lands already open to drilling, those plans will be carried out all across the West, putting over 200 million acres of taxpayer-owned lands at risk, undermining multiple-use management principles, and threatening the places that many Americans treasure for outdoor activities like hunting, fishing, and hiking.

The Administration's decision to roll back federal bonding requirements to the paltry levels at which they were first set—more than 60 years ago—is a fiscally irresponsible move designed specifically to help bad actors in the oil and gas

industry fleece the American taxpayer and undercut responsible oil and gas production.

The bonding reforms enacted in 2024 represented a reasonable and long-overdue solution to a well-documented problem. For years, too many oil and gas producers who had promised—as a condition of their drilling permits—to plug and clean-up their wells at the end of viable production, had instead found underhanded ways such as strategic bankruptcy filings to offload that financial obligation onto American taxpayers.

Doing away with these reforms will do absolutely nothing to improve the federal oil and gas leasing system. Rather, weakening onshore bonding requirements will once again put public lands at risk from a scourge of orphaned wells, and taxpayers at risk of having to pay for the plugging and cleanup of those wells.

Conclusion

With the onshore oil and gas leasing policies recently enacted in the *One Big Beautiful Bill Act*—coupled with the Trump administration’s “energy dominance” agenda—more than 200 million acres of public lands across the West are at risk of being targeted for development.

Adequate bonding requirements are clearly needed now more than ever. Yet, at the same time the Administration is carrying out its [extreme leasing regime](#), it is also planning to give bad actors in the industry a green light to leave American taxpayers with the massive clean-up bill. And as we identified in this report, that bill could potentially amount to as much as \$753 billion, further increasing our nation’s record amount of debt.

If the Administration follows through on its plans, average Americans—along with their children and grandchildren—will be dealing with the fiscal and land use consequences of that irresponsible decision for years to come.

Notes on the Bonding Provisions Finalized in the 2024 Oil & Gas Rule:

While the BLM did evaluate an alternative in the 2024 Oil & Gas Rule that would have required full liability bonding, the agency neither proposed nor ultimately selected that alternative, based on analysis of both the [costs and the benefits](#) of requiring full liability bonding. Therefore, the changes encompassed in the alternative that the BLM did select do not require companies to put up bonds that always cover the full costs of plugging and reclaiming their wells. This was an intentional decision, made in order to avoid disproportionate or adverse impacts, in particular to small operators, while still ensuring there were stronger protections in place for taxpayers.

Under the provisions of the 2024 Oil & Gas Rule, the BLM had estimated that the agency would have held a total of \$626,850,000 in bonds for the 88,887 producible and service wellbores that were on federal public lands as of FY21. This means that the average bond value that the BLM would have held per-well at that time would have been \$7,052 – more than 4 times greater than the average per-well bond value that was previously in place. Moving forward, according to the BLM, the bonding provisions included in the Final Rule were expected to [decrease the percentage of orphaned wells with insufficient bonding by 40%](#).