

Good afternoon, Committee Members. My name is Steve Ellis, and I am president of Taxpayers for Common Sense. Taxpayers for Common Sense 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 strongly supports Utah's efforts to modernize its bonding requirements.

Every oil and gas well eventually stops producing, and every well must be reclaimed. When operators default or delay cleanup, the state relies on that company's bond to pay for reclamation. When the posted bond is insufficient, Utah must cover the shortfall, often drawing from the Orphan Well Fund, which now risks depletion.

Outdated bond amounts have left taxpayers exposed across the country. In Utah, current bonds are far below actual reclamation costs, as low as \$1,500 for an individual well, even though average plugging costs are nearly 25 times that amount. Current blanket bonds as low as \$15,000 can cover hundreds of wells at a fraction of their true cost. Updating the bonding system is essential to holding operators accountable and protecting state and federal taxpayers from escalating liabilities.

TCS strongly supports several key elements of the proposed update.

First, while TCS opposes blanket bonds as being an insufficient taxpayer protection, we support the proposal to raise blanket bond minimums. The new amounts are modest compared to actual reclamation costs and represent an important step toward ensuring operators—not taxpayers or the state's reserve fund—pay for cleanup.

Second, TCS supports creating supplemental bonds for higher-risk wells. Inactive wells are liabilities waiting to surface. The Utah Division found that only 57% of wells shut in for more than a year return to production. With these wells already on the edge of becoming uneconomical, they must be properly bonded so operators cover the inevitable cleanup. We also support barring operators with too many high-risk wells from relying on blanket bonds.

Third, TCS supports ensuring adequate bonding immediately after well transfers. Too often, wells near the end of their productive life are passed to smaller companies that cannot afford reclamation. Eliminating delays in updating bonding prevents those costs from landing on taxpayers.

In closing, these updates are not punitive. They are fiscally responsible. Every unreclaimed well today is a potential claim on the public's purse tomorrow. By acting now, Utah can ensure responsible operators remain in the field and keep cleanup costs off the state and federal ledger.

Thank you for the opportunity to speak today.