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FACT SHEET

May 2026

Unreclaimed Oil and Gas Wells in Utah Hurt American Taxpayers and Local Communities

Photo by Department of Interior, Utah Bureau of Land Management

Problem: Broken Bonds, Rising Costs

Utah's oil and gas bonding rules haven't kept pace with skyrocketing cleanup costs, leaving taxpayers with billions of dollars in potential reclamation liabilities. Now, the state is considering important amendments to update bonding requirements.

In exchange for the privilege to extract resources from state lands, oil and gas operators in Utah are required to reclaim—clean up—wells and surrounding sites. This includes plugging the wellbore with cement to prevent leaks, removing all equipment, and restoring the surrounding land to its original condition. To ensure complete and timely reclamation, the state obtains a bond or other financial assurance from operators before drilling begins, which is then used to cover at least some of the costs of reclamation. It works like a security deposit. If the operator cleans up properly, they get the bond back; if they walk away, the state uses the bond to pay for cleanup. However, outdated bonding minimums have left taxpayers covering the bill.

Plugging Wells is Expensive:

The Bureau of Land Management estimates reclamation costs **$71,000 per well** nationwide.[1] Utah's Orphan Well Plugging Program reports spending about **$37,000 per well.**[2]

Current Bonds Don't Cover It:

Current Utah bonding policies still allow individual bonds as **low as $1,500** and blanket bonds as **low as $15,000.**[3]

Low Blanket Bonds Hide Costs:

A single "blanket bond" can cover **hundreds of high-risk wells,** leaving taxpayers on the hook when operators default.

Utah Faces a Funding Shortfall:

Only 22% of what Utah spends reclaiming wells comes from operators' forfeited bonds[4] — and if trends continue, the state predicts its Orphan Well Fund could be depleted as soon as this year.[5]

What Is an Orphan Well — and Why Should You Care?

When a company goes bankrupt or disappears before cleaning up its wells, those sites become orphan wells with no responsible owner—and no one left to pay for cleanup. Unplugged wells can leak methane, contaminate drinking water, degrade soil, and create safety hazards for nearby communities. Once a company is gone, fixing those problems falls to the public.

Companies abandon wells when they stop being profitable. When a well's output drops low enough, cleanup costs can exceed what a company is willing or able to pay, especially smaller operators who lack financial reserves. That is exactly why strong bonding requirements exist — to collect adequate funds upfront, before a company has any incentive to walk away.

Photo by OSHA

The Federal Backstop: Taxpayer Dollars Carry the Load

When bonds fall short, taxpayers pay. In 2022 Congress appropriated $4.3 billion for orphan-well cleanup on state and private lands: $775 million in initial grants, $2 billion in formula grants, and $1.5 billion in performance grants. Utah did not receive an initial grant but is eligible for up to $5.2 million in formula funding.[6]

As the state's Orphan Well Fund approaches a zero balance, federal taxpayers are at high risk of becoming a backstop for insufficient state bonding. Infrastructure Investment and Jobs Act funds were a one-time appropriation meant to address existing orphan wells, not an ongoing subsidy. Weak state bonding could turn those temporary funds into future federal bailouts. Unless bonding rules are strengthened, cleanup costs will shift from the oil and gas industry to national taxpayers footing the bill for Utah's orphaned wells.

Photo by U.S. Geological Survey

A Rapidly Expanding Problem Could Lead to More Oil and Gas Industry Bailouts

Utah faces not only the costs of reclaiming current orphaned wells but also potential future liabilities from currently under-bonded wells on state and private land. As of November 3, 2025, there were 3,821 oil and gas wells on state and fee land:[7]

- **441** were shut in, inactive, or temporarily abandoned — at the highest risk of being abandoned.[8]
- **Over half** were more than 15 years old and accounted for just 12% of the state's total oil production,[9] suggesting they will soon become uneconomical and inactive.

That means a wave of potential future orphan wells is already visible on the horizon, and each one is a potential liability for Utah and federal taxpayers.

The Solution: Common Sense Reform

- Raise Blanket Bond Minimums: Bond minimums must match real reclamation costs to ensure individual operators—not taxpayers or reserve funds—pay for cleanup.
- Create a Tiered System: By breaking down the bonding system into smaller categories based on well count and risk level, the state can more accurately judge an operator's risk.
- Special Protections Against Inactive Wells: Inactive wells are liabilities waiting to surface—on the verge of becoming uneconomical, they must be properly bonded so operators, not taxpayers, cover the inevitable cleanup costs.
- Special Protections Against Shut-In Wells: When companies postpone plugging, these wells often deteriorate without proper supervision or monitoring—creating health and safety risks for nearby communities and leaving taxpayers to shoulder reclamation costs.
- Ensure Adequate Bonding Immediately After Transfer: Monitoring well transfers is essential to ensuring smaller operators can properly reclaim wells after production ends, rather than leaving taxpayers to shoulder the costs.

Why This Matters

Every unreclaimed well today is a future liability for taxpayers. Modern bonding protects groundwater, air quality, and Utah's fiscal stability—ensuring that the cleanup costs of yesterday's drilling do not become tomorrow's public debt.

Bottom line: All wells eventually stop producing and must be reclaimed. Bonds are an insurance policy to ensure cleanup is paid for—an expected and required part of doing business. The proposed updates to the state's bonding requirements ensure bonding amounts reflect reality and that operators are prepared for the true costs of reclamation.

Photo by Tony on Adobe Stock

Endnotes

1 Bureau of Land Management (BLM), "Fluid Mineral Leases and Leasing Process," Federal Register, July 2023. https://www.federalregister.gov/documents/2023/07/24/2023-14287/fluid-mineral-leases-and-leasing-process#p-82
2 Utah Division of Oil, Gas and Mining, "Orphan Well Plugging Program," accessed November 5, 2025. https://ogm.utah.gov/orphan-well.
3 R649. Natural Resources; Oil, Gas and Mining; Oil and Gas. https://oilgas.ogm.utah.gov/pub/Rules/R649_All.pdf
4 Utah Division of Oil, Gas and Mining, "Orphan Well Program," accessed November 5, 2025. https://ogm.utah.gov/orphan-well/
5 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
6 Utah was also eligible for $25 million in Initial Grant funding but did not apply.
7 Sum includes oil and gas wells with status active, producing shut in, inactive, or temporarily abandoned. Source: Utah Division of Oil, Gas and Mining, "Well Count by Status and Lease Type," accessed November 5, 2025. https://ogm.utah.gov/statistics-well-counts/
8 Sum includes oil and gas wells with status active, producing shut in, inactive, or temporarily abandoned. Source: Utah Division of Oil, Gas and Mining, "Well Count by Status and Lease Type," accessed November 5, 2025. https://ogm.utah.gov/statistics-well-counts/
9 Lauren Beatty, "Proposed Financial Assurance Amounts are Timely and Proportionate to Risk," Environmental Defense Fund, April 23, 2025. https://ut-dnr-ogm-prod-sf-public-bucket.s3.amazonaws.com/a0Scs00000OYjkrEAD_1745434362891_20250423_EDF_BondingPresentation.pdf