

Issue: Old Wells, New Jobs

## Talking Points: Plugging Old Oil and Gas Wells Puts People to Work

In Pennsylvania, there are an estimated 200,000 abandoned or orphaned oil and gas wells—meaning they are inactive, have not been properly decommissioned or plugged with cement, and may have no known owner.

Abandoned wells pose dangers such as methane leaking and harming the environment; stray liquids polluting streams or water wells; or, in the extreme, odorless, flammable gases exploding.

The cost of plugging an abandoned well vary widely from \$20,000 to \$145,000.

Multiply the 200,000 orphaned wells by any reasonable average cost of plugging and site remediation and the total reaches into the billions of dollars.

Prior to drilling, oil and gas companies must post bonds designed to cover the end-of-life costs of the well when it stops producing, but the bond amounts are only a fraction of the true remediation costs.

Often, when wells lose their productivity, they will be sold to a smaller operating company that may not have the means to cover the eventual costs of plugging the well and cleaning up the site. The original owner will forfeit the bond and walk away from the liability, leaving taxpayers with the bill.

“Green stimulus” funding could create many thousands of jobs and address this orphan well problem while preventing methane-related climate change and contamination of soil, water, and air.

These jobs would put idled oil and gas workers back to work plugging the same kinds of wells they spent years drilling.

A “green stimulus” is backed by environmentalists, oil industry groups, and state regulators including the Department of Environmental Protection (DEP).

A group of 31 states including Pennsylvania, working through the Interstate Oil and Gas Compact Commission, are asking the federal Department of Energy for stimulus funds to address this matter.

Legislation is needed to ensure bond amounts are sufficient to incentivize well owners to perform full decommissioning and remediation of wells and sites.

The DEP has provided more aggressive oversight of sales of wells to smaller companies. Recently, the DEP negotiated a \$7 million bond to ensure that Diversified Gas & Oil Corp would either plug or put into production the 1,400 wells it bought from other companies. With more resources, the DEP might negotiate more of these agreements to offset the actual well end-of-life costs in the future.

This ever-growing problem of abandoned wells, costs of clean-up, and damage to the environment leave taxpayers with an enormous bill. Even so, that bill must be paid because we cannot sacrifice the environment any longer. Meeting this challenge will put thousands of people to work and make our state a safer place to live.