

# 'The well needs to be plugged' — Utah goes after nonproducing oil wells on federal leases

By Brian Maffly The Salt Lake Tribune  
Published: June 10, 2016 11:03PM  
Updated: June 9, 2016 10:35PM

**Oil and gas • Former BLM inspector says more than 500 “orphan” wells remain unplugged in Utah.**

For years, the Government AF 1 gas well has sat idle and rusting on Burt and Christine DeLambert’s ranch on the southern rim of Utah’s East Tavaputs Plateau. Questar has pulled out the pipeline that served that end of the aging gas field known as the Seep Ridge unit, whose production has slowed to the point that continued operations are no longer a paying proposition.

Yet, despite rules requiring energy companies to plug and reclaim wells after several years of no production, Hot Rod Oil has done almost nothing to take care of the AF 1 well and adjoining tanks, according to Burt DeLambert, who wants to see the site restored so his ranch can put the ground to use for livestock.

“They are supposed to take care of their location. The fence was lying out there in the field. It’s not good for livestock to be walking on barbed wire,” DeLambert said.

State regulators agree and last month petitioned the Utah Oil, Gas and Mining Board to find Hot Rod’s sole operator, Mark Peterson, in violation of state law and plug the well, alleging its dilapidated condition could lead to a blowout that would contaminate the Green River.

At the last minute, Peterson reached an agreement with the Division of Oil, Gas and Mining (DOG M) that required him to plug the well by Aug. 1 and restore the land by Nov. 1. If he fails to meet these deadlines, the state will complete the job, give Peterson the bill and fine him \$5,000 per day, according to the settlement filed with the board.

But in a case that highlights the conflicting state and federal standards for management of oil and gas wells, the Bureau of Land Management has stepped in with a monkey wrench, saying Hot Rod is not the responsible player on this federal lease, that no plugging can occur until the BLM approves a reclamation plan — and that the well in question is sound.

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The well on DeLambert’s land also illustrates a larger problem in Utah’s oil patch where “orphaned” wells abound on federal leases.

Under state rules that apply to state and private minerals, wells must be plugged after five years of nonproduction unless the operator gets an extension. The BLM rule, which applies to federal and tribal minerals, is that a well is to be evaluated after seven years of nonproduction.

By the time old wells approach the ends of their productive lives, they sometimes wind up in the hands of tiny companies, like Hot Rod, that lack the resources to stimulate them back to life, invest in the equipment to get their meager production to market or even properly “abandon” the wells — they can cost up to \$100,000 each to plug and reclaim correctly.

Some operators simply walk away from their reclamation obligations once their wells stop producing, and the BLM has shown itself slow to hold them accountable, according to Stan Olmstead, who worked as an inspector in the BLM’s Vernal field office for 20 years. Plugging requires pulling up the production tubing and cementing off the bore hole in key places to keep oil, gas and water from migrating between layers of Earth’s strata. The land is to be recontoured, covered with reserved topsoil and reseeded with native vegetation.

After he retired in 2012, Olmstead analyzed well-management data and identified 557 BLM wells in Utah that have remained unplugged 10 or more years after they stopped producing. Hot Rod operates six of those.

Last year, there were 1,300 idle wells on BLM lands, according to a report Olmstead submitted to the BLM in March 2015.

“The professional nature of the bureau is failing in its mission of land management, professionalism and oversight,” Olmstead wrote to BLM Director Neil Kornze. “I ask you to place higher interest in land healing than in land-use permitting. The leaseholder and operator have one overriding concern, and that is to profit. It is my experience they will not self-regulate.”



Courtesy | Utah Division of Oil, Gas and Mining Utah state regulators want this long idled well, “operated” by Hot Rod Oil on the East Tavaputs Plateau, plugged and reclaimed. The well has produced no natural gas for the past 13 years and would contaminate nearby water sources if its corroded valves fail, according to the Division of Oil, Gas and Mining. A recent analysis has identified 557 such “orphaned” wells in Utah’s oil fields that have not produced in more than 10 years, yet remain unplugged in defiance of state and federal regulations.

In 1973, Texaco drilled the Government AF 1 into the Dakota formation from a pad 600 feet from Willow Creek, a tributary to the Green River. During its life it produced 335 million cubic feet of natural gas, worth about \$700,000 at today's depressed prices, according to DOGM records. Hot Rod acquired the well in the mid-1990s, and production became sporadic and tapered off. It has been shut in since 2003, and Hot Rod has not filed production reports for any of its wells since last year.

A state inspector examined the well in August and did not like what he saw. The master valve "was extremely rusted, corroded and leaking," and he found an indication of a down-hole problem, according to a notice of violation the inspector filed. A few months later, the DOGM issued a plugging order but Peterson never responded.

"If the valve eventually fails, this would result in an uncontrolled release or blowout. The poor condition ... indicates many years of neglect due to lack of field presence," the DOGM wrote in the order.

But BLM inspectors who visited the site found it sound.

"We could find no evidence of leaking. We found no problems with the well bore," said Jerry Kenczka, assistant field manager for lands and minerals.

But his state counterparts remained concerned and an inspector later found the pressure gauge was gone.

"As no workover or remediation was conducted or planned, removal of the pressure gauge strongly suggests that Hot Rod is trying to conceal the down-hole problems at the well," wrote DOGM attorneys in the state's notice of agency action. "The well needs to be plugged because it has numerous problems that could lead to significant environmental damage."

But in a formal response, Peterson says the well is in working order and is checked regularly. The old pressure gauge was frozen, and the actual pressure is low, less than 300 psi, Peterson wrote. He does not intend to leave a working gauge on the well because it is liable to be stolen or vandalized.

"Respondent has the property right to use the well site until the mineral resource has been fully developed and produced," Peterson wrote. "The well is capable of additional production; he is just waiting for prices to recover to make further production economically viable."

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During his years as an inspector, Olmstead said, he confronted Peterson about the sorry state of the Hot Rod wells, to no avail.

Peterson declined to comment for this story. In his filings with the oil and gas board, he says he "adequately manages" the AF 1 well.

According to the BLM's Vernal office, however, Hot Rod relinquished its role as the Seep Ridge unit operator in 2008 to a company called Summit Operating LLC, which is the actual responsible party.

"As far as we can tell, there is no interest on the lease by Hot Rod," Kenczka said. "You have to take the state's website with a grain of salt because not all the information is correct. This isn't the only well where we are showing a different operator. The way we do our business is different from how the state does theirs."

Earlier this year, the BLM told Summit to either come up with plans to plug AF 1 and two other wells, conduct wells tests or bring them back into production.

"We told them they had options, one of which could be plugging. If they were to do a well test and it is still capable of production, that would satisfy our requirements," Kenczka said.

Summit executives declined to comment.

Olmstead blames the problem of unplugged wells on the BLM, which he says has not done enough to crack down on errant operators despite ample evidence their wells threaten the land and drain taxpayer resources.

"The inspection of Hot Rod Oil and Summit Operating wells all these years must have cost millions of dollars for time, fuel, paper and discussion to manage without results," Olmstead said.

BLM has acknowledged a problem with inadequate levels of oversight and has beefed up inspections of the 11,000 wells it oversees in the Uinta Basin

"As of today, we have completed over 3,000 environmental inspections for this fiscal year in the Vernal field office alone," BLM spokesman Ryan Sutherland said in an email last week. "That is an increase from 2,560 environmental inspections from last fiscal year."

Meanwhile, the office has processed notices to plug 50 wells and expects to process another 130.

Brian Maffly covers public lands for The Salt Lake Tribune. Maffly can be reached at [bmaffly@sltrib.com](mailto:bmaffly@sltrib.com) or 801-257-8713.

Twitter: [@brianmaffly](https://twitter.com/brianmaffly)