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4,000-plus wells unplugged in W.Va.

Organization calls for Legislature to address 'disaster'

by **Conor Griffith**
BUSINESS EDITOR

CHARLESTON — The West Virginia Surface Owners Rights Organization is calling for more legislative action to address what it has described as “the most widespread property rights and environmental disaster” in the state.

David McMahon, a lobbyist for SORO, explained that oil and natural gas wells need to be plugged at the end of their productive lives. If they aren't, the problem can be much worse than just an eyesore or devalued property. If neglected long enough, gas or oil can leak into groundwater supplies, which is an issue in some rural communities. What's more, the seals on septic tanks can gradually be worn away, which results in septic bacteria contaminating groundwater as well.

“It's a huge problem,” he said, adding that about 4,500 wells have gone unplugged for so long that they are orphaned with no operator or driller to look after them. “It's one of the most widespread environmental and personal property issues the state faces.”

Under the status quo, McMahon said the state only gets enough money from permit fees to plug about 10 of these wells per year, and current law does not require a plugging or reclamation bond, only a \$50,000 blanket bond per driller.

He said it costs anywhere between \$25,000-\$65,000 to plug a single well. Despite the cost required to plug all the wells, McMahon said it is something that can be done and the SORO does not wish for the natural gas or

oil businesses to be unsuccessful. “None of our members have said, ‘don't drill,’” McMahon said. “There's a lot of money here, enough to do it right.”

Two pieces of legislation have been introduced to address the issue of unplugged wells, H.B. 3065 in the House of Delegates and S.B. 576 in the Senate. Both were introduced on Feb. 12 and remain in their respective energy committees.

McMahon said he hasn't had the chance to make his case before the energy committees in the Senate or House of Delegates yet. While supportive of the legislation that's already been introduced, he said the long-term cause needs to be addressed if they're to have any meaning.

“That is pouring money into a bucket with a hole in the bottom unless we prevent more (unplugged wells).”

McMahon expressed concern that the number of unplugged wells is going to grow faster than they can be plugged, even if S.B. 576 and H.B. 3065 become law due to Alabama-based Diversified's acquisition of EGT Corporation's southern Appalachian midstream production assets last summer, which is expected to add another 10,000 unplugged wells in West Virginia by the year 2049.

McMahon suggested that the Legislature stop the transfer of wells that aren't producing enough gas to pay for their plugging without first requiring the owners to have bonds to cover the costs. He also supported doing away with blanket bonding that results in producers having wells with less than \$20 bonding per well, along with requiring drillers to plug transferred wells that had problems with the previous driller that owned them.

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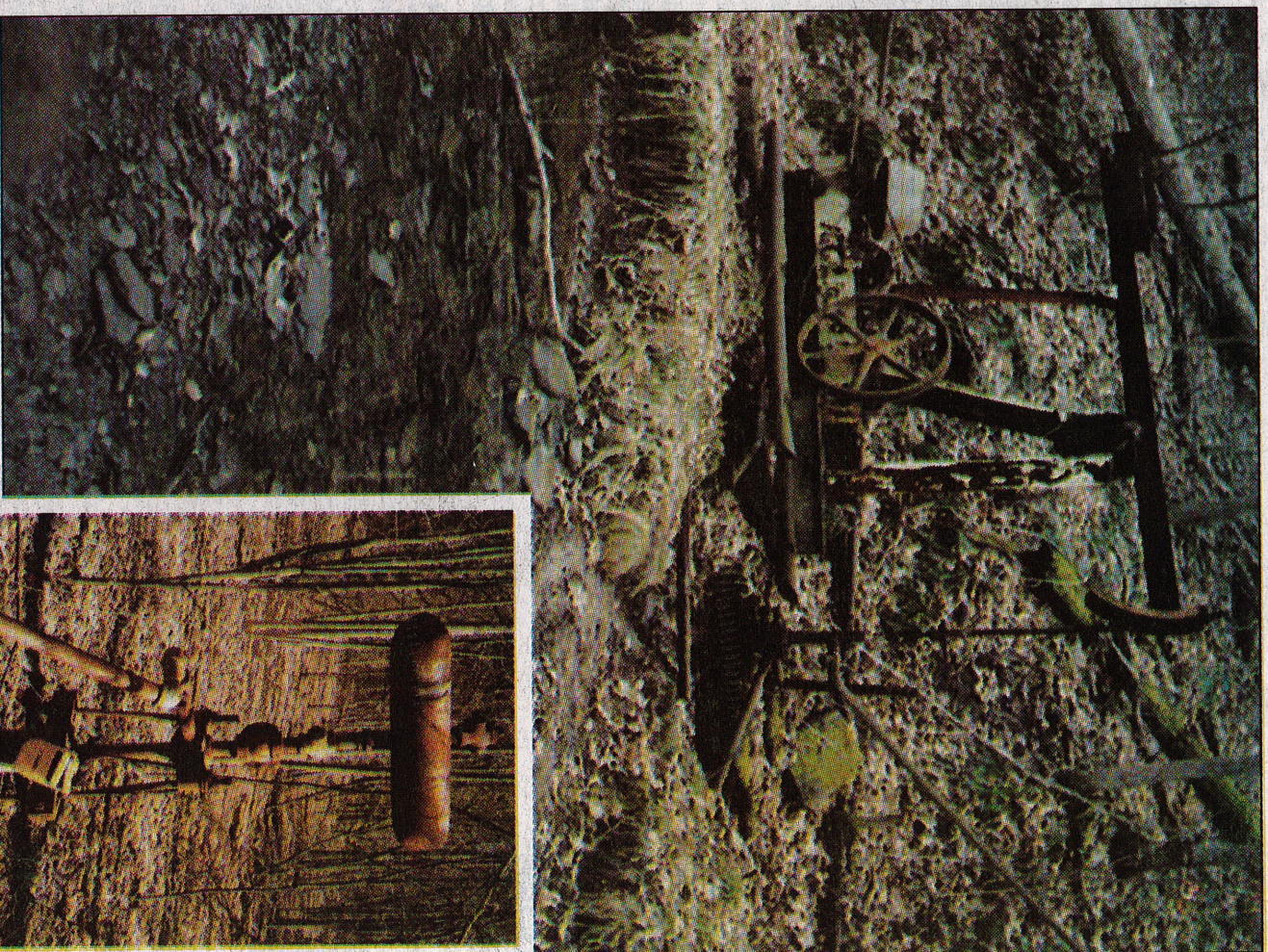


Photo courtesy of David McMahon
Unplugged wells can result in gas or oil leaking into underground water wells in rural communities.

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WELLS

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Charlie Burd, the executive director of the Independent Oil and Natural Gas Association of West Virginia, noted that many of those 4,500-plus wells are more than a century old since the state experienced an oil boom before the natural gas industry took off. Furthermore, there was no modern well permitting system prior to 1929 and many of those wells' operators have long gone out of business and are hard to track down.

"Those wells are in places that often nobody knows they're there," he said. "Those are the wells that would be targeted to be plugged by these special funds."

Burd said legislation IOGA supported, H.B. 2768, would create a plugging fund to address those wells that don't have a responsible owner, but most companies that do own wells that may not be profitable, such as Diversified, do take care of the assets in their stewardship.

He noted that state money isn't the only funding source to address unplugged wells since many private companies take the initiative.

"To say that a company would want to sell these old wells to shed themselves of the responsibility, I believe, is a bit disingenuous," Burd said. "I don't believe that to be the case in any



Photo courtesy of Diversified Oil & Gas

Charlie Burd said Diversified's acquisition of former EQT assets in West Virginia puts wells in a better position to be managed and plugged.

of the mergers I've seen.

"A company like Diversified should be praised for coming in and purchasing those wells and doing the due diligence on every single well to see how many of those wells should be placed back into production and taken off the abandoned well list and then find those that are certifiably in such a low production that they can be placed on a list to be plugged, even if it means

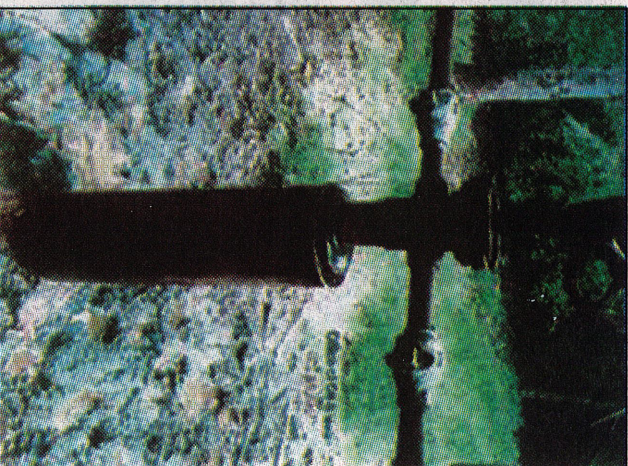


Photo courtesy of David McMahon

An abandoned unplugged well in Harrison County.

over a course of several years," Burd said. Burd said companies like Diversified entered into an agreement with the state when they made the purchase to plug many wells, which puts them in a better position than they would have been otherwise.

As for SORO's other recommendations, Burd said removing blanket bonds and replacing them with per

well bonds retroactively at this stage would be virtually impossible. He said something like that is akin to being offered an insurance policy that covers everything when buying a brand new vehicle, but only saying yes after said vehicle hits 150,000 miles.

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