Congressional Budget Office
Cost Estimate

October 6, 2021

At a Glance

H.R. 2415, Orphaned Well Cleanup and Jobs Act of 2021

As ordered reported by the House Committee on Natural Resources on May 26, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	-25	-70	-70
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	-25	-70	-70
Spending Subject to Appropriation (Outlays)	455	7,715	8,000

Statutory pay-as-you-go procedures apply?	**Yes**	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	**No**	Contains intergovernmental mandate?	**No**
		Contains private-sector mandate?	**No**

* = between zero and $500,000.

The bill would

- Authorize appropriations totaling $8 billion in 2021 for the Department of the Interior (DOI) to establish an orphaned-well remediation program on federal land and to provide grants to states and tribes for similar purposes
- Direct DOI to collect fees for idled oil and gas wells located on onshore federal land and to spend such collections without further appropriation

Estimated budgetary effects would mainly stem from

- Spending of the authorized appropriations
- Collection and spending of the fees

Areas of significant uncertainty include

- Estimating the number of idled wells and the amount of fees that would be collected

Detailed estimate begins on the next page.

Bill Summary

H.R. 2415 would authorize appropriations totaling $8 billion in fiscal year 2021 for the Department of the Interior (DOI) to establish an orphaned-well remediation program on federal land and to provide grants to states and Indian tribes for similar purposes. The bill also would direct DOI to collect fees for idled (or nonoperational) oil and gas wells located on onshore federal land and would authorize the department to spend those fees without further appropriation for reclamation and related administration.

Estimated Federal Cost

The estimated budgetary effect of H.R. 2415 is shown in Table 1. The costs of the legislation fall primarily within budget function 300 (natural resources and environment).

Table 1.
Estimated Budgetary Effects of H.R. 2415

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
Increases in Direct Spending												
Estimated Budget Authority[a]	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-25	-20	-10	-10	-5	0	0	0	0	0	-70	-70
Increases in Spending Subject to Appropriation												
Authorization[b]	8,000	0	0	0	0	0	0	0	0	0	8,000	8,000
Estimated Outlays	455	1,925	1,895	1,895	1,545	255	25	5	0	0	7,715	8,000

CBO estimates that enacting H.R. 2415 would increase revenues by an insignificant amount over the 2021-2031 period.

a. Enacting the bill would increase offsetting receipts that could be subsequently spent without appropriation action. As a result, the budget authority nets to zero. Because outlays lag collections, net spending would be reduced in the first five years.

b. The bill would authorize the appropriation of $8 billion in fiscal year 2021. Because fiscal year 2021 has ended, CBO has assumed for this estimate that the amounts would be provided in 2022.

Basis of Estimate

For this estimate, CBO assumes the legislation will be enacted by the end of calendar year 2021. Estimated spending is based on historical spending patterns for similar programs.

Spending Subject to Appropriation

H.R. 2415 would authorize the appropriations totaling $8 billion in fiscal year 2021. Because that fiscal year has ended, CBO assumes for this estimate that those amounts would be provided in 2022. On that basis and assuming appropriation of the specified amounts, CBO estimates that implementing the bill would cost $7.7 billion over the 2022-2026 period (see Table 2).

The bill would require states and tribes either to obligate funds within 2 years to 10 years of their receipt or to reimburse unobligated amounts to DOI. CBO assumes that states would obligate the full amounts within the timeframes specified and that any administrative costs that DOI incurs would be covered by the amounts authorized.

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 2415

	By Fiscal Year, Millions of Dollars					
	2022[a]	2023	2024	2025	2026	2022-2026
Federal Program						
Authorization	400	0	0	0	0	400
Estimated Outlays	20	40	80	80	80	300
Initial Grants to States						
Authorization	1,500	0	0	0	0	1,500
Estimated Outlays	105	375	375	375	270	1,500
Formula Grants to States						
Authorization	3,500	0	0	0	0	3,500
Estimated Outlays	245	875	875	875	630	3,500
Regulatory Improvement and Matching Grants to States						
Authorization	2,250	0	0	0	0	2,250
Estimated Outlays	0	400	560	560	560	2,080
Grants to Tribes						
Authorization	300	0	0	0	0	300
Estimated Outlays	75	225	0	0	0	300
Department of Energy						
Authorization	50	0	0	0	0	50
Estimated Outlays	10	10	5	5	5	35
Total Changes						
Estimated Authorization	8,000	0	0	0	0	8,000
Estimated Outlays	455	1,925	1,895	1,895	1,545	7,715

a. The bill would authorize appropriations totaling $8 billion in fiscal year 2021. Because fiscal year 2021 has ended, CBO has assumed for this estimate that the amounts for each activity would be provided in 2022.

Federal Program. H.R. 2415 would authorize the appropriation of $400 million for DOI, in cooperation with the Department of Agriculture and affected tribes, to establish a program to plug, remediate, and reclaim orphaned (or abandoned) oil and gas wells on federal land. DOI would be required to issue regulations to define and identify orphaned and idled wells. Based on historical spending patterns for similar activities, CBO estimates that implementing the provision would cost $300 million over the 2022-2026 period and $100 million after 2026.

Grants to States. The bill would authorize appropriations for three different types of state grants totaling $7.25 billion. Using information from DOI, CBO expects that the department would make grants available in four annual cycles, starting in 2022, and that the grants would be fully issued to states within one year of being awarded.

Initial Grants. Of that $7.25 billion, H.R. 2415 would authorize the appropriation of $1.5 billion for initial grants to states to plug, remediate, and reclaim orphaned wells on state and private lands; track methane emissions from wells; decommission pipelines and infrastructure; and complete other related activities. A group of 38 member and associate member states of the Interstate Oil and Gas Compact Commission (IOGCC) would be eligible to receive up to $25 million each in initial grants; 12 nonmember states could receive up to $5 million each. The remaining amounts would be available 18 months after the first grants are issued for regulatory improvement and matching grants, as discussed below. CBO estimates that providing those grants to states would cost $1.5 billion over the 2022-2026 period.

Formula Grants. The bill also would authorize the appropriation of $3.5 billion for DOI to award grants to states based on the volume of recent job losses in the oil and gas industry and on the projected costs to plug and reclaim orphaned wells. CBO estimates that outlays for the grants would total $3.5 billion over the 2022-2026 period.

Regulatory Improvement and Matching Grants. In addition to any amounts remaining after the initial grants are issued, H.R. 2415 would authorize the appropriation of $2.25 billion for DOI to provide regulatory improvement and matching grants that would be capped at $90 million per state. To be eligible, a state would need to regulate gas capture and prohibit venting and flaring from oil and gas wells, strengthen well-plugging standards, or implement bonding reform and other funding mechanisms for orphaned-well programs. CBO estimates that providing the grants would cost $2.1 billion over the 2022-2026 period; the remaining amounts would be spent after 2026.

Tribal Grants. H.R. 2415 would authorize the appropriation of $300 million for tribal grants to plug, remediate, and reclaim orphaned wells and to conduct related activities. CBO expects that those grants would be awarded in 2022 and that providing them would cost $300 million over the 2022-2026 period.

Department of Energy. The bill would authorize appropriations totaling $50 million for the Department of Energy and the IOGCC to conduct related research and development and to provide technical assistance to DOI, states, and tribes. Assuming appropriation of the authorized amounts and based on the timeframes provided under the bill for states and tribes to obligate the grant funds, CBO estimates that implementing that provision would cost $35 million over the 2022-2026 period and $15 million after 2026.

Other Activities. H.R. 2415 would direct DOI to issue regulations for idled-well fees. Based on the costs of similar activities, CBO estimates that any costs incurred by DOI would be insignificant; any spending would be subject to the availability of appropriated funds.

Section 3 would increase minimum bond amounts required under the Mineral Leasing Act. Forfeited bonds from onshore mineral leasing are recorded in the budget as discretionary offsetting collections and their spending is subject to appropriation. Assuming appropriation actions consistent with previous appropriation bills, CBO expects that any additional amounts forfeited under H.R. 2415 would be spent soon thereafter.

Direct Spending

CBO estimates that enacting H.R. 2415 would reduce direct spending by $70 million over the 2022-2031 period; those savings would result from the lag between the collection and spending of idled-well fees, as discussed below.

Idled-Well Fees. H.R. 2415 would direct DOI to collect annual fees for idled wells located on onshore federal land as follows:

- $500 for each well considered idle for at least 1 year but less than 5 years,
- $1,500 for each well considered idle for at least 5 years but less than 10 years,
- $3,500 for each well considered idle for at least 10 years but less than 15 years, and
- $7,500 for each well considered idle for at least 15 years.

Under the bill, a well would be considered idled if it has been nonoperational for at least two consecutive years and if there is no anticipated future beneficial use. Thus, a well that is considered idled for one year has been nonoperational for three years; a well that is considered idled for five years has been nonoperational for seven years; and so on. Fee collections are classified in the budget as offsetting receipts or reductions in direct spending.

According to DOI, roughly 6,300 onshore wells on federal land have been nonoperational for at least seven years. DOI does not collect data on wells that have been nonoperational for shorter periods, and CBO is unaware of any comprehensive source of information on such wells. CBO also cannot assess whether idled wells would have an anticipated future beneficial use. We expect that the count of idled wells will increase over time under current law, but that under the bill, some operators would plug and reclaim idled wells to avoid paying fees. Using information from DOI, CBO estimates that between 6,000 and 7,000 wells would be subject to fees annually under H.R. 2415. Receipts would total $350 million over the 2022-2031 period, in CBO's estimation. Most of that amount would come from wells considered idle for at least 15 years.

Spending of Idled Well Fees. Under H.R. 2415, the Bureau of Land Management would be authorized to spend collections from idled-well fees without further appropriation for orphaned-well reclamation and related administration. Based on historical spending patterns for similar activities, CBO estimates that the agency would spend, on average, about $28 million annually and $280 million over the 2022-2031 period.

Revenues
Operators who fail to pay the fees would be subject to civil penalties, which are classified in the budget as revenues. However, CBO estimates that any penalties collected would be insignificant over the 2022-2031 period.

Uncertainty
CBO's estimate of fee collections is uncertain; we cannot forecast with certainty the number of wells that would be subject to fees under H.R. 2415. The resulting direct spending also could differ from the estimate.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 3.

Table 3.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 2415, the Orphaned Well Cleanup and Jobs Act of 2021, as Ordered Reported by the House Committee on Natural Resources on May 26, 2021

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
	Net Decrease in the Deficit											
Pay-As-You-Go Effect	-25	-20	-10	-10	-5	0	0	0	0	0	-70	-70

Increase in Long-Term Deficits: None.

Mandates: None.

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