

McCormick v. HRM Resources: Frequently asked questions

Why are the plaintiffs suing?

The plaintiffs allege that when the oil and gas wells on their lands were nearly depleted, instead of plugging the wells -- a costly process that involves securely sealing the well to prevent the escape of harmful pollutants into the environment -- the company operating them knowingly sold the oil and gas wells to a privately owned shell company that was designed to go bankrupt and shed the liability.

Consequently, the plaintiffs were left with approximately 200 polluting abandoned wells on their properties and with no one to pursue for the clean-up costs. The property owners are asking the court to establish their right to pursue clean-up costs from the company they allege fraudulently sold the wells.

Which oil and gas companies are being taken to court?

In this case, the plaintiffs are suing HRM Resources and Painted Pegasus Petroleum.

Who is responsible for cleaning up abandoned wells?

The company that owns the well is legally responsible for the well's clean-up costs. However, if the company goes bankrupt or otherwise dissolves, it leaves no one responsible and forces the government to step in and plug the wells and taxpayers to pick up the bill.

Why is this fraud?

This case alleges that the oil and gas companies named in the lawsuit participated in fraudulent transactions in order to shirk liability for plugging the wells.

The complaint alleges the oil and gas company sold the wells to an entity that was designed to go bankrupt and shed the liability. These transactions were fraudulent because the values of these wells were upside down: the associated liabilities of the well (i.e. the clean-up costs) were greater than the amount of money that a company could expect to make from the well.

How could the court remedy this problem?

If the court agrees with the plaintiffs, it could establish that previous owners of oil and gas wells can be legally pursued for the clean-up costs that they had dodged using fraudulent transactions.

Where was the case filed?

The case was filed in Adams County, Colorado.

How do abandoned wells contribute to climate change?

Abandoned wells emit methane – a toxic gas 28 times more powerful than carbon dioxide at warming the planet. In 2021 alone, abandoned oil and gas wells released more than 295,000 tons of methane into the atmosphere, the carbon equivalent of the annual emissions of 1.8 million cars on the road.

Experts estimate that methane pollution is responsible for up to 30% of the current human-induced global warming that is overheating our planet and causing extreme weather events such as heatwaves, floods and forest fires.

What are the health impacts of zombie wells?

In addition to the climate impacts, zombie wells also can harm the people who live near them. Wells are often abandoned on people's property or in their communities. The methane pollution from the well forms ozone which is linked to serious health issues and premature deaths for people nearby. Lower-income communities and communities of color often bear the brunt of this pollution as they are more likely to live near oil and gas infrastructure. Methane is also explosive under certain conditions and can cause zombie wells to explode if the gas is ignited.

Who provided legal advice to the plaintiffs?

The plaintiffs are supported by ClientEarth, an environmental non-profit and law firms Richards Carrington, LLC and Borison Firm, LLC.

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