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AMENDED IN ASSEMBLY APRIL 14, 2016

AMENDED IN ASSEMBLY APRIL 7, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2729

Introduced by Assembly Members Williams, Salas, and Thurmond

February 19, 2016

An act to amend Sections 3008, 3208.1, and 3238 of, to amend, repeal, and add Sections 3202, 3204, 3205, 3206, 3207, and 3208 of, and to add Sections ~~3016 and 3206.1~~ *3016, 3206.1, and 3206.3* to, the Public Resources Code, relating to oil and gas, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2729, as amended, Williams. Oil and gas: operations.

(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources,

as provided; to permit owners and operators of wells to utilize all known methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state. Existing law defines, among other things, "active observation well," "idle well," and "long-term idle well" for the purposes of these provisions. Existing law provides that an active observation well is not an idle well.

This bill would limit the definition of "active observation well," and would expand the definitions of "idle well" and "long-term idle well" by no longer excluding active observation wells from their definitions. The bill would provide that the abandoned underground personal property, including a well, of an operator becomes the property of the mineral interest owner when the operator loses the right to remove the personal property under common law or under a lease or any other agreement that initially gave the operator the right to drill, operate, maintain, or control the well.

(2) Existing law establishes the Hazardous and Idle-Deserted Well Abatement Fund in the State Treasury. Existing law directs fee moneys collected from operators of idle wells to be deposited in the fund. The moneys in the fund are continuously appropriated to the department for expenditure without regard to fiscal year, to mitigate a hazardous or potentially hazardous condition by well plugging and abandonment.

This bill would instead provide that the moneys in the fund are continuously appropriated to the department for expenditure without regard to fiscal year to mitigate a hazardous or potentially hazardous condition, by well plugging and abandonment, decommissioning attendant production facilities, or both, at a well of a fee-paying operator. Because the bill would provide for the deposit of additional moneys in a continuously appropriated fund by expanding the definition of an "idle well," described above, and would change the purposes for which moneys in a continuously appropriated fund may be used, it would make an appropriation.

(3) Existing law requires the operator of any idle well not covered by an individual or blanket indemnity bond, as specified to either file with the supervisor a specified annual fee for each idle well, provide an escrow account for each idle well, provide an indemnity bond in a specified amount for each idle well, or, on or before July 1, 1999, file a plan with the supervisor to provide for the management and elimination of all long-term idle wells not covered by a fee, escrow

account, or indemnity bond. Existing law requires that these plans cover a time period of no more than 10 years and may be renewed annually thereafter, subject to approval by the supervisor. Existing law exempts an operator who complies with the plan from any increased idle well bond or fee requirements.

This bill instead would, until January 1, 2018, remove the requirement that the plans be filed on or before July 1, 1999, require that the plan cover a time period of no more than one year, revise the requirements of the plan, and remove the exemption for operators who comply with the plan from any increased idle well bond or fee requirements.

(4) Existing law provides that a well is properly abandoned when it has been shown, to the satisfaction of the supervisor, that all proper steps have been taken to isolate all oil-bearing or gas-bearing strata encountered in the well, and to protect underground or surface water suitable for irrigation or farm or domestic purposes from the infiltration or addition of any detrimental substance and to prevent subsequent damage to life, health, property, and other resources.

This bill would provide that proper steps include the plugging of the well, decommissioning the attendant production facilities of the well, or both, if determined necessary by the supervisor.

(5) Existing law authorizes the supervisor or district deputy to order the reabandonment of any previously abandoned well if the supervisor or the district deputy has reason to question the integrity of the previous abandonment. Existing law prescribes the circumstances in which the operator responsible for plugging and abandoning a deserted well is not responsible for the reabandonment of the well. Under existing law, a person who fails to comply with an order issued under these provisions and other requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

This bill instead would authorize the supervisor or district deputy to order, or permit, the reabandonment of any previously abandoned well if the supervisor or the district deputy has reason to question the integrity of the previous abandonment, or if the well is not accessible or visible. The bill would revise the circumstances in which the operator responsible for plugging and abandoning a deserted well is not responsible for the reabandonment of the well, and would provide that being responsible for the reabandonment means that the responsible party or parties shall complete the reabandonment and be subject to certain requirements applicable to an operator of a well. Because a

violation of an order issued under these provisions would be a crime, the bill would impose a state-mandated local program.

(6) Existing law authorizes the supervisor to order certain operations to be carried out on any property in the vicinity of which, or on which, is located any well that the supervisor determines to be either a hazardous or idle-deserted well, as specified.

This bill would authorize a party to plug and abandon a well that the supervisor has determined to be either a hazardous or idle-deserted well by obtaining all necessary rights to the well, and would require that party to be subject to certain requirements applicable to an operator of a well, file with the supervisor the appropriate bond or deposit, and complete the abandonment, as specified. Because a violation of an order issued under these provisions or of certain requirements related to the regulation of oil and gas would be a crime, the bill would impose a state-mandated local program.

(7) Existing law prescribes requirements related to acquiring the right to operate a well or production facility, filing with the supervisor an individual indemnity bond for each well drilled, redrilled, deepened, or permanently altered, filing with the supervisor a blanket indemnity bond in lieu of individual indemnity bonds, operators of idle wells not covered under certain indemnity bonds, and the cancellation of an individual or blanket indemnity bond. Existing law directs fee moneys collected from operators of idle wells to be deposited in the Hazardous and Idle-Deserted Well Abatement Fund, a continuously appropriated fund.

Commencing January 1, 2018, this bill would revise and recast these provisions to, among other things, increase the amounts of the required blanket indemnity bonds, require a person acquiring the right to operate a well or production facility to file a specified individual or blanket indemnity bond for each well, increase the fees required to be filed for each idle well if the operator does not file a plan with the supervisor to provide for the management and elimination of all its long-term idle wells, eliminate the authorization for an operator to provide an escrow account or indemnity bond for each idle well in lieu of paying a fee or filing a plan, and revise the conditions for the cancellation of an individual or blanket indemnity bond. Because the bill would provide for the deposit of additional moneys in a continuously appropriated fund by increasing the amount of fees required to be filed for each idle well, it would make an appropriation. Because a violation of an order issued under these provisions or of certain requirements related to the

regulation of oil and gas would be a crime, the bill would impose a state-mandated local program.

(8) This bill would require the division, by June 1, 2018, to review, evaluate, and update its regulations, including testing and management requirements, pertaining to idle wells, as specified.

This bill would also require the supervisor, on or before July 1, 2019, and annually thereafter until July 1, 2026, to prepare and transmit to the Legislature a comprehensive report containing specified information on the status of idle and long-term idle wells for the preceding calendar year. The bill would require the report to be made publicly available and an electronic version to be available on the division’s Internet Web site. After July 1, 2026, the bill would require the division to continue to regularly provide updated information describing idle and long-term idle wells on the division’s Internet Web site.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes.

State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 3008 of the Public Resources Code is
2 amended to read:

3 3008. (a) “Well” means any oil or gas well or well for the
4 discovery of oil or gas; any well on lands producing or reasonably
5 presumed to contain oil or gas; any well drilled for the purpose of
6 injecting fluids or gas for stimulating oil or gas recovery,
7 repressuring or pressure maintenance of oil or gas reservoirs, or
8 disposing of waste fluids from an oil or gas field; any well used
9 to inject or withdraw gas from an underground storage facility; or
10 any well drilled within or adjacent to an oil or gas pool for the
11 purpose of obtaining water to be used in production stimulation
12 or repressuring operations.

13 (b) “Prospect well” or “exploratory well” means any well drilled
14 to extend a field or explore a new, potentially productive reservoir.

15 (c) “Active observation well” means a well being used for the
16 sole purpose of gathering reservoir data, such as pressure or

1 temperature in a reservoir being currently produced or injected by
2 the operator. For a well to be an active observation well, the
3 operator shall demonstrate to the division's satisfaction that the
4 well fulfills a need for gathering reservoir data, and the operator
5 shall provide the division with a summary report of the type of
6 data collected at least annually or as requested by the division.

7 (d) "Idle well" means any well that has had 24 consecutive
8 months of not either producing oil or natural gas, producing water
9 to be used in production stimulation, enhanced oil recovery, or
10 reservoir pressure management, or being used for injection. For
11 the purpose of determining whether a well is an idle well,
12 production or injection is subject to verification by the division.
13 An idle well continues to be an idle well until it has been properly
14 abandoned in accordance with Section 3208 or it has been shown
15 to the division's satisfaction that, since the well became an idle
16 well, the well has for a continuous six-month period either
17 maintained production of oil or natural gas, maintained production
18 of water used in production stimulation, enhanced oil recovery, or
19 reservoir pressure management, or been used for injection.

20 (e) "Long-term idle well" means any well that has been an idle
21 well for eight or more years.

22 SEC. 2. Section 3016 is added to the Public Resources Code,
23 to read:

24 3016. For purposes of this chapter, abandoned underground
25 personal property, including a well, of an operator shall become
26 the property of the mineral interest owner when the operator loses
27 the right to remove the personal property under common law or
28 under a lease or any other agreement that initially gave the operator
29 the right to drill, operate, maintain, or control the well. In that case,
30 in accordance with paragraph (3) of subdivision (c) of Section
31 3237, the mineral interest owner shall be held jointly liable for the
32 well if, in the lease or other conveyance, the mineral interest owner
33 retained a right to control the well operations that exceeds the
34 scope of an interest customarily reserved in a lease or other
35 conveyance in the event of default.

36 SEC. 3. Section 3202 of the Public Resources Code is amended
37 to read:

38 3202. (a) A person who acquires the right to operate a well or
39 production facility, whether by purchase, transfer, assignment,
40 conveyance, exchange, or other disposition, shall, as soon as it is

1 reasonably possible, but not later than the date when the acquisition
2 of the well or production facility becomes final, notify the
3 supervisor or the district deputy, in writing, of the person's
4 operation. The acquisition of a well or production facility shall not
5 be recognized as complete by the supervisor or the district deputy
6 until the new operator provides all of the following material:

7 (1) The name and address of the person from whom the well or
8 production facility was acquired.

9 (2) The name and location of the well or production facility,
10 and a description of the land upon which the well or production
11 facility is situated.

12 (3) The date when the acquisition becomes final.

13 (4) The date when possession was or will be acquired.

14 (5) An indemnity bond for each idle well. The bond shall be in
15 an amount as provided in Section 3204 or 3205. The conditions
16 of the bond shall be the same as the conditions stated in Section
17 3204. An operator that has provided an individual bond required
18 by this subdivision in an amount as provided in Section 3204 shall
19 not be required additionally to comply with the requirements of
20 Section 3206. An operator who has provided a blanket indemnity
21 bond in the minimum amount required in subdivision (a) or (b) of
22 Section 3205 shall additionally comply with Section 3206 for any
23 idle wells not covered by a bond provided under Section 3204.

24 (b) This section shall remain in effect only until January 1, 2018,
25 and as of that date is repealed, unless a later enacted statute, that
26 is enacted before January 1, 2018, deletes or extends that date.

27 SEC. 4. Section 3202 is added to the Public Resources Code,
28 to read:

29 3202. (a) A person who acquires the right to operate a well or
30 production facility, whether by purchase, transfer, assignment,
31 conveyance, exchange, or other disposition, shall, as soon as it is
32 reasonably possible, but not later than the date when the acquisition
33 of the well or production facility becomes final, notify the
34 supervisor or the district deputy, in writing, of the person's
35 operation. The acquisition of a well or production facility shall not
36 be recognized as complete by the supervisor or the district deputy
37 until the new operator provides all of the following material:

38 (1) The name and address of the person from whom the well or
39 production facility was acquired.

1 (2) The name and location of the well or production facility,
2 and a description of the land upon which the well or production
3 facility is situated.

4 (3) The date when the acquisition becomes final.

5 (4) The date when possession was or will be acquired.

6 (5) An indemnity bond for each well as required under Section
7 3204 or 3205.

8 (b) This section shall become operative on January 1, 2018.

9 SEC. 5. Section 3204 of the Public Resources Code is amended
10 to read:

11 3204. (a) An operator who, on or after January 1, 2014,
12 engages in the drilling, redrilling, deepening, or in any operation
13 permanently altering the casing, of a well shall file with the
14 supervisor an individual indemnity bond for each well so drilled,
15 redrilled, deepened, or permanently altered, in the following
16 amount:

17 (1) Twenty-five thousand dollars (\$25,000) for each well that
18 is less than 10,000 feet deep.

19 (2) Forty thousand dollars (\$40,000) for each well that is 10,000
20 or more feet deep.

21 (b) The bond shall be filed with the supervisor at the time of
22 the filing of the notice of intention to perform work on the well,
23 as provided in Section 3203. The bond shall be executed by the
24 operator, as principal, and by an authorized surety company, as
25 surety, on the condition that the principal named in the bond shall
26 faithfully comply with all the provisions of this chapter, in drilling,
27 redrilling, deepening, or permanently altering the casing in any
28 well or wells covered by the bond, and shall secure the state against
29 all losses, charges, and expenses incurred by it to obtain the
30 compliance by the principal named in the bond.

31 (c) The conditions of the bond shall be stated in substantially
32 the following language: "If the _____, the above bounden principal,
33 shall well and truly comply with all the provisions of Division 3
34 (commencing with Section 3000) of the Public Resources Code
35 and shall obey all lawful orders of the State Oil and Gas Supervisor
36 or the district deputy or deputies, subject to subsequent appeal as
37 provided in that division, and shall pay all charges, costs, and
38 expenses incurred by the supervisor or the district deputy or
39 deputies in respect of the well or wells or the property or properties
40 of the principal, or assessed against the well or wells or the property

1 or properties of the principal, in pursuance of the provisions of
2 that division, then this obligation shall be void; otherwise, it shall
3 remain in full force and effect.”

4 (d) This section shall remain in effect only until January 1, 2018,
5 and as of that date is repealed, unless a later enacted statute, that
6 is enacted before January 1, 2018, deletes or extends that date.

7 SEC. 6. Section 3204 is added to the Public Resources Code,
8 to read:

9 3204. (a) An operator who, on or after January 1, 2018,
10 engages in the drilling, redrilling, deepening, or in any operation
11 permanently altering the casing, of a well, or who acquires a well,
12 shall file with the supervisor an individual indemnity bond for
13 each well so drilled, redrilled, deepened, or permanently altered,
14 or acquired in the following amount:

15 (1) Twenty-five thousand dollars (\$25,000) for each well that
16 is less than 10,000 feet deep.

17 (2) Forty thousand dollars (\$40,000) for each well that is 10,000
18 or more feet deep.

19 (b) The bond shall be filed with the supervisor at the time of
20 the filing of the notice of intention to perform work on the well,
21 as provided in Section 3203, or at the time of acquisition of the
22 well, as provided in Section 3202. The bond shall be executed by
23 the operator, as principal, and by an authorized surety company,
24 as surety, on the condition that the principal named in the bond
25 shall faithfully comply with all the provisions of this chapter, in
26 drilling, redrilling, deepening, or permanently altering the casing
27 in any well or wells covered by the bond, and shall secure the state
28 against all losses, charges, and expenses incurred by it to obtain
29 the compliance by the principal named in the bond.

30 (c) The conditions of the bond shall be stated in substantially
31 the following language: “If the _____, the above bounden principal,
32 shall well and truly comply with all the provisions of Division 3
33 (commencing with Section 3000) of the Public Resources Code
34 and shall obey all lawful orders of the State Oil and Gas Supervisor
35 or the district deputy or deputies, subject to subsequent appeal as
36 provided in that division, and shall pay all charges, costs, and
37 expenses incurred by the supervisor or the district deputy or
38 deputies in respect of the well or wells or the property or properties
39 of the principal, or assessed against the well or wells or the property
40 or properties of the principal, in pursuance of the provisions of

1 that division, then this obligation shall be void; otherwise, it shall
2 remain in full force and effect.”

3 (d) This section shall become operative on January 1, 2018.

4 SEC. 7. Section 3205 of the Public Resources Code is amended
5 to read:

6 3205. (a) An operator who engages in the drilling, redrilling,
7 deepening, or in any operation permanently altering the casing, of
8 20 or more wells at any time, may file with the supervisor one
9 blanket indemnity bond to cover all the operations in any of its
10 wells in the state in lieu of an individual indemnity bond for each
11 operation as required by Section 3204. The bond shall be executed
12 by the operator, as principal, and by an authorized surety company,
13 as surety, and shall be in substantially the same language and upon
14 the same conditions as provided in Section 3204, except as to the
15 difference in the amount. The bond shall be provided in one of the
16 following amounts, as applicable:

17 (1) The sum of four hundred thousand dollars (\$400,000), which
18 does not include the bond or fee required in Section 3206.

19 (2) The sum of two hundred thousand dollars (\$200,000), which
20 does not include the bond or fee required in Section 3206, for any
21 operator having 50 or fewer wells in the state, exclusive of properly
22 abandoned wells.

23 (3) The sum of two million dollars (\$2,000,000), which does
24 include the bond or fee required in Section 3206.

25 (b) A blanket cash bond or blanket surety bond provided prior
26 to January 1, 2014, shall be increased to comply with this section
27 on or before January 1, 2016.

28 (c) This section shall remain in effect only until January 1, 2018,
29 and as of that date is repealed, unless a later enacted statute, that
30 is enacted before January 1, 2018, deletes or extends that date.

31 SEC. 8. Section 3205 is added to the Public Resources Code,
32 to read:

33 3205. (a) An operator who engages in the drilling, redrilling,
34 deepening, or in any operation permanently altering the casing, of
35 20 or more wells at any time, may file with the supervisor one
36 blanket indemnity bond to cover all the operations in any of its
37 wells in the state in lieu of an individual indemnity bond for each
38 operation as required by Section 3204. The bond shall be executed
39 by the operator, as principal, and by an authorized surety company,
40 as surety, and shall be in substantially the same language and upon

1 the same conditions as provided in Section 3204, except as to the
2 difference in the amount. The bond shall be provided in one of the
3 following amounts, as applicable:

4 (1) The sum of two hundred thousand dollars (\$200,000), for
5 an operator having 50 or fewer wells in the state, exclusive of
6 properly abandoned wells.

7 (2) The sum of four hundred thousand dollars (\$400,000), for
8 any operator having more than 50, but no more than 500, wells in
9 the state, exclusive of properly abandoned wells.

10 (3) The sum of two million dollars (\$2,000,000), for any
11 operator having more than 500, but no more than 10,000, wells in
12 the state, exclusive of properly abandoned wells.

13 (4) The sum of three million dollars (\$3,000,000), for any
14 operator having more than 10,000 wells in the state, exclusive of
15 properly abandoned wells.

16 (b) This section shall become operative on January 1, 2018.

17 SEC. 9. Section 3206 of the Public Resources Code is amended
18 to read:

19 3206. (a) The operator of any idle well not covered by an
20 indemnity bond provided under Section 3204, paragraph (3) of
21 subdivision (a) of Section 3205, or subdivision (a) of Section
22 3205.2 shall do one of the following:

23 (1) File with the supervisor an annual fee for each idle well
24 equal to the sum of the following amounts:

25 (A) One hundred dollars (\$100) for each idle well that has been
26 idle for less than 10 years.

27 (B) Two hundred fifty dollars (\$250) for each idle well that has
28 been idle for 10 years or longer, but less than 15 years.

29 (C) Five hundred dollars (\$500) for each idle well that has been
30 idle for 15 years or longer.

31 (2) Provide an escrow account in a federally insured bank that
32 does business in, and has an office in, the State of California, by
33 depositing the amount of five thousand dollars (\$5,000) for each
34 idle well, in the following manner:

35 (A) The escrow account shall be accessible only by the
36 supervisor and the money shall be retained in the escrow account
37 exclusively for use by the supervisor for plugging and abandoning
38 the operator's idle wells that become deserted pursuant to Section
39 3237.

1 (B) The money in the escrow account may be released only by
2 the supervisor and only in amounts covering any idle well that has
3 properly been plugged and abandoned, returned to production or
4 injection or converted to an active observation well, if that money
5 remaining in the escrow account is sufficient to fully fund the
6 required deposits for all of the operator's remaining idle wells.

7 (C) The required deposit for each idle well shall be funded
8 completely within 10 years of the date the well becomes idle, or
9 10 years from January 1, 1999, for any well that is idle as of
10 January 1, 1999.

11 (D) The operator shall fund the escrow account at the rate of at
12 least five hundred dollars (\$500) per well per year.

13 (E) Failure of an operator in any year to provide the minimum
14 funding for any idle well shall result in the institution of the annual
15 fees required by paragraph (1) for that idle well, and all money
16 already on deposit for that idle well shall be treated as previously
17 paid annual fees and shall be deposited into the Hazardous and
18 Idle-Deserted Well Abatement Fund specified in subdivision (b)
19 for expenditure pursuant to that subdivision.

20 (3) File with the supervisor an indemnity bond that provides
21 the sum of five thousand dollars (\$5,000) for each idle well. The
22 bond shall be subject to the conditions provided in Section 3204.

23 (4) File a plan with the supervisor to provide for the management
24 and elimination of all long-term idle wells not covered under
25 paragraph (1), (2), or (3).

26 (A) For the purposes of the plan required by this paragraph,
27 elimination of an idle well shall be accomplished when the well
28 meets the requirements of Section 3208.

29 (B) A plan filed pursuant to this paragraph shall meet all of the
30 following requirements and conditions:

31 (i) The plan shall cover a time period of no more than one year
32 and may be renewed annually thereafter, subject to approval by
33 the supervisor.

34 (ii) The plan shall be reviewed for performance annually by the
35 supervisor, and be subject to amendment with the approval of the
36 supervisor.

37 (iii) The required rate of long-term idle well elimination shall
38 be based upon the number of idle wells under the control of an
39 operator on January 1 of each year, as specified in clause (iv). The

1 supervisor may require additional well testing requirements as part
2 of the plan.

3 (iv) The plan shall require that operators with 20 or fewer idle
4 wells eliminate at least one long-term idle well each year; operators
5 with 21 to 50, inclusive, idle wells eliminate at least two long-term
6 idle wells each year; operators with 51 to 100, inclusive, idle wells
7 eliminate at least five long-term idle wells each year; operators
8 with 101 to 250, inclusive, idle wells eliminate at least 10 long-term
9 wells each year; and operators with more than 250 idle wells
10 eliminate at least 4 percent of their long-term idle wells each year.

11 (v) An operator who fails to comply with the plan, as determined
12 by the supervisor after the annual performance review, is not
13 eligible to use the requirements of this paragraph, for purposes of
14 compliance with this section, for any of its idle wells. That operator
15 shall immediately provide one of the alternatives in paragraph (1),
16 (2), or (3) for its idle wells and may not propose a new idle well
17 plan for the next five years. An operator may appeal to the director
18 pursuant to Article 6 (commencing with Section 3350) regarding
19 the supervisor's rejection of a plan and plan amendments and the
20 supervisor's determinations of the operator's failure to comply
21 with a plan.

22 (b) All fees received under this section shall be deposited in the
23 Hazardous and Idle-Deserted Well Abatement Fund, which is
24 hereby created in the State Treasury. Notwithstanding Section
25 13340 of the Government Code, the moneys in the Hazardous and
26 Idle-Deserted Well Abatement Fund are hereby continuously
27 appropriated to the department for expenditure without regard to
28 fiscal year, to mitigate a hazardous or potentially hazardous
29 condition, by well plugging and abandonment, decommissioning
30 the attendant production facilities, or both, at a well of an operator
31 subject to the requirements of this section.

32 (c) Failure to file, for any well, the bond or fee required under
33 this section shall be conclusive evidence of desertion of the well,
34 permitting the supervisor to order the well abandoned.

35 (d) Nothing in this section prohibits a local agency from
36 collecting a fee for regulation of wells.

37 (e) This section shall remain in effect only until January 1, 2018,
38 and as of that date is repealed, unless a later enacted statute, that
39 is enacted before January 1, 2018, deletes or extends that date.

1 SEC. 10. Section 3206 is added to the Public Resources Code,
2 to read:

3 3206. (a) The operator of any idle well shall do either of the
4 following:

5 (1) No later than January 31 of each year, for each idle well that
6 was an idle well at any time in the last calendar year, file with the
7 supervisor an annual fee equal to the sum of the following amounts:

8 (A) One hundred fifty dollars (\$150) for each idle well that has
9 been an idle well for three years or longer, but less than eight years.

10 (B) Three hundred dollars (\$300) for each idle well that has
11 been an idle well for eight years or longer, but less than 15 years.

12 (C) Seven hundred fifty dollars (\$750) for each idle well that
13 has been an idle well for 15 years or longer, but less than 20 years.

14 (D) One thousand five hundred dollars (\$1,500) for each idle
15 well that has been an idle well for 20 years or longer.

16 (2) File a plan with the supervisor to provide for the management
17 and elimination of all long-term idle wells.

18 (A) For the purposes of the plan required by this paragraph,
19 elimination of an idle well shall be accomplished when the well
20 has been properly abandoned in accordance with Section 3208, or
21 it has been shown to the division's satisfaction that, since the well
22 became an idle well, the well has maintained production of oil or
23 gas or been used for injection for a continuous six-month period.

24 (B) A plan filed pursuant to this paragraph shall meet all of the
25 following requirements and conditions:

26 (i) The plan shall specify the time period that it covers. The plan
27 and any renewal of the plan shall cover a time period of no more
28 than five years and shall be subject to approval by the supervisor
29 who may prioritize the order in which idle wells are addressed.

30 (ii) The plan shall be reviewed for performance annually by the
31 supervisor, and be subject to amendment by the supervisor, or by
32 the operator with the approval of the supervisor.

33 (iii) The required rate of long-term idle well elimination shall
34 be based upon the number of idle wells under the control of an
35 operator on January 1 of each year, as specified in clause (iv). The
36 supervisor may require additional well testing requirements as part
37 of the plan.

38 (iv) Unless and until the operator has no long-term idle wells,
39 the plan shall require that operators with 250 or fewer idle wells
40 eliminate at least 4 percent of their long-term idle wells each year,

1 and, in no case, less than one long-term idle well; operators with
2 251 to 1,250, inclusive, idle wells eliminate at least 5 percent of
3 their long-term idle wells each year, and, in no case, less than one
4 long-term idle well; and operators with more than 1,250 idle wells
5 eliminate at least 6 percent of their long-term idle wells each year,
6 and, in no case, less than one long-term idle well.

7 (v) An operator who fails to comply with the plan, as determined
8 by the supervisor after the annual performance review, is not
9 eligible to use the requirements of this paragraph, for purposes of
10 compliance with this section, for any of its idle wells. That operator
11 may not propose a new idle well plan for the next five years. An
12 operator may appeal to the director pursuant to Article 6
13 (commencing with Section 3350) regarding the supervisor's
14 rejection of a plan and plan amendments and the supervisor's
15 determination of the operator's failure to comply with a plan. If
16 the supervisor's determination that the operator failed to comply
17 with the plan is not timely appealed, or if the director upholds the
18 supervisor's determination upon appeal, then the operator shall
19 immediately file the fees required under paragraph (1) for each
20 year that the operator failed to comply with the plan.

21 (b) All fees received under this section shall be deposited in the
22 Hazardous and Idle-Deserted Well Abatement Fund, which is
23 hereby created in the State Treasury. Notwithstanding Section
24 13340 of the Government Code, the moneys in the Hazardous and
25 Idle-Deserted Well Abatement Fund are hereby continuously
26 appropriated to the department for expenditure without regard to
27 fiscal year, to mitigate a hazardous or potentially hazardous
28 condition, by well plugging and abandonment, decommissioning
29 the attendant production facilities, or both, at a well of an operator
30 subject to the requirements of this section.

31 (c) Failure to file, for any well, the fee required under this
32 section shall be conclusive evidence of desertion of the well,
33 permitting the supervisor to order the well abandoned pursuant to
34 Section 3237.

35 (d) Nothing in this section prohibits a local agency from
36 collecting a fee for regulation of wells.

37 (e) This section shall become operative on January 1, 2018.

38 SEC. 11. Section 3206.1 is added to the Public Resources Code,
39 to read:

1 3206.1. (a) By June 1, 2018, the division shall review, evaluate,
2 and update its regulations pertaining to idle wells. The update shall
3 include idle well testing and management requirements that, at a
4 minimum, include all of the following:
5 (1) Appropriate testing, as determined by the supervisor, to
6 determine whether the fluid level is above the base of an
7 underground source of drinking water.
8 (2) Appropriate testing, as determined by the supervisor, to
9 verify the mechanical integrity of the well.
10 (3) Appropriate remediation, as determined by the supervisor,
11 of idle wells if there is an indication of a lack of mechanical
12 integrity.
13 (4) For a well that has been an idle well for 15 years or more,
14 an engineering analysis demonstrating to the division’s satisfaction
15 that it is viable to return the idle well to operation in the future.
16 (b) If the operator demonstrates to the division’s satisfaction
17 that the well is not within one-half mile of an underground source
18 of drinking water, testing required under the regulations
19 implementing this section shall not be required until at least two
20 years after the well becomes an idle well. This subdivision shall
21 not be construed to prohibit or limit any other testing required
22 under this chapter.
23 (c) At the discretion of the supervisor, the regulations
24 implementing this section may provide an option for temporary
25 or partial well abandonment in lieu of compliance with the
26 requirements of the regulations implementing this section.
27 (d) If the operator does not remediate an idle well as required
28 by the regulations implementing this section, or the operator does
29 not demonstrate that an idle well is economically viable as required
30 by the regulations implementing this section, then the operator
31 shall plug and abandon the idle well in accordance with Section
32 3208.
33 (e) Failure to file to comply with the requirements of the
34 regulations implementing this section shall be conclusive evidence
35 of desertion of the well, permitting the supervisor to order the well
36 abandoned pursuant to Section 3237.
37 (f) For purposes of this section, an “underground source of
38 drinking water” has the same meaning as in the federal Safe
39 Drinking Water Act (42 U.S.C. Sec. 300f).

1 *SEC. 12. Section 3206.3 is added to the Public Resources Code,*
2 *to read:*

3 3206.3. (a) (1) *Notwithstanding Section 10231.5 of the*
4 *Government Code, on or before July 1, 2019, and annually*
5 *thereafter until July 1, 2026, the supervisor shall, in compliance*
6 *with Section 9795 of the Government Code, prepare and transmit*
7 *to the Legislature a comprehensive report on the status of idle and*
8 *long-term idle wells for the preceding calendar year. The report*
9 *shall include:*

10 (A) *A list of all idle and long-term idle wells in the state by*
11 *American Petroleum Institute identification number and indicating*
12 *the operator, field, and pool.*

13 (B) *A list of all wells whose idle or long-term idle status changed*
14 *in the preceding year by American Petroleum Institute*
15 *identification number with the disposition and current status of*
16 *each well.*

17 (C) *A list of orphan wells remaining, the estimated costs of*
18 *abandoning those orphan wells, and a timeline for future orphan*
19 *well abandonment with a specific schedule of goals. Idle and*
20 *long-term idle wells that have become orphan wells shall be*
21 *identified in the list. For the purposes of this report, an orphan*
22 *well is a well that has no party responsible for it, leaving the state*
23 *to plug and abandon it.*

24 (D) *A list of all operators with plans filed with the supervisor*
25 *for the management and elimination of all long-term idle wells*
26 *and the status of those plans.*

27 (E) *Any additional relevant information as determined by the*
28 *supervisor.*

29 (2) *The report shall be made publicly available and an electronic*
30 *version shall be available on the division's Internet Web site.*

31 (b) *Information on how to access the plans described in*
32 *subparagraph (D) of paragraph (1) of subdivision (a) shall be on*
33 *the division's Internet Web site.*

34 (c) *After July 1, 2026, the division shall continue to regularly*
35 *provide updated information describing idle and long-term idle*
36 *wells on the division's Internet Web site.*

37 ~~SEC. 12.~~

38 *SEC. 13. Section 3207 of the Public Resources Code is*
39 *amended to read:*

1 3207. (a) Any individual or blanket indemnity bond issued in
 2 compliance with this chapter may be terminated and canceled and
 3 the surety be relieved of all obligations thereunder when the well
 4 or wells covered by such bond have been properly completed or
 5 abandoned or another valid bond has been substituted therefor.
 6 Should the person who has filed a blanket bond properly complete
 7 or abandon a portion of his or her wells covered by the bond, the
 8 bond may be terminated and canceled and the surety be relieved
 9 of all obligations thereunder upon the filing by such person of an
 10 individual bond for each well which is still not producing or which
 11 he or she is still engaged in drilling, redrilling, deepening, or
 12 permanently altering the casing. Liability as to individual wells
 13 that have been completed or drilled and abandoned under a blanket
 14 bond may also be terminated.

15 (b) This section shall remain in effect only until January 1, 2018,
 16 and as of that date is repealed, unless a later enacted statute, that
 17 is enacted before January 1, 2018, deletes or extends that date.

18 ~~SEC. 13.~~

19 *SEC. 14.* Section 3207 is added to the Public Resources Code,
 20 to read:

21 3207. (a) Any individual or blanket indemnity bond issued in
 22 compliance with this chapter may be terminated and canceled and
 23 the surety relieved of all obligations thereunder when the well or
 24 wells covered by such bond have been properly abandoned pursuant
 25 to Section 3208, or another valid bond has been substituted
 26 therefor. Should the person who has filed a blanket bond properly
 27 abandon a portion of his or her wells covered by the bond, the
 28 bond may be terminated and canceled and the surety relieved of
 29 all obligations thereunder upon the filing by such person of an
 30 individual bond for each well that is still not abandoned. Liability
 31 as to individual wells that have been properly abandoned under a
 32 blanket bond may also be terminated.

33 (b) This section shall become operative on January 1, 2018.

34 ~~SEC. 14.~~

35 *SEC. 15.* Section 3208 of the Public Resources Code is
 36 amended to read:

37 3208. (a) For the purposes of Section 3207, a well is properly
 38 completed when it has been shown, to the satisfaction of the
 39 supervisor, that the manner of producing oil or gas or injecting
 40 fluids into the well is satisfactory and that the well has maintained

1 production of oil or gas or injection for a continuous six-month
2 period. A well is properly abandoned when it has been shown, to
3 the satisfaction of the supervisor, that all proper steps have been
4 taken to isolate all oil-bearing or gas-bearing strata encountered
5 in the well, and to protect underground or surface water suitable
6 for irrigation or farm or domestic purposes from the infiltration or
7 addition of any detrimental substance and to prevent subsequent
8 damage to life, health, property, and other resources. For purposes
9 of this subdivision, proper steps include the plugging of the well,
10 decommissioning the attendant production facilities of the well,
11 or both, if determined necessary by the supervisor.

12 (b) This section shall remain in effect only until January 1, 2018,
13 and as of that date is repealed, unless a later enacted statute, that
14 is enacted before January 1, 2018, deletes or extends that date.

15 ~~SEC. 15.~~

16 *SEC. 16.* Section 3208 is added to the Public Resources Code,
17 to read:

18 3208. (a) For the purposes of Sections 3206 and 3207, a well
19 is properly abandoned when it has been shown, to the satisfaction
20 of the supervisor, that all proper steps have been taken to isolate
21 all oil-bearing or gas-bearing strata encountered in the well, and
22 to protect underground or surface water suitable for irrigation or
23 farm or domestic purposes from the infiltration or addition of any
24 detrimental substance and to prevent subsequent damage to life,
25 health, property, and other resources. For purposes of this
26 subdivision, proper steps include the plugging of the well,
27 decommissioning the attendant production facilities of the well,
28 or both, if determined necessary by the supervisor.

29 (b) This section shall become operative on January 1, 2018.

30 ~~SEC. 16.~~

31 *SEC. 17.* Section 3208.1 of the Public Resources Code is
32 amended to read:

33 3208.1. (a) To prevent, as far as possible, damage to life,
34 health, and property, the supervisor or district deputy may order,
35 or permit, the reabandonment of any previously abandoned well
36 if the supervisor or the district deputy has reason to question the
37 integrity of the previous abandonment, or if the well is not
38 accessible or visible.

1 (b) The operator responsible for plugging and abandoning
2 deserted wells under Section 3237 shall be responsible for the
3 reabandonment except in the following situations:

4 (1) The supervisor finds that the operator plugged and
5 abandoned the well in conformity with the requirements of this
6 division in effect at the time of the plugging and abandonment and
7 that the well in its current condition presents no immediate danger
8 to life, health, and property but requires additional work solely
9 because the owner of the property on which the well is located
10 proposes construction on the property that would prevent or impede
11 access to the well for purposes of remedying a currently perceived
12 future problem. In this situation, the owner of the property on
13 which the well is located shall obtain all rights necessary to
14 reabandon the well and be responsible for the reabandonment.

15 (2) The supervisor finds that the operator plugged and
16 abandoned the well in conformity with the requirements of this
17 division in effect at the time of the plugging and abandonment and
18 that construction over or near the well preventing or impeding
19 access to it was begun on or after January 1, 1988, and the property
20 owner, developer, or local agency permitting the construction
21 failed either to obtain an opinion from the supervisor or district
22 deputy as to whether the previously abandoned well is required to
23 be reabandoned or to follow the advice of the supervisor or district
24 deputy not to undertake the construction. In this situation, the
25 person or entity causing the construction over or near the well shall
26 be responsible for the reabandonment.

27 (3) The supervisor finds that the operator plugged and
28 abandoned the well in conformity with the requirements of this
29 division in effect at the time of the plugging and abandonment and
30 after that time someone other than the operator or an affiliate of
31 the operator disturbed the integrity of the abandonment in the
32 course of developing the property, and the supervisor is able to
33 determine based on credible evidence, including circumstantial
34 evidence, the party or parties responsible for disturbing the integrity
35 of the abandonment. In this situation, the party or parties
36 responsible for disturbing the integrity of the abandonment shall
37 be responsible for the reabandonment.

38 (c) For purposes of this section, being responsible for the
39 reabandonment means that the responsible party or parties shall
40 complete the reabandonment and be subject to the requirements

1 of this chapter as an operator of the well. The responsible party or
2 parties shall file with the supervisor the appropriate bond or
3 security in an amount specified in Section 3204, 3205, or 3205.1.
4 If the reabandonment is not completed, the supervisor may act
5 under Section 3226 to complete the work.

6 (d) Except for the situations listed in paragraphs (1), (2), and
7 (3) of subdivision (b), nothing in this section precludes the
8 application of Article 4.2 (commencing with Section 3250) when
9 its application would be appropriate.

10 ~~SEC. 17.~~

11 *SEC. 18.* Section 3238 of the Public Resources Code is
12 amended to read:

13 3238. (a) For oil and gas produced in this state from a well
14 that qualifies under Section 3251 or that has been inactive for a
15 period of at least the preceding five consecutive years, the rate of
16 the charges imposed pursuant to Sections 3402 and 3403 shall be
17 reduced to zero for a period of 10 years. The supervisor or district
18 deputy shall not permit an operator to undertake any work on wells
19 qualifying under Section 3251 unless the mineral rights owner
20 consents, in writing, to the work plan.

21 (b) An operator who undertakes any work on a well qualifying
22 under Section 3251 shall have up to 90 days from the date the
23 operator receives written consent from the supervisor to evaluate
24 the well. On or before the 90 day evaluation period ends, the
25 operator shall file with the supervisor a bond or security in an
26 amount specified in Section 3204, 3205, or 3205.1, in accordance
27 with the requirements of whichever of those sections is applicable
28 to the well, if the well operations are to continue for a period in
29 excess of the 90-day evaluation period. The conditions of the bond
30 shall be the same as the conditions stated in Section 3204.

31 (c) A party may plug and abandon a well that qualifies under
32 Section 3251 by obtaining all necessary rights to the well. That
33 party shall be subject to the requirements of this chapter as an
34 operator of the well, file with the supervisor the appropriate bond
35 or security in an amount specified in Section 3204, 3205, or 3205.1,
36 and complete the abandonment. If the abandonment is not
37 completed, the supervisor may act under Section 3226 to complete
38 the work.

1 ~~SEC. 18.~~
2 *SEC. 19.* No reimbursement is required by this act pursuant to
3 Section 6 of Article XIII B of the California Constitution because
4 the only costs that may be incurred by a local agency or school
5 district will be incurred because this act creates a new crime or
6 infraction, eliminates a crime or infraction, or changes the penalty
7 for a crime or infraction, within the meaning of Section 17556 of
8 the Government Code, or changes the definition of a crime within
9 the meaning of Section 6 of Article XIII B of the California
10 Constitution.