

AMENDED IN SENATE JUNE 1, 2015
AMENDED IN SENATE MAY 5, 2015
AMENDED IN SENATE APRIL 6, 2015

SENATE BILL

No. 248

Introduced by Senator Pavley

February 18, 2015

An act to amend Sections 3108, 3213, and 3227 of, to add Sections 3011, 3106.3, 3113, 3114, 3213.5, and 3227.2 to, and to add Article 2.5 (commencing with Section 3130) to Chapter 1 of Division 3 of, the Public Resources Code, relating to oil and gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 248, as amended, Pavley. Oil and gas.

(1) Existing law requires the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation to regulate the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities attendant to oil and gas production. Existing law requires the State Oil and Gas Supervisor, on or before the first day of October of each year, to make public a report on specified information.

This bill would require the supervisor to establish an inspection ~~protocol and schedule of~~ *program for* all activities regulated pursuant to these provisions and would require the total number of inspections and results of the inspections to be included in the above-referenced report. The bill would require the division's regulations, field rules, notices, manuals, and other requirements to be reviewed and revised, as needed, through a public process at least once every 10 years.

The bill would require the division to develop and implement a data management plan on or before January 1 of an unspecified year, to ensure that required well data and well-related submissions are retained and readily available to the public and that publicly available data are machine readable. As part of the data management plan, the bill would require the division to post certain information that it receives on its Internet Web site.

The bill would define “enhanced oil recovery” for purposes of provisions relating to the regulation of oil and gas.

(2) Existing law requires an owner or operator of a well to keep, or cause to be kept, and requires the operator to file with the district deputy at specified times, a careful and accurate log, core record, and history of the drilling of the well. Existing law requires the well history to show the location and amount of sidetracked casings, tools, or other material, the depth and quantity of cement in cement plugs, the shots of dynamite or other explosives, acid treatment data, the results of production and other tests during drilling operations, and all data on well stimulation treatments. Existing law requires the owner of any well to file with the supervisor a monthly statement that provides certain information relating to the well, including the amount of water produced from each well. Existing law provides that a person who fails to comply with specific laws relating to the regulation of oil or gas operations, including failing to furnish a report or record, is guilty of a misdemeanor.

This bill would, in addition, require all operations on or in the well of any form to be systematically, completely, and accurately described and recorded in the well history. The bill would require any fluid injected or emplaced in the well to be fully characterized and reported as part of the history. The bill would require the monthly statement to the supervisor to include the full characterization of the chemical composition of water produced from each well. The bill would also require the operator of a waste disposal well to provide to the supervisor each quarter certain information regarding waste disposal injections. Because a violation of these requirements would be a crime, the bill would impose a state-mandated local program.

(3) The federal Safe Drinking Water Act regulates certain wells as Class II wells. Under existing federal law, the authority to regulate Class II wells in California is delegated to the Division of Oil, Gas, and Geothermal Resources. Under existing regulations, a well operator is required to obtain approval from the supervisor or a district deputy for

a subsurface injection or disposal project, including Class II wells, or any change in a project, as provided.

This bill would require the division, on or before January 1 of an unspecified year, to update and revise these regulations according to specified criteria and would require the division to consult with independent experts and stakeholders in the development and review of the regulations. The bill would require the regulations to include certain requirements, including reporting requirements. The bill would require these provisions to be liberally construed in order to meet specified requirements and to provide public transparency. The bill would provide that where the division shares jurisdiction over an injection well with a federal entity, the division’s rules and regulations are to apply in addition to all applicable federal laws and regulations. The bill would require an injection well subject to specified emergency regulations of the division regarding aquifer exemptions to immediately cease injection operations if the well is not in compliance by the applicable regulatory deadline. Because a violation of these requirements would be a crime, the bill would impose a state-mandated local program. The bill would require specified existing injection wells and well projects to be brought into compliance with these regulations on or before January 1 of an unspecified year.

(4) 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: no. Fiscal committee: yes.
State-mandated local program: yes.

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

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) A 2011 audit of the Division of Oil, Gas, and Geothermal
- 4 Resources’ injection well program commissioned by the United
- 5 State Environmental Protection Agency highlighted numerous
- 6 problems with the program.
- 7 (b) The division has repeatedly acknowledged that it has failed
- 8 to follow applicable regulations in permitting injection wells and
- 9 that its injection well regulations are out of date. Among other

1 reasons, the division has cited antiquated data management
2 practices.

3 (c) The division’s ability to regulate depends upon full
4 understanding and knowledge of practices occurring under its
5 jurisdiction.

6 (d) Public transparency and regulatory accountability are
7 necessary to restore the public’s confidence in the division.

8 SEC. 2. Section 3011 is added to the Public Resources Code,
9 to read:

10 3011. “Enhanced oil recovery” means any process to enhance
11 the displacement of oil or other hydrocarbons from a reservoir,
12 including, but not limited to, the injection or subsurface
13 emplacement of fluids or other materials into the productive strata,
14 the application of pressure, heat, or other means for the reduction
15 of viscosity of the hydrocarbons, and the supplying of additional
16 motive force.

17 SEC. 3. Section 3106.3 is added to the Public Resources Code,
18 to read:

19 3106.3. (a) The supervisor shall establish an inspection
20 ~~protocol and schedule~~ program for all activities regulated pursuant
21 to Section 3106. ~~The~~

22 (b) *In establishing the inspection program, the supervisor shall*
23 *do, but is not limited to doing, all of the following:*

24 (1) *Identify activities subject to inspection.*

25 (2) *Create forms or checklists associated with each type of*
26 *inspection.*

27 (3) *Establish the time or time period in which each inspection*
28 *shall be performed.*

29 (4) *Establish procedures for how an inspection shall be*
30 *conducted.*

31 (c) ~~The inspection protocol and schedule~~ program shall be
32 available to the public on the division’s Internet Web site.

33 SEC. 4. Section 3108 of the Public Resources Code is amended
34 to read:

35 3108. (a) On or before the first day of October of each year
36 the supervisor shall make public, for the benefit of all interested
37 persons, a report in writing ~~showing~~ *containing all of the*
38 *following:*

39 (1) The total amounts of oil and gas produced in each county
40 in the state during the previous calendar year.

1 (2) The total cost of the division for the previous fiscal year.

2 (3) The total amount delinquent and uncollected from any
3 assessments or charges levied pursuant to this chapter.

4 (4) The total number of inspections and the results of the
5 inspections.

6 (b) The report shall also include other information as the
7 supervisor deems advisable.

8 SEC. 5. Section 3113 is added to the Public Resources Code,
9 to read:

10 3113. (a) It is the policy of the state that the division regularly
11 review and update its regulations, field rules, notices, manuals,
12 and other requirements to ensure that technological advances and
13 other changes in the exploration, development, and production of
14 oil and gas are incorporated in order to ensure that life, health,
15 property, and natural resources are protected pursuant to Section
16 3106.

17 (b) The division's regulations, field rules, notices, manuals, and
18 other requirements shall be reviewed and revised, as needed,
19 through a public ~~process~~ *process*. *The regulations, field rules,*
20 *notices, manuals, and other requirements need not be reviewed*
21 *all at once, but each of them shall be reviewed at least once every*
22 ~~10 years.~~ *years. A revision is not required pursuant to this section*
23 *if the supervisor makes a public written finding indicating that the*
24 *existing regulation, field rule, manual, or other requirement is*
25 *appropriate and reflects best management practices.*

26 (c) The supervisor shall prepare and transmit reports to the
27 Legislature describing the results of the reviews required by this
28 section and any ~~changes~~ *revisions* made or planned to the division's
29 regulations, field rules, notices, manuals, and other requirements.
30 A report required by this subdivision shall be submitted in
31 compliance with Section 9795 of the Government Code.

32 (d) The division shall develop and disseminate in a timely
33 manner training materials related to any ~~changes~~ *revisions* made
34 pursuant to this section.

35 SEC. 6. Section 3114 is added to the Public Resources Code,
36 to read:

37 3114. (a) On or before January 1, _____, the division shall
38 develop and implement a data management plan to ensure that
39 required well data and well-related submissions are retained and
40 readily available to the public and that publicly available data are

1 machine readable. As part of the data management plan, the
2 division shall make available to the public on its Internet Web site
3 all of the following:

4 (1) Any notice received pursuant to Section 3203 within five
5 days of receipt.

6 (2) Any changes in status of any notice received pursuant to
7 Section 3203 within five days of the change.

8 (3) The log, history, and core record of a well within 10 days
9 of receipt.

10 (b) The division shall consult with local, state, and federal
11 regulators in the development of the data management plan to
12 facilitate timely sharing of data.

13 SEC. 7. Article 2.5 (commencing with Section 3130) is added
14 to Chapter 1 of Division 3 of the Public Resources Code, to read:

15
16 Article 2.5. Injection Wells

17
18 3130. (a) On or before January 1, _____, the division shall
19 update and revise its regulations for all injection wells and well
20 projects for which the division has received primacy from the
21 United States Environmental Protection Agency pursuant to Section
22 1425 of the federal Safe Drinking Water Act (42 U.S.C. Sec.
23 300h-4).

24 (b) In adopting regulations pursuant to this section, the division
25 shall, in consultation with independent experts and stakeholders
26 through a public process, do all of the following:

27 (1) Develop best management practices for injection wells and
28 well projects.

29 (2) Review cement and cementing requirements, including
30 factors influencing the aging of cement.

31 (3) Review and identify impacts of injection on the geologic
32 formation specific to each type of enhanced oil recovery, waste
33 disposal, and other well-related processes, including when
34 fracturing of the formation occurs.

35 3131. The regulations developed pursuant to Section 3130 shall
36 ensure that the integrity of the well, wellbore, and formation are
37 maintained. In order to accomplish this requirement, the regulations
38 shall do both of the following:

1 (a) Be specific to each type of injection well and well project
2 used for any purpose, including, but not limited to, enhanced oil
3 recovery and waste disposal.

4 (b) Include any operation, treatment, process, and activity
5 performed to enhance oil recovery on, in, or in the vicinity of, any
6 well, wellbore, or hydrocarbon-bearing formation.

7 3132. The regulations developed pursuant to Section 3130 shall
8 include, but are not limited to, the following:

9 (a) An opportunity for public participation in the well and well
10 project review process.

11 (b) Full and complete geologic and hydrologic characterization
12 and reporting of the formation surrounding the well, including the
13 fracture pressure.

14 (c) Full and complete characterization and reporting of all well
15 operations with appropriate monitoring, including of surface
16 movement and seismic activity.

17 (d) Establishment of limits on operations, and procedures to
18 follow in the event of surface movement and seismic activity.

19 3133. Injection wells and well projects existing as of December
20 31, ____, shall be brought into compliance with the regulations
21 developed pursuant to Section 3130 on or before January 1, ____.

22 3134. This article shall be liberally construed pursuant to
23 Section 3013 in order to meet the requirements of Section 3106
24 and to provide public transparency.

25 3135. Where the division shares jurisdiction over an injection
26 well with a federal entity, the division's rules and regulations shall
27 apply in addition to all applicable federal laws and regulations.

28 3136. An injection well subject to the division's emergency
29 regulations regarding aquifer exemptions (Sections 1760.1 and
30 1779.1 of Title 14 of the California Code of Regulations, effective
31 on April 20, 2015) shall immediately cease injection operations if
32 the well is not in compliance by the applicable regulatory deadline.

33 SEC. 8. Section 3213 of the Public Resources Code is amended
34 to read:

35 3213. (a) The history shall show the location and amount of
36 sidetracked casings, tools, or other material, the depth and quantity
37 of cement in cement plugs, the shots of dynamite or other
38 explosives, all acid treatment data of any amount and concentration,
39 and the results of production and other tests during drilling
40 operations. All operations on or in the well of any form, including,

1 but not limited to, the injection or emplacement of any material in
2 the well for any purpose during the drilling, operation,
3 maintenance, or abandonment of the well shall be systematically,
4 completely, and accurately described and recorded in the history.
5 All data on well stimulation treatments pursuant to Section 3160
6 shall be recorded in the history.

7 (b) The well history reporting requirements shall not be waived.

8 SEC. 9. Section 3213.5 is added to the Public Resources Code,
9 to read:

10 3213.5. The chemical composition of any fluid injected or
11 emplaced in the well shall be fully characterized and reported as
12 part of the history. The chemical composition shall include any
13 phase present as part of, or suspended in, the fluid. The analytical
14 method used in the determination shall also be reported. Analytical
15 methods established by the United States Environmental Protection
16 Agency to determine chemical composition shall be used where
17 applicable. For purposes of this section, fluid means a liquid or
18 gas of any chemical composition. Subdivision (j) of Section 3160
19 shall apply to any claim of trade secret protection for information
20 described in this section.

21 SEC. 10. Section 3227 of the Public Resources Code is
22 amended to read:

23 3227. (a) The owner of any well shall file with the supervisor,
24 on or before the last day of each month, for the last preceding
25 calendar month, a statement, in the form designated by the
26 supervisor, showing all of the following:

27 (1) (A) The amount of oil and gas produced from each well
28 during the period indicated, together with the gravity of the oil,
29 the amount of water produced from each well, estimated in
30 accordance with methods approved by the supervisor, and the
31 number of days during which fluid was produced from each well.

32 (B) The full characterization of the chemical composition of
33 water produced from each well, based on a representative sample,
34 which shall include any phase present as part of, or suspended in,
35 the water, and the analytical method used in making the
36 characterization. Analytical methods established by the United
37 States Environmental Protection Agency to determine chemical
38 composition shall be used where applicable.

39 (2) The number of wells drilling, producing, injecting, or idle,
40 that are owned or operated by the person.

1 (3) What disposition was made of the gas produced from each
2 field, including the names of persons, if any, to whom the gas was
3 delivered, and any other information regarding the gas and its
4 disposition that the supervisor may require.

5 (4) What disposition was made of water produced from each
6 field and the amount of fluid or gas injected into each well used
7 for enhanced recovery, underground storage of hydrocarbons, or
8 wastewater disposal, and any other information regarding those
9 wells that the supervisor may require.

10 (5) The source of water, and volume of any water, reported in
11 paragraph (4), including the water used to generate or make up the
12 composition of any injected fluid or gas. Water volumes shall be
13 reported by water source if more than one water source is used.
14 The volume of untreated water suitable for domestic or irrigation
15 purposes shall be reported. Commingled water shall be
16 proportionally assigned to individual wells, as appropriate.

17 (6) The treatment of water and the use of treated or recycled
18 water in oil and gas field activities, including, but not limited to,
19 exploration, development, and production.

20 (7) (A) The specific disposition of all water used in or generated
21 by oil and gas field activities, including water produced from each
22 well reported pursuant to paragraph (1). Water volumes shall be
23 reported by disposition method if more than one disposition method
24 is used. Commingled water shall be proportionally assigned to
25 individual wells, as appropriate.

26 (B) This information shall also include the temporary onsite
27 storage of water, as or if appropriate, and the ultimate specific use,
28 disposal method or method of recycling, or reuse of this water.

29 (b) Any operator that produces oil by the application of mining
30 or other unconventional techniques shall file a report with the
31 supervisor, on or before March 1 of each year, showing the amount
32 of oil produced by those techniques in the preceding calendar year.

33 (c) (1) Upon request and making a satisfactory showing
34 therefor, a longer filing period may be established by the supervisor
35 for any particular owner or operator.

36 (2) Notwithstanding subdivision (a), the owner of any well shall
37 file with the supervisor, on a quarterly basis, a statement containing
38 the information required to be reported pursuant to paragraphs (5),
39 (6), and (7) of subdivision (a) in the form designated by the
40 supervisor.

1 (d) The division shall use a standardized form or format to
2 facilitate reporting required pursuant to this section.

3 (e) The division shall use noncustom software, as feasible, to
4 implement online reporting by the operator of the information
5 required pursuant to paragraphs (5), (6), and (7) of subdivision
6 (a). This information may be reported separately from other
7 information required to be reported pursuant to this section.

8 (f) For purposes of this section, the following terms have the
9 following meanings:

10 (1) “Source of water” or “water source” means any of the
11 following:

12 (A) The well or wells, if commingled, from which the water
13 was produced or extracted.

14 (B) The water supplier, if purchased or obtained from a supplier.

15 (C) The point of diversion of surface water.

16 (2) “Specific disposition of all water” means the identification
17 of the ultimate specific use, disposal method or method of
18 recycling, or reuse of the water. This includes, but is not limited
19 to, the identification of any treatment or recycling method used,
20 injection of the water into specific injection or disposal well or
21 wells, if commingled, discharge of the water to surface water or
22 sumps, and sale or transfer of the water to a named entity.

23 SEC. 11. Section 3227.2 is added to the Public Resources Code,
24 to read:

25 3227.2. (a) The operator of a waste disposal well shall provide
26 to the supervisor each quarter information described in subdivision
27 (b) from the preceding quarter that is specific to each waste disposal
28 injection performed at the well and that fully characterizes each
29 waste disposal injection performed at the well. The information
30 shall be reported in a machine-readable format.

31 (b) The information to be provided shall include, but is not
32 limited to, the date and time of the injection, the duration of the
33 injection, the volume of material injected, the rate of injection,
34 and the applied pressure of the injection.

35 SEC. 12. No reimbursement is required by this act pursuant to
36 Section 6 of Article XIII B of the California Constitution because
37 the only costs that may be incurred by a local agency or school
38 district will be incurred because this act creates a new crime or
39 infraction, eliminates a crime or infraction, or changes the penalty
40 for a crime or infraction, within the meaning of Section 17556 of

1 the Government Code, or changes the definition of a crime within
2 the meaning of Section 6 of Article XIII B of the California
3 Constitution.

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6 **CORRECTIONS:**

7 **Text—Page 1.**

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