

AMENDED IN ASSEMBLY JUNE 21, 2010  
AMENDED IN ASSEMBLY APRIL 8, 2010  
AMENDED IN ASSEMBLY AUGUST 31, 2009  
AMENDED IN ASSEMBLY AUGUST 17, 2009  
AMENDED IN ASSEMBLY JULY 9, 2009  
AMENDED IN SENATE MAY 20, 2009

**SENATE BILL**

**No. 550**

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**Introduced by Senator Florez  
(Coauthor: Senator Romero)**

February 27, 2009

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An act to add ~~Sections 3208.5 and 3986~~ *Section 3205.7* to the Public Resources Code, relating to natural resources.

LEGISLATIVE COUNSEL'S DIGEST

SB 550, as amended, Florez. Natural resources: oil and gas: ~~mining:~~ drilling.

Existing law regulates oil and gas activities ~~and mining activities~~. Existing law requires an operator of an oil and gas well to file with the State Oil and Gas Supervisor certain indemnity bonds.

This bill would require an operator of an oil and gas operation ~~or mining operation~~ to have insurance or obtain an indemnity bond in an amount and kind reasonably expected to secure the costs of cleanup for any adverse environmental impact that could be expected from the operator's drilling activity. The bill would require the insurance or indemnity bond amount to be at least \$10,000,000, and in the case where the drilling is within 1,000 feet of groundwater, at least \$25,000,000.

The bill would also require an operator of an oil and gas operation ~~or mining operation~~ to disclose to the owner of surface rights any agreement between the operator and a drilling company. The bill would make an operator drilling on farmland responsible for compensating the landowners for surface damage to crops and other improvements caused during the drilling.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

1 SECTION 1. Section ~~3208.5~~3205.7 is added to the Public  
2 Resources Code, to read:

3 ~~3208.5:~~

4 3205.7. (a) An operator shall file with the supervisor evidence  
5 of insurance or an indemnity bond in an amount and kind  
6 reasonably expected to secure the total costs of cleanup of any  
7 adverse environmental impact that could be expected to result from  
8 drilling, including the potential for drilling accidents, negligent  
9 drilling activity, or both. The indemnity bond or insurance policy  
10 shall be in an amount of not less than ten million dollars  
11 (\$10,000,000). In the case of subsurface drilling within 1,000 feet  
12 of groundwater, the indemnity bond or insurance policy shall be  
13 in an amount of not less than twenty-five million dollars  
14 (\$25,000,000), and shall specifically cover damage to groundwater.

15 (b) An operator shall provide to the owner of surface rights  
16 written disclosure of any agreement between the operator and a  
17 drilling company within 10 days of the execution of the agreement.

18 (c) In the case of drilling on farmland, an operator shall be  
19 responsible for compensating the landowners for surface damage  
20 to crops and all other improvements caused during the drilling.

21 ~~SEC. 2. Section 3986 is added to the Public Resources Code,~~  
22 ~~to read:~~

23 ~~3986. (a) An operator shall file with the supervisor evidence~~  
24 ~~of insurance or an indemnity bond in an amount and kind~~  
25 ~~reasonably expected to secure the total costs of cleanup of any~~  
26 ~~adverse environmental impact that could be expected to result from~~  
27 ~~drilling, including the potential for drilling accidents, negligent~~  
28 ~~drilling activity, or both. The indemnity bond or insurance policy~~  
29 ~~shall be in an amount of not less than ten million dollars~~

1 ~~(\$10,000,000). In the case of subsurface drilling within 1,000 feet~~  
2 ~~of groundwater, the indemnity bond or insurance policy shall be~~  
3 ~~in an amount of not less than twenty-five million dollars~~  
4 ~~(\$25,000,000), and shall specifically cover damage to groundwater.~~

5 ~~(b) An operator shall provide to the owner of surface rights~~  
6 ~~written disclosure of any agreement between the operator and a~~  
7 ~~drilling company within 10 days of the execution of the agreement.~~

8 ~~(c) In the case of drilling on farmland, an operator shall be~~  
9 ~~responsible for compensating the landowners for surface damage~~  
10 ~~to crops and all other improvements caused during the drilling.~~

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