

AMENDED IN ASSEMBLY AUGUST 16, 2010  
AMENDED IN ASSEMBLY AUGUST 2, 2010  
AMENDED IN ASSEMBLY JUNE 30, 2010  
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 amend, add, and repeal Sections 3204, 3205, 3207, and 3270.4 of, and to add Sections 3204.5, 3205.3, and 3205.7 to, the An act to add 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: drilling. *Existing law regulates oil and gas activities.*

*This bill would, commencing January 1, 2012, require the operator of an oil and gas well, within 10 days of execution, to provide to the owner of surface rights written disclosure of any lease or agreement*

*to drill, operate, maintain, or control a well between the operator and the owner of subsurface or mineral rights.*

~~(1) Existing law regulates oil and gas activities. Existing law requires an operator of an oil and gas well to file with the State Oil and Gas Supervisor individual indemnity bonds at a specified amount for wells based on the depth of the well or blanket indemnity bonds. Existing law requires the bond to ensure that the operator faithfully complies with regulations governing the operation of the well.~~

~~This bill would, commencing January 1, 2012, increase the amount of the indemnity bond and would require the supervisor to require additional evidence of financial ability under specified conditions. The bill would, commencing January 1, 2012, require the operator, within 10 days of execution, to provide to the owner of surface rights written disclosure of any lease or agreement to drill, operate, maintain, or control a well between the operator and the owner of subsurface or mineral rights.~~

~~(2) Existing law authorizes the termination or cancellation of an individual or blanket indemnity bond under specified conditions.~~

~~This bill would, commencing January 1, 2012, prohibit the supervisor from terminating or canceling an individual or blanket indemnity bond, or evidence of financial ability, if the supervisor determines that significant risk of damage from drilling or production activities remains. In the alternative, commencing January 1, 2012, the bill would authorize the supervisor to require an operator to substitute that indemnity bond, or evidence of financial ability, with a life-of-production or life-of-well facility bond.~~

~~(3) Existing law authorizes the supervisor to require a life-of-well or life-of-production facility bond in a specified amount from an operator with a history of violating regulations governing oil and gas wells or that has outstanding liabilities to the state associated with a well or production facility.~~

~~This bill would, commencing January 1, 2012, additionally authorize the supervisor to require a life-of-well or life-of-production facility bond for drilling or production activity that may present a significant risk of damage to natural resources, fish or wildlife, underground or surface water suitable for potable or agricultural uses, or agricultural resources that are not adequately mitigated, as determined by the supervisor, by any other local, state, or federal law, regulation, or ordinance.~~

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

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

1     ~~SECTION 1. Section 3204 of the Public Resources Code is~~  
2     ~~amended to read:~~  
3     ~~3204. (a) An operator who, on or after January 1, 1999,~~  
4     ~~engages in the drilling, redrilling, or deepening, or in any operation~~  
5     ~~permanently altering the casing, of a well shall file with the~~  
6     ~~supervisor an individual indemnity bond in the specified sum for~~  
7     ~~each well so drilled, redrilled, deepened, or permanently altered.~~  
8     ~~This sum shall be twenty thousand dollars (\$20,000) for each well~~  
9     ~~less than 5,000 feet deep, thirty thousand dollars (\$30,000) for~~  
10    ~~each well at least 5,000 feet but less than 10,000 feet deep, and~~  
11    ~~forty thousand dollars (\$40,000) for each well 10,000 or more feet~~  
12    ~~deep. The bond shall be filed with the supervisor at the time of the~~  
13    ~~filing of the notice of intention to perform work on the well, as~~  
14    ~~provided in Section 3203. The bond shall be executed by the~~  
15    ~~operator, as principal, and by an authorized surety company, as~~  
16    ~~surety, conditioned that the principal named in the bond shall~~  
17    ~~faithfully comply with all the provisions of this chapter in drilling,~~  
18    ~~redrilling, deepening, or permanently altering the casing in any~~  
19    ~~well or wells covered by the bond, and shall secure the state against~~  
20    ~~all losses, charges, and expenses incurred by it to obtain such~~  
21    ~~compliance by the principal named in the bond. The amounts~~  
22    ~~indicated in this section shall be indexed to inflation, as calculated~~  
23    ~~by the Department of Finance, since January 1, 2011.~~  
24    ~~(b) The conditions of the bond shall be stated in substantially~~  
25    ~~the following language: "If the \_\_\_\_\_, the above bounden principal,~~  
26    ~~shall well and truly comply with all the provisions of Division 3~~  
27    ~~(commencing with Section 3000) of the Public Resources Code~~  
28    ~~and shall obey all lawful orders of the State Oil and Gas Supervisor~~  
29    ~~or the district deputy or deputies, subject to subsequent appeal as~~  
30    ~~provided in that division, and shall pay all charges, costs, and~~  
31    ~~expenses incurred by the supervisor or the district deputy or~~  
32    ~~deputies in respect of the well or wells or the property or properties~~  
33    ~~of the principal, or assessed against the well or wells or the property~~  
34    ~~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 (e) ~~This section shall be inoperative until January 1, 2012, and  
4 on that date shall become operative.~~

5 SEC. 2. ~~Section 3204 is added to the Public Resources Code,  
6 to read:~~

7 3204. ~~(a) Any operator who, on or after January 1, 1999,  
8 engages in the drilling, redrilling, deepening, or in any operation  
9 permanently altering the casing, of any well shall file with the  
10 supervisor an individual indemnity bond in the specified sum for  
11 each well so drilled, redrilled, deepened, or permanently altered.  
12 This sum shall be fifteen thousand dollars (\$15,000) for each well  
13 less than 5,000 feet deep, twenty thousand dollars (\$20,000) for  
14 each well at least 5,000 feet but less than 10,000 feet deep, and  
15 thirty thousand dollars (\$30,000) for each well 10,000 or more  
16 feet deep. The bond shall be filed with the supervisor at the time  
17 of the filing of the notice of intention to perform work on the well,  
18 as provided in Section 3203. The bond shall be executed by the  
19 operator, as principal, and by an authorized surety company, as  
20 surety, conditioned that the principal named in the bond shall  
21 faithfully comply with all the provisions of this chapter, in drilling,  
22 redrilling, deepening, or permanently altering the casing in any  
23 well or wells covered by the bond, and shall secure the state against  
24 all losses, charges, and expenses incurred by it to obtain such  
25 compliance by the principal named in the bond.~~

26 (b) ~~The conditions of the bond shall be stated in substantially  
27 the following language: “If the \_\_\_\_\_, the above bounden principal,  
28 shall well and truly comply with all the provisions of Division 3  
29 (commencing with Section 3000) of the Public Resources Code  
30 and shall obey all lawful orders of the State Oil and Gas Supervisor  
31 or the district deputy or deputies, subject to subsequent appeal as  
32 provided in that division, and shall pay all charges, costs, and  
33 expenses incurred by the supervisor or the district deputy or  
34 deputies in respect of the well or wells or the property or properties  
35 of the principal, or assessed against the well or wells or the property  
36 or properties of the principal, in pursuance of the provisions of  
37 that division, then this obligation shall be void; otherwise, it shall  
38 remain in full force and effect.”~~

39 (e) ~~This section shall be operative until January 1, 2012, and on  
40 that date is repealed.~~

1 SEC. 3.—Section 3204.5 is added to the Public Resources Code,  
2 to read:

3 3204.5.—(a) In addition to the drilling-related bonding  
4 requirements specified in Section 3204, the supervisor shall require  
5 additional evidence of financial ability if the supervisor determines  
6 all of the following:

7 (1) Any of the drilling activities covered by a drilling-related  
8 bond may present a significant risk of damage to natural resources;  
9 fish or wildlife, or underground or surface water suitable for potable  
10 or agricultural uses or agricultural resources, including cultivated  
11 crops.

12 (2) The risk is not adequately mitigated, as determined by the  
13 supervisor, by any other local, state, or federal law, regulation, or  
14 ordinance.

15 (b) (1) Any required increase in the evidence of financial ability  
16 pursuant to subdivision (a) shall be in an amount reasonably  
17 expected to secure the total costs of remediation or restoration of  
18 the damage.

19 (2) The increased evidence of financial ability shall not exceed  
20 five million dollars (\$5,000,000) per facility unless the supervisor  
21 views significant amounts of potable or agricultural groundwater  
22 contamination as a material possibility, in which case the evidence  
23 of financial ability shall not exceed twenty-five million dollars  
24 (\$25,000,000). These amounts shall be indexed to inflation, as  
25 calculated by the Department of Finance, since January 1, 2011.

26 (3) For the purpose of this section, a facility shall be defined to  
27 mean all of an operator's activities in a specific oilfield as  
28 determined by the supervisor's determination of official oilfield  
29 administrative boundaries.

30 (c) Notwithstanding subdivision (a), this section does not  
31 authorize the supervisor to disburse any of the proceeds of the  
32 additional evidence of financial ability to the state or to third  
33 parties. If damage is alleged by the state or a third party against  
34 an operator, the supervisor shall retain the evidence of financial  
35 ability and may take steps to protect the evidence until a settlement  
36 is reached, a court decision has been rendered, or a cleanup by the  
37 operator has occurred.

38 (d) The finding of significant risk, and the acceptable evidence  
39 of increased financial ability required, as determined by the  
40 supervisor, is appealable pursuant to this article.

1 (e) ~~The supervisor shall adopt regulations specifying acceptable~~  
2 ~~evidence of financial ability, including, but not limited to, escrowed~~  
3 ~~trust funds, escrowed government securities, letters of credit,~~  
4 ~~pledges of revenue, financial means test guarantees, liability~~  
5 ~~insurance, or any combination of the above. The evidence of~~  
6 ~~financial ability shall faithfully comply with this chapter, including,~~  
7 ~~but not limited to, the duty to prevent damage to life, health,~~  
8 ~~property, natural resources, and underground and surface waters.~~  
9 ~~The burden of proving evidence of financial ability shall be on the~~  
10 ~~operator.~~

11 (f) ~~The supervisor shall have the option to review and approve~~  
12 ~~the use of alternative forms of evidence of financial ability not~~  
13 ~~specified in subdivision (e) if presented a viable application by an~~  
14 ~~operator. The burden on providing this evidence shall be on the~~  
15 ~~operator.~~

16 (g) ~~This section shall be inoperative until January 1, 2012, and~~  
17 ~~on that date shall become operative.~~

18 ~~SEC. 4. Section 3205 of the Public Resources Code is amended~~  
19 ~~to read:~~

20 ~~3205. An operator who engages in the drilling, redrilling,~~  
21 ~~deepening, or in an operation permanently altering the casing, of~~  
22 ~~one or more wells at any time, may file with the supervisor one~~  
23 ~~blanket indemnity bond to cover all the operations in any of its~~  
24 ~~wells in the state in lieu of an individual indemnity bond for each~~  
25 ~~operation as required by Section 3204. The bond shall be executed~~  
26 ~~by the operator, as principal, and by an authorized surety company,~~  
27 ~~as surety, and shall be in substantially the same language and upon~~  
28 ~~the same conditions as provided in Section 3204, except as to the~~  
29 ~~difference in the amount. The bond shall be provided in one of the~~  
30 ~~following amounts, as applicable:~~

31 (a) ~~The sum of three hundred thirty thousand dollars (\$330,000)~~  
32 ~~that does not include the bond or fee required in Section 3206. A~~  
33 ~~blanket surety bond provided prior to January 1, 1999, shall be~~  
34 ~~increased to comply with this subdivision on or before January 1,~~  
35 ~~2001. A blanket cash bond provided prior to January 1, 1999, shall~~  
36 ~~be increased by a minimum of thirty thousand dollars (\$30,000)~~  
37 ~~per year, initially payable January 1, 2000, and yearly on January~~  
38 ~~1, thereafter, until the amount on deposit is sufficient to comply~~  
39 ~~with this subdivision.~~

1 ~~(b) The sum of one hundred thirty thousand dollars (\$130,000),~~  
2 ~~which does not include the bond or fee required in Section 3206,~~  
3 ~~for any operator having 50 or fewer wells in the state, exclusive~~  
4 ~~of properly abandoned wells.~~

5 ~~(c) The sum of one million three hundred thousand dollars~~  
6 ~~(\$1,300,000) does include the bond or fee required in Section 3206.~~

7 ~~(d) This section shall be inoperative until January 1, 2012, and~~  
8 ~~on that date shall become operative.~~

9 ~~SEC. 5. Section 3205 is added to the Public Resources Code,~~  
10 ~~to read:~~

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

22 ~~(a) The sum of two hundred fifty thousand dollars (\$250,000),~~  
23 ~~which does not include the bond or fee required in Section 3206.~~  
24 ~~A blanket surety bond provided prior to January 1, 1999, shall be~~  
25 ~~increased to comply with this subdivision on or before January 1,~~  
26 ~~2001. A blanket cash bond provided prior to January 1, 1999, shall~~  
27 ~~be increased by a minimum of thirty thousand dollars (\$30,000)~~  
28 ~~per year, initially payable January 1, 2000, and yearly on January~~  
29 ~~1, thereafter, until the amount on deposit is sufficient to comply~~  
30 ~~with this subdivision.~~

31 ~~(b) The sum of one hundred thousand dollars (\$100,000), which~~  
32 ~~does not include the bond or fee required in Section 3206, for any~~  
33 ~~operator having 50 or fewer wells in the state, exclusive of properly~~  
34 ~~abandoned wells.~~

35 ~~(c) The sum of one million dollars (\$1,000,000), which does~~  
36 ~~include the bond or fee required in Section 3206.~~

37 ~~(d) This section shall be operative until January 1, 2012, and~~  
38 ~~on that date is repealed.~~

39 ~~SEC. 6. Section 3205.3 is added to the Public Resources Code,~~  
40 ~~to read:~~

1     ~~3205.3.—(a) In addition to the drilling-related bonding~~  
2 ~~requirements specified in Section 3205, the supervisor shall require~~  
3 ~~additional evidence of financial ability if the supervisor determines~~  
4 ~~all of the following:~~

5     ~~(1) Any of the drilling activities covered by a drilling-related~~  
6 ~~bond may present a significant risk of damage to natural resources,~~  
7 ~~fish or wildlife, or underground or surface water suitable for potable~~  
8 ~~or agricultural uses or agricultural resources, including cultivated~~  
9 ~~crops.~~

10    ~~(2) The risk is not adequately mitigated, as determined by the~~  
11 ~~supervisor, by any other local, state, or federal law, regulation, or~~  
12 ~~ordinance.~~

13    ~~(b) Any required increase in the evidence of financial ability~~  
14 ~~pursuant to subdivision (a) shall be in an amount reasonably~~  
15 ~~expected to secure the total costs of remediation or restoration of~~  
16 ~~the damage.~~

17    ~~(1) The increased evidence of financial ability shall not exceed~~  
18 ~~five million dollars (\$5,000,000) per facility unless the supervisor~~  
19 ~~views significant amounts of potable or agricultural groundwater~~  
20 ~~contamination as a material possibility, in which case the evidence~~  
21 ~~of financial ability shall not exceed twenty-five million dollars~~  
22 ~~(\$25,000,000). These amounts shall be indexed to inflation, as~~  
23 ~~calculated by the Department of Finance, since January 1, 2011.~~

24    ~~(2) For the purpose of this section, a facility shall be defined to~~  
25 ~~mean all of an operator's activities in a specific oilfield as~~  
26 ~~determined by the supervisor's determination of official oilfield~~  
27 ~~administrative boundaries.~~

28    ~~(e) Notwithstanding subdivision (a), this section does not~~  
29 ~~authorize the supervisor to disburse any of the proceeds of the~~  
30 ~~additional evidence of financial ability to the state or to third~~  
31 ~~parties. If damage is alleged by the state or a third party against~~  
32 ~~an operator, the supervisor shall retain the evidence of financial~~  
33 ~~ability and may take steps to protect the evidence until a settlement~~  
34 ~~is reached, a court decision has been rendered, or a cleanup by the~~  
35 ~~operator has occurred.~~

36    ~~(d) The finding of significant risk, and the acceptable evidence~~  
37 ~~of increased financial ability required, as determined by the~~  
38 ~~supervisor, is appealable pursuant to this article.~~

39    ~~(e) The supervisor shall adopt regulations specifying acceptable~~  
40 ~~evidence of financial ability, including, but not limited to, escrowed~~

1 trust funds, escrowed government securities, letters of credit,  
2 pledges of revenue, financial means test guarantees, liability  
3 insurance, or any combination of the above. The evidence of  
4 financial ability shall faithfully comply with this chapter, including,  
5 but not limited to, the duty to prevent damage to life, health,  
6 property, natural resources, and underground and surface waters.  
7 The burden of proving evidence of financial ability shall be on the  
8 operator.

9 (f) ~~The supervisor shall have the option to review and approve~~  
10 ~~the use of alternative forms of evidence of financial ability not~~  
11 ~~specified in subdivision (e) if presented a viable application by an~~  
12 ~~operator. The burden on providing this evidence shall be on the~~  
13 ~~operator.~~

14 (g) ~~This section shall be inoperative until January 1, 2012, and~~  
15 ~~on that date shall become operative.~~

16 ~~SEC. 7.~~

17 *SECTION 1.* Section 3205.7 is added to the Public Resources  
18 Code, to read:

19 3205.7. (a) An operator shall provide to the owner of surface  
20 rights written disclosure of any lease or agreement to drill, operate,  
21 maintain, or control a well between the operator and the owner of  
22 subsurface or mineral rights within 10 days of the execution of the  
23 lease or agreement.

24 (b) This section shall be inoperative until January 1, 2012, and  
25 on that date shall become operative.

26 ~~SEC. 8. Section 3207 of the Public Resources Code is amended~~  
27 ~~to read:~~

28 ~~3207. (a) An individual or blanket indemnity bond or evidence~~  
29 ~~of financial ability issued in compliance with this chapter may be~~  
30 ~~terminated and canceled and the surety be relieved of all obligations~~  
31 ~~thereunder when the well or wells covered by that bond or evidence~~  
32 ~~of financial ability have been properly completed or abandoned~~  
33 ~~or another valid bond or evidence of financial ability has been~~  
34 ~~substituted for that bond or evidence of financial ability. Should~~  
35 ~~the person who has filed a blanket bond properly complete or~~  
36 ~~abandon a portion of his or her wells covered by the bond, the~~  
37 ~~bond may be terminated and canceled and the surety be relieved~~  
38 ~~of all obligations under the bond upon the filing by that person of~~  
39 ~~an individual bond for each well that is still not producing or that~~  
40 ~~he or she is still engaged in drilling, redrilling, deepening, or~~

1 permanently altering the casing. Liability as to individual wells  
2 that have been completed or drilled and abandoned under a blanket  
3 bond may also be terminated.

4 (b) The supervisor shall not terminate or cancel an individual  
5 indemnity bond, a blank indemnity bond, or evidence of financial  
6 ability issued in compliance with this chapter if the supervisor  
7 determines that a significant risk of damage from any drilling or  
8 production activity remains, considering any local, state, or federal  
9 regulatory requirements, to natural resources, fish or wildlife,  
10 underground or surface water suitable for potable or agricultural  
11 uses, or agricultural resources, including cultivated crops. The  
12 supervisor shall, if requested by an operator on not more frequent  
13 basis than once annually, determine if a previously determined  
14 significant risk has been reduced to less than a significant level.  
15 Alternatively, the supervisor may require an operator to substitute  
16 an individual or blanket indemnity bond with a life-of-production  
17 or life-of-well facility bond, or the operator, at its discretion, may  
18 submit evidence of financial ability in lieu of the bonds, which  
19 evidence shall be required annually for the life-of-production or  
20 the life-of-well. The burden of providing adequate evidence of  
21 financial ability shall be on the operator.

22 (c) This section shall be inoperative until January 1, 2012, and  
23 on that date shall become operative.

24 SEC. 9. Section 3207 is added to the Public Resources Code,  
25 to read:

26 3207. (a) Any individual or blanket indemnity bond issued in  
27 compliance with this chapter may be terminated and canceled and  
28 the surety be relieved of all obligations thereunder when the well  
29 or wells covered by such bond have been properly completed or  
30 abandoned or another valid bond has been substituted therefor.  
31 Should the person who has filed a blanket bond properly complete  
32 or abandon a portion of his wells covered by the bond, the bond  
33 may be terminated and canceled and the surety be relieved of all  
34 obligations thereunder upon the filing by such person of an  
35 individual bond for each well which is still not producing or which  
36 he is still engaged in drilling, redrilling, deepening, or permanently  
37 altering the casing. Liability as to individual wells that have been  
38 completed or drilled and abandoned under a blanket bond may  
39 also be terminated.

1 ~~(b) This section shall be operative until January 1, 2012, and~~  
2 ~~on that date is repealed.~~

3 ~~SEC. 10. Section 3270.4 of the Public Resources Code is~~  
4 ~~amended to read:~~

5 ~~3270.4. (a) In addition to the bonding requirements under~~  
6 ~~Article 4 (commencing with Section 3200), for an operator with~~  
7 ~~a history of violating this chapter or that has outstanding liabilities~~  
8 ~~to the state associated with a well or production facility, or for any~~  
9 ~~drilling or production activity that may present a significant risk~~  
10 ~~of damage to natural resources, fish or wildlife, underground or~~  
11 ~~surface water, or agricultural resources, including cultivated crops,~~  
12 ~~and that risk is not adequately mitigated, as determined by the~~  
13 ~~supervisor, by any other local, state, or federal law, regulation, or~~  
14 ~~ordinance, the supervisor may require a life-of-well or~~  
15 ~~life-of-production facility bond in an amount adequate to ensure~~  
16 ~~all of the following:~~

17 ~~(1) The proper plugging and abandonment of each well.~~

18 ~~(2) The safe decommissioning of each production facility.~~

19 ~~(3) The financing of spill response and incident cleanup.~~

20 ~~(4) The remediation or restoration of damage to natural~~  
21 ~~resources, fish or wildlife, underground or surface water suitable~~  
22 ~~for potable or agricultural uses, or agricultural resources, including~~  
23 ~~cultivated crops.~~

24 ~~(b) Upon the failure of an operator to properly plug and abandon~~  
25 ~~a well, decommission a production facility, or perform the~~  
26 ~~appropriate spill response and incident cleanup, the supervisor~~  
27 ~~may levy on the bond to obtain money to pay the cost of the work.~~

28 ~~(c) The supervisor may release a life-of-production facility bond~~  
29 ~~upon the satisfactory decommissioning of a production facility, or~~  
30 ~~when an operator has provided another valid life-of-production~~  
31 ~~facility bond.~~

32 ~~(d) The supervisor may release a life-of-well bond upon the~~  
33 ~~satisfactory plugging and abandonment of all wells covered by the~~  
34 ~~bond or when an operator has provided another valid life-of-well~~  
35 ~~bond.~~

36 ~~(e) Whenever an operator sells, assigns, transfers, conveys,~~  
37 ~~exchanges, or otherwise disposes to another operator a well or~~  
38 ~~production facility that is covered by a life-of-well bond or a~~  
39 ~~life-of-production facility bond, the new operator shall replace the~~  
40 ~~life-of-well or life-of-production bond, as applicable, and maintain~~

1 the new bond for five years before it may be released by the  
2 supervisor.

3 (f) In lieu of the indemnity bond required by this section, the  
4 supervisor may accept a deposit given pursuant to Article 7  
5 (commencing with Section 995.710) of Chapter 2 of Title 14 of  
6 Part 2 of the Code of Civil Procedure, excluding a deposit of  
7 money, bearer bonds, or bearer notes.

8 (g) The supervisor shall adopt regulations specifying the content,  
9 including the conditions, of the bond or other security instrument  
10 required by this section.

11 (h) This section shall be inoperative until January 1, 2012, and  
12 on that date shall become operative.

13 SEC. 11. Section 3270.4 is added to the Public Resources Code,  
14 to read:

15 3270.4. (a) In addition to the bonding requirements under  
16 Article 4 (commencing with Section 3200), for an operator with  
17 a history of violating this chapter or that has outstanding liabilities  
18 to the state associated with a well or production facility, the  
19 supervisor may require a life-of-well or life-of-production facility  
20 bond in an amount adequate to ensure all of the following:

21 (1) The proper plugging and abandonment of each well.

22 (2) The safe decommissioning of each production facility.

23 (3) The financing of spill response and incident cleanup.

24 (b) Upon the failure of an operator to properly plug and abandon  
25 a well, decommission a production facility, or perform the  
26 appropriate spill response and incident cleanup, the supervisor  
27 may levy on the bond to obtain money to pay the cost of the work.

28 (c) The supervisor may release a life-of-production facility bond  
29 upon the satisfactory decommissioning of a production facility, or  
30 when an operator has provided another valid life-of-production  
31 facility bond.

32 (d) The supervisor may release a life-of-well bond upon the  
33 satisfactory plugging and abandonment of all wells covered by the  
34 bond or when an operator has provided another valid life-of-well  
35 bond.

36 (e) Whenever an operator sells, assigns, transfers, conveys,  
37 exchanges, or otherwise disposes to another operator a well or  
38 production facility that is covered by a life-of-well bond or a  
39 life-of-production facility bond, the new operator shall replace the  
40 life-of-well or life-of-production bond, as applicable, and maintain

1 the new bond for five years before it may be released by the  
2 supervisor.

3 (f) ~~In lieu of the indemnity bond required by this section, the~~  
4 ~~supervisor may accept a deposit given pursuant to Article 7~~  
5 ~~(commencing with Section 995.710) of Chapter 2 of Title 14 of~~  
6 ~~Part 2 of the Code of Civil Procedure, excluding a deposit of~~  
7 ~~money, bearer bonds, or bearer notes.~~

8 (g) ~~The supervisor shall adopt regulations specifying the content,~~  
9 ~~including the conditions, of the bond or other security instrument~~  
10 ~~required by this section.~~

11 (h) ~~This section shall be operative until January 1, 2012, and~~  
12 ~~on that date is repealed.~~

O