

Introduced by Senator Wolk

February 22, 2013

An act to amend Sections 3204, 3205, 3205.1, and 3205.2 of the Public Resources Code, relating to oil and gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 665, as introduced, Wolk. Oil and gas: drilling: indemnity bonds. Existing law requires an operator of an oil or gas well, or a well located on submerged lands under ocean waters, or a class II commercial wastewater disposal well, who engages in the drilling, redrilling, deepening, or in any operation altering the casing, of any well, or in maintaining or abandoning the well or attendant facilities in regard to the wastewater disposal wells, to file with the State Oil and Gas Supervisor an indemnity bond in a specified amount, but permits the operator, with the approval of the supervisor, to make certain deposits in lieu of the bond.

This bill would delete the amounts specified in these provisions for indemnity bonds and deposits in lieu of indemnity bonds, leaving those amounts unspecified.

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 3204 of the Public Resources Code is
- 2 amended to read:
- 3 3204. Any operator who, on or after January 1, ~~1999~~ 2014,
- 4 engages in the drilling, redrilling, deepening, or in any operation
- 5 permanently altering the casing, of any well shall file with the

1 supervisor an individual indemnity bond in the specified sum for
2 each well so drilled, redrilled, deepened, or permanently altered.
3 This sum shall be ~~fifteen thousand dollars (\$15,000)~~ _____ for
4 each well less than 5,000 feet deep, ~~twenty thousand dollars~~
5 ~~(\$20,000)~~ _____ for each well at least 5,000 feet but less than
6 10,000 feet deep, and ~~thirty thousand dollars (\$30,000)~~ _____
7 for each well 10,000 or more feet deep. The bond shall be filed
8 with the supervisor at the time of the filing of the notice of intention
9 to perform work on the well, as provided in Section 3203. The
10 bond shall be executed by the operator, as principal, and by an
11 authorized surety company, as surety, conditioned that the principal
12 named in the bond shall faithfully comply with all the provisions
13 of this chapter, in drilling, redrilling, deepening, or permanently
14 altering the casing in any well or wells covered by the bond, and
15 shall secure the state against all losses, charges, and expenses
16 incurred by it to obtain such compliance by the principal named
17 in the bond.

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

31 SEC. 2. Section 3205 of the Public Resources Code is amended
32 to read:

33 3205. Any operator who engages in the drilling, redrilling,
34 deepening, or in any operation permanently altering the casing, of
35 one 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 (a) The sum of ~~two hundred fifty thousand dollars (\$250,000)~~
5 _____, which does not include the bond or fee required in Section
6 3206. A blanket surety bond provided prior to January 1, ~~1999~~
7 2014, shall be increased to comply with this subdivision on or
8 before January 1, ~~2001~~ 2016. A blanket cash bond provided prior
9 to January 1, ~~1999~~ 2014, shall be increased by a minimum of ~~thirty~~
10 ~~thousand dollars (\$30,000)~~ _____ per year, initially payable
11 January 1, ~~2000~~ 2015, and yearly on January 1, thereafter, until
12 the amount on deposit is sufficient to comply with this subdivision.

13 (b) The sum of ~~one hundred thousand dollars (\$100,000)~~
14 _____, which does not include the bond or fee required in Section
15 3206, for any operator having 50 or fewer wells in the state,
16 exclusive of properly abandoned wells.

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

19 SEC. 3. Section 3205.1 of the Public Resources Code is
20 amended to read:

21 3205.1. (a) Notwithstanding Sections 3204 and 3205, any
22 person who engages in the drilling, re-drilling, deepening, or in any
23 operation permanently altering the casing, of one or more wells
24 located on submerged lands under ocean waters within the
25 jurisdiction of this state, shall file with the supervisor a blanket
26 indemnity bond for ~~two hundred fifty thousand dollars (\$250,000)~~
27 _____ to cover all his or her operations in drilling, re-drilling,
28 deepening, or permanently altering the casing in any of his or her
29 wells located on those submerged lands. The bond shall be
30 executed by the person, as principal, and by an authorized surety
31 company, as surety, and the conditions of the bond shall be the
32 same as the conditions stated in Section 3204, except for the
33 difference in the amount.

34 (b) In addition to providing the bond required by subdivision
35 (a), any person who operates one or more wells that are located
36 on tide or submerged lands within the jurisdiction of this state shall
37 provide an additional amount of security acceptable to the
38 supervisor, covering the full costs of plugging and abandoning all
39 of the operator's wells. The supervisor shall determine the amount
40 of the security required of each operator, based on his or her

1 determination of the reasonable costs of that plugging and
2 abandonment. The supervisor may not adjust the amount of security
3 required of each operator more frequently than once every three
4 years, to reflect changes in those costs. An operator may self-insure
5 this security obligation if the supervisor, at his or her discretion,
6 determines that the operator has sufficient financial resources to
7 plug and abandon the wells for which the operator is responsible.
8 The security shall remain in effect until all wells are plugged and
9 abandoned in accordance with Section 3208, but the supervisor
10 shall reduce the amount of the security required of an operator to
11 reflect reduced obligations as wells are plugged and abandoned.

12 (c) If the state lease or other agreement that sets forth obligations
13 or performance requirements under the lease provides security that
14 is equal to, or greater than, the total of the additional security
15 required pursuant to subdivision (b), plus all other liabilities under
16 the lease or other agreement, the supervisor shall not require the
17 additional security.

18 SEC. 4. Section 3205.2 of the Public Resources Code is
19 amended to read:

20 3205.2. (a) Notwithstanding Section 3204, any person who
21 engages in the operation of a class II commercial wastewater
22 disposal well, as defined in subdivision (d), shall file an indemnity
23 bond with the supervisor for ~~fifty thousand dollars (\$50,000)~~
24 _____ for each well so used. The bond shall cover all operations
25 of drilling, redrilling, deepening, altering casing, maintaining, or
26 abandoning the well and attendant facilities. The bond shall be
27 executed by the person as the principal, and by an authorized surety
28 company as the surety, and, except for differences in the amount,
29 shall be in substantially the same language and upon the same
30 conditions as provided in Section 3204.

31 (b) A blanket bond submitted under subdivision (a) or (c) of
32 Section 3205 may be used in lieu of the bond required in
33 subdivision (a), except that the termination and cancellation shall
34 be in accordance with subdivision (c) of this section.

35 (c) Notwithstanding Section 3207, any bond issued in
36 compliance with this section may be terminated and canceled and
37 the surety relieved of all obligations thereunder when the well is
38 properly abandoned or another valid bond has been substituted
39 therefor.

1 (d) A class II commercial wastewater disposal well is a well
2 that is used to dispose of oilfield wastewater for a fee and that is
3 regulated by the division pursuant to this chapter and Subpart F
4 (commencing with Section 147.250) of Part 147 of Title 40 of the
5 Code of Federal Regulations.

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