

## Senate Bill No. 665

### CHAPTER 315

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

[Approved by Governor September 20, 2013. Filed with  
Secretary of State September 20, 2013.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 665, Wolk. Oil and gas: drilling: indemnity bonds: wells.

(1) Existing law requires an operator of an oil or gas well, or a well located on submerged lands under ocean waters, who engages in the drilling, redrilling, deepening, or in any operation altering the casing, of any well to file with the State Oil and Gas Supervisor an indemnity bond in an amount based on the depth of the well or a blanket 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 instead require the amount of the indemnity bond to be \$25,000 for each well that is less than 10,000 feet deep, and \$40,000 for each well that is 10,000 or more feet deep. The bill would also require the bond to be filed with the supervisor at the time of the filing of the notice of intention to perform work on a well, as specified. The bill would authorize an operator operating 20 or more wells at any time to file a blanket indemnity bond to cover the operation of all the operator's wells, in lieu of an individual indemnity bond for each well, in an amount of \$400,000, which would not include bonds or fees required for idled wells, \$200,000, for an operator having 50 or fewer wells in the state, which would not include bonds or fees required for idled wells, or \$2,000,000, which would include bonds or fees required for idled wells. The bill would increase the amount of the blanket indemnity bond required to be filed by an operator operating one or more wells located on submerged lands under ocean waters to \$1,000,000.

(2) Existing law requires any person who engages in the operation of a class II commercial wastewater disposal well to file an indemnity bond with the supervisor for \$50,000.

This bill would raise the amount of the required bond to \$100,000.

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

SECTION 1. Section 3204 of the Public Resources Code is amended to read:

3204. (a) An operator who, on or after January 1, 2014, engages in the drilling, redrilling, deepening, or in any operation permanently altering the

casing, of a well shall file with the supervisor an individual indemnity bond for each well so drilled, redrilled, deepened, or permanently altered, in the following amount:

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

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

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

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

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

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

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

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

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

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

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

3205.1. (a) Notwithstanding Sections 3204 and 3205, a person who engages in the drilling, redrilling, deepening, or in any operation permanently altering the casing, of one or more wells located on submerged lands under ocean waters within the jurisdiction of this state, shall file with the supervisor a blanket indemnity bond for one million dollars (\$1,000,000) to cover all his or her operations in drilling, redrilling, deepening, or permanently altering the casing in any of his or her wells located on those submerged lands. The bond shall be executed by the person, as principal, and by an authorized surety company, as surety, and the conditions of the bond shall be the same as the conditions stated in Section 3204, except for the difference in the amount.

(b) In addition to providing the bond required by subdivision (a), a person who operates one or more wells that are located on tide or submerged lands within the jurisdiction of this state shall provide an additional amount of security acceptable to the supervisor, covering the full costs of plugging and abandoning all of the operator's wells. The supervisor shall determine the amount of the security required of each operator, based on his or her determination of the reasonable costs of that plugging and abandonment. The supervisor may not adjust the amount of security required of each operator more frequently than once every three years, to reflect changes in those costs. An operator may self-insure this security obligation if the supervisor, at his or her discretion, determines that the operator has sufficient financial resources to plug and abandon the wells for which the operator is responsible. The security shall remain in effect until all wells are plugged and abandoned in accordance with Section 3208, but the supervisor shall reduce the amount of the security required of an operator to reflect reduced obligations as wells are plugged and abandoned.

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

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

3205.2. (a) Notwithstanding Section 3204, any person who engages in the operation of a class II commercial wastewater disposal well, as defined in subdivision (d), shall file an indemnity bond with the supervisor for one hundred thousand dollars (\$100,000) for each well so used. The bond shall cover all operations of drilling, redrilling, deepening, altering casing, maintaining, or abandoning the well and attendant facilities. The bond shall be executed by the person as the principal, and by an authorized surety company as the surety, and, except for differences in the amount, shall be

in substantially the same language and upon the same conditions as provided in Section 3204.

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

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

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