

AMENDED IN ASSEMBLY JUNE 9, 2014

AMENDED IN SENATE APRIL 21, 2014

SENATE BILL

No. 1281

Introduced by Senator Pavley

February 21, 2014

An act to amend Section 3227 of, and to add ~~Section~~ *Sections 3226.3, 3226.5, and 3226.7* to, the Public Resources Code, relating to oil and gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 1281, as amended, Pavley. Oil and gas production: water use: reporting.

Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, stimulation, and abandonment of oil and gas wells in the state. Existing law requires the owner of any well to file with the State Oil and Gas Supervisor a monthly statement that provides certain information relating to the well, including what disposition was made of the water produced from each field. 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 declare that it is the policy of the state that oil and gas field exploration, development, and production shall ~~use~~ *use*, or treat and ~~use~~ *use*, water produced through oil field activities and *other* recycled water to the extent feasible. *The bill would require, in the event, and duration, of a declared state of emergency because of a drought, new oil and gas field, exploration, development, and production, as defined, to use recycled water and would prohibit the*

use of water from an unmanaged groundwater basin. The bill would require the monthly statement to the supervisor to include the source and ~~amount~~ *volume of fluid or gas injected into each well, as provided, and the source and amount of any water reported, including water used to generate or make up the composition of any injected fluid or gas, as provided.* The bill would also require the statement to include additional information, including the treatment of water and the use of treated or recycled water in oil and gas field activities, as provided. *The bill would require the division, among other things, to use a standardized form or format to facilitate reporting.* Because a violation of the bill's reporting requirements by an owner or operator would be a crime, the bill would impose a state-mandated local program.

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 ~~both~~ *all* of the
- 2 following:
- 3 (a) Existing state policy promotes the use of recycled water in
- 4 industry where feasible.
- 5 (b) Water of previously unsuitable quality may now be used or
- 6 treated and used in some oil and gas industry processes due to
- 7 technological advancement.
- 8 (c) *Information facilitating an analysis of the water used or*
- 9 *produced by each well would improve understanding of water use*
- 10 *in the state's oil and gas fields.*
- 11 (d) *In the event of extreme water scarcity, untreated high-quality*
- 12 *water should not be used for new oil and gas exploration,*
- 13 *development, or production. According to the Department of Water*
- 14 *Resources, groundwater resources throughout the state are at*
- 15 *historically low levels.*
- 16 SEC. 2. *Section 3226.3 is added to the Public Resources Code,*
- 17 *to read:*

1 3226.3. *The division shall annually provide to the State Water*
2 *Resources Control Board and the California regional water quality*
3 *control boards an inventory of all unlined oil and gas field sumps.*

4 ~~SEC. 2.~~

5 SEC. 3. Section 3226.5 is added to the Public Resources Code,
6 to read:

7 3226.5. It is the policy of the state that oil and gas field
8 exploration, development, and production shall ~~use~~ use, or treat
9 and ~~use~~ use, water produced through oil field activities and *other*
10 recycled water to the extent feasible. The use and reuse of water
11 initially unsuitable for drinking or irrigation purposes is
12 encouraged.

13 SEC. 4. Section 3226.7 is added to the Public Resources Code,
14 to read:

15 3226.7. (a) *In the event, and for the duration, of a declared*
16 *state of emergency, pursuant to Article 13 (commencing with*
17 *Section 8625) of Chapter 7 of Division 1 of Title 2 of the*
18 *Government Code, because of a drought, new oil and gas field*
19 *exploration, development, and production shall use recycled water,*
20 *as defined in subdivision (n) of Section 13050 of the Water Code.*

21 (b) *New oil and gas field exploration, development, and*
22 *production shall not use water obtained from a groundwater basin*
23 *that is not managed in accordance with Division 6 (commencing*
24 *with Section 10000) of the Water Code.*

25 (c) *For purposes of this section, “new oil and gas field*
26 *exploration, development, and production” means any oil field*
27 *activity that requires the division to issue a new permit or notice*
28 *of intention pursuant Section 3203.*

29 ~~SEC. 3.~~

30 SEC. 5. Section 3227 of the Public Resources Code is amended
31 to read:

32 3227. (a) The owner of any well shall file with the supervisor,
33 on or before the last day of each month, for the last preceding
34 calendar month, a statement, in the form designated by the
35 supervisor, showing all of the following:

36 (a)

37 (1) The amount of oil and gas produced from each well during
38 the period indicated, together with the gravity of the oil, the amount
39 of water produced from each well, estimated in accordance with

1 methods approved by the supervisor, and the number of days during
2 which fluid was produced from each well.

3 ~~(b)~~

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

6 ~~(e)~~

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

11 ~~(d)~~

12 (4) ~~The source and the amount of fluid or gas injected into each~~
13 ~~well used for enhanced recovery, underground storage of~~
14 ~~hydrocarbons, or waste water disposal, including the source and~~
15 ~~the amount of water used to generate injected fluid or gas, and any~~
16 other information regarding those wells that the supervisor may
17 require.

18 (5) *The source of water, and volume of any water, reported in*
19 *paragraph (4), including the water used to generate or make up*
20 *the composition of any injected fluid or gas. Water volumes shall*
21 *be reported by water source if more than one water source is used.*
22 *The volume of untreated water suitable for drinking or irrigation*
23 *purposes shall be reported.*

24 ~~(e)~~

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

28 ~~(f)~~

29 (7) The specific disposition of all water used in or generated by
30 oil and gas field activities, including water produced from each
31 well *reported pursuant to paragraph (1).*

32 ~~Any~~

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

37 ~~Upon~~

38 (c) *Upon* request and making a satisfactory showing therefor,
39 a longer filing period may be established by the supervisor for any
40 particular owner or operator.

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

3 (e) For purposes of this section, the following terms have the
4 following meanings:

5 (1) “Source of water” or “water source” means any of the
6 following:

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

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

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

11 (2) “Specific disposition of all water” means the identification
12 of the ultimate specific disposal method or method of recycling or
13 re-use of the water. This includes, but is not limited to, the
14 identification of any treatment or recycling method used, injection
15 of the water into specific injection or disposal well or wells, if
16 commingled, discharge of the water to surface water or sumps,
17 and sale or transfer of the water to a named entity. Temporary
18 on-site storage of water shall not constitute a specific disposition
19 of water.

20 (3) “Recycled water” has the same meaning as that term is
21 defined in subdivision (n) of Section 13050 of the Water Code.

22 ~~SEC. 4.~~

23 SEC. 6. No reimbursement is required by this act pursuant to
24 Section 6 of Article XIII B of the California Constitution because
25 the only costs that may be incurred by a local agency or school
26 district will be incurred because this act creates a new crime or
27 infraction, eliminates a crime or infraction, or changes the penalty
28 for a crime or infraction, within the meaning of Section 17556 of
29 the Government Code, or changes the definition of a crime within
30 the meaning of Section 6 of Article XIII B of the California
31 Constitution.