

AMENDED IN ASSEMBLY AUGUST 4, 2014

AMENDED IN ASSEMBLY JUNE 9, 2014

AMENDED IN SENATE APRIL 21, 2014

**SENATE BILL**

**No. 1281**

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**Introduced by Senator Pavley**

February 21, 2014

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An act to amend Section 3227 of, and to add Sections 3226.3, 3226.5, and ~~3226.7 to~~, 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, or treat and 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 water. *The bill would prohibit the use of water from an unmanaged a groundwater basin: basin or subbasin designated as high priority if the use would compromise existing use for domestic or irrigation purposes.* The bill would require the ~~monthly~~ statement to the supervisor to include the source and volume of any water reported, including water used to generate or make up the composition of any injected fluid or gas, as provided, *and would require that information to be reported on a quarterly basis.* 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, *and would require that information to be reported on a quarterly basis.* The bill would require the division, among other things, to use a standardized form or format to facilitate reporting *and to use noncustom software, as feasible, to implement online reporting by the operator of specified information.* 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 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,

1 development, or production. According to the Department of Water  
2 Resources, groundwater resources throughout the state are at  
3 historically low levels.

4 SEC. 2. Section 3226.3 is added to the Public Resources Code,  
5 to read:

6 3226.3. The division shall annually provide to the State Water  
7 Resources Control Board and the California regional water quality  
8 control boards an inventory of all unlined oil and gas field sumps.

9 SEC. 3. Section 3226.5 is added to the Public Resources Code,  
10 to read:

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

17 SEC. 4. Section 3226.7 is added to the Public Resources Code,  
18 to read:

19 3226.7. (a) In the event, and for the duration, of a declared  
20 state of emergency, pursuant to Article 13 (commencing with  
21 Section 8625) of Chapter 7 of Division 1 of Title 2 of the  
22 Government Code, because of a drought, new oil and gas field  
23 exploration, development, and production shall use recycled water,  
24 as defined in subdivision (n) of Section 13050 of the Water Code.  
25 *Recycled water includes water that is produced from a well used*  
26 *to produce oil, gas, or both, that has been separated from the oil,*  
27 *gas, or both, and that has been treated.*

28 (b) New oil and gas field exploration, development, and  
29 production shall not use water obtained from a groundwater basin  
30 ~~that is not managed in accordance with Division 6 (commencing~~  
31 ~~with Section 10000) of the Water Code.~~ *or subbasin identified as*  
32 *being of high priority pursuant to Sections 10933 and 12924 of*  
33 *the Water Code if this use would compromise existing use for*  
34 *domestic or irrigation purposes pursuant to state policy established*  
35 *in Section 106 of the Water Code.*

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

1 SEC. 5. Section 3227 of the Public Resources Code is amended  
2 to read:

3 3227. (a) The owner of any well shall file with the supervisor,  
4 on or before the last day of each month, for the last preceding  
5 calendar month, a statement, in the form designated by the  
6 supervisor, showing all of the following:

7 (1) The amount of oil and gas produced from each well during  
8 the period indicated, together with the gravity of the oil, the amount  
9 of water produced from each well, estimated in accordance with  
10 methods approved by the supervisor, and the number of days during  
11 which fluid was produced from each well.

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

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

18 (4) ~~The~~ *What disposition was made of water produced from*  
19 *each field and the amount of fluid or gas injected into each well*  
20 *used for enhanced recovery, underground storage of hydrocarbons,*  
21 *or wastewater disposal, and any other information regarding those*  
22 *wells that the supervisor may require.*

23 (5) The source of water, and volume of any water, reported in  
24 paragraph (4), including the water used to generate or make up the  
25 composition of any injected fluid or gas. Water volumes shall be  
26 reported by water source if more than one water source is used.  
27 The volume of untreated water suitable for ~~drinking domestic~~ or  
28 irrigation purposes shall be reported. *Commingled water shall be*  
29 *proportionally assigned to individual wells, as appropriate.*

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

33 (7) (A) The specific disposition of all water used in or generated  
34 by oil and gas field activities, including water produced from each  
35 well reported pursuant to paragraph (1). *Water volumes shall be*  
36 *reported by disposition method if more than one disposition method*  
37 *is used. Commingled water shall be proportionally assigned to*  
38 *individual wells, as appropriate.*

1 (B) This information shall also include the temporary onsite  
2 storage of water, as or if appropriate, and the ultimate specific  
3 use, disposal method or method of recycling, or reuse of this water.

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

8 (c) (1) Upon request and making a satisfactory showing  
9 therefor, a longer filing period may be established by the supervisor  
10 for any particular owner or operator.

11 (2) Notwithstanding subdivision (a), the owner of any well shall  
12 file with the supervisor, on a quarterly basis, a statement  
13 containing the information required to be reported pursuant to  
14 paragraphs (5), (6), and (7) of subdivision (a) in the form  
15 designated by the supervisor.

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

18 (e) The division shall use noncustom software, as feasible, to  
19 implement online reporting by the operator of the information  
20 required pursuant to paragraphs (5), (6), and (7) of subdivision  
21 (a). This information may be reported separately from other  
22 information required to be reported pursuant to this section.

23 (e)

24 (f) For purposes of this section, the following terms have the  
25 following meanings:

26 (1) “Source of water” or “water source” means any of the  
27 following:

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

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

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

32 (2) “Specific disposition of all water” means the identification  
33 of the ultimate specific use, disposal method or method of recycling  
34 recycling, or re-use reuse of the water. This includes, but is not  
35 limited to, the identification of any treatment or recycling method  
36 used, injection of the water into specific injection or disposal well  
37 or wells, if commingled, discharge of the water to surface water  
38 or sumps, and sale or transfer of the water to a named entity.  
39 Temporary on-site storage of water shall not constitute a specific  
40 disposition of water.

1 (3) “Recycled water” has the same meaning as that term is  
2 defined in subdivision (n) of Section 13050 of the Water Code.  
3 *Recycled water includes water that is produced from a well used*  
4 *to produce oil, gas, or both, that has been separated from the oil,*  
5 *gas, or both, and that has been treated.*

6 SEC. 6. No reimbursement is required by this act pursuant to  
7 Section 6 of Article XIII B of the California Constitution because  
8 the only costs that may be incurred by a local agency or school  
9 district will be incurred because this act creates a new crime or  
10 infraction, eliminates a crime or infraction, or changes the penalty  
11 for a crime or infraction, within the meaning of Section 17556 of  
12 the Government Code, or changes the definition of a crime within  
13 the meaning of Section 6 of Article XIII B of the California  
14 Constitution.