

ASSEMBLY BILL

No. 2729

Introduced by Assembly Members Williams and Thurmond

February 19, 2016

An act to amend Sections 3008, 3208.1, and 3238 of, to amend, repeal, and add Sections 3202, 3204, 3205, 3206, 3207, and 3208 of, and to add Section 3016 to, the Public Resources Code, relating to oil and gas, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2729, as introduced, Williams. Oil and gas: operations.

(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources, as provided; to permit owners and operators of wells to utilize all known methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state. Existing law defines, among other things, "active observation well," "idle well," and "long-term idle well" for the purposes of these provisions. Existing law provides that an active observation well is not an idle well.

This bill would limit the definition of "active observation well," and would expand the definitions of "idle well" and "long-term idle well"

by no longer excluding active observation wells from their definitions. The bill would provide that the abandoned underground personal property of an operator becomes the property of the mineral interest owner.

(2) Existing law establishes the Hazardous and Idle-Deserted Well Abatement Fund in the State Treasury. Existing law directs fee moneys collected from operators of idle wells to be deposited in the fund. The moneys in the fund are continuously appropriated to the department for expenditure without regard to fiscal year, to mitigate a hazardous or potentially hazardous condition by well plugging and abandonment.

This bill would instead provide that the moneys in the fund are continuously appropriated to the department for expenditure without regard to fiscal year to mitigate a hazardous or potentially hazardous condition, by well plugging and abandonment, decommissioning attendant production facilities, or both, at a well of a fee-paying operator. Because the bill would provide for the deposit of additional moneys in a continuously appropriated fund by expanding the definition of an “idle well,” described above, and would change the purposes for which moneys in a continuously appropriated fund may be used, it would make an appropriation.

(3) Existing law provides that a well is properly abandoned when it has been shown, to the satisfaction of the supervisor, that all proper steps have been taken to isolate all oil-bearing or gas-bearing strata encountered in the well, and to protect underground or surface water suitable for irrigation or farm or domestic purposes from the infiltration or addition of any detrimental substance and to prevent subsequent damage to life, health, property, and other resources.

This bill would provide that proper steps include the plugging of the well, decommissioning the attendant production facilities of the well, or both, if determined necessary by the supervisor.

(4) Existing law authorizes the supervisor or district deputy to order the reabandonment of any previously abandoned well if the supervisor or the district deputy has reason to question the integrity of the previous abandonment. Existing law prescribes the circumstances in which the operator responsible for plugging and abandoning a deserted well is not responsible for the reabandonment of the well. Under existing law, a person who fails to comply with an order issued under these provisions and other requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

This bill instead would authorize the supervisor or district deputy to order, or permit, the reabandonment of any previously abandoned well if the supervisor or the district deputy has reason to question the integrity of the previous abandonment, or if the well is not accessible or visible. The bill would revise the circumstances in which the operator responsible for plugging and abandoning a deserted well is not responsible for the reabandonment of the well, and would provide that being responsible for the reabandonment means that the responsible party or parties shall complete the reabandonment and be subject to certain requirements applicable to an operator of a well. Because a violation of an order issued under these provisions would be a crime, the bill would impose a state-mandated local program.

(5) Existing law authorizes the supervisor to order certain operations to be carried out on any property in the vicinity of which, or on which, is located any well that the supervisor determines to be either a hazardous or idle-deserted well, as specified.

This bill would authorize a party to plug and abandon a well that the supervisor has determined to be either a hazardous or idle-deserted well by obtaining all necessary rights to the well, and would require that party to be subject to certain requirements applicable to an operator of a well, file with the supervisor the appropriate bond or deposit, and complete the abandonment, as specified. Because a violation of an order issued under these provisions or of certain requirements related to the regulation of oil and gas would be a crime, the bill would impose a state-mandated local program.

(6) Existing law prescribes requirements related to acquiring the right to operate a well or production facility, filing with the supervisor an individual indemnity bond for each well drilled, redrilled, deepened, or permanently altered, filing with the supervisor a blanket indemnity bond in lieu of individual indemnity bonds, operators of idle wells not covered under certain indemnity bonds, and the cancellation of an individual or blanket indemnity bond. Existing law directs fee moneys collected from operators of idle wells to be deposited in the Hazardous and Idle-Deserted Well Abatement Fund, a continuously appropriated fund.

Commencing January 1, 2018, this bill would revise and recast these provisions to, among other things, increase the amounts of the required individual and blanket indemnity bonds, require a person acquiring the right to operate a well or production facility to file a specified individual or blanket indemnity bond for each well, increase the fees required to

be filed for each idle well if the operator does not file a plan with the supervisor to provide for the management and elimination of all its long-term idle wells, repeal the ability of an operator to provide an escrow account or indemnity bond for each idle well in lieu of paying a fee or filing a plan, and revise the conditions for the cancellation of an individual or blanket indemnity bond. Because the bill would provide for the deposit of additional moneys in a continuously appropriated fund by increasing the amount of fees required to be filed for each idle well, it would make an appropriation. Because a violation of an order issued under these provisions or of certain requirements related to the regulation of oil and gas would be a crime, the bill would impose a state-mandated local program.

This bill would require the division, by June 1, 2018, to review and evaluate, and update as appropriate, its regulations pertaining to idle wells, as specified.

(7) 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: yes. Fiscal committee: yes. State-mandated local program: yes.

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

1 SECTION 1. Section 3008 of the Public Resources Code is
2 amended to read:

3 3008. (a) "Well" means any oil or gas well or well for the
4 discovery of oil or gas; any well on lands producing or reasonably
5 presumed to contain oil or gas; any well drilled for the purpose of
6 injecting fluids or gas for stimulating oil or gas recovery,
7 repressuring or pressure maintenance of oil or gas reservoirs, or
8 disposing of waste fluids from an oil or gas field; any well used
9 to inject or withdraw gas from an underground storage facility; or
10 any well drilled within or adjacent to an oil or gas pool for the
11 purpose of obtaining water to be used in production stimulation
12 or repressuring operations.

13 (b) "Prospect well" or "exploratory well" means any well drilled
14 to extend a field or explore a new, potentially productive reservoir.

1 (c) “Active observation well” means a well being used for the
2 sole purpose of gathering reservoir data, such as pressure or
3 temperature in a reservoir being currently produced or injected by
4 the operator, and the data is gathered *and reported* at least once
5 every ~~three years~~. *month*.

6 (d) “Idle well” means any well that has ~~not produced oil or~~
7 ~~natural gas or has not been used for injection for six consecutive~~
8 ~~months of continuous operation during the last five or more years.~~
9 ~~An idle well does not include an active observation well.~~ *had six*
10 *consecutive months of not producing oil or natural gas or being*
11 *used for injection. An idle well continues to be an idle well until*
12 *it has been properly abandoned in accordance with Section 3208*
13 *or it has been shown to the division’s satisfaction that, since the*
14 *well became an idle well, the well has maintained production of*
15 *oil or gas or been used for injection for a continuous six-month*
16 *period. An idle well does not include a well used to inject or*
17 *withdraw gas from an underground storage facility.*

18 (e) “Long-term idle well” means any well that has ~~not produced~~
19 ~~oil or natural gas or has not been used for injection for six~~
20 ~~consecutive months of continuous operation during the last 10 or~~
21 ~~more years. A long-term idle well does not include an active~~
22 ~~observation well.~~ *been an idle well for five or more years.*

23 SEC. 2. Section 3016 is added to the Public Resources Code,
24 to read:

25 3016. For purposes of this chapter, abandoned underground
26 personal property of an operator shall become the property of the
27 mineral interest owner.

28 SEC. 3. Section 3202 of the Public Resources Code is amended
29 to read:

30 3202. (a) A person who acquires the right to operate a well
31 or production facility, whether by purchase, transfer, assignment,
32 conveyance, exchange, or other disposition, shall, as soon as it is
33 reasonably possible, but not later than the date when the acquisition
34 of the well or production facility becomes final, notify the
35 supervisor or the district deputy, in writing, of the person’s
36 operation. The acquisition of a well or production facility shall not
37 be recognized as complete by the supervisor or the district deputy
38 until the new operator provides all of the following material:

39 (a)

1 (1) The name and address of the person from whom the well or
2 production facility was acquired.

3 ~~(b)~~

4 (2) The name and location of the well or production facility,
5 and a description of the land upon which the well or production
6 facility is situated.

7 ~~(e)~~

8 (3) The date when the acquisition becomes final.

9 ~~(d)~~

10 (4) The date when possession was or will be acquired.

11 ~~(e)~~

12 (5) An indemnity bond for each idle well. The bond shall be in
13 an amount as provided in Section 3204 or 3205. The conditions
14 of the bond shall be the same as the conditions stated in Section
15 3204. An operator that has provided an individual bond required
16 by this subdivision in an amount as provided in Section 3204 shall
17 not be required additionally to comply with the requirements of
18 Section 3206. An operator who has provided a blanket indemnity
19 bond in the minimum amount required in subdivision (a) or (b) of
20 Section 3205 shall additionally comply with Section 3206 for any
21 idle wells not covered by a bond provided under Section 3204.

22 (b) *This section shall remain in effect only until January 1, 2018,*
23 *and as of that date is repealed, unless a later enacted statute, that*
24 *is enacted before January 1, 2018, deletes or extends that date.*

25 SEC. 4. Section 3202 is added to the Public Resources Code,
26 to read:

27 3202. (a) A person who acquires the right to operate a well or
28 production facility, whether by purchase, transfer, assignment,
29 conveyance, exchange, or other disposition, shall, as soon as it is
30 reasonably possible, but not later than the date when the acquisition
31 of the well or production facility becomes final, notify the
32 supervisor or the district deputy, in writing, of the person's
33 operation. The acquisition of a well or production facility shall not
34 be recognized as complete by the supervisor or the district deputy
35 until the new operator provides all of the following material:

36 (1) The name and address of the person from whom the well or
37 production facility was acquired.

38 (2) The name and location of the well or production facility,
39 and a description of the land upon which the well or production
40 facility is situated.

1 (3) The date when the acquisition becomes final.

2 (4) The date when possession was or will be acquired.

3 (5) An indemnity bond for each well as required under Section
4 3204 or 3205.

5 (b) This section shall become operative on January 1, 2018.

6 SEC. 5. Section 3204 of the Public Resources Code is amended
7 to read:

8 3204. (a) An operator who, on or after January 1, 2014,
9 engages in the drilling, redrilling, deepening, or in any operation
10 permanently altering the casing, of a well shall file with the
11 supervisor an individual indemnity bond for each well so drilled,
12 redrilled, deepened, or permanently altered, in the following
13 amount:

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

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

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

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

1 (d) *This section shall remain in effect only until January 1, 2018,*
 2 *and as of that date is repealed, unless a later enacted statute, that*
 3 *is enacted before January 1, 2018, deletes or extends that date.*

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

6 3204. (a) An operator who, on or after January 1, 2018,
 7 engages in the drilling, redrilling, deepening, or in any operation
 8 permanently altering the casing, of a well, or who acquires a well,
 9 shall file with the supervisor an individual indemnity bond for
 10 each well so drilled, redrilled, deepened, or permanently altered,
 11 or acquired in the following amount:

12 (1) Fifty thousand dollars (\$50,000) for each well that is less
 13 than 10,000 feet deep.

14 (2) Eighty thousand dollars (\$80,000) for each well that is
 15 10,000 or more feet deep.

16 (b) The bond shall be filed with the supervisor at the time of
 17 the filing of the notice of intention to perform work on the well,
 18 as provided in Section 3203, or at the time of acquisition of the
 19 well, as provided in Section 3202. The bond shall be executed by
 20 the operator, as principal, and by an authorized surety company,
 21 as surety, on the condition that the principal named in the bond
 22 shall faithfully comply with all the provisions of this chapter, in
 23 drilling, redrilling, deepening, or permanently altering the casing
 24 in any well or wells covered by the bond, and shall secure the state
 25 against all losses, charges, and expenses incurred by it to obtain
 26 the compliance by the principal named in the bond.

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

40 (d) This section shall become operative on January 1, 2018.

1 SEC. 7. Section 3205 of the Public Resources Code is amended
2 to read:

3 3205. (a) An operator who engages in the drilling, re-drilling,
4 deepening, or in any operation permanently altering the casing, of
5 20 or more wells at any time, may file with the supervisor one
6 blanket indemnity bond to cover all the operations in any of its
7 wells in the state in lieu of an individual indemnity bond for each
8 operation as required by Section 3204. The bond shall be executed
9 by the operator, as principal, and by an authorized surety company,
10 as surety, and shall be in substantially the same language and upon
11 the same conditions as provided in Section 3204, except as to the
12 difference in the amount. The bond shall be provided in one of the
13 following amounts, as applicable:

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

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

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

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

25 (c) *This section shall remain in effect only until January 1, 2018,*
26 *and as of that date is repealed, unless a later enacted statute, that*
27 *is enacted before January 1, 2018, deletes or extends that date.*

28 SEC. 8. Section 3205 is added to the Public Resources Code,
29 to read:

30 3205. (a) An operator who engages in the drilling, re-drilling,
31 deepening, or in any operation permanently altering the casing, of
32 20 or more wells at any time, may file with the supervisor one
33 blanket indemnity bond to cover all the operations in any of its
34 wells in the state in lieu of an individual indemnity bond for each
35 operation as required by Section 3204. The bond shall be executed
36 by the operator, as principal, and by an authorized surety company,
37 as surety, and shall be in substantially the same language and upon
38 the same conditions as provided in Section 3204, except as to the
39 difference in the amount. The bond shall be provided in one of the
40 following amounts, as applicable:

1 (1) The sum of four hundred thousand dollars (\$400,000), for
2 an operator having 50 or fewer wells in the state, exclusive of
3 properly abandoned wells.

4 (2) The sum of two million dollars (\$2,000,000), for any
5 operator having more than 50 wells in the state, exclusive of
6 properly abandoned wells.

7 (b) A blanket cash bond or blanket surety bond provided prior
8 to January 1, 2018, shall be increased to comply with this section.

9 (c) This section shall become operative on January 1, 2018.

10 SEC. 9. Section 3206 of the Public Resources Code is amended
11 to read:

12 3206. (a) The operator of any idle well not covered by an
13 indemnity bond provided under Section 3204, *paragraph (3) of*
14 *subdivision (e) (a) of Section 3205*, or subdivision (a) of Section
15 3205.2 shall do one of the following:

16 (1) File with the supervisor an annual fee for each idle well
17 equal to the sum of the following amounts:

18 (A) One hundred dollars (\$100) for each idle well that has been
19 idle for less than 10 years.

20 (B) Two hundred fifty dollars (\$250) for each idle well that has
21 been idle for 10 years or longer, but less than 15 years.

22 (C) Five hundred dollars (\$500) for each idle well that has been
23 idle for 15 years or longer.

24 (2) Provide an escrow account in a federally insured bank that
25 does business in, and has an office in, the State of California, by
26 depositing the amount of five thousand dollars (\$5,000) for each
27 idle well, in the following manner:

28 (A) The escrow account shall be accessible only by the
29 supervisor and the money shall be retained in the escrow account
30 exclusively for use by the supervisor for plugging and abandoning
31 the operator's idle wells that become deserted pursuant to Section
32 3237.

33 (B) The money in the escrow account may be released only by
34 the supervisor and only in amounts covering any idle well that has
35 properly been plugged and abandoned, returned to production or
36 injection or converted to an active observation well, if that money
37 remaining in the escrow account is sufficient to fully fund the
38 required deposits for all of the operator's remaining idle wells.

39 (C) The required deposit for each idle well shall be funded
40 completely within 10 years of the date the well becomes idle, or

1 10 years from January 1, 1999, for any well that is idle as of
2 January 1, 1999.

3 (D) The operator shall fund the escrow account at the rate of at
4 least five hundred dollars (\$500) per well per year.

5 (E) Failure of an operator in any year to provide the minimum
6 funding for any idle well shall result in the institution of the annual
7 fees required by paragraph (1) for that idle well, and all money
8 already on deposit for that idle well shall be treated as previously
9 paid annual fees and shall be deposited into the Hazardous and
10 Idle-Deserted Well Abatement Fund specified in subdivision (b)
11 for expenditure pursuant to that subdivision.

12 (3) File with the supervisor an indemnity bond that provides
13 the sum of five thousand dollars (\$5,000) for each idle well. The
14 bond shall be subject to the conditions provided in Section 3204.

15 (4) On or before July 1, 1999, file a plan with the supervisor to
16 provide for the management and elimination of all long-term idle
17 wells not covered under paragraph (1), (2), or (3).

18 (A) For the purposes of the plan required by this paragraph,
19 elimination of an idle well shall be accomplished when the well
20 meets the requirements of Section 3208.

21 (B) A plan filed pursuant to this paragraph shall meet all of the
22 following requirements and conditions:

23 (i) The plan shall cover a time period of no more than 10 years
24 and may be renewed annually thereafter, subject to approval by
25 the supervisor.

26 (ii) The plan shall be reviewed for performance annually by the
27 supervisor, and be subject to amendment with the approval of the
28 supervisor.

29 (iii) The required rate of long-term idle well elimination shall
30 be based upon the number of idle wells under the control of an
31 operator on January 1 of each year, as specified in ~~clause IV~~ (iv).
32 The supervisor may require additional well testing requirements
33 as part of the plan.

34 (iv) The plan shall require that operators with 10 or fewer idle
35 wells eliminate at least one long-term idle well every two years;
36 operators with 11 to 20, inclusive, idle wells eliminate at least one
37 long-term idle well each year; operators with 21 to 50, inclusive,
38 idle wells eliminate at least two long-term idle wells each year;
39 operators with 51 to 100, inclusive, idle wells eliminate at least
40 five long-term idle wells each year; operators with 101 to 250,

1 inclusive, idle wells eliminate at least 10 long-term wells each
 2 year; and operators with more than 250 idle wells eliminate at least
 3 4 percent of their long-term idle wells each year.

4 (v) An operator who complies with the plan is exempt from any
 5 increased idle well bond or fee requirements.

6 (vi) An operator who fails to comply with the plan, as
 7 determined by the supervisor after the annual performance review,
 8 is not eligible to use the requirements of this paragraph, for
 9 purposes of compliance with this section, for any of its idle wells.

10 That operator shall immediately provide one of the alternatives in
 11 paragraph (1), (2), or (3) for its idle wells and may not propose a
 12 new idle well plan for the next five years. An operator may appeal
 13 to the director pursuant to Article 6 (commencing with Section
 14 3350) regarding the supervisor’s rejection of a plan and plan
 15 amendments and the supervisor’s determinations of the operator’s
 16 failure to comply with a plan.

17 (b) All fees received under this section shall be deposited in the
 18 Hazardous and Idle-Deserted Well Abatement Fund, which is
 19 hereby created in the State Treasury. Notwithstanding Section
 20 13340 of the Government Code, the moneys in the Hazardous and
 21 Idle-Deserted Well Abatement Fund are hereby continuously
 22 appropriated to the department for expenditure without regard to
 23 fiscal year, to mitigate a hazardous or potentially hazardous
 24 ~~condition~~ condition, by well plugging and ~~abandonment~~
 25 *abandonment, decommissioning the attendant production facilities,*
 26 *or both, at a well of an operator subject to the requirements of*
 27 *this section.*

28 (c) Failure to file, for any well, the bond or fee required under
 29 this section shall be conclusive evidence of desertion of the well,
 30 permitting the supervisor to order the well abandoned.

31 (d) Nothing in this section prohibits a local agency from
 32 collecting a fee for regulation of wells.

33 (e) *This section shall remain in effect only until January 1, 2018,*
 34 *and as of that date is repealed, unless a later enacted statute, that*
 35 *is enacted before January 1, 2018, deletes or extends that date.*

36 SEC. 10. Section 3206 is added to the Public Resources Code,
 37 to read:

38 3206. (a) The operator of any idle well shall do either of the
 39 following:

1 (1) No later than January 31 of each year, for each idle well that
2 was an idle well at any time in the last calendar year, file with the
3 supervisor an annual fee equal to the sum of the following amounts:

4 (A) Five hundred dollars (\$500) for each idle well that has been
5 idle for less than three years.

6 (B) Two thousand dollars (\$2,000) for each idle well that has
7 been idle for three years or longer, but less than five years.

8 (C) Five thousand dollars (\$5,000) for each idle well that has
9 been idle for five years or longer, but less than 10 years.

10 (D) Ten thousands dollars (\$10,000) for each idle well that has
11 been idle for 10 years or longer.

12 (2) File a plan with the supervisor to provide for the management
13 and elimination of all long-term idle wells.

14 (A) For the purposes of the plan required by this paragraph,
15 elimination of an idle well shall be accomplished when the well
16 has been properly abandoned in accordance with Section 3208, or
17 it has been shown to the division's satisfaction that, since the well
18 became an idle well, the well has maintained production of oil or
19 gas or been used for injection for a continuous six-month period.

20 (B) A plan filed pursuant to this paragraph shall meet all of the
21 following requirements and conditions:

22 (i) The plan shall cover a time period of no more than five years
23 and shall be subject to approval by the supervisor who may
24 prioritize the order in which idle wells are addressed.

25 (ii) The plan shall be reviewed for performance annually by the
26 supervisor, and be subject to amendment by the supervisor, or by
27 the operator with the approval of the supervisor.

28 (iii) The required rate of long-term idle well elimination shall
29 be based upon the number of idle wells under the control of an
30 operator on January 1 of each year, as specified in clause (iv). The
31 supervisor may require additional well testing requirements as part
32 of the plan.

33 (iv) Unless and until the operator has no long-term idle wells,
34 the plan shall require that operators with 10 or fewer idle wells
35 eliminate at least three long-term idle wells each year; operators
36 with 11 to 20, inclusive, idle wells eliminate at least six long-term
37 idle wells each year; operators with 21 to 50, inclusive, idle wells
38 eliminate at least 12 long-term idle wells each year; operators with
39 51 to 100, inclusive, idle wells eliminate at least 30 long-term idle
40 wells each year; operators with 101 to 250, inclusive, idle wells

1 eliminate at least 60 long-term wells each year; and operators with
2 more than 250 idle wells eliminate at least 25 percent of their
3 long-term idle wells each year.

4 (v) An operator who fails to comply with the plan, as determined
5 by the supervisor after the annual performance review, is not
6 eligible to use the requirements of this paragraph, for purposes of
7 compliance with this section, for any of its idle wells. That operator
8 may not propose a new idle well plan for the next five years. An
9 operator may appeal to the director pursuant to Article 6
10 (commencing with Section 3350) regarding the supervisor's
11 rejection of a plan and plan amendments and the supervisor's
12 determination of the operator's failure to comply with a plan. If
13 the supervisor's determination that the operator failed to comply
14 with the plan is not timely appealed, or if the director upholds the
15 supervisor's determination upon appeal, then the operator shall
16 immediately file the fees required under paragraph (1) for each
17 year that the operator failed to comply with the plan.

18 (b) All fees received under this section shall be deposited in the
19 Hazardous and Idle-Deserted Well Abatement Fund, which is
20 hereby created in the State Treasury. Notwithstanding Section
21 13340 of the Government Code, the moneys in the Hazardous and
22 Idle-Deserted Well Abatement Fund are hereby continuously
23 appropriated to the department for expenditure without regard to
24 fiscal year, to mitigate a hazardous or potentially hazardous
25 condition, by well plugging and abandonment, decommissioning
26 the attendant production facilities, or both, at a well of an operator
27 subject to the requirements of this section.

28 (c) Failure to file, for any well, the fee required under this
29 section shall be conclusive evidence of desertion of the well,
30 permitting the supervisor to order the well abandoned.

31 (d) Nothing in this section prohibits a local agency from
32 collecting a fee for regulation of wells.

33 (e) By June 1, 2018, the division shall review and evaluate, and
34 update as appropriate, its regulations pertaining to idle wells. The
35 update shall include idle well testing requirements and provide an
36 option for temporary or partial well abandonment in lieu of testing
37 at the discretion of the supervisor.

38 (f) This section shall become operative on January 1, 2018.

39 SEC. 11. Section 3207 of the Public Resources Code is
40 amended to read:

1 3207. (a) Any individual or blanket indemnity bond issued
2 in compliance with this chapter may be terminated and canceled
3 and the surety be relieved of all obligations thereunder when the
4 well or wells covered by such bond have been properly completed
5 or abandoned or another valid bond has been substituted therefor.
6 Should the person who has filed a blanket bond properly complete
7 or abandon a portion of his *or her* wells covered by the bond, the
8 bond may be terminated and canceled and the surety be relieved
9 of all obligations thereunder upon the filing by such person of an
10 individual bond for each well which is still not producing or which
11 he *or she* is still engaged in drilling, re-drilling, deepening, or
12 permanently altering the casing. Liability as to individual wells
13 that have been completed or drilled and abandoned under a blanket
14 bond may also be terminated.

15 (b) *This section shall remain in effect only until January 1, 2018,*
16 *and as of that date is repealed, unless a later enacted statute, that*
17 *is enacted before January 1, 2018, deletes or extends that date.*

18 SEC. 12. Section 3207 is added to the Public Resources Code,
19 to read:

20 3207. (a) Any individual or blanket indemnity bond issued in
21 compliance with this chapter may be terminated and canceled and
22 the surety relieved of all obligations thereunder when the well or
23 wells covered by such bond have been properly abandoned pursuant
24 to Section 3208, or another valid bond has been substituted
25 therefor. Should the person who has filed a blanket bond properly
26 abandon a portion of his or her wells covered by the bond, the
27 bond may be terminated and canceled and the surety relieved of
28 all obligations thereunder upon the filing by such person of an
29 individual bond for each well that is still not abandoned. Liability
30 as to individual wells that have been properly abandoned under a
31 blanket bond may also be terminated.

32 (b) This section shall become operative on January 1, 2018.

33 SEC. 13. Section 3208 of the Public Resources Code is
34 amended to read:

35 3208. (a) For the purposes of Section 3207, a well is properly
36 completed when it has been shown, to the satisfaction of the
37 supervisor, that the manner of producing oil or gas or injecting
38 fluids into the well is satisfactory and that the well has maintained
39 production of oil or gas or injection for a continuous six-month
40 period. A well is properly abandoned when it has been shown, to

1 the satisfaction of the supervisor, that all proper steps have been
 2 taken to isolate all oil-bearing or gas-bearing strata encountered
 3 in the well, and to protect underground or surface water suitable
 4 for irrigation or farm or domestic purposes from the infiltration or
 5 addition of any detrimental substance and to prevent subsequent
 6 damage to life, health, property, and other resources. *For purposes*
 7 *of this subdivision, proper steps include the plugging of the well,*
 8 *decommissioning the attendant production facilities of the well,*
 9 *or both, if determined necessary by the supervisor.*

10 (b) *This section shall remain in effect only until January 1, 2018,*
 11 *and as of that date is repealed, unless a later enacted statute, that*
 12 *is enacted before January 1, 2018, deletes or extends that date.*

13 SEC. 14. Section 3208 is added to the Public Resources Code,
 14 to read:

15 3208. (a) For the purposes of Sections 3206 and 3207, a well
 16 is properly abandoned when it has been shown, to the satisfaction
 17 of the supervisor, that all proper steps have been taken to isolate
 18 all oil-bearing or gas-bearing strata encountered in the well, and
 19 to protect underground or surface water suitable for irrigation or
 20 farm or domestic purposes from the infiltration or addition of any
 21 detrimental substance and to prevent subsequent damage to life,
 22 health, property, and other resources. For purposes of this
 23 subdivision, proper steps include the plugging of the well,
 24 decommissioning the attendant production facilities of the well,
 25 or both, if determined necessary by the supervisor.

26 (b) This section shall become operative on January 1, 2018.

27 SEC. 15. Section 3208.1 of the Public Resources Code is
 28 amended to read:

29 3208.1. (a) To prevent, as far as possible, damage to life,
 30 health, and property, the supervisor or district deputy may ~~order~~
 31 ~~order, or permit,~~ the reabandonment of any previously abandoned
 32 well if the supervisor or the district deputy has reason to question
 33 the integrity of the previous ~~abandonment.~~ *abandonment, or if the*
 34 *well is not accessible or visible.*

35 ~~The~~

36 (b) *The operator responsible for plugging and abandoning*
 37 *deserted wells under Section 3237 shall be responsible for the*
 38 *reabandonment except in the following situations:*

39 (1) The supervisor finds that the operator plugged and
 40 abandoned the well in conformity with the requirements of this

1 division in effect at the time of the plugging and abandonment and
2 that the well in its current condition presents no immediate danger
3 to life, health, and property but requires additional work solely
4 because the owner of the property on which the well is located
5 proposes construction on the property that would prevent or impede
6 access to the well for purposes of remedying a currently perceived
7 future problem. In this situation, the owner of the property on
8 which the well is located shall *obtain all rights necessary to*
9 *reabandon the well and* be responsible for the reabandonment.

10 (2) The supervisor finds that the operator plugged and
11 abandoned the well in conformity with the requirements of this
12 division in effect at the time of the plugging and abandonment and
13 that construction over or near the well preventing or impeding
14 access to it was begun on or after January 1, 1988, and the property
15 owner, developer, or local agency permitting the construction
16 failed either to obtain an opinion from the supervisor or district
17 deputy as to whether the previously abandoned well is required to
18 be reabandoned or to follow the advice of the supervisor or district
19 deputy not to undertake the construction. In this situation, the
20 ~~owner of the property on which~~ *person or entity causing the*
21 *construction over or near the well is located* shall be responsible
22 for the reabandonment.

23 (3) The supervisor finds that the operator plugged and
24 abandoned the well in conformity with the requirements of this
25 division in effect at the time of the plugging and abandonment and
26 after that time someone other than the operator or an affiliate of
27 the operator disturbed the integrity of the abandonment in the
28 course of developing the property, and the supervisor is able to
29 determine based on credible evidence, including circumstantial
30 evidence, the party or parties responsible for disturbing the integrity
31 of the abandonment. In this situation, the party or parties
32 responsible for disturbing the integrity of the abandonment shall
33 be responsible for the reabandonment.

34 (c) *For purposes of this section, being responsible for the*
35 *reabandonment means that the responsible party or parties shall*
36 *complete the reabandonment and be subject to the requirements*
37 *of this chapter as an operator of the well. The responsible party*
38 *or parties shall file with the supervisor the appropriate bond or*
39 *security in an amount specified in Section 3204, 3205, or 3205.1.*

1 *If the reabandonment is not completed, the supervisor may act*
 2 *under Section 3226 to complete the work.*

3 ~~(b)~~

4 (d) Except for the situations listed in paragraphs (1), (2), and
 5 (3) of subdivision-(a); (b), nothing in this section precludes the
 6 application of Article 4.2 (commencing with Section 3250) when
 7 its application would be appropriate.

8 SEC. 16. Section 3238 of the Public Resources Code is
 9 amended to read:

10 3238. (a) For oil and gas produced in this state from a well
 11 that qualifies under Section 3251 or ~~which~~ *that* has been inactive
 12 for a period of at least the preceding five consecutive years, the
 13 rate of the charges imposed pursuant to Sections 3402 and 3403
 14 shall be reduced to zero for a period of 10 years. The supervisor
 15 or district deputy shall not permit an operator to undertake any
 16 work on wells qualifying under Section 3251 unless the mineral
 17 rights owner consents, in writing, to the work plan.

18 (b) An operator who undertakes any work on a well qualifying
 19 under Section 3251 shall have up to 90 days from the date the
 20 operator receives written consent from the supervisor to evaluate
 21 the well. On or before the 90 day evaluation period ends, the
 22 operator shall file with the supervisor a bond or ~~deposit security~~
 23 in an amount specified in Section 3204, 3205, or 3205.1, in
 24 accordance with the requirements of whichever of those sections
 25 is applicable to the well, if the well operations are to continue for
 26 a period in excess of the 90-day evaluation period. The conditions
 27 of the bond shall be the same as the conditions stated in Section
 28 3204.

29 (c) *A party may plug and abandon a well that qualifies under*
 30 *Section 3251 by obtaining all necessary rights to the well. That*
 31 *party shall be subject to the requirements of this chapter as an*
 32 *operator of the well, file with the supervisor the appropriate bond*
 33 *or security in an amount specified in Section 3204, 3205, or 3205.1,*
 34 *and complete the abandonment. If the abandonment is not*
 35 *completed, the supervisor may act under Section 3226 to complete*
 36 *the work.*

37 SEC. 17. No reimbursement is required by this act pursuant to
 38 Section 6 of Article XIII B of the California Constitution because
 39 the only costs that may be incurred by a local agency or school
 40 district will be incurred because this act creates a new crime or

1 infraction, eliminates a crime or infraction, or changes the penalty
2 for a crime or infraction, within the meaning of Section 17556 of
3 the Government Code, or changes the definition of a crime within
4 the meaning of Section 6 of Article XIII B of the California
5 Constitution.

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