

AMENDED IN ASSEMBLY JUNE 1, 2016

AMENDED IN ASSEMBLY MAY 11, 2016

AMENDED IN ASSEMBLY APRIL 14, 2016

AMENDED IN ASSEMBLY APRIL 7, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2729

**Introduced by Assembly Members ~~Williams and Williams~~, Salas,
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 Sections 3016 and 3206.1 to, the Public Resources Code, relating to oil and gas, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2729, as amended, 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, including a well, of an operator becomes the property of the mineral interest owner when the operator loses the right to remove the personal property under common law or under a lease or any other agreement that initially gave the operator the right to drill, operate, maintain, or control the well.

(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 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, eliminate the authorization for 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.

(7) This bill would require the division, by June 1, 2018, to review, evaluate, and update its regulations, including testing and management requirements, pertaining to idle wells, as specified.

(8) 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,

1 repressuring or pressure maintenance of oil or gas reservoirs, or
2 disposing of waste fluids from an oil or gas field; any well used
3 to inject or withdraw gas from an underground storage facility; or
4 any well drilled within or adjacent to an oil or gas pool for the
5 purpose of obtaining water to be used in production stimulation
6 or repressuring operations.

7 (b) “Prospect well” or “exploratory well” means any well drilled
8 to extend a field or explore a new, potentially productive reservoir.

9 (c) “Active observation well” means a well being used for the
10 sole purpose of gathering reservoir data, such as pressure or
11 temperature in a reservoir being currently produced or injected by
12 the operator. For a well to be an active observation well, the
13 operator shall demonstrate to the division’s satisfaction that the
14 well fulfills a need for gathering reservoir data, and the operator
15 shall provide the division with a summary report ~~on the gathered~~
16 *of the type of data collected* at least annually or as requested by
17 the division.

18 (d) “Idle well” means any well that has had 24 consecutive
19 months of not *either producing oil or natural-gas gas, producing*
20 *water to be used in production stimulation, enhanced oil recovery,*
21 *or reservoir pressure management*, or being used for injection.
22 For the purpose of determining whether a well is an idle well,
23 production or injection is subject to verification by the ~~division~~
24 ~~and shall be more than a de minimis amount.~~ *division*. An idle well
25 continues to be an idle well until it has been properly abandoned
26 in accordance with Section 3208 or it has been shown to the
27 division’s satisfaction that, since the well became an idle well, the
28 well has *for a continuous six-month period either maintained*
29 *production of oil or-gas natural gas, maintained production of*
30 *water used in production stimulation, enhanced oil recovery, or*
31 *reservoir pressure management*, or been used for ~~injection for a~~
32 ~~continuous six-month period.~~ *injection*.

33 (e) “Long-term idle well” means any well that has been an idle
34 well for eight or more years.

35 SEC. 2. Section 3016 is added to the Public Resources Code,
36 to read:

37 3016. For purposes of this chapter, abandoned underground
38 personal property, including a well, of an operator shall become
39 the property of the mineral interest owner when the operator loses
40 the right to remove the personal property under common law or

1 under a lease or any other agreement that initially gave the operator
2 the right to drill, operate, maintain, or control the well. In that case,
3 in accordance with paragraph (3) of subdivision (c) of Section
4 3237, the mineral interest owner shall be held jointly liable for the
5 well if, in the lease or other conveyance, the mineral interest owner
6 retained a right to control the well operations that exceeds the
7 scope of an interest customarily reserved in a lease or other
8 conveyance in the event of default.

9 SEC. 3. Section 3202 of the Public Resources Code is amended
10 to read:

11 3202. (a) A person who acquires the right to operate a well or
12 production facility, whether by purchase, transfer, assignment,
13 conveyance, exchange, or other disposition, shall, as soon as it is
14 reasonably possible, but not later than the date when the acquisition
15 of the well or production facility becomes final, notify the
16 supervisor or the district deputy, in writing, of the person's
17 operation. The acquisition of a well or production facility shall not
18 be recognized as complete by the supervisor or the district deputy
19 until the new operator provides all of the following material:

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

22 (2) The name and location of the well or production facility,
23 and a description of the land upon which the well or production
24 facility is situated.

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

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

27 (5) An indemnity bond for each idle well. The bond shall be in
28 an amount as provided in Section 3204 or 3205. The conditions
29 of the bond shall be the same as the conditions stated in Section
30 3204. An operator that has provided an individual bond required
31 by this subdivision in an amount as provided in Section 3204 shall
32 not be required additionally to comply with the requirements of
33 Section 3206. An operator who has provided a blanket indemnity
34 bond in the minimum amount required in subdivision (a) or (b) of
35 Section 3205 shall additionally comply with Section 3206 for any
36 idle wells not covered by a bond provided under Section 3204.

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

1 SEC. 4. Section 3202 is added to the Public Resources Code,
2 to read:

3 3202. (a) A person who acquires the right to operate a well or
4 production facility, whether by purchase, transfer, assignment,
5 conveyance, exchange, or other disposition, shall, as soon as it is
6 reasonably possible, but not later than the date when the acquisition
7 of the well or production facility becomes final, notify the
8 supervisor or the district deputy, in writing, of the person's
9 operation. The acquisition of a well or production facility shall not
10 be recognized as complete by the supervisor or the district deputy
11 until the new operator provides all of the following material:

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

14 (2) The name and location of the well or production facility,
15 and a description of the land upon which the well or production
16 facility is situated.

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

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

19 (5) An indemnity bond for each well as required under Section
20 3204 or 3205.

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

22 SEC. 5. Section 3204 of the Public Resources Code is amended
23 to read:

24 3204. (a) An operator who, on or after January 1, 2014,
25 engages in the drilling, redrilling, deepening, or in any operation
26 permanently altering the casing, of a well shall file with the
27 supervisor an individual indemnity bond for each well so drilled,
28 redrilled, deepened, or permanently altered, in the following
29 amount:

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

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

34 (b) The bond shall be filed with the supervisor at the time of
35 the filing of the notice of intention to perform work on the well,
36 as provided in Section 3203. The bond shall be executed by the
37 operator, as principal, and by an authorized surety company, as
38 surety, on the condition that the principal named in the bond shall
39 faithfully comply with all the provisions of this chapter, in drilling,
40 redrilling, deepening, or permanently altering the casing in any

1 well or wells covered by the bond, and shall secure the state against
 2 all losses, charges, and expenses incurred by it to obtain the
 3 compliance by the principal named in the bond.

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

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

20 SEC. 6. Section 3204 is added to the Public Resources Code,
 21 to read:

22 3204. (a) An operator who, on or after January 1, 2018,
 23 engages in the drilling, redrilling, deepening, or in any operation
 24 permanently altering the casing, of a well, or who acquires a well,
 25 shall file with the supervisor an individual indemnity bond for
 26 each well so drilled, redrilled, deepened, or permanently altered,
 27 or acquired in the following amount:

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

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

32 (b) The bond shall be filed with the supervisor at the time of
 33 the filing of the notice of intention to perform work on the well,
 34 as provided in Section 3203, or at the time of acquisition of the
 35 well, as provided in Section 3202. The bond shall be executed by
 36 the operator, as principal, and by an authorized surety company,
 37 as surety, on the condition that the principal named in the bond
 38 shall faithfully comply with all the provisions of this chapter, in
 39 drilling, redrilling, deepening, or permanently altering the casing
 40 in any well or wells covered by the bond, and shall secure the state

1 against all losses, charges, and expenses incurred by it to obtain
2 the compliance by the principal named in the bond.

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

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

17 SEC. 7. Section 3205 of the Public Resources Code is amended
18 to read:

19 3205. (a) An operator who engages in the drilling, redrilling,
20 deepening, or in any operation permanently altering the casing, of
21 20 or more wells at any time, may file with the supervisor one
22 blanket indemnity bond to cover all the operations in any of its
23 wells in the state in lieu of an individual indemnity bond for each
24 operation as required by Section 3204. The bond shall be executed
25 by the operator, as principal, and by an authorized surety company,
26 as surety, and shall be in substantially the same language and upon
27 the same conditions as provided in Section 3204, except as to the
28 difference in the amount. The bond shall be provided in one of the
29 following amounts, as applicable:

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

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

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

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

1 (c) 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. 8. Section 3205 is added to the Public Resources Code,
 5 to read:

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

17 (1) The sum of two hundred thousand dollars (\$200,000), for
 18 an operator having 50 or fewer wells in the state, exclusive of
 19 properly abandoned wells.

20 (2) The sum of four hundred thousand dollars (\$400,000), for
 21 any operator having more than 50, but no more than ~~250~~, 500,
 22 wells in the state, exclusive of properly abandoned wells.

23 (3) The sum of two million dollars (\$2,000,000), for any
 24 operator having more than ~~250~~ 500, *but no more than 1,500*, wells
 25 in the state, exclusive of properly abandoned wells.

26 (4) *The sum of three million dollars (\$3,000,000), for any*
 27 *operator having more than 1,500 wells in the state, exclusive of*
 28 *properly abandoned wells.*

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

30 SEC. 9. Section 3206 of the Public Resources Code is amended
 31 to read:

32 3206. (a) The operator of any idle well not covered by an
 33 indemnity bond provided under Section 3204, paragraph (3) of
 34 subdivision (a) of Section 3205, or subdivision (a) of Section
 35 3205.2 shall do one of the following:

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

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

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

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

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

9 (A) The escrow account shall be accessible only by the
10 supervisor and the money shall be retained in the escrow account
11 exclusively for use by the supervisor for plugging and abandoning
12 the operator's idle wells that become deserted pursuant to Section
13 3237.

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

20 (C) The required deposit for each idle well shall be funded
21 completely within 10 years of the date the well becomes idle, or
22 10 years from January 1, 1999, for any well that is idle as of
23 January 1, 1999.

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

26 (E) Failure of an operator in any year to provide the minimum
27 funding for any idle well shall result in the institution of the annual
28 fees required by paragraph (1) for that idle well, and all money
29 already on deposit for that idle well shall be treated as previously
30 paid annual fees and shall be deposited into the Hazardous and
31 Idle-Deserted Well Abatement Fund specified in subdivision (b)
32 for expenditure pursuant to that subdivision.

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

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

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

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

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

9 (ii) The plan shall be reviewed for performance annually by the
10 supervisor, and be subject to amendment with the approval of the
11 supervisor.

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

17 (iv) The plan shall require that operators with 10 or fewer idle
18 wells eliminate at least one long-term idle well every two years;
19 operators with 11 to 20, inclusive, idle wells eliminate at least one
20 long-term idle well each year; operators with 21 to 50, inclusive,
21 idle wells eliminate at least two long-term idle wells each year;
22 operators with 51 to 100, inclusive, idle wells eliminate at least
23 five long-term idle wells each year; operators with 101 to 250,
24 inclusive, idle wells eliminate at least 10 long-term wells each
25 year; and operators with more than 250 idle wells eliminate at least
26 4 percent of their long-term idle wells each year.

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

29 (vi) An operator who fails to comply with the plan, as
30 determined by the supervisor after the annual performance review,
31 is not eligible to use the requirements of this paragraph, for
32 purposes of compliance with this section, for any of its idle wells.
33 That operator shall immediately provide one of the alternatives in
34 paragraph (1), (2), or (3) for its idle wells and may not propose a
35 new idle well plan for the next five years. An operator may appeal
36 to the director pursuant to Article 6 (commencing with Section
37 3350) regarding the supervisor's rejection of a plan and plan
38 amendments and the supervisor's determinations of the operator's
39 failure to comply with a plan.

1 (b) All fees received under this section shall be deposited in the
2 Hazardous and Idle-Deserted Well Abatement Fund, which is
3 hereby created in the State Treasury. Notwithstanding Section
4 13340 of the Government Code, the moneys in the Hazardous and
5 Idle-Deserted Well Abatement Fund are hereby continuously
6 appropriated to the department for expenditure without regard to
7 fiscal year, to mitigate a hazardous or potentially hazardous
8 condition, by well plugging and abandonment, decommissioning
9 the attendant production facilities, or both, at a well of an operator
10 subject to the requirements of this section.

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

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

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

19 SEC. 10. Section 3206 is added to the Public Resources Code,
20 to read:

21 3206. (a) The operator of any idle well shall do either of the
22 following:

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

26 (A) ~~Three~~ *One hundred fifty* dollars ~~(\$300)~~ *(\$150)* for each idle
27 well that has been *an idle well for three years or longer, but less*
28 *than eight years.*

29 (B) ~~Seven~~ *Three hundred fifty* dollars ~~(\$750)~~ *(\$300)* for each
30 idle well that has been *an idle well for eight years or longer, but*
31 *less than 15 years.*

32 (C) ~~One thousand five~~ *Seven hundred fifty* dollars ~~(\$1,500)~~
33 *(\$750)* for each idle well that has been *an idle well for 15 years or*
34 *longer, but less than 25 20 years.*

35 (D) ~~Three~~ *One thousand five hundred* dollars ~~(\$3,000)~~ *(\$1,500)*
36 for each idle well that has been *an idle well for 25 20 years or*
37 *longer.*

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

1 (A) For the purposes of the plan required by this paragraph,
 2 elimination of an idle well shall be accomplished when the well
 3 has been properly abandoned in accordance with Section 3208, or
 4 it has been shown to the division’s satisfaction that, since the well
 5 became an idle well, the well has maintained production of oil or
 6 gas or been used for injection for a continuous six-month period.

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

9 (i) The plan shall specify the time period that it covers. The plan
 10 and any renewal of the plan shall cover a time period of no more
 11 than five years and shall be subject to approval by the supervisor
 12 who may prioritize the order in which idle wells are addressed.

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

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

21 (iv) Unless and until the operator has no long-term idle wells,
 22 the plan shall require that operators with ~~40~~ 250 or fewer idle wells
 23 eliminate at least ~~one~~ *4 percent of their long-term idle well wells*
 24 ~~each year;~~ *year, and, in no case, less than one long-term idle well;*
 25 operators with ~~11 to 20;~~ *251 to 1,000, inclusive, idle wells eliminate*
 26 ~~at least two~~ *5 percent of their long-term idle wells each year;*
 27 ~~and, in no case, less than one long-term idle well;~~ *and operators*
 28 ~~with 21 to 50;~~ *more than 1,000 inclusive, idle wells eliminate at*
 29 ~~least four~~ *6 percent of their long-term idle wells each year;*
 30 ~~operators with 51 to 100, inclusive, idle wells eliminate at least~~
 31 ~~10 long-term idle wells each year;~~ *operators with 101 to 250,*
 32 ~~inclusive, idle wells eliminate at least 20 long-term wells each~~
 33 ~~year; and operators with more than 250 idle wells eliminate at least~~
 34 ~~15 percent of their long-term idle wells each year.~~ *year, and, in*
 35 ~~no case, less than one long-term idle well.~~

36 (v) An operator who fails to comply with the plan, as determined
 37 by the supervisor after the annual performance review, is not
 38 eligible to use the requirements of this paragraph, for purposes of
 39 compliance with this section, for any of its idle wells. That operator
 40 may not propose a new idle well plan for the next five years. An

1 operator may appeal to the director pursuant to Article 6
2 (commencing with Section 3350) regarding the supervisor's
3 rejection of a plan and plan amendments and the supervisor's
4 determination of the operator's failure to comply with a plan. If
5 the supervisor's determination that the operator failed to comply
6 with the plan is not timely appealed, or if the director upholds the
7 supervisor's determination upon appeal, then the operator shall
8 immediately file the fees required under paragraph (1) for each
9 year that the operator failed to comply with the plan.

10 (b) All fees received under this section shall be deposited in the
11 Hazardous and Idle-Deserted Well Abatement Fund, which is
12 hereby created in the State Treasury. Notwithstanding Section
13 13340 of the Government Code, the moneys in the Hazardous and
14 Idle-Deserted Well Abatement Fund are hereby continuously
15 appropriated to the department for expenditure without regard to
16 fiscal year, to mitigate a hazardous or potentially hazardous
17 condition, by well plugging and abandonment, decommissioning
18 the attendant production facilities, or both, at a well of an operator
19 subject to the requirements of this section.

20 (c) Failure to file, for any well, the fee required under this
21 section shall be conclusive evidence of desertion of the well,
22 permitting the supervisor to order the well abandoned pursuant to
23 Section 3237.

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

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

27 SEC. 11. Section 3206.1 is added to the Public Resources Code,
28 to read:

29 3206.1. (a) By June 1, 2018, the division shall review, evaluate,
30 and update its regulations pertaining to idle wells. The update shall
31 include idle well testing and management requirements that, at a
32 minimum, ~~shall require~~ include all of the following:

33 (1) ~~Testing~~ *Appropriate testing, as determined by the supervisor,*
34 to determine whether the fluid level is above the base of an
35 underground source of drinking water.

36 (2) ~~Testing~~ *Appropriate testing, as determined by the supervisor,*
37 to verify the mechanical integrity of the well.

38 (3) ~~Remediation~~ *Appropriate remediation, as determined by*
39 *the supervisor,* of idle wells if there is an indication of a lack of
40 mechanical integrity.

1 (4) For a well that has been an idle well for 15 years or more,
2 an engineering analysis demonstrating to the division’s satisfaction
3 that it is ~~economically~~ viable to return the idle well to operation
4 in the future.

5 (b) If the operator demonstrates to the division’s satisfaction
6 that the well is not within one-half mile of an underground source
7 of drinking water, testing required under the regulations
8 implementing this section shall not be required until at least two
9 years after the well becomes an idle well. This subdivision shall
10 not be construed to prohibit or limit any other testing required
11 under this chapter.

12 (c) At the discretion of the supervisor, the regulations
13 implementing this section may provide an option for temporary
14 or partial well abandonment in lieu of compliance with the
15 requirements of the regulations implementing this section.

16 (d) If the operator does not remediate an idle well as required
17 by the regulations implementing this section, or the operator does
18 not demonstrate that an idle well is economically viable as required
19 by the regulations implementing this section, then the operator
20 shall plug and abandon the idle well in accordance with Section
21 3208.

22 (e) Failure to file to comply with the requirements of the
23 regulations implementing this section shall be conclusive evidence
24 of desertion of the well, permitting the supervisor to order the well
25 abandoned pursuant to Section 3237.

26 (f) For purposes of this section, an “underground source of
27 drinking water” has the same meaning as in the federal Safe
28 Drinking Water Act (42 U.S.C. Sec. 300f).

29 SEC. 12. Section 3207 of the Public Resources Code is
30 amended to read:

31 3207. (a) Any individual or blanket indemnity bond issued in
32 compliance with this chapter may be terminated and canceled and
33 the surety be relieved of all obligations thereunder when the well
34 or wells covered by such bond have been properly completed or
35 abandoned or another valid bond has been substituted therefor.
36 Should the person who has filed a blanket bond properly complete
37 or abandon a portion of his or her wells covered by the bond, the
38 bond may be terminated and canceled and the surety be relieved
39 of all obligations thereunder upon the filing by such person of an
40 individual bond for each well which is still not producing or which

1 he or she is still engaged in drilling, redrilling, deepening, or
2 permanently altering the casing. Liability as to individual wells
3 that have been completed or drilled and abandoned under a blanket
4 bond may also be terminated.

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

8 SEC. 13. Section 3207 is added to the Public Resources Code,
9 to read:

10 3207. (a) Any individual or blanket indemnity bond issued in
11 compliance with this chapter may be terminated and canceled and
12 the surety relieved of all obligations thereunder when the well or
13 wells covered by such bond have been properly abandoned pursuant
14 to Section 3208, or another valid bond has been substituted
15 therefor. Should the person who has filed a blanket bond properly
16 abandon a portion of his or her wells covered by the bond, the
17 bond may be terminated and canceled and the surety relieved of
18 all obligations thereunder upon the filing by such person of an
19 individual bond for each well that is still not abandoned. Liability
20 as to individual wells that have been properly abandoned under a
21 blanket bond may also be terminated.

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

23 SEC. 14. Section 3208 of the Public Resources Code is
24 amended to read:

25 3208. (a) For the purposes of Section 3207, a well is properly
26 completed when it has been shown, to the satisfaction of the
27 supervisor, that the manner of producing oil or gas or injecting
28 fluids into the well is satisfactory and that the well has maintained
29 production of oil or gas or injection for a continuous six-month
30 period. A well is properly abandoned when it has been shown, to
31 the satisfaction of the supervisor, that all proper steps have been
32 taken to isolate all oil-bearing or gas-bearing strata encountered
33 in the well, and to protect underground or surface water suitable
34 for irrigation or farm or domestic purposes from the infiltration or
35 addition of any detrimental substance and to prevent subsequent
36 damage to life, health, property, and other resources. For purposes
37 of this subdivision, proper steps include the plugging of the well,
38 decommissioning the attendant production facilities of the well,
39 or both, if determined necessary by the supervisor.

1 (b) 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. 15. Section 3208 is added to the Public Resources Code,
5 to read:

6 3208. (a) For the purposes of Sections 3206 and 3207, a well
7 is properly abandoned when it has been shown, to the satisfaction
8 of the supervisor, that all proper steps have been taken to isolate
9 all oil-bearing or gas-bearing strata encountered in the well, and
10 to protect underground or surface water suitable for irrigation or
11 farm or domestic purposes from the infiltration or addition of any
12 detrimental substance and to prevent subsequent damage to life,
13 health, property, and other resources. For purposes of this
14 subdivision, proper steps include the plugging of the well,
15 decommissioning the attendant production facilities of the well,
16 or both, if determined necessary by the supervisor.

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

18 SEC. 16. Section 3208.1 of the Public Resources Code is
19 amended to read:

20 3208.1. (a) To prevent, as far as possible, damage to life,
21 health, and property, the supervisor or district deputy may order,
22 or permit, the reabandonment of any previously abandoned well
23 if the supervisor or the district deputy has reason to question the
24 integrity of the previous abandonment, or if the well is not
25 accessible or visible.

26 (b) The operator responsible for plugging and abandoning
27 deserted wells under Section 3237 shall be responsible for the
28 reabandonment except in the following situations:

29 (1) The supervisor finds that the operator plugged and
30 abandoned the well in conformity with the requirements of this
31 division in effect at the time of the plugging and abandonment and
32 that the well in its current condition presents no immediate danger
33 to life, health, and property but requires additional work solely
34 because the owner of the property on which the well is located
35 proposes construction on the property that would prevent or impede
36 access to the well for purposes of remedying a currently perceived
37 future problem. In this situation, the owner of the property on
38 which the well is located shall obtain all rights necessary to
39 reabandon the well and be responsible for the reabandonment.

1 (2) The supervisor finds that the operator plugged and
2 abandoned the well in conformity with the requirements of this
3 division in effect at the time of the plugging and abandonment and
4 that construction over or near the well preventing or impeding
5 access to it was begun on or after January 1, 1988, and the property
6 owner, developer, or local agency permitting the construction
7 failed either to obtain an opinion from the supervisor or district
8 deputy as to whether the previously abandoned well is required to
9 be reabandoned or to follow the advice of the supervisor or district
10 deputy not to undertake the construction. In this situation, the
11 person or entity causing the construction over or near the well shall
12 be responsible for the reabandonment.

13 (3) The supervisor finds that the operator plugged and
14 abandoned the well in conformity with the requirements of this
15 division in effect at the time of the plugging and abandonment and
16 after that time someone other than the operator or an affiliate of
17 the operator disturbed the integrity of the abandonment in the
18 course of developing the property, and the supervisor is able to
19 determine based on credible evidence, including circumstantial
20 evidence, the party or parties responsible for disturbing the integrity
21 of the abandonment. In this situation, the party or parties
22 responsible for disturbing the integrity of the abandonment shall
23 be responsible for the reabandonment.

24 (c) For purposes of this section, being responsible for the
25 reabandonment means that the responsible party or parties shall
26 complete the reabandonment and be subject to the requirements
27 of this chapter as an operator of the well. The responsible party or
28 parties shall file with the supervisor the appropriate bond or
29 security in an amount specified in Section 3204, 3205, or 3205.1.
30 If the reabandonment is not completed, the supervisor may act
31 under Section 3226 to complete the work.

32 (d) Except for the situations listed in paragraphs (1), (2), and
33 (3) of subdivision (b), nothing in this section precludes the
34 application of Article 4.2 (commencing with Section 3250) when
35 its application would be appropriate.

36 SEC. 17. Section 3238 of the Public Resources Code is
37 amended to read:

38 3238. (a) For oil and gas produced in this state from a well
39 that qualifies under Section 3251 or that has been inactive for a
40 period of at least the preceding five consecutive years, the rate of

1 the charges imposed pursuant to Sections 3402 and 3403 shall be
2 reduced to zero for a period of 10 years. The supervisor or district
3 deputy shall not permit an operator to undertake any work on wells
4 qualifying under Section 3251 unless the mineral rights owner
5 consents, in writing, to the work plan.

6 (b) An operator who undertakes any work on a well qualifying
7 under Section 3251 shall have up to 90 days from the date the
8 operator receives written consent from the supervisor to evaluate
9 the well. On or before the 90 day evaluation period ends, the
10 operator shall file with the supervisor a bond or security in an
11 amount specified in Section 3204, 3205, or 3205.1, in accordance
12 with the requirements of whichever of those sections is applicable
13 to the well, if the well operations are to continue for a period in
14 excess of the 90-day evaluation period. The conditions of the bond
15 shall be the same as the conditions stated in Section 3204.

16 (c) A party may plug and abandon a well that qualifies under
17 Section 3251 by obtaining all necessary rights to the well. That
18 party shall be subject to the requirements of this chapter as an
19 operator of the well, file with the supervisor the appropriate bond
20 or security in an amount specified in Section 3204, 3205, or 3205.1,
21 and complete the abandonment. If the abandonment is not
22 completed, the supervisor may act under Section 3226 to complete
23 the work.

24 SEC. 18. No reimbursement is required by this act pursuant to
25 Section 6 of Article XIII B of the California Constitution because
26 the only costs that may be incurred by a local agency or school
27 district will be incurred because this act creates a new crime or
28 infraction, eliminates a crime or infraction, or changes the penalty
29 for a crime or infraction, within the meaning of Section 17556 of
30 the Government Code, or changes the definition of a crime within
31 the meaning of Section 6 of Article XIII B of the California
32 Constitution.