

**Assembly Bill No. 2729**

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Passed the Assembly August 24, 2016

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*Chief Clerk of the Assembly*

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Passed the Senate August 18, 2016

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2016, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

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, 3206.1, and 3206.3 to, the Public Resources Code, relating to oil and gas, and making an appropriation therefor.

## LEGISLATIVE COUNSEL'S DIGEST

AB 2729, 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 requires the operator of any idle well not covered by an individual or blanket indemnity bond, as specified to either file with the supervisor a specified annual fee for each idle well, provide an escrow account for each idle well, provide an indemnity bond in a specified amount for each idle well, or, on or before July 1, 1999, file a plan with the supervisor to provide for the management and elimination of all long-term idle wells not covered by a fee, escrow account, or indemnity bond. Existing law requires that these plans cover a time period of no more than 10 years and may be renewed annually thereafter, subject to approval by the supervisor. Existing law exempts an operator who complies with the plan from any increased idle well bond or fee requirements.

This bill instead would, until January 1, 2018, remove the requirement that the plans be filed on or before July 1, 1999, require that the plan cover a time period of no more than one year, revise the requirements of the plan, and remove the exemption for operators who comply with the plan from any increased idle well bond or fee requirements.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

This bill would also require the supervisor, on or before July 1, 2019, and annually thereafter until July 1, 2026, to prepare and transmit to the Legislature a comprehensive report containing specified information on the status of idle and long-term idle wells

for the preceding calendar year. The bill would require the report to be made publicly available and an electronic version to be available on the division's Internet Web site. After July 1, 2026, the bill would require the division to continue to regularly provide updated information describing idle and long-term idle wells on the division's Internet Web site.

(9) 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.

Appropriation: yes.

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

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

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

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

(c) "Active observation well" means a well being used for the sole purpose of gathering reservoir data, such as pressure or temperature in a reservoir being currently produced or injected by the operator. For a well to be an active observation well, the operator shall demonstrate to the division's satisfaction that the well fulfills a need for gathering reservoir data, and the operator shall provide the division with a summary report of the type of data collected at least annually or as requested by the division.

(d) "Idle well" means any well that has had 24 consecutive months of not either producing oil or natural gas, producing water

to be used in production stimulation, enhanced oil recovery, or reservoir pressure management, or being used for injection. For the purpose of determining whether a well is an idle well, production or injection is subject to verification by the division. An idle well continues to be an idle well until it has been properly abandoned in accordance with Section 3208 or it has been shown to the division's satisfaction that, since the well became an idle well, the well has for a continuous six-month period either maintained production of oil or natural gas, maintained production of water used in production stimulation, enhanced oil recovery, or reservoir pressure management, or been used for injection.

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

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

3016. For purposes of this chapter, abandoned underground personal property, including a well, of an operator shall become 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. In that case, in accordance with paragraph (3) of subdivision (c) of Section 3237, the mineral interest owner shall be held jointly liable for the well if, in the lease or other conveyance, the mineral interest owner retained a right to control the well operations that exceeds the scope of an interest customarily reserved in a lease or other conveyance in the event of default.

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

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

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

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

(3) The date when the acquisition becomes final.

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

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

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

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

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

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

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

(3) The date when the acquisition becomes final.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3205. (a) An operator who engages in the drilling, redrilling, deepening, or in any operation permanently altering the casing, of 20 or more wells at any time, may file with the supervisor one

blanket indemnity bond to cover all the operations in any of its wells in the state in lieu of an individual indemnity bond for each operation as required by Section 3204. The bond shall be executed by the operator, as principal, and by an authorized surety company, as surety, and shall be in substantially the same language and upon the same conditions as provided in Section 3204, except as to the difference in the amount. The bond shall be provided in one of the following amounts, as applicable:

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

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

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

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

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

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

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

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

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

(3) The sum of two million dollars (\$2,000,000), for any operator having more than 500, but no more than 10,000, wells in the state, exclusive of properly abandoned wells.

(4) The sum of three million dollars (\$3,000,000), for any operator having more than 10,000 wells in the state, exclusive of properly abandoned wells.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) File a plan with the supervisor to provide for the management and elimination of all long-term idle wells not covered under paragraph (1), (2), or (3).

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

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

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

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

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

(iv) The plan shall require that operators with 20 or fewer idle wells eliminate at least one long-term idle well each year; operators with 21 to 50, inclusive, idle wells eliminate at least two long-term idle wells each year; operators with 51 to 100, inclusive, idle wells eliminate at least five long-term idle wells each year; operators

with 101 to 250, inclusive, idle wells eliminate at least 10 long-term wells each year; and operators with more than 250 idle wells eliminate at least 4 percent of their long-term idle wells each year.

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

(b) All fees received under this section shall be deposited in the Hazardous and Idle-Deserted Well Abatement Fund, which is hereby created in the State Treasury. Notwithstanding Section 13340 of the Government Code, the moneys in the Hazardous and Idle-Deserted Well Abatement Fund are hereby 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 the attendant production facilities, or both, at a well of an operator subject to the requirements of this section.

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

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

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

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

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

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

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

(B) Three hundred dollars (\$300) for each idle well that has been an idle well for eight years or longer, but less than 15 years.

(C) Seven hundred fifty dollars (\$750) for each idle well that has been an idle well for 15 years or longer, but less than 20 years.

(D) One thousand five hundred dollars (\$1,500) for each idle well that has been an idle well for 20 years or longer.

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

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

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

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

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

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

(iv) Unless and until the operator has no long-term idle wells, the plan shall require that operators with 250 or fewer idle wells eliminate at least 4 percent of their long-term idle wells each year, and, in no case, less than one long-term idle well; operators with 251 to 1,250, inclusive, idle wells eliminate at least 5 percent of their long-term idle wells each year, and, in no case, less than one long-term idle well; and operators with more than 1,250 idle wells eliminate at least 6 percent of their long-term idle wells each year, and, in no case, less than one long-term idle well.

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

(b) All fees received under this section shall be deposited in the Hazardous and Idle-Deserted Well Abatement Fund, which is hereby created in the State Treasury. Notwithstanding Section 13340 of the Government Code, the moneys in the Hazardous and Idle-Deserted Well Abatement Fund are hereby 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 the attendant production facilities, or both, at a well of an operator subject to the requirements of this section.

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

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

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

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

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

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

(2) Appropriate testing, as determined by the supervisor, to verify the mechanical integrity of the well.

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

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

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

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

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

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

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

SEC. 12. Section 3206.3 is added to the Public Resources Code, to read:

3206.3. (a) (1) Notwithstanding Section 10231.5 of the Government Code, on or before July 1, 2019, and annually thereafter until July 1, 2026, the supervisor shall, in compliance with Section 9795 of the Government Code, prepare and transmit to the Legislature a comprehensive report on the status of idle and

long-term idle wells for the preceding calendar year. The report shall include:

(A) A list of all idle and long-term idle wells in the state by American Petroleum Institute identification number and indicating the operator, field, and pool.

(B) A list of all wells whose idle or long-term idle status changed in the preceding year by American Petroleum Institute identification number with the disposition and current status of each well.

(C) A list of orphan wells remaining, the estimated costs of abandoning those orphan wells, and a timeline for future orphan well abandonment with a specific schedule of goals. Idle and long-term idle wells that have become orphan wells shall be identified in the list. For the purposes of this report, an orphan well is a well that has no party responsible for it, leaving the state to plug and abandon it.

(D) A list of all operators with plans filed with the supervisor for the management and elimination of all long-term idle wells and the status of those plans.

(E) Any additional relevant information as determined by the supervisor.

(2) The report shall be made publicly available and an electronic version shall be available on the division's Internet Web site.

(b) Information on how to access the plans described in subparagraph (D) of paragraph (1) of subdivision (a) shall be on the division's Internet Web site.

(c) After July 1, 2026, the division shall continue to regularly provide updated information describing idle and long-term idle wells on the division's Internet Web site.

SEC. 13. Section 3207 of the Public Resources Code is amended to read:

3207. (a) Any individual or blanket indemnity bond issued in compliance with this chapter may be terminated and canceled and the surety be relieved of all obligations thereunder when the well or wells covered by such bond have been properly completed or abandoned or another valid bond has been substituted therefor. Should the person who has filed a blanket bond properly complete or abandon a portion of his or her wells covered by the bond, the bond may be terminated and canceled and the surety be relieved of all obligations thereunder upon the filing by such person of an

individual bond for each well which is still not producing or which he or she is still engaged in drilling, re-drilling, deepening, or permanently altering the casing. Liability as to individual wells that have been completed or drilled and abandoned under a blanket bond may also be terminated.

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

SEC. 14. Section 3207 is added to the Public Resources Code, to read:

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

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

SEC. 15. Section 3208 of the Public Resources Code is amended to read:

3208. (a) For the purposes of Section 3207, a well is properly completed when it has been shown, to the satisfaction of the supervisor, that the manner of producing oil or gas or injecting fluids into the well is satisfactory and that the well has maintained production of oil or gas or injection for a continuous six-month period. 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. For purposes of this subdivision, proper steps include the plugging of the well, decommissioning the attendant production facilities of the well, or both, if determined necessary by the supervisor.

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

SEC. 16. Section 3208 is added to the Public Resources Code, to read:

3208. (a) For the purposes of Sections 3206 and 3207, 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. For purposes of this subdivision, proper steps include the plugging of the well, decommissioning the attendant production facilities of the well, or both, if determined necessary by the supervisor.

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

SEC. 17. Section 3208.1 of the Public Resources Code is amended to read:

3208.1. (a) To prevent, as far as possible, damage to life, health, and property, the supervisor or district deputy may 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.

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

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

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

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

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

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

SEC. 18. Section 3238 of the Public Resources Code is amended to read:

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

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

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

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

SEC. 19. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.



















Approved \_\_\_\_\_, 2016

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*Governor*