

AMENDED IN ASSEMBLY AUGUST 2, 2010
AMENDED IN ASSEMBLY JUNE 30, 2010
AMENDED IN ASSEMBLY JUNE 21, 2010
AMENDED IN ASSEMBLY APRIL 8, 2010
AMENDED IN ASSEMBLY AUGUST 31, 2009
AMENDED IN ASSEMBLY AUGUST 17, 2009
AMENDED IN ASSEMBLY JULY 9, 2009
AMENDED IN SENATE MAY 20, 2009

SENATE BILL

No. 550

**Introduced by Senator Florez
(Coauthor: Senator Romero)**

February 27, 2009

~~An act to amend Sections 3204, 3205, 3207, and 3270.4 of, and to add Section 3205.7 to, the Public Resources Code, relating to natural resources. An act to amend, add, and repeal Sections 3204, 3205, 3207, and 3270.4 of, and to add Sections 3204.5, 3205.3, and 3205.7 to, the Public Resources Code, relating to natural resources.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 550, as amended, Florez. Natural resources: oil and gas: drilling.

(1) Existing law regulates oil and gas activities. Existing law requires an operator of an oil and gas well to file with the State Oil and Gas Supervisor individual indemnity bonds at a specified amount for wells based on the depth of the well or blanket indemnity bonds. Existing

law requires the bond to ensure that the operator faithfully complies with regulations governing the operation of the well.

This bill would, *commencing January 1, 2012*, increase the amount of the indemnity bond and would require the supervisor to ~~increase the indemnity bond amounts~~ *require additional evidence of financial ability* under specified conditions. The bill would, *commencing January 1, 2012*, require the operator, within 10 days of execution, to provide to the owner of surface rights written disclosure of any lease or agreement to drill, operate, maintain, or control a well between the operator and the owner of subsurface or mineral rights.

(2) Existing law authorizes the termination or cancellation of an individual or blanket indemnity bond under specified conditions.

This bill would, *commencing January 1, 2012*, prohibit the supervisor from terminating or canceling an individual or blanket indemnity bond, *or evidence of financial ability*, if the supervisor determines that significant risk of damage from drilling or production activities remains. In the alternative, *commencing January 1, 2012*, the bill would authorize the supervisor to require an operator to substitute that indemnity bond, *or evidence of financial ability*, with a life-of-production or life-of-well facility bond.

(3) Existing law authorizes the supervisor to require a life-of-well or life-of-production facility bond in a specified amount from an operator with a history of violating regulations governing oil and gas wells or that has outstanding liabilities to the state associated with a well or production facility.

This bill would, *commencing January 1, 2012*, additionally authorize the supervisor to require a life-of-well or life-of-production facility bond for drilling or production activity that may present a significant risk of damage to natural resources, fish or wildlife, underground or surface water *suitable for potable or agricultural uses*, or agricultural resources that are not adequately mitigated, as determined by the supervisor, by any other local, state, or federal law, regulation, or ordinance.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

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

1 SECTION 1. Section 3204 of the Public Resources Code is
2 amended to read:

3204. (a) An operator who, on or after January 1, 1999, engages in the drilling, redrilling, or deepening, or in any operation permanently altering the casing, of a well shall file with the supervisor an individual indemnity bond in the specified sum for each well so drilled, redrilled, deepened, or permanently altered. This sum shall be twenty thousand dollars (\$20,000) for each well less than 5,000 feet deep, thirty thousand dollars (\$30,000) for each well at least 5,000 feet but less than 10,000 feet deep, and forty thousand dollars (\$40,000) for each well 10,000 or more feet deep. 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, conditioned that the principal named in the bond shall faithfully comply with all the provisions of this chapter, ~~including the duty to prevent damage to life, health, property, natural resources, and underground and surface waters,~~ 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 such compliance by the principal named in the bond. *The amounts indicated in this section shall be indexed to inflation, as calculated by the Department of Finance, since January 1, 2011.*

(b) 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.”

~~(c) The supervisor shall increase the indemnity bond amounts contained in subdivision (a) for either of the following reasons:~~

~~(1) The reasonable costs to secure the state against all losses, charges, and expenses incurred by the state to obtain compliance~~

1 with all of the provisions of this chapter by the principal named
2 in the bond has increased by at least the annual rate of inflation;
3 as calculated by the Department of Industrial Relations, since
4 January 1, 2011.

5 (2) The supervisor determines both of the following:

6 (A) Any of the drilling activities covered by a bond may present
7 a significant risk of damage to natural resources, fish or wildlife,
8 underground or surface water, or agricultural resources, including
9 cultivated crops. Any increased bonding requirement shall be in
10 an amount reasonably expected to secure the total costs of
11 remediation or restoration of any of those damages.

12 (B) The risk is not adequately mitigated, as determined by the
13 supervisor, by any other local, state, or federal law, regulation, or
14 ordinance.

15 (c) This section shall be inoperative until January 1, 2012, and
16 on that date shall become operative.

17 SEC. 2. Section 3204 is added to the Public Resources Code,
18 to read:

19 3204. (a) Any operator who, on or after January 1, 1999,
20 engages in the drilling, redrilling, deepening, or in any operation
21 permanently altering the casing, of any well shall file with the
22 supervisor an individual indemnity bond in the specified sum for
23 each well so drilled, redrilled, deepened, or permanently altered.
24 This sum shall be fifteen thousand dollars (\$15,000) for each well
25 less than 5,000 feet deep, twenty thousand dollars (\$20,000) for
26 each well at least 5,000 feet but less than 10,000 feet deep, and
27 thirty thousand dollars (\$30,000) for each well 10,000 or more
28 feet deep. The bond shall be filed with the supervisor at the time
29 of the filing of the notice of intention to perform work on the well,
30 as provided in Section 3203. The bond shall be executed by the
31 operator, as principal, and by an authorized surety company, as
32 surety, conditioned that the principal named in the bond shall
33 faithfully comply with all the provisions of this chapter, in drilling,
34 redrilling, deepening, or permanently altering the casing in any
35 well or wells covered by the bond, and shall secure the state
36 against all losses, charges, and expenses incurred by it to obtain
37 such compliance by the principal named in the bond.

38 (b) The conditions of the bond shall be stated in substantially
39 the following language: "If the _____, the above bounden principal,
40 shall well and truly comply with all the provisions of Division 3

1 *(commencing with Section 3000) of the Public Resources Code*
2 *and shall obey all lawful orders of the State Oil and Gas Supervisor*
3 *or the district deputy or deputies, subject to subsequent appeal as*
4 *provided in that division, and shall pay all charges, costs, and*
5 *expenses incurred by the supervisor or the district deputy or*
6 *deputies in respect of the well or wells or the property or properties*
7 *of the principal, or assessed against the well or wells or the*
8 *property or properties of the principal, in pursuance of the*
9 *provisions of that division, then this obligation shall be void;*
10 *otherwise, it shall remain in full force and effect.”*

11 *(c) This section shall be operative until January 1, 2012, and*
12 *on that date is repealed.*

13 *SEC. 3. Section 3204.5 is added to the Public Resources Code,*
14 *to read:*

15 *3204.5. (a) In addition to the drilling-related bonding*
16 *requirements specified in Section 3204, the supervisor shall require*
17 *additional evidence of financial ability if the supervisor determines*
18 *all of the following:*

19 *(1) Any of the drilling activities covered by a drilling-related*
20 *bond may present a significant risk of damage to natural resources,*
21 *fish or wildlife, or underground or surface water suitable for*
22 *potable or agricultural uses or agricultural resources, including*
23 *cultivated crops.*

24 *(2) The risk is not adequately mitigated, as determined by the*
25 *supervisor, by any other local, state, or federal law, regulation,*
26 *or ordinance.*

27 *(b) (1) Any required increase in the evidence of financial ability*
28 *pursuant to subdivision (a) shall be in an amount reasonably*
29 *expected to secure the total costs of remediation or restoration of*
30 *the damage.*

31 *(2) The increased evidence of financial ability shall not exceed*
32 *five million dollars (\$5,000,000) per facility unless the supervisor*
33 *views significant amounts of potable or agricultural groundwater*
34 *contamination as a material possibility, in which case the evidence*
35 *of financial ability shall not exceed twenty-five million dollars*
36 *(\$25,000,000). These amounts shall be indexed to inflation, as*
37 *calculated by the Department of Finance, since January 1, 2011.*

38 *(3) For the purpose of this section, a facility shall be defined to*
39 *mean all of an operator’s activities in a specific oilfield as*

1 determined by the supervisor's determination of official oilfield
2 administrative boundaries.

3 (c) Notwithstanding subdivision (a), this section does not
4 authorize the supervisor to disburse any of the proceeds of the
5 additional evidence of financial ability to the state or to third
6 parties. If damage is alleged by the state or a third party against
7 an operator, the supervisor shall retain the evidence of financial
8 ability and may take steps to protect the evidence until a settlement
9 is reached, a court decision has been rendered, or a cleanup by
10 the operator has occurred.

11 (d) The finding of significant risk, and the acceptable evidence
12 of increased financial ability required, as determined by the
13 supervisor, is appealable pursuant to this article.

14 (e) The supervisor shall adopt regulations specifying acceptable
15 evidence of financial ability, including, but not limited to, escrowed
16 trust funds, escrowed government securities, letters of credit,
17 pledges of revenue, financial means test guarantees, liability
18 insurance, or any combination of the above. The evidence of
19 financial ability shall faithfully comply with this chapter, including,
20 but not limited to, the duty to prevent damage to life, health,
21 property, natural resources, and underground and surface waters.
22 The burden of proving evidence of financial ability shall be on the
23 operator.

24 (f) The supervisor shall have the option to review and approve
25 the use of alternative forms of evidence of financial ability not
26 specified in subdivision (e) if presented a viable application by an
27 operator. The burden on providing this evidence shall be on the
28 operator.

29 (g) This section shall be inoperative until January 1, 2012, and
30 on that date shall become operative.

31 ~~SEC. 2.~~

32 SEC. 4. Section 3205 of the Public Resources Code is amended
33 to read:

34 3205. An operator who engages in the drilling, redrilling,
35 deepening, or in an operation permanently altering the casing, of
36 one or more wells at any time, may file with the supervisor one
37 blanket indemnity bond to cover all the operations in any of its
38 wells in the state in lieu of an individual indemnity bond for each
39 operation as required by Section 3204. The bond shall be executed
40 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:

(a) The sum of three hundred thirty thousand dollars (\$330,000) that does not include the bond or fee required in Section 3206. A blanket surety bond provided prior to January 1, 1999, shall be increased to comply with this subdivision on or before January 1, 2001. A blanket cash bond provided prior to January 1, 1999, shall be increased by a minimum of thirty thousand dollars (\$30,000) per year, initially payable January 1, 2000, and yearly on January 1, thereafter, until the amount on deposit is sufficient to comply with this subdivision.

(b) The sum of one hundred thirty thousand dollars (\$130,000), 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.

(c) The sum of one million three hundred thousand dollars (\$1,300,000) does include the bond or fee required in Section 3206.

~~(d) The supervisor shall increase the indemnity bond amounts contained in subdivision (a) for either of the following reasons:~~

~~(1) The reasonable costs to secure the state against all losses, charges, and expenses incurred by the state to obtain compliance with all of the provisions of this chapter by the principal named in the bond has increased by at least the annual rate of inflation, as calculated by the Department of Industrial Relations, since January 1, 2011.~~

~~(2) The supervisor determines both of the following:~~

~~(A) Any of the drilling activities covered by a bond may present a significant risk of damage to natural resources, fish or wildlife, underground or surface water, or agricultural resources, including cultivated crops. Any increased bonding requirement shall be in an amount reasonably expected to secure the total costs of remediation or restoration of any of those damages.~~

~~(B) The risk is not adequately mitigated, as determined by the supervisor, by any other local, state, or federal law, regulation, or ordinance.~~

(d) This section shall be inoperative until January 1, 2012, and on that date shall become operative.

1 SEC. 5. Section 3205 is added to the Public Resources Code,
2 to read:

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

14 (a) The sum of two hundred fifty thousand dollars (\$250,000),
15 which does not include the bond or fee required in Section 3206.
16 A blanket surety bond provided prior to January 1, 1999, shall be
17 increased to comply with this subdivision on or before January 1,
18 2001. A blanket cash bond provided prior to January 1, 1999,
19 shall be increased by a minimum of thirty thousand dollars
20 (\$30,000) per year, initially payable January 1, 2000, and yearly
21 on January 1, thereafter, until the amount on deposit is sufficient
22 to comply with this subdivision.

23 (b) The sum of one hundred thousand dollars (\$100,000), which
24 does not include the bond or fee required in Section 3206, for any
25 operator having 50 or fewer wells in the state, exclusive of properly
26 abandoned wells.

27 (c) The sum of one million dollars (\$1,000,000), which does
28 include the bond or fee required in Section 3206.

29 (d) This section shall be operative until January 1, 2012, and
30 on that date is repealed.

31 SEC. 6. Section 3205.3 is added to the Public Resources Code,
32 to read:

33 3205.3. (a) In addition to the drilling-related bonding
34 requirements specified in Section 3205, the supervisor shall require
35 additional evidence of financial ability if the supervisor determines
36 all of the following:

37 (1) Any of the drilling activities covered by a drilling-related
38 bond may present a significant risk of damage to natural resources,
39 fish or wildlife, or underground or surface water suitable for

1 *potable or agricultural uses or agricultural resources, including*
2 *cultivated crops.*

3 *(2) The risk is not adequately mitigated, as determined by the*
4 *supervisor, by any other local, state, or federal law, regulation,*
5 *or ordinance.*

6 *(b) Any required increase in the evidence of financial ability*
7 *pursuant to subdivision (a) shall be in an amount reasonably*
8 *expected to secure the total costs of remediation or restoration of*
9 *the damage.*

10 *(1) The increased evidence of financial ability shall not exceed*
11 *five million dollars (\$5,000,000) per facility unless the supervisor*
12 *views significant amounts of potable or agricultural groundwater*
13 *contamination as a material possibility, in which case the evidence*
14 *of financial ability shall not exceed twenty-five million dollars*
15 *(\$25,000,000). These amounts shall be indexed to inflation, as*
16 *calculated by the Department of Finance, since January 1, 2011.*

17 *(2) For the purpose of this section, a facility shall be defined to*
18 *mean all of an operator's activities in a specific oilfield as*
19 *determined by the supervisor's determination of official oilfield*
20 *administrative boundaries.*

21 *(c) Notwithstanding subdivision (a), this section does not*
22 *authorize the supervisor to disburse any of the proceeds of the*
23 *additional evidence of financial ability to the state or to third*
24 *parties. If damage is alleged by the state or a third party against*
25 *an operator, the supervisor shall retain the evidence of financial*
26 *ability and may take steps to protect the evidence until a settlement*
27 *is reached, a court decision has been rendered, or a cleanup by*
28 *the operator has occurred.*

29 *(d) The finding of significant risk, and the acceptable evidence*
30 *of increased financial ability required, as determined by the*
31 *supervisor, is appealable pursuant to this article.*

32 *(e) The supervisor shall adopt regulations specifying acceptable*
33 *evidence of financial ability, including, but not limited to, escrowed*
34 *trust funds, escrowed government securities, letters of credit,*
35 *pledges of revenue, financial means test guarantees, liability*
36 *insurance, or any combination of the above. The evidence of*
37 *financial ability shall faithfully comply with this chapter, including,*
38 *but not limited to, the duty to prevent damage to life, health,*
39 *property, natural resources, and underground and surface waters.*

1 *The burden of proving evidence of financial ability shall be on the*
2 *operator.*

3 *(f) The supervisor shall have the option to review and approve*
4 *the use of alternative forms of evidence of financial ability not*
5 *specified in subdivision (e) if presented a viable application by an*
6 *operator. The burden on providing this evidence shall be on the*
7 *operator.*

8 *(g) This section shall be inoperative until January 1, 2012, and*
9 *on that date shall become operative.*

10 ~~SEC. 3.~~

11 *SEC. 7.* Section 3205.7 is added to the Public Resources Code,
12 to read:

13 3205.7. (a) An operator shall provide to the owner of surface
14 rights written disclosure of any lease or agreement to drill, operate,
15 maintain, or control a well between the operator and the owner of
16 subsurface or mineral rights within 10 days of the execution of the
17 lease or agreement.

18 *(b) This section shall be inoperative until January 1, 2012, and*
19 *on that date shall become operative.*

20 ~~SEC. 4.~~

21 *SEC. 8.* Section 3207 of the Public Resources Code is amended
22 to read:

23 3207. (a) An individual or blanket indemnity bond *or evidence*
24 *of financial ability* issued in compliance with this chapter may be
25 terminated and canceled and the surety be relieved of all obligations
26 thereunder when the well or wells covered by that bond *or evidence*
27 *of financial ability* have been properly completed or abandoned
28 or another valid bond *or evidence of financial ability* has been
29 substituted for that bond *or evidence of financial ability*. Should
30 the person who has filed a blanket bond properly complete or
31 abandon a portion of his or her wells covered by the bond, the
32 bond may be terminated and canceled and the surety be relieved
33 of all obligations under the bond upon the filing by that person of
34 an individual bond for each well that is still not producing or that
35 he or she is still engaged in drilling, redrilling, deepening, or
36 permanently altering the casing. Liability as to individual wells
37 that have been completed or drilled and abandoned under a blanket
38 bond may also be terminated.

39 (b) The supervisor shall not terminate or cancel an individual
40 ~~or indemnity bond, a blank indemnity bond, or evidence of financial~~

1 *ability issued in compliance with this chapter if the supervisor*
2 *determines that a significant risk of damage from any drilling or*
3 *production activity remains, considering any local, state, or federal*
4 *regulatory requirements, to natural resources, fish or wildlife,*
5 *underground or surface water suitable for potable or agricultural*
6 *uses, or agricultural resources, including cultivated crops. The*
7 *supervisor shall, if requested by an operator on not more frequent*
8 *basis than once annually, determine if a previously determined*
9 *significant risk has been reduced to less than a significant level.*
10 *Alternatively, the supervisor may require an operator to substitute*
11 *an individual or blanket indemnity bond with a life-of-production*
12 *or life-of-well facility bond, or the operator, at its discretion, may*
13 *submit evidence of financial ability in lieu of the bonds, which*
14 *evidence shall be required annually for the life-of-production or*
15 *the life-of-well. The burden of providing adequate evidence of*
16 *financial ability shall be on the operator.*

17 *(c) This section shall be inoperative until January 1, 2012, and*
18 *on that date shall become operative.*

19 *SEC. 9. Section 3207 is added to the Public Resources Code,*
20 *to read:*

21 *3207. (a) Any individual or blanket indemnity bond issued in*
22 *compliance with this chapter may be terminated and canceled and*
23 *the surety be relieved of all obligations thereunder when the well*
24 *or wells covered by such bond have been properly completed or*
25 *abandoned or another valid bond has been substituted therefor.*
26 *Should the person who has filed a blanket bond properly complete*
27 *or abandon a portion of his wells covered by the bond, the bond*
28 *may be terminated and canceled and the surety be relieved of all*
29 *obligations thereunder upon the filing by such person of an*
30 *individual bond for each well which is still not producing or which*
31 *he is still engaged in drilling, redrilling, deepening, or permanently*
32 *altering the casing. Liability as to individual wells that have been*
33 *completed or drilled and abandoned under a blanket bond may*
34 *also be terminated.*

35 *(b) This section shall be operative until January 1, 2012, and*
36 *on that date is repealed.*

37 ~~SEC. 5.~~

38 *SEC. 10. Section 3270.4 of the Public Resources Code is*
39 *amended to read:*

3270.4. (a) In addition to the bonding requirements under Article 4 (commencing with Section 3200), for an operator with a history of violating this chapter or that has outstanding liabilities to the state associated with a well or production facility, or for any drilling or production activity that may present a significant risk of damage to natural resources, fish or wildlife, underground or surface water, or agricultural resources, including cultivated crops, and that risk is not adequately mitigated, as determined by the supervisor, by any other local, state, or federal law, regulation, or ordinance, the supervisor may require a life-of-well or life-of-production facility bond in an amount adequate to ensure all of the following:

- (1) The proper plugging and abandonment of each well.
- (2) The safe decommissioning of each production facility.
- (3) The financing of spill response and incident cleanup.
- (4) The remediation or restoration of damage to natural resources, fish or wildlife, underground or surface water *suitable for potable or agricultural uses*, or agricultural resources, including cultivated crops.

(b) Upon the failure of an operator to properly plug and abandon a well, decommission a production facility, or perform the appropriate spill response and incident cleanup, the supervisor may levy on the bond to obtain money to pay the cost of the work.

(c) The supervisor may release a life-of-production facility bond upon the satisfactory decommissioning of a production facility, or when an operator has provided another valid life-of-production facility bond.

(d) The supervisor may release a life-of-well bond upon the satisfactory plugging and abandonment of all wells covered by the bond or when an operator has provided another valid life-of-well bond.

(e) Whenever an operator sells, assigns, transfers, conveys, exchanges, or otherwise disposes to another operator a well or production facility that is covered by a life-of-well bond or a life-of-production facility bond, the new operator shall replace the life-of-well or life-of-production bond, as applicable, and maintain the new bond for five years before it may be released by the supervisor.

(f) In lieu of the indemnity bond required by this section, the supervisor may accept a deposit given pursuant to Article 7

1 (commencing with Section 995.710) of Chapter 2 of Title 14 of
2 Part 2 of the Code of Civil Procedure, excluding a deposit of
3 money, bearer bonds, or bearer notes.

4 (g) The supervisor shall adopt regulations specifying the content,
5 including the conditions, of the bond or other security instrument
6 required by this section.

7 (h) *This section shall be inoperative until January 1, 2012, and*
8 *on that date shall become operative.*

9 SEC. 11. *Section 3270.4 is added to the Public Resources Code,*
10 *to read:*

11 3270.4. (a) *In addition to the bonding requirements under*
12 *Article 4 (commencing with Section 3200), for an operator with a*
13 *history of violating this chapter or that has outstanding liabilities*
14 *to the state associated with a well or production facility, the*
15 *supervisor may require a life-of-well or life-of-production facility*
16 *bond in an amount adequate to ensure all of the following:*

17 (1) *The proper plugging and abandonment of each well.*

18 (2) *The safe decommissioning of each production facility.*

19 (3) *The financing of spill response and incident cleanup.*

20 (b) *Upon the failure of an operator to properly plug and*
21 *abandon a well, decommission a production facility, or perform*
22 *the appropriate spill response and incident cleanup, the supervisor*
23 *may levy on the bond to obtain money to pay the cost of the work.*

24 (c) *The supervisor may release a life-of-production facility bond*
25 *upon the satisfactory decommissioning of a production facility, or*
26 *when an operator has provided another valid life-of-production*
27 *facility bond.*

28 (d) *The supervisor may release a life-of-well bond upon the*
29 *satisfactory plugging and abandonment of all wells covered by*
30 *the bond or when an operator has provided another valid*
31 *life-of-well bond.*

32 (e) *Whenever an operator sells, assigns, transfers, conveys,*
33 *exchanges, or otherwise disposes to another operator a well or*
34 *production facility that is covered by a life-of-well bond or a*
35 *life-of-production facility bond, the new operator shall replace*
36 *the life-of-well or life-of-production bond, as applicable, and*
37 *maintain the new bond for five years before it may be released by*
38 *the supervisor.*

39 (f) *In lieu of the indemnity bond required by this section, the*
40 *supervisor may accept a deposit given pursuant to Article 7*

1 *(commencing with Section 995.710) of Chapter 2 of Title 14 of*
2 *Part 2 of the Code of Civil Procedure, excluding a deposit of*
3 *money, bearer bonds, or bearer notes.*

4 *(g) The supervisor shall adopt regulations specifying the content,*
5 *including the conditions, of the bond or other security instrument*
6 *required by this section.*

7 *(h) This section shall be operative until January 1, 2012, and*
8 *on that date is repealed.*

O