

AMENDED IN ASSEMBLY AUGUST 12, 2019

AMENDED IN SENATE MAY 17, 2019

SENATE BILL

No. 551

Introduced by Senator Jackson

February 22, 2019

An act to *amend Sections 3206.3 and 3258 of, and to add Section 3115 to 3205.7 to, the Public Resources Code, relating to oil and gas.*

LEGISLATIVE COUNSEL'S DIGEST

SB 551, as amended, Jackson. Oil and gas: ~~decommissioning, cleanup, and remediation; costs; wells and facilities; abandonment and decommissioning; reporting and inspections.~~

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 department to report on October 1, 2020, to the Legislature on the number of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities remaining, the estimated costs of abandoning or decommissioning those wells and facilities, and a timeline for future abandonment and decommissioning of those wells and facilities with a specific schedule of goals.

This bill would extend that reporting date from October 1, 2020, to April 1, 2021. The bill would require the division, in collecting the information for the report, to conduct field inspections of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities and to include information in the report from the field inspections that can be used to prioritize those wells and facilities in the specific schedule of goals.

Existing law requires the State Oil and Gas 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.

This bill would require the division, for the report due on or before July 1, 2021, and each report thereafter, to conduct inspections of production facilities attendant to long-term idle wells to ensure compliance with the applicable statutory requirements. The bill would require information summarizing violations and pertinent findings in these inspections to be included in the applicable reports.

Under existing law, a person who fails to comply with requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

This bill would require the division, commencing July 1, 2022, to begin requiring each operator of an oil or gas well to submit a report to the supervisor that demonstrates the operator's total liability to plug and abandon all wells and to decommission all attendant production facilities, on a schedule determined by the supervisor. The bill would require the supervisor to set the schedule in a manner that staggers the initial reports by operators to ensure that some reporting commences on July 1, 2022, that all initial reporting is completed by July 1, 2026, and that followup reporting is required for each operator on a continual basis that is no less frequent than every 5 years after the initial report. The bill would require the division to develop criteria, including certain requirements, to be used by operators for estimating costs to plug and abandon wells and decommission attendant production facilities. If the supervisor determines that the operator has failed to use the requisite criteria or has otherwise provided estimates in the report that are neither credible nor accurate, the bill would authorize the supervisor to request the operator to submit revised estimates for review and approval. Because a violation of these reporting requirements by an operator would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

~~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 an operator who engages in the drilling, redrilling, deepening, or in any operation permanently altering the casing, of a well, or who acquires a well, to file with the State Oil and Gas Supervisor an individual indemnity bond for each well so drilled, redrilled, deepened, permanently altered, or acquired in specified amounts depending on the depth of the well. Existing law authorizes 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, to file with the supervisor one blanket indemnity bond to cover all the operations in any of its wells in the state, in a specified amount depending on the total number of wells in the state, in lieu of the above-described requirement for an individual indemnity bond for each operation.~~

~~This bill would require the division to develop a mechanism to assess the full cost of decommissioning, cleanup, and remediation of infrastructure related to the oil and gas industry, including pipeline facilities, pump facilities, and storage facilities, as specified.~~

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

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

- 1 SECTION 1. Section 3205.7 is added to the Public Resources
- 2 Code, to read:
- 3 3205.7. (a) (1) Commencing July 1, 2022, the division shall
- 4 begin requiring each operator of an oil or gas well to submit a
- 5 report to the supervisor that demonstrates the operator's total
- 6 liability to plug and abandon all wells and to decommission all
- 7 attendant production facilities, on a schedule determined by the
- 8 supervisor.
- 9 (2) For purposes of paragraph (1), the supervisor shall set the
- 10 schedule in a manner that staggers the initial reports by operators
- 11 to ensure that some reporting commences on July 1, 2022, that all
- 12 initial reporting is completed by July 1, 2026, and that followup
- 13 reporting is required for each operator on a continual basis that
- 14 is no less frequent than every five years after the initial report.

1 (b) The division shall develop criteria to be used by operators
2 for estimating costs to plug and abandon wells and decommission
3 attendant production facilities. The criteria shall include, but not
4 be limited to, all of the following requirements:

5 (1) Estimates shall include site restoration cost to restore each
6 well or production facility site so that it is protective of human
7 health and safety and the environment.

8 (2) Operators shall use an appropriate California-licensed
9 professional engineer to calculate the estimated cost to plug and
10 abandon each well and decommission attendant production
11 facilities of the operator using the criteria developed by the division
12 pursuant this subdivision.

13 (3) Operators shall use a certified public accountant employing
14 principals recommended by the Statement of Financial Accounting
15 Standards No. 143, issued by the Financial Accounting Standards
16 Board, to determine the operator's liability and how the liability
17 has been accounted for by the operator.

18 (c) In preparing each report for the supervisor pursuant to
19 subdivision (a), the operator shall do both of the following:

20 (1) Calculate cost estimates to plug and abandon wells and
21 decommission attendant production facilities using the criteria
22 developed by the division pursuant to subdivision (b).

23 (2) Exclude from each report due on or before July 1, 2026, all
24 offshore wells and facilities of the operator evaluated pursuant to
25 Section 3205.6. Include in each report due after July 1, 2026, all
26 offshore wells and facilities of the operator.

27 (d) If the supervisor determines that the operator has failed to
28 use the requisite criteria or has otherwise provided estimates in
29 the report that are neither credible nor accurate, the supervisor
30 may request the operator to submit revised estimates for review
31 and approval. Failure to comply with this requirement or a request
32 pursuant to this section is a violation of this chapter and is subject
33 to any penalty provided by law, including, but not limited to,
34 Sections 3236 and 3236.5.

35 SEC. 2. Section 3206.3 of the Public Resources Code is
36 amended to read:

37 3206.3. (a) (1) Notwithstanding Section 10231.5 of the
38 Government Code, on or before July 1, 2019, and annually
39 thereafter until July 1, 2026, the supervisor shall, in compliance
40 with Section 9795 of the Government Code, prepare and transmit

1 to the Legislature a comprehensive report on the status of idle and
2 long-term idle wells for the preceding calendar year. The report
3 shall ~~include~~: *include all of the following*:

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

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

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

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

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

23 (2) The report shall be made publicly available and an electronic
24 version shall be available on the division's ~~Internet Web site~~.
25 *internet website*.

26 *(b) For the report due on or before July 1, 2021, and each report*
27 *thereafter, the division shall conduct inspections of production*
28 *facilities attendant to long-term idle wells to ensure compliance*
29 *with the requirements of this chapter. Information summarizing*
30 *violations and pertinent findings in these inspections shall be*
31 *included in the applicable report required to be prepared and*
32 *transmitted pursuant to subdivision (a).*

33 ~~(b)~~

34 *(c) Information on how to access the plans described in*
35 *subparagraph (D) of paragraph (1) of subdivision (a) shall be on*
36 *the division's ~~Internet Web site~~. internet website.*

37 ~~(c)~~

38 *(d) After July 1, 2026, the division shall continue to regularly*
39 *provide updated information describing idle and long-term idle*
40 *wells on the division's ~~Internet Web site~~. internet website.*

1 *SEC. 3. Section 3258 of the Public Resources Code is amended*
2 *to read:*

3 3258. (a) The division shall not make expenditures pursuant
4 to this article that exceed in any one fiscal year:

5 (1) Three million dollars (\$3,000,000) commencing on July 1,
6 2018, for the 2018–19 fiscal year, and continuing for three fiscal
7 years thereafter.

8 (2) One million dollars (\$1,000,000), commencing with the
9 2022–23 fiscal year.

10 (b) Moneys expended pursuant to this article shall be used
11 exclusively for plugging and abandoning hazardous or idle-deserted
12 wells and decommissioning hazardous or deserted facilities and
13 shall not be used for nonwell or nonproduction facility-related
14 activities and payments.

15 (c) The division shall develop criteria for determining the
16 priority of plugging and abandoning hazardous or idle-deserted
17 wells and decommissioning hazardous or deserted facilities to be
18 remediated pursuant to this article. The Administrative Procedure
19 Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of
20 Division 3 of Title 2 of the Government Code) does not apply to
21 the development of criteria by the division pursuant to this
22 subdivision.

23 (d) (1) (A) ~~On October 1, 2020,~~ *April 1, 2021*, the department
24 shall report to the Legislature on the number of hazardous wells,
25 idle-deserted wells, deserted facilities, and hazardous facilities
26 remaining, the estimated costs of abandoning and decommissioning
27 those wells and facilities, and a timeline for future abandonment
28 and decommissioning of those wells and facilities with a specific
29 schedule of goals.

30 (B) As part of the report required in subparagraph (A), the
31 department shall provide recommendations to the Legislature for
32 improving and optimizing the involvement of local agencies in
33 the process of plugging and abandoning wells and
34 decommissioning facilities. In drafting these recommendations,
35 the department shall consider factors unique to each of the
36 division's districts, and shall consult with local agencies in
37 developing recommendations.

38 (C) *In collecting the information for the report required in*
39 *subparagraph (A), the division shall conduct field inspections of*
40 *hazardous wells, idle-deserted wells, deserted facilities, and*

1 *hazardous facilities and include information in the report from*
2 *the field inspections that can be used to prioritize those wells and*
3 *facilities in the specific schedule of goals.*

4 (2) On October 1, 2023, the department shall provide to the
5 Legislature an update on the report required in paragraph (1) that
6 describes the total costs, average costs per well and facility, the
7 number of wells plugged and abandoned, the number of facilities
8 decommissioned, the total number of projects completed, and any
9 additional wells and facilities identified by the department requiring
10 abandonment or decommissioning.

11 (3) The report and update to the report required to be submitted
12 under this subdivision shall be submitted in compliance with
13 Section 9795 of the Government Code.

14 (4) The requirement for submitting a report imposed under this
15 subdivision is inoperative on October 1, 2027, pursuant to Section
16 10231.5 of the Government Code.

17 *SEC. 4. No reimbursement is required by this act pursuant to*
18 *Section 6 of Article XIII B of the California Constitution because*
19 *the only costs that may be incurred by a local agency or school*
20 *district will be incurred because this act creates a new crime or*
21 *infraction, eliminates a crime or infraction, or changes the penalty*
22 *for a crime or infraction, within the meaning of Section 17556 of*
23 *the Government Code, or changes the definition of a crime within*
24 *the meaning of Section 6 of Article XIII B of the California*
25 *Constitution.*

26 ~~SECTION 1. Section 3115 is added to the Public Resources~~
27 ~~Code, to read:~~

28 ~~3115. (a) The division shall develop a mechanism to assess~~
29 ~~the full cost of decommissioning, cleanup, and remediation of~~
30 ~~infrastructure related to the oil and gas industry that are within the~~
31 ~~division's regulatory jurisdiction, including pipeline facilities,~~
32 ~~pump facilities, and storage facilities.~~

33 ~~(b) (1) The mechanism may be a standard formula or model~~
34 ~~from which the cost of decommissioning, cleanup, and remediation~~
35 ~~of infrastructure may be expeditiously assessed.~~

36 ~~(2) The standard formula or model may incorporate generalized~~
37 ~~costs for any category or type of infrastructure.~~

38 ~~(3) The mechanism shall be able to project the cost of~~
39 ~~decommissioning, cleanup, and remediation of infrastructure at~~
40 ~~the time of the expected decommission of the infrastructure or, if~~

- 1 ~~an expected date of decommissioning cannot be assigned, at an~~
- 2 ~~estimated date of decommissioning that is not later than 30 years~~
- 3 ~~from the date when the assessment is made.~~