

Senate Bill No. 551

CHAPTER 774

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

[Approved by Governor October 12, 2019. Filed with Secretary of State October 12, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

SB 551, Jackson. Oil and gas: 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, including

site remediation, 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 at least $\frac{1}{2}$ of required operators will have submitted their initial report by July 1, 2024, 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, including site remediation. 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 on a timely schedule to be determined by the supervisor. 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.

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

SECTION 1. Section 3205.7 is added to the Public Resources Code, to read:

3205.7. (a) (1) Commencing July 1, 2022, the division shall 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, including any needed site remediation, pursuant to Section 3208 and Article 4.2 (commencing with Section 3250), as applicable, on a schedule determined by the supervisor.

(2) For purposes of paragraph (1), the supervisor shall set the schedule in a manner that staggers the initial reports by operators to ensure that some reporting commences on July 1, 2022, that at least one-half of required operators will have submitted their initial report by July 1, 2024, 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 five years after the initial report.

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

(1) Operators shall calculate the estimated cost to plug and abandon each well and decommission attendant production facilities of the operator using the criteria developed by the division pursuant to this subdivision.

(2) For the site of each well, attendant production facility, or lease, the operator shall calculate the estimated cost of full site remediation using criteria developed by the division pursuant to this subdivision.

(3) Calculations of estimated costs under this subdivision shall be determined in accordance with generally accepted accounting principles issued by the Financial Accounting Standards Board.

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

(1) Calculate cost estimates to plug and abandon wells and decommission attendant production facilities, including site remediation, using the criteria developed by the division pursuant to subdivision (b).

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

(d) 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 supervisor may request the operator to submit revised estimates for review and approval on a timely schedule to be determined by the supervisor. Failure to comply with this requirement or a request pursuant to this section is a violation of this chapter and is subject to any penalty provided by law, including, but not limited to, Sections 3236 and 3236.5.

SEC. 2. Section 3206.3 of the Public Resources Code is amended 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 all of the following:

(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 website.

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

(c) Information on how to access the plans described in subparagraph (D) of paragraph (1) of subdivision (a) shall be on the division's internet website.

(d) 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 website.

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

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

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

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

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

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

(d) (1) (A) On April 1, 2021, the department shall report to the Legislature on the number of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities remaining, the estimated costs of abandoning and decommissioning those wells and facilities, and a timeline for future abandonment and decommissioning of those wells and facilities with a specific schedule of goals.

(B) As part of the report required in subparagraph (A), the department shall provide recommendations to the Legislature for improving and optimizing the involvement of local agencies in the process of plugging and abandoning wells and decommissioning facilities. In drafting these recommendations, the department shall consider factors unique to each of

the division's districts, and shall consult with local agencies in developing recommendations.

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

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

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

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

SEC. 4. 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.