
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2019 - 2020 Regular Session

SB 1012 (Hurtado) - Oil and gas wells: hazardous or idle-deserted wells and facilities

Version: March 26, 2020
Urgency: No
Hearing Date: June 9, 2020

Policy Vote: N.R. & W. 7 - 0
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would require the Department of Conservation (DOC) to include additional information in the required hazardous and related wells and facilities report and the update to the report and to pursue all reasonable steps for cost recovery.

Fiscal Impact:

- DOC estimates costs of approximately \$296,000 in the first year and approximately \$292,000 ongoing (special fund) to perform the regulatory and administrative work that would be required under this bill.

Background:

Idle-deserted wells. There are about 107,000 active or idle oil and gas wells in the state. Active wells are those currently in use that either produce or inject fluids related to hydrocarbon production. By contrast, idle wells are not in use, and have not been used for at least 24 consecutive months. As wells are expensive to drill and to seal (“plug and abandon”), operators may prefer to keep wells idle – sometimes for extended periods of time. A well that has no operator or other responsible party to pay for its costs becomes an “idle-deserted” or “orphan” well which must then be plugged and abandoned by the state.

Required report and update. The California Geologic Energy Management Division (division) in the DOC is the state’s oil and gas regulator. In the last few years, multiple department-sponsored and other bills have substantially revised and updated several outdated elements of state law governing oil and gas operations in the state. For example, these bills made changes to the law regarding idle and orphan wells, and to the requirements regarding indemnity bonds. Among other things, these bills established a series of reports regarding the idle well program and including data related to orphan and other wells to be provided to the Legislature.

The California Council on Science and Technology (CCST) report. At the division’s request, the CCST investigated the status of the state’s oil and gas wells in order to estimate the potential cost to the state should the wells become orphaned. In January 2020, the CCST report was released. The CCST report suggested that there were about 5,540 wells that were either likely to be orphaned or at high risk of becoming orphaned soon. The potential liability to the state was estimated to be roughly \$500 million net for these two categories alone. While there are indemnity bonds in place for many of these wells, the sum of the bond amounts is much less than the likely costs.

CCST recommended, among other things, that its methodology should be refined to improve its predictive ability, that the ownership history of wells should be assessed, and the potential environmental impacts of the wells should be investigated.

Proposed Law: This bill would further enhance the division's idle well program. Specifically, this bill would:

- 1) Require that the location of hazardous wells and facilities, idle-deserted wells and deserted facilities be included in the report due April 1, 2021, and require that the report update, due October 1, 2023, also include information on the location of applicable wells and facilities, as specified.
- 2) Require that the report and update identify wells that are registered to an operator that has reported no active injection or production operations for that well in the prior 5 years and that did not pay the required annual fee for each idle well or have a valid idle well management plan, as specified.
- 3) Require the division to undertake all reasonable steps to recover costs for plugging and abandonment oil and gas wells, for decommissioning attendant facilities and for remediating sites from the current registered owner of any well identified, as specified, including seeking enforcement in other state jurisdictions.
- 4) Make numerous relevant legislative findings.

Related Legislation:

AB 345 (Muratsuchi, 2020) would impose a buffer zone around oil and gas development to protect public health, among other things. (*This bill is in the Senate Rules Committee pending assignment.*)

AB 1057 (Limón, Chapter 771, Statutes of 2019) authorized the division to impose an additional supplemental indemnity bond amount on certain risky operators, as specified, among other things.

AB 1328 (Holden, Chapter 772, Statutes of 2019) directs the division, in consultation with the State Air Resources Board, to initiate a study to be conducted by independent experts of fugitive emissions from idle, idle-deserted, and abandoned wells in the state, as provided.

SB 551 (Jackson, Chapter 774, Statutes of 2019) requires that operators determine the potential liability to the state for their facilities, as specified, among other things.

Staff Comments: The DOC notes that meeting the existing hazardous wells reporting requirements involves analyzing and transforming large volumes of historical and current facility data into information to assist in the monitoring of facility locations and conditions, targeting hazardous facilities, prioritizing inspection and abandonment efforts, and improving safety operations. The division put forth a BCP in January that had to be subsequently withdrawn due to COVID-19 related economic issues.