

Date of Hearing: August 18, 2020

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

SB 1012 (Hurtado) – As Amended August 11, 2020

Policy Committee: Natural Resources Vote: 8 - 2

Urgency: No State Mandated Local Program: No Reimbursable: No

**SUMMARY:**

This bill requires the Department of Conservation (DOC) to provide additional information in its required reports on hazardous, idle-deserted wells and facilities including the location of such wells and facilities. Specifically, this bill:

- 1) Requires the DOC, in a specified annual report to the Legislature beginning April 1, 2021, to identify and update the location of hazardous, idle-deserted wells and facilities, as specified.
- 2) Requires DOC, in an annual report to the Legislature beginning July 1, 2021, to identify wells by the American Petroleum Institute identification number that are registered to an operator and have met the definition of an idle well for three years where neither the annual fee has been paid nor is the well part of a valid idle well management plan.
- 3) Specifies the State Lands Commission is not an operator for the purpose of determining a responsible party for the purposes of the proper plugging and abandonment of an idle well or the decommissioning of deserted production facilities.

**FISCAL EFFECT:**

DOC estimates costs of approximately \$393,000 in the first year and approximately \$365,000 ongoing (special fund) to perform the regulatory and administrative work that would be required under this bill.

**COMMENTS:**

- 1) **Background.** Oil and gas wells that are not operated and maintained on a regular basis present several hazards to the environment as well as public health and safety. Deteriorating wells can create a conduit for contaminants such as hydrocarbons, lead, salt and sulfates to enter freshwater aquifers and pose potential risks to surface water, air quality, soils and vegetation.

Idle and orphan wells also present a liability risk to California. Operators with a large inventory of idle wells may be postponing the cost to permanently plug and abandon the wells for financial reasons. If the operator becomes insolvent, the idle wells may become orphan wells and the state may inherit liability to plug those idle wells. DOC has identified more than 2,500 potential orphan wells that require further investigation

In November 2019, DOC released the first annual idle well report for calendar year 2018. Among the report's findings was a significant increase in the plugging and abandonment of idle and long-term idle wells (about 1,346 total) as intended, although over 29,000 idle wells remain, including about 17,575 long-term idle wells.

DOC estimates an additional 1,200 to 2,400 wells started the transition to idle status during 2018.

2) **Purpose.** According to the author:

Historically and to present day, most of the state's oil and gas development and production is located in the southern Central Valley region of the state. In those communities, a number of idle and abandoned oil wells are not being properly decommissioned, which contributes to public health and environmental concerns.

This bill will provide more information on where abandoned idle-hazardous wells and their facilities exist throughout the state.

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