

SENATE THIRD READING
SB 1012 (Hurtado)
As Amended August 11, 2020
Majority vote

SUMMARY:

Requires additional reporting on hazardous, idle-deserted wells, idle wells and facilities including the location of the applicable wells and facilities.

Major Provisions

- 1) Makes numerous findings, including it is necessary to focus state resources for the decommissioning and plugging and abandonment of any hazardous and idle-deserted wells and associated facilities in the southern central valley area.
- 2) Requires the Geologic Energy Management Division (Division), 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) Requires the DOC, in two separate reports, to provide the Legislature with the location, including the county in which they are located, of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities it has abandoned and decommissioned and the number of wells and facilities that still need abandonment and decommissioning including the estimated costs and timelines of future abandonment.
- 4) 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.
- 5) Specifies the Division is prohibited from make expenditures from the Oil, Gas, and Geothermal Administrative Fund in excess of specified amounts in any one fiscal year.

COMMENTS:

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. The Division has identified more than 2,500 potential orphan wells that require further investigation. Many of these are "buried-idle" wells with antiquated, vague, or nonexistent records below densely-built and populated urban areas in southern California. Some of these wells may never result in problems or may be remediated as a condition of permitting

new construction projects as downtown Los Angeles and other areas are redeveloped. However, with so many wells, some dating back to the turn of the last century, it is probable that some will present health or safety concerns. Just one or two in any given year in an urban environment has the potential to consume the Division's entire hazardous deserted idle well budget, leaving it unable to plug more than a few orphan wells every year throughout the entire state.

In November 2019, the division released the first annual idle well report for calendar year 2018. Among the report's findings, there 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. The division estimates that an additional 1,200 – 2,400 wells started the transition to idle status during 2018.

Based upon operator responsiveness to the new idle well management requirements in 2018, the division estimates that approximately 957 operators may have deserted about 2,555 idle wells. Given the large number of operators and wells to be assessed, the division has a backlog of work to try to find any potential responsible parties to pay for the plugging and abandonment of these wells. Initially, the Division prioritized 14 operators responsible for 35 wells for assessment.

On July 15, 2020, California Resources Corp., the state's largest oil and gas production company with more than 2 million acres of reserves spanning four major basins, filed for Chapter 11 bankruptcy protection, seeking relief from \$5 billion in debt and looming interest payments. According to the newspaper the Desert Sun, oil and gas company bankruptcies have been rising in recent years, and the demand downturn caused by business closures and stay-at-home orders has only exacerbated the issue.

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.

According to the California Council on Science & Technology (CCST) there are approximately 107,000 active and idle oil and gas wells in California. Additionally, according to their estimate, there are 5,540 wells in California that may have no viable operator or are at high risk of becoming orphaned in the near future. As a result, those wells will continue to release toxic emissions to the surrounding area.

Although the State has strengthened regulations to provide funds to clean up and "plug" abandoned wells, more work needs to be done to safely plug and abandon oil wells to protect vulnerable communities. The State has addressed this issue before. The Legislature enacted SB 44 (Jackson), Chapter 645, Statutes of 2017, which established a program and fund source for coastal abandoned legacy oil and gas wells cleanup through the year 2028. However, there is no analogous program for retirement and protection of public health, safety, and the environment for abandoned hazardous and idle-deserted wells in the southern Central Valley region of the state where oil and gas production occurs.

SB 1012 establishes a program for the plugging and abandoning of hazardous or idle-deserted wells and decommissioning of associated facilities in Kern County. SB 1012 is critically needed in a region of the state where public health outcomes are impeded by toxic emissions and pollution.

Arguments in Support:

According to the California League of Conservation Voters, Idle wells that are left without being plugged and abandoned present hazards to public health, safety and the environment due to toxic emissions and pollution. It is critical that the state identify idle wells at risk of becoming orphan wells early so that proper decommissioning can begin and so that California taxpayers are not left to cover the cost for the very pollution that harms our health and contributes to the climate crisis.

SB 1012 builds upon the progress made by the Legislature and the administration to prioritize public health, safety and the environment in oil and gas regulations.

Arguments in Opposition:

According to the State Building and Construction Trades Council, if enacted, SB 1012 could put law abiding companies at a competitive disadvantage and lead to the elimination of thousands of high-wage industrial union construction jobs in California's most disadvantaged and underserved communities.

The Western State Petroleum Association, in opposition to the bill, states exempting the SLC [State Lands Commission] from their responsibilities as a mineral owner which could result in an increase in the number of orphan wells CalGEM will be responsible for in the long-term. This exemption could place added burdens on the industry, who collectively fund the decommissioning cost for orphaned wells.

FISCAL COMMENTS:

According to the Assembly Appropriations Committee, the Department of Conservation 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.

VOTES:**SENATE FLOOR: 39-0-1**

YES: Allen, Archuleta, Atkins, Bates, Beall, Borgeas, Bradford, Caballero, Chang, Dahle, Dodd, Durazo, Galgiani, Glazer, Lena Gonzalez, Grove, Hertzberg, Hill, Hueso, Hurtado, Jackson, Jones, Leyva, McGuire, Melendez, Mitchell, Monning, Moorlach, Morrell, Nielsen, Pan, Portantino, Roth, Rubio, Skinner, Umberg, Wieckowski, Wiener, Wilk

ABS, ABST OR NV: Stern

ASM NATURAL RESOURCES: 8-2-1

YES: Friedman, Chau, Eggman, Cristina Garcia, Luz Rivas, McCarty, Muratsuchi, Mark Stone
NO: Flora, Mathis

ABS, ABST OR NV: Cunningham

ASM APPROPRIATIONS: 13-4-1

YES: Gonzalez, Bauer-Kahan, Bloom, Bonta, Calderon, Carrillo, Chau, Eggman, Fong, Gabriel, Eduardo Garcia, Quirk, Robert Rivas

NO: Bigelow, Megan Dahle, Diep, Voepel

ABS, ABST OR NV: Petrie-Norris

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