

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Isaac G. Bryan, Chair

AB 2461 (Hart) – As Introduced February 20, 2026

**SUBJECT:** Oil and gas: bonding requirements

**SUMMARY:** Expands current bonding requirements for a person who acquires the right to control a well or production facility.

**EXISTING LAW:**

- 1) Establishes the Geologic Energy Management Division (CalGEM) in the Department of Conservation under the direction of the supervisor, who is required to supervise the drilling, operation, maintenance, and abandonment of oil and gas wells. (Public Resources Code (PRC) 3000 *et seq.*)
- 2) States the intent of the Legislature that, to minimize the risk that the state will be liable for costs of plugging and abandonment, no well be transferred to another owner until and unless a bond has been filed that would cover the full cost of plugging and abandonment and site restoration. (PRC 3017)
- 3) Requires a person who acquires the right to operate a well or production facility, whether by purchase, transfer, assignment, conveyance, exchange, or other disposition, to, as soon as it is reasonably possible, but not later than the date when the acquisition of the well or production facility becomes final, notify the supervisor or the district deputy, in writing, of the person's operation. The acquisition of a well or production facility shall not be recognized as complete by the supervisor or the district deputy until the new operator provides an indemnity bond for each well, as applicable. (PRC 3202)
- 4) Requires an operator who engages in the drilling, redrilling, deepening, or in any operation permanently altering the casing, of a well, to file with the supervisor an individual indemnity bond for each well so drilled, redrilled, deepened, or permanently altered in the following amount:
  - a) \$25,000 for each well that is less than 10,000 feet deep.
  - b) \$40,000 for each well that is 10,000 or more feet deep. (PRC 3204 (a))
- 5) Requires the bond to be filed with the supervisor at the time of the filing of the notice of intention to perform work on the well or at the time of acquisition of the well, as provided in PRC 3202. Requires the bond to be executed by the operator, as principal, and by an authorized surety company, as surety, on the condition that the principal named in the bond shall faithfully comply with all the provisions of this chapter, in drilling, redrilling, deepening, or permanently altering the casing in any well or wells covered by the bond, and shall secure the state against all losses, charges, and expenses incurred by it to obtain the compliance by the principal named in the bond. (PRC 3204 (b))

- 6) Authorizes an operator who engages in the drilling, re-drilling, 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 lieu of an individual indemnity bond for each operation. Establishes the bond amounts to be provided based on the quantity of wells covered by the bond. (PRC 3205)
- 7) Requires that all operators of oil and gas wells submit cost estimates to CalGEM for the total cost of plugging and abandonment for each of their wells and the decommissioning of all production attendant facilities. (PRC 3205.7)
- 8) Requires a person who acquires the right to operate a well or production facility, by purchase, transfer, assignment, conveyance, exchange, or other disposition, except a well that has an average daily production level that exceeds 15 barrels of oil or 60,000 cubic feet of natural gas during the 12 months preceding the date of acquisition or a natural gas storage well, to, as soon as possible, but not later than the date when the acquisition of the well or production facility becomes final, file with the supervisor an individual indemnity bond for the well or production facility, or a blanket indemnity bond for multiple wells or production facilities, in an amount determined by the supervisor to be sufficient to cover, in full, all costs of plugging and abandonment, decommissioning of the facility, and site restoration and relevant regulations. (PRC 3205.8)

**THIS BILL:**

- 1) Requires a person who acquires the right to control a well or production facility, whether by purchase, transfer, assignment, conveyance, exchange, or other disposition to, as soon as it is reasonably possible, but no later than the date when the acquisition of the well or production facility becomes final, notify the supervisor or the district deputy, in writing, of the person's acquisition of the right to operate or control a well or production facility, and requires the provision of specified information to the supervisor.
- 2) Requires a person who acquires the right to control a well or production facility, by purchase, transfer, assignment, conveyance, exchange, or other disposition to, as soon as possible, but not later than the date when the acquisition of the well or production facility becomes final, file with the supervisor an individual indemnity bond for the well or production facility, or a blanket indemnity bond for multiple wells or production facilities, in an amount determined by the supervisor to be sufficient to cover, in full, all costs of plugging and abandonment, decommissioning of the facility, and site restoration and regulations.
- 3) Repeals the exemption for specified bonding requirements for wells that average daily production levels that exceed 15 barrels of oil or 60,000 cubic feet of natural gas during the 12 months preceding the date of acquisition or a natural gas storage well from the requirement for an individual indemnity bond, or a blanket indemnity bond for multiple wells or production facilities, in an amount determined by the supervisor to be sufficient to cover, in full, all costs of plugging and abandonment, decommissioning of the facility, and site restoration and regulations.
- 4) Defines a person who "acquires a right to operate or control a well or production facility" to include, but not be limited to, the rights a person acquires through any of the following transactions involving an operator:

- a) The direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the operator of more than 50% of the voting stock of the operator;
  - b) A merger, reverse merger, acquisition, or consolidation in which the person is a party;
  - c) The sale, exchange, or transfer of all or substantially all of the assets of the operator;
  - d) A liquidation or dissolution of the operator; and,
  - e) Any other event in which multiple related sales or exchanges of the voting securities or assets of the operator result in a party acquiring functional ability to control, direct, or manage a well or production facility.
- 5) Provides that no reimbursement is required pursuant to Section 6 of Article XIII B of the California Constitution.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

1) **Author's statement:**

AB 2461 clarifies existing law by explicitly applying bonding and financial assurance requirements when a company acquires or assumes control of an oil well or facility, including through stock sales and other corporate transactions. The bill ensures that any entity gaining control of oil facilities demonstrates adequate financial assurance before a transfer is completed, protecting communities and the state from unfunded cleanup liabilities. Without these safeguards, the State, and ultimately taxpayers, could be left responsible for billions of dollars in costs associated with plugging, abandonment, and decommissioning oil wells and facilities.

- 2) **Bond requirements.** Bonds are required to be posted when a drilling permit is issued to cover plugging and abandonment costs. Operators who engage in the drilling, re-drilling, deepening, or in any operation permanently altering the casing of a well to file an individual indemnity bond for each well drilled, re-drilled, deepened, or permanently altered, or acquired at \$25,000 for each well that is less than 10,000 feet deep, and \$40,000 for each well that is 10,000 or more feet deep. Operators are also allowed to file a blanket indemnity bond to cover all the operations in any of its 20+ wells in the state in lieu of an individual indemnity bond for each operation. The amount for the blanket bonds is also specified in statute.

To ensure the sufficiency of these indemnity bonds, the Legislature gave CalGEM authority, per SB 551 (Jackson), Chapter 774, Statutes of 2019, to develop criteria to be used by operators for estimating costs to plug and abandon wells and decommission attendant production facilities, including site remediation. SB 551 also requires 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.

Further, AB 1057 (Limón), Chapter 771, Statutes of 2019, authorizes CalGEM to require an operator to provide an amount of security acceptable to CalGEM based on CalGEM's evaluation of the risk that the operator will desert its well or wells and the potential threats the operator's well or wells pose to life, health, property, and natural resources. That law sets a floor on the amount of the reasonable costs to plug and abandon operator's wells at \$30 million.

- 3) **Sales and transfers.** In the fall of 2022, supermajors Shell and ExxonMobil agreed to sell more than 23,000 wells in California, which they owned through a joint venture called Aera Energy, to German asset management group IKAV for an estimated \$4 billion. Aera accounts for about a quarter of California's oil and gas production, largely from pumping in Kern and Ventura counties. The Los Angeles Times (LAT) reported that IKAV stood to inherit a portfolio littered with wells past their prime. Nearly 9,000 Aera wells were idle as of early October 2022, meaning about 38% of the company's unplugged inventory wasn't producing oil or gas, according to state data.

California had the authority to ask for an additional \$30 million in financial security from a single operator, but only required Aera to hold a \$3 million bond. As a result, Aera's bonds covered less than half a percent of the \$1.1 billion that ProPublica estimates it would cost the state to plug the wells based on the average cost to California for past well plugging.

AB 1167 (Carillo), Chapter 359, Statutes of 2023, was introduced in response to that acquisition to require a person who acquires the right to operate a well or production facility to file with the supervisor a bond for the well or production facility in an amount determined by the supervisor to be sufficient to cover, in full, all costs of plugging and abandonment and site restoration.

- 4) **This bill.** California Resources Corporation (CRC) finalized a \$2.1 billion acquisition of Aera Energy after stockholders approved it in June 2024. Because the assets acquired were a stock transition, not tangible infrastructure, CalGEM determined that the 2024 acquisition was *not* subject to AB 1167 because, in CalGEM's view, the transaction did not change the "operators" of Aera's wells.

In September 2025, CRC announced another acquisition of Berry Petroleum, which should have triggered a bond requirement of around \$576 million if AB 1167's requirements were applied.

To close the unintended the loophole, this bill requires any person who *controls* a well or production facility to comply with the bonding requirements of AB 1167. Control is defined under the bill as stock sales, merger, consolidation, liquidation or dissolution of the operator, or any other event in which multiple related sales or exchanges of the voting securities or assets of the operator result in a party acquiring functional ability to control the well.

- 5) **Related legislation.** AB 2716 (Ávila Farías) Repeals the exclusion of self-insurance or corporate guarantee as eligible financial assurances required when selling or acquiring oil and gas wells. This bill additionally authorizes an operator to, in lieu of the bonding requirement and with the written approval of the supervisor, provide the required security through a specified means of financial assurance. This bill is referred to the Assembly Natural Resources Committee.

**REGISTERED SUPPORT / OPPOSITION:****Support**

350 Bay Area Action	Environmental Action Committee of West Marin
350 Sacramento	Environmental Defense Center
350 Santa Barbara	Epic
350 South Bay Los Angeles	Extreme Weather Survivors
350 Southland Legislative Alliance	Food & Water Watch
Alliance of Californians for Community Empowerment	Fossil Free California
Apen Action	Fractracker Alliance
Azul	Friends Committee on Legislation of California
Bay Area-system Change Not Climate Change	Greenpeace USA
California Coastal Protection Network	Indivisible Alta-Pasadena
California Environmental Justice Alliance Action	Indivisible Santa Cruz County
California Federation of Teachers	LA Bishop's Commission on Climate Change
California Interfaith Power & Light	Long Beach 350
California Nurses Association	Long Beach Alliance for Clean Energy
Center for Biological Diversity	Los Angeles Faith & Ecology Network
Center for Environmental Health	Natural Resources Defense Council
Center on Race, Poverty and the Environment	Oil and Gas Action Network
Central California Asthma Collaborative	Pg Progressives Democratic Club
Cerbat	Physicians for Social Responsibility - Los Angeles
Clean and Healthy California	Redeemer Community Partnership
Clean Water Action	San Diego 350
Cleanearth4kids.org	San Francisco Bay Physicians for Social Responsibility
Climate First: Replacing Oil & Gas	San Francisco Baykeeper
Climate Hawks Vote	Sierra Club California
Climate Health Now Action Fund	Socal 350 Climate Action
Communities for a Better Environment	Sunflower Alliance
Community Environmental Council	Sunrise Bay Area
Consumer Watchdog	The Climate Center
Courage California	Union of Concerned Scientists
Dayenu: a Jewish Call to Climate Action	West Berkeley Alliance for Clean Air and Safe Jobs
Earth Island Advocates	
Earthjustice	
Environment California	

**Opposition**

California Chamber of Commerce  
Western States Petroleum Association

**Analysis Prepared by:** Paige Brokaw / NAT. RES. /