

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

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

Policy Committee: Natural Resources

Vote: 10 - 4

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill expands bonding requirements for a person that acquires the right to control a well or production facility.

Specifically, this bill:

- 1) Applies numerous existing requirements related to notification and bonding that currently apply to a person who acquires the right to operate a well or production facility to a person who acquires, or intends to acquire, as applicable, the right to control a well or production facility and makes conforming changes, as provided.
- 2) Repeals an exemption for 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 from the requirement for a person who acquires the right to operate or control a well or production facility, by purchase, transfer, assignment, conveyance, exchange, or other disposition, to file with the supervisor an individual or blanket indemnity bond sufficient to cover all costs of plugging, abandoning, decommissioning, and site restoration, as specified.
- 3) Provides, for purposes of filing an indemnity bond, 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; or, (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.

FISCAL EFFECT:

Department of Conservation (DOC), which houses the California Geologic Energy Management Division (CalGEM), anticipates ongoing annual costs of an unknown but potentially significant amount, likely in the millions of dollars (Oil, Gas, and Geothermal Administrative Fund). To implement requirements for tracking company stock transfers and non-oil well asset transfers, CalGEM anticipates ongoing annual costs of about \$1.5 million for two associate oil and gas

engineers, one supervisor, five analysts, and one office technician, and approximately \$650,000 in contracting authority. DOC notes these positions and contractors would monitor and track mergers, acquisitions, property transfers, and similar actions that would indicate changes in well ownership; calculate cost estimates and determine bonding amounts; and perform data entry and tracking required for new bonds and well transfers. Additionally, DOC anticipates, at a minimum, ongoing annual costs of about \$800,000 for two attorneys and two legal analysts and \$1 million in contracting authority to contract with specialized attorneys in corporate law.

Pursuant to existing requirements, CalGEM presumably already tracks transfers and corporate transactions in some capacity; it is not clear exactly how resource-intensive the additional analysis required under this bill would be for the division.

In addition, the deletion of the existing exemption for wells with 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 as well as for natural gas storage wells may result in cost savings to CalGEM of an unknown amount. Instead of verifying each well's production output to determine whether the well is subject to bonding requirements, CAL GEM would presumably track only the total number of wells transferred.

COMMENTS:

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

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) **Background. Bonding Requirements.** An operator who engages in the drilling, re-drilling, deepening, or in any operation permanently altering the casing of a well must file with the State Oil and Gas Supervisor (within CalGEM) an individual indemnity bond for each well in the following amounts: \$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 allowed to file a blanket indemnity bond in lieu of an individual indemnity bond for each operation, and the conditions and amounts for blanket bonds are specified in statute.

To ensure the sufficiency of these indemnity bonds, the Legislature gave CalGEM authority in 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, authorized CalGEM to require an operator to provide additional financial security 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. The required amount of additional security is based on CalGEM's estimation of the reasonable costs to the state for properly plugging and abandoning all the operator's wells and decommissioning any attendant production facilities, or \$30 million, whichever is less.

Sales and Transfers. AB 1167 (Carillo), Chapter 359, Statutes of 2023, requires 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. As reported in the Los Angeles Times (LAT), in February 2024, California Resources Corporation (CRC) announced its intent to buy and merge with Aera Energy in exchange for \$2.1 billion in stock, which, as LAT put it, "resulted in the state's undisputed largest oil and gas producer." However, CalGEM concluded AB 1167 does not apply to stock transfers. Environmental groups argued CalGEM's determination means CRC must obtain, at most, a \$30 million indemnity bond, whereas under AB 1167, CRC may have had to obtain up to \$2.4 billion in bonds, based on the average price to plug wells. According to reporting by the LAT, following the merger, CRC owns more than 40,000 wells, roughly 16,000 of which are idle, and "although the wells will boost the company's oil production, critics say they also will inflate its debt and put it at risk of defaulting."

Writing in support of this bill, a coalition of environmental organizations argues that while AB 1167 has been an important step forward, "the statute has not been enforced as intended with respect to major transfers. Regulators have interpreted the law to exclude transfers that change ownership through stock purchases." The coalition notes the author of AB 1167 and a group of legislators sent a letter to CalGEM "explaining to the agency that AB 1167's language and intent apply to all such transactions." The coalition argues this bill clarifies existing law "by confirming that transactions changing control over well and production facilities, including those involving stock acquisitions, are subject to full bonding requirements pursuant to AB 1167."

This bill is opposed by the California Chamber of Commerce and the Western States Petroleum Association (WSPA). WSPA notes that in his signing message for AB 1167, the Governor "acknowledged a critical risk associated with [AB 1167], specifically that increasing financial assurance requirements could result in operators deserting wells rather than transferring them to qualified entities." WSPA contends that since AB 1167 went into effect, California has seen little to no meaningful acquisition activity involving oil and gas assets and, because the financial barriers imposed by full-cost bonding requirements make most transactions economically infeasible, the transfer market for mature wells has effectively stalled. As a result, WSPA argues, "responsible operators who specialize in managing late-life assets are unable to step in, extend productive life where appropriate, and ensure orderly plugging and decommissioning." WSPA writes:

By expanding SB 1167's requirements across all wells and transaction types, the bill would make it overwhelmingly difficult for similar transactions to occur in the future. This would remove one of the last viable mechanisms for ensuring that capable, well-capitalized

operators can take on aging assets and manage them responsibly through the end of their lifecycle.

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