

ASSEMBLY THIRD READING

AB 2461 (Hart)

As Amended May 18, 2026

Majority vote

SUMMARY

Expands current bonding requirements for a person who acquires the right to control a well or production facility, as specified.

Major Provisions

- 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 specified transactions involving an operator.
- 5) Becomes operative only if AB 2716 (Ávila Farías) of the current legislative session is enacted and becomes effective on or before January 1, 2027. AB 2761 amends the bonding requirements by repealing the exclusion of self-insurance or corporate guarantee, and authorizes an operator to provide the required security through a specified means of financial assurance, as provided.

COMMENTS

Bonds are required to be posted when a drilling permit is issued to cover plugging and abandonment costs. Operators who engage in the drilling, redrilling, deepening, or in any operation permanently altering the casing of a well to file an individual indemnity bond for each well drilled, redrilled, 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.

AB 1167 (Carillo), Chapter 359, Statutes of 2023, was enacted to further 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.

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, the California Geologic Energy Management Division (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.

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.

Arguments in Support

Center for Biological Diversity, Environment California, and Natural Resources Defense Council, and other environmental organizations write that as California's forty-year long decline in oil production continues, the risk of companies offloading cleanup costs onto the public continues to grow. Yet operators have only acquired bonds amounting to less than 1% of the estimated \$21.5 billion cost to plug existing wells and production facilities statewide, leaving California taxpayers exposed to significant fiscal risk. AB 2461 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.

Arguments in Opposition

The California Chamber of Commerce writes that a functioning transfer market is one of the primary mechanisms by which oil and gas assets move to operators with the technical expertise and financial capacity to manage them safely through the end of their lifecycle. AB 2461 would make many of these transactions economically infeasible by requiring full-cost bonding to be

secured prior to completion, even in circumstances where there is no change in the entity responsible for day-to-day operations or no meaningful increase in risk.

When the ability to transfer assets is constrained, those assets remain with existing operators regardless of whether those operators are best positioned to manage long-term obligations. By removing flexibility, AB 2461 risks eliminating one of the only viable pathways for ensuring responsible stewardship of aging oil and gas infrastructure.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, the Department of Conservation (DOC), which houses 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. 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.

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.

VOTES

ASM NATURAL RESOURCES: 10-4-0

YES: Bryan, Connolly, Garcia, Haney, Kalra, Muratsuchi, Pellerin, Schultz, Wicks, Zbur

NO: Ellis, Alanis, Hoover, Macedo

ASM APPROPRIATIONS: 11-4-0

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Dixon, Ta, Tangipa

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