
SENATE COMMITTEE ON NATURAL RESOURCES AND WATER

Senator Josh Becker, Chair

2025 - 2026 Regular

Bill No:	AB 2461	Hearing Date:	July 1, 2026
Author:	Hart		
Version:	May 18, 2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Katharine Moore		

Subject: Oil and gas: bonding requirements

SUMMARY

This bill would expand the requirement for an operator upon a transfer, purchase, or other conveyance of an existing oil or gas well and production facility to provide an individual indemnity bond for the full cost of well plugging-and-abandonment, facility decommissioning and site restoration to include a change in control of the operator, as provided.

BACKGROUND AND EXISTING LAW

Oil production in California

California is a major oil and gas producing state. According to the U.S. Energy Information Administration, the state was 8th and 15th for oil and marketed natural gas production, respectively, among the 50 states.¹ Oil exploration and production in California started in the 19th century. Production of oil was about 105 million barrels in 2025,² and continues to decline from the 1985 peak. Many of the state's oil and gas fields have been in operation for decades, if not longer, and require costly enhanced oil recovery methods, such as steam injection, to continue to produce oil.

The Geologic Energy Management Division in the Department of Conservation (CalGEM) is the state's oil and gas production regulator. The State Oil and Gas Supervisor (supervisor) leads CalGEM.

There are currently approximately 54,585 active and 30,258 idle oil and gas wells in the state.³ Idle wells do not generate oil production revenue for the operator, and are more likely to become orphan wells. Orphan wells are deserted wells that the state has to address because no responsible operator has been found to do so. Orphan wells are likely to not be maintained consistently, and emissions from wells that fail or are failing may be hazardous to the surrounding environment, and public health and safety.

By multiple estimates, the orphan well problem the state faces is already on the order of billions of dollars. Recent reforms at CalGEM have resulted in operators plugging and abandoning more wells and long-term idle wells, but concerns remain about the potential liability to the state's taxpayers.

In order to help address this problem, an indemnity bond or a similar financial surety is now required to be provided by the operator to CalGEM prior to drilling a well, and then

¹ Ranking based upon 2024 data.

² According to the WellSTAR data dashboard (accessed May 31, 2026).

³ According to the WellSTAR data dashboard (accessed June 28, 2026).

is held by CalGEM until the well is plugged-and-abandoned.⁴ 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 their wells in the state in lieu of an individual indemnity bond for each well. These bond amounts are \$200,000 for 20 - 50 wells, \$400,000 for 51 – 500 wells, \$2,000,000 for 501 – 10,000 wells, and \$3,000,000 for more than 10,000 wells.

According to CalGEM's regulations, the estimated cost of plugging-and-abandoning a well and site remediation in its Northern, Central, and Southern Districts are \$142,918, \$100,927, and \$256,089, respectively, on average. The required indemnity bond amounts are generally significantly less than the overall cost to plug-and-abandon a well, decommission any associated facility, and remediate the site. It is implicit in the set bond amounts that sufficient oil and gas will be produced by the well to help pay for the eventual cost of plugging-and-abandoning the well, decommissioning facilities, and site remediation.

In the fall of 2022, two oil majors, 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. According to the Assembly Natural Resources Committee, IKAV took over a portfolio of wells where nearly 40% were idle as of early October 2022. According to ProPublica, the \$3,000,000 blanket bond IKAV obtained represented less than one percent of the estimated \$1.1 billion to plug-and-abandon, decommission, and restore the sites.

AB 1167 (W. Carillo, Chapter 359, Statutes of 2023)

In order to help address the issue of insufficient bonding, the Legislature passed and the Governor signed AB 1167 into law. This bill required that upon the transfer of an existing well or facility to a new operator that an individual bond for the full cost of plugging-and-abandonment, the decommissioning of the facility and site restoration be provided to CalGEM. As noted in the example above, this was in part to combat the general industry practice of transferring wells, rather than plugging-and-abandoning them, as costs associated with the transfer – particularly for those operators with blanket bonds – were far less. Another key feature of AB 1167 was to prohibit the use of self-insurance or a corporate guarantee to provide the required financial surety. If not closely monitored, the risk of self-insurance is that bankruptcy could result in the state's taxpayers becoming liable for the clean-up. In the last decade, numerous coal operators have gone bankrupt and were self-insured leaving the cost for site clean-up to taxpayers.

⁴ Prior to January 1, 2018, the indemnity bond was only required until the well was successfully drilled and then was returned to the operator. CalGEM is authorized to require an indemnity bond be provided for certain facilities as well.

Acquisitions instead of transfers

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.

Existing law:

- 1) Establishes CalGEM within the Department of Conservation and designates the supervisor as CalGEM's leader.
- 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. (Public Resources Code (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 relating to the regulation of operations, 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, redrilling, 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)

PROPOSED LAW

This bill would:

- 1) Require 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 require the provision of specified information to the supervisor.
- 2) Require 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) Repeal 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) Define 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) Provide that no reimbursement is required pursuant to Section 6 of Article XIII B of the California Constitution.
- 6) Require that both this bill and AB 2716 (Ávila Farías) become law or neither does (contingent enactment).

ARGUMENTS IN SUPPORT

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 OPPOSITION

The California Chamber of Commerce writing in opposition states, “While CalChamber shares the goal of ensuring that oil and gas wells are responsibly managed and properly decommissioned, AB 2461 would undermine the practical ability to transfer and manage these assets in a manner that advances those objectives.”

“AB 2461 may inadvertently increase the likelihood that wells become orphaned. By discouraging transfers to responsible, resourced operators, the bill concentrates risk in a smaller pool of entities and reduces opportunities for responsible ownership transitions. If those operators are unable to meet their obligations, the burden of plugging and remediation may ultimately fall to the state.”

COMMENTS

Closing a loophole in AB 1167. This bill would close the loophole in AB 1167 that did not include a change in control of the operator as a trigger for CalGEM to require the full bonding amount from the operator.

AB 1167's impact. Since AB 1167 became law, there have been approximately 14 transfers proposed where CalGEM evaluated the potential bonding amount. Of those proposed transfers, only 3 – 4 were completed. According to the Assembly Natural Resources Committee, in the years immediately preceding AB 1167 becoming law, a few thousand wells were transferred or acquired annually. It is unknown if more merger and acquisition activity replaced what previously had been transfer activity.

Author's amendment. The author submitted a clarifying amendment to the Committee regarding how to define changes in control of the voting stock of an operator. The Committee may wish to amend the bill with this submittal. [Amendment #1]

Contingent enactment. In the Assembly, this bill and AB 2716 (Ávila Farías) became linked. Both bills seek to reform AB 1167, but in different ways. Due to the contingent enactment language in both bills, either both become law or neither does.

Recent related legislation

AB 2716 (Ávila Farías) would raise the existing maximum additional financial surety that risky operators must supply to CalGEM to \$80 million, codify requirements for self-insurance for low risk operators, remove the prohibition on self-insurance or a corporate guarantee for the full bond required upon the transfer of a well or production facility, and exempt from the full bond requirement the transfer or purchase of a well or facility purely for the purpose of plugging-and-abandonment or decommissioning, among other provisions. (*This bill is pending before this Committee.*)

SUGGESTED AMENDMENTS**AMENDMENT 1**

Revise PRC §3205.8(f)(1) to read:

(1) The direct or indirect sale or exchange in a single or series of related transactions ~~by the stockholders of the operator~~ **resulting in the acquisition** of more than 50 percent of the voting stock of the operator.

SUPPORT

Center for Biological Diversity (co-sponsor)
 Environment California (co-sponsor)
 Natural Resources Defense Council (co-sponsor)
 350 Bay Area Action
 350 Humboldt
 350 Sacramento
 350 Santa Barbara
 350 South Bay Los Angeles
 350 Southland Legislative Alliance

Active San Gabriel Valley
Alliance of Californians For Community Empowerment (ACCE)
APEN Action
Azul
Bay Area-System Change not Climate Change
California Coastal Protection Network
California Environmental Justice Alliance (CEJA) Action
California Environmental Voters
California Federation of Teachers
California Interfaith Power & Light
California Legislative Central Coast Caucus
California Nurses Association
Center for Environmental Health
Center on Race, Poverty and the Environment
Central California Asthma Collaborative
CERBAT
Clean and Healthy California
Clean Water Action
CleanEarth4Kids.org
Climate Action California
Climate First: Replacing Oil & Gas (CFROG)
Climate Hawks Vote
Climate Health Now Action Fund
Communities for a Better Environment
Community Environmental Council
ConServe
Consumer Watchdog
Courage California
Dayenu: A Jewish Call to Climate Action
Earth Island Advocates
Earthjustice
Environmental Action Committee of West Marin
Environmental Defense Center
Environmental Protection Information Center (EPIC)
Extreme Weather Survivors
Food & Water Watch
Fossil Free California
FracTracker Alliance
Friends Committee on Legislation of California
Greenpeace USA
Indivisible Alta-Pasadena
Indivisible Santa Cruz County
LA Bishop's Commission on Climate Change
Long Beach 350
Long Beach Alliance for Clean Energy
Los Angeles Faith & Ecology Network
Oil and Gas Action Network
PG Progressives Democratic Club
Physicians for Social Responsibility - Los Angeles
Redeemer Community Partnership

Resource Renewal Institute
San Diego 350
San Francisco Bay Physicians for Social Responsibility
San Francisco Baykeeper
Sierra Club California
SoCal 350 Climate Action
STAND LA
Sunflower Alliance
Sunrise Bay Area
The Climate Center
Union of Concerned Scientists
West Berkeley Alliance for Clean Air and Safe Jobs

One individual

OPPOSITION

California Chamber of Commerce

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