SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2461 (Hart) - Oil and gas: bonding requirements

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Urgency: No
Hearing Date: August 3, 2026
Policy Vote: N.R. & W. 5 - 2
Mandate: Yes
Consultant: Ashley Ames

Bill 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.

Fiscal Impact:
- The Department of Conservation (DOC), which houses the California Geologic Energy Management Division (CalGEM), estimates costs of at least $4 million in the first year and $3.8 million ongoing (Oil, Gas, and Geothermal Administrative Fund [OGGAF]) to support specialized attorneys in corporate and securities law and insurance law, along with business consultants to support corporate structure analysis, financial review, and operational control evaluations. The exact fiscal impact is unknown, and actual costs could be higher than the department's estimate depending on the volume and complexity of transactions requiring review. (See staff comments for costs related to the contingency on AB 2716.)

Background: California's oil and gas wells carry an end-of-life liability — plugging and abandonment, decommissioning of attendant production facilities, and site restoration — that state law addresses through indemnity bonds held by CalGEM. The bond amounts set in statute are generally far below the actual cost of that work, and the gap between the two is the state's potential exposure when an operator deserts its wells.

Plugging costs against bond amounts. Under CalGEM's regulations, the estimated average cost of plugging and abandoning a well and remediating the site is $142,918 in the Northern District, $100,927 in the Central District, and $256,089 in the Southern District. The statutory individual indemnity bonds are $25,000 for a well less than 10,000 feet deep and $40,000 for a deeper well, and blanket bonds range from $200,000 for 20 to 50 wells to $3 million for more than 10,000 wells. 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 the work.

Scale of the potential liability. There are approximately 54,585 active and 30,258 idle oil and gas wells in the state. Idle wells generate no production revenue and are more likely to become orphan wells — deserted wells the state must address because no responsible operator can be found. By multiple estimates, the orphan well problem the state faces is already on the order of billions of dollars. In the 2022 Aera Energy sale, the $3 million blanket bond the acquiring party obtained represented less than one percent of the estimated $1.1 billion cost to plug, abandon, decommission, and restore the roughly 23,000 wells involved.

Full-cost bonding on transfers. AB 1167 (W. Carrillo, 2023) required a person who acquires the right to operate a well or production facility to file a bond sufficient to cover the full cost of plugging and abandonment, decommissioning, and site restoration, and prohibited self-insurance and corporate guarantees as the required surety. CalGEM determined that the 2024 California Resources Corporation acquisition of Aera Energy — a $2.1 billion stock transaction — 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 a further acquisition of Berry Petroleum, which would have triggered a bond requirement of around $576 million if AB 1167's requirements applied. Since AB 1167 became law, approximately 14 proposed transfers have had potential bonding amounts evaluated by CalGEM, of which 3 to 4 were completed; in the years immediately preceding the law, a few thousand wells were transferred or acquired annually.

CalGEM funding. CalGEM's regulatory work is supported by OGGAF, and the state is fully reimbursed for program expenditures by annual assessments and fees on the regulated industries. The 2026-27 Budget Act provides $142 million from OGGAF for the division's state operations. Separate, smaller sources support well abatement directly: $1 million annually from the Hazardous and Idle-Deserted Well Abatement Fund and $1 million from the Oil and Gas Environmental Remediation Account, and the 2025-26 budget recognized $52.8 million in federal Infrastructure Investment and Jobs Act funds for well plugging and abandonment.

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.

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.

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 resulting in the acquisition 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).

Related Legislation:

AB 2716 (Ávila Farías, 2026) 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 and AB 2716 are contingently enacted: either both become law or neither does.

AB 1167 (W. Carrillo, 2023) required a person who acquires the right to operate a well or production facility to file with the supervisor a bond 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 prohibited the use of self-insurance or a corporate guarantee to provide the required financial surety.

AB 1057 (Limón, 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 wells and the potential threats the wells pose to life, health, property, and natural resources, up to the lesser of CalGEM's estimate of the reasonable costs to the state of plugging and abandoning all the operator's wells and decommissioning attendant facilities, or $30 million.

SB 551 (Jackson, 2019) authorized CalGEM to develop criteria for operators to use in estimating costs to plug and abandon wells and decommission attendant production facilities, including site remediation, and required each operator to report its total plugging, abandonment, and decommissioning liability to the supervisor on a schedule the supervisor determines.

Staff Comments:

Contingent enactment and combined costs. This bill and AB 2716 (Ávila Farías) would be contingently enacted: either both would become law or neither would. DOC notes that because this bill is tied to AB 2716, any costs incurred by that bill would be additive to the costs of this bill. For AB 2716, DOC estimates costs of $2.8 million in the first year and $2.6 million ongoing (OGGAF). Together, DOC estimates the two bills would cost at least $6.8 million in the first year and $6.4 million ongoing, all from OGGAF.

State mandate. Under existing law, a person who violates, fails, neglects, or refuses to comply with requirements of the oil and gas laws, including the bonding requirements, is guilty of a misdemeanor. Because this bill would make those requirements applicable to a person who acquires, or intends to acquire, the right to control a well or production facility, thereby expanding the scope of a crime, this bill would impose a state-mandated local program. No reimbursement would be required because the only costs a local agency or school district would incur would result from this bill expanding the scope of an existing crime, within the meaning of Section 17556 of the Government Code.

Budget context. The 2026-27 Budget Act includes a $7.5 million one-time reduction pursuant to Public Resources Code Section 3258, which authorized DOC to expend an additional one-time $7.5 million from OGGAF in 2026-27 for plugging and abandoning wells, decommissioning facilities, and site remediation only if there was a dedicated appropriation from a fund other than OGGAF for the same purposes. In the absence of the matching non-OGGAF monies, DOC's additional expenditure authority was removed.

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