

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: June 27, 2017

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations, and Neighborhoods Committee

FROM: Sharon M. Tso *Sharon Tso* Council File No.: 17-0002-S87
Chief Legislative Analyst Assignment No.: 17-06-0634

SUBJECT: Resolution (Cedillo – Harris-Dawson) to SUPPORT SB 724 (Lara)

CLA RECOMMENDATION: ADOPT Resolution (Cedillo – Harris-Dawson) to include in the City's 2017-2018 State Legislative Program SUPPORT for SB 724 (Lara) which makes significant revisions to Division of Oil, Gas, and Geothermal Resources' processes concerning hazardous and deserted wells and facilities in hope of further reducing the associated public health, safety, and environmental risks.

SUMMARY

The Resolution (Cedillo-Harris-Dawson), introduced on June 6, 2017, states that current law places regulatory authority over drilling, operation, maintenance, and abandonment of oil and gas wells, and the operation, maintenance and removal or abandonment of tanks and facilities related to oil and gas production, with the Division of Oil, Gas, and Geothermal Resources (DOGGR) in the State Department of Conservation and requires the State Oil and Gas Supervisor (Supervisor) to supervise the above to prevent damage to life, health, property, and natural resources. The Resolution further states that DOGGR is currently authorized to spend no more than \$1 million annually to mitigate a hazardous or potentially hazardous condition at an idle-deserted well. The Resolution indicates that the permanent sealing of two idle-deserted wells on Firmin Street in Echo Park cost in excess of \$1 million, expending DOGGR's full annual statewide budget.

The Resolution indicates that SB 724 (Lara) would, among other things, revise DOGGR's processes related to addressing hazardous and deserted wells and associated production facilities and would temporarily increase the maximum annual fiscal expenditure to \$3 million for the plugging and abandonment of hazardous or idle-deserted wells, and the decommissioning of hazardous or deserted facilities. The Resolution seeks City support for SB 724 (Lara).

BACKGROUND

California is currently home to some 227,000 oil and gas wells. These wells are regulated by DOGGR in the State Department of Conservation. State law affords the Supervisor authority to supervise the drilling, operation, maintenance, and abandonment of oil and gas wells. Idle wells are those which have not been utilized for active production of oil and gas for two years. Idle-deserted or "orphan wells" are those idle wells for which no responsible operator may be

identified. Idle and idle-deserted wells may pose a risk to human health and the environment by leaking.

DOGGR estimates that there are 20,000 idle wells in California. However, the 2016 adoption of AB 2729 (Williams – Thurmond) resulted in significant revisions to DOGGR’s idle well program. This legislation is part of ongoing efforts to update the State’s oil and gas regulations and align them with current practices and technology. Implementation of the reforms in AB 2729 may result in the identification of an additional 10,000 idle wells. Of the current 20,000 idle wells, DOGGR is aware of 108 idle-deserted wells but indicates there are 2,000 potential idle-deserted wells across the State. It is anticipated that AB 2729 will also result in an increase in the identified number of idle-deserted wells.

The State’s Hazardous and Idle-Deserted Well Abatement Fund funds the plugging and abandonment of idle-deserted wells and the decommissioning of certain production facilities. The fund is comprised of fees collected from idle well operators. DOGGR is currently authorized to expend \$1 million annually to plug and abandon hazardous or idle-deserted wells and decommission certain facilities, as specified by law. The State bears the responsibility for plugging and abandoning hazardous and idle-deserted wells. However, the cost of addressing the known idle-deserted wells far exceeds the funds available in any given fiscal year.

On February 17, 2017 Senator Lara introduced SB 724 which makes significant revisions to DOGGR’s processes concerning hazardous and deserted wells and facilities in hope of further reducing the public health, safety, and environmental risks associated with idle-deserted wells.

SB 724

SB 724 contains the following key provisions:

- Clarifies existing law to make explicit that DOGGR’s hazardous wells program includes hazardous and deserted facilities, as defined in the bill. Further, the Supervisor may undertake and/or order operations necessary to address hazardous and idle-deserted wells and hazardous and deserted facilities.
- Clarifies that DOGGR will treat the decommissioning of deserted production facilities in a manner similar to the plugging and abandonment of idle-deserted wells.
- Repeals the current definition of “hazardous well.” The bill also provides definitions for “deserted well,” “decommission,” hazardous facility,” “hazardous well,” and “idle-deserted well.” These definitions apply to the operation of DOGGR’s hazardous wells and facilities program.
- Authorizes cities and counties to request, from the Supervisor, a list of idle wells within their jurisdictions.
- Establishes a temporary increase, from \$1 million to \$3million, of the annual fiscal expenditure limit for the plugging and abandonment of hazardous or idle-deserted wells and the decommissioning of hazardous or deserted facilities. The increase would begin in fiscal year 2018-2019 and sunset at the end of fiscal year 2020-2021.
- Requires DOGGR to develop criteria for determining the priority of plugging and abandoning hazardous or idle-deserted wells and decommissioning hazardous or deserted facilities.

- Requires DOGGR to report to the Legislature on the number of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities in the State; the estimated cost of abandoning and decommissioning those wells and facilities; and a timeline for future abandonment and decommissioning of those wells and facilities with a specified schedule of goals.
- Requires DOGGR, in connection with the above report, to provide recommendations to the Legislature for improving and optimizing the involvement of local agencies in the process of plugging and abandoning wells and decommissioning facilities. Further requires DOGGR to consult with local agencies to draft the requested recommendations.

SB 724 was referred to the Committees on Natural Resources and Water and Appropriations. Bill analysis completed by the Committee on Appropriations noted that if enacted, SB 724 (Lara) would have a significant fiscal impact and the bill met the criteria for referral to the Committee on Appropriations' Suspense File. After amendments, the bill still has significant fiscal impact. In addition to the increased appropriation for the plugging and abandonment of idle-deserted wells and the decommissioning of certain production facilities, DOGGR will require an additional \$685,000 in the first year and an additional \$640,000 each year thereafter, for the staff necessary to perform the new regulatory and administrative functions. Despite the remaining fiscal concerns, the bill was passed by the Committee on Appropriations on May 25, 2017 and by the Senate on May 31, 2017. There is currently no opposition on file for this bill.

While active oil and gas operations are still prevalent in Los Angeles, the regulation and abatement of idle-deserted and deserted wells is also of serious concern. DOGGR estimates there are 900 orphan wells within the City, many of which are most likely buried. This was demonstrated with the 2016 discovery of two idle-deserted wells on a residential street in Echo Park. After investigating the situation, DOGGR determined the wells were leaking small amounts of natural gas. DOGGR utilized funds from the Hazardous and Idle-Deserted Well Abatement Fund to permanently seal the wells. However, the cost of sealing these two wells exceeded \$2 million and has been divided between two fiscal years, limiting DOGGR's ability to address additional idle-deserted wells should a similar situation arise.

Recognizing the prevalence of oil and gas operations in the City, the Council has taken an active role in addressing heightened safety and health concerns. Last year the City supported SB 887 (Pavley) and SB 2756 (Thurmond) which addressed the safety of natural gas storage operations and the strength of DOGGR's enforcement actions and penalties in the wake of the Aliso Canyon gas leak. At the City level, several motions addressing the health and safety concerns associated with oil and gas operations and the compatibility of those operations with certain sensitive land uses are currently pending in Council. The most recent Motion (CF 17-0447) requests that the Petroleum Administrator, with the City Attorney, the Los Angeles County Department of Public Health, and all relevant City departments report on, among other things, the types of health impacts that can be measured at and around oil and gas wells and drill sites. The City is also considering implementing setbacks and potential mitigation measures from sensitive receptors.

Since October 2016, the City has been aided in these effort by the new Petroleum Administrator. In 2016, Council consolidated many City petroleum and natural gas related functions into a new

office, headed by a Petroleum Administrator, within the Department of Public Works. This created the Office of Petroleum and Natural Gas Administration and Safety.

The Petroleum Administrator has indicated support for SB 724 (Lara) and has been in communication with the author's office regarding recent amendments.

CONCLUSION


If enacted, SB 724 (Lara) would significantly modify the Division of Oil, Gas, and Geothermal Resources' processes for addressing hazardous or idle-deserted wells and hazardous or deserted facilities. The bill would also temporarily increase the maximum annual fiscal expenditure to \$3 million for the plugging and abandonment of hazardous or idle-deserted wells, and the decommissioning of hazardous or deserted facilities. Thus, support for SB 724 in the City's 2017-2018 State Legislative Program is recommended.

Departments Notified

Office of Petroleum and Natural Gas Administration and Safety

Bill Status

2/17/2017	SB 724 introduced by Senator Lara.
3/09/2017	Bill referred to Committee on Natural Resources and Water.
4/17/2017	From committee with author's amendments; re-referred to Committee on Natural Resources and Water.
4/26/2017	Passed by the Committee on Natural Resources and Water as amended; re-referred to the Committee on Appropriations.
5/25/2017	Passed by Committee on Appropriations as amended.
5/26/2017	Ordered to third reading.
05/31/17	Read third time, passed by the Senate and ordered to the Assembly.
06/15/17	Referred to Committee on Natural Resources.



Jennifer Quintanilla
Analyst

- Attachments: 1. Resolution
2. Text of SB 724

SMT:MF:PS:JM:Q

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, current law places regulatory authority over drilling, operation, maintenance, and abandonment of oil and gas wells, and the operation, maintenance and removal or abandonment of tanks and facilities related to oil and gas production with the Division of Oil, Gas, and Geothermal Resources (DOGGR) in the State Department of Conservation; and

WHEREAS, current law requires the State Oil and Gas Supervisor (Supervisor) to supervise the above to prevent damage to life, health, property, and natural resources; and

WHEREAS, current law authorizes the Supervisor to order certain operations, such as decommissioning and abandonment, to be carried out on any well the Supervisor has deemed to be hazardous or idle-deserted; and

WHEREAS, current law establishes the "Hazardous and Idle-Deserted Well Abatement Fund," funded by fees collected from the operators of idle wells, for the purpose of mitigating a hazardous or potentially hazardous condition at an idle-deserted well; and

WHEREAS, DOGGR is currently authorized to spend no more than \$1 million annually for that purpose; and

WHEREAS, in October 2016, the City of Los Angeles, in cooperation with local, county, and state regulators, permanently sealed two oil wells located in the front yards or two residences on Firmin Street in Echo Park that were deserted by irresponsible operators and were sealed after it was discovered the wells were seeping small amounts of gas; and

WHEREAS, the Firmin Street wells are part of the Los Angeles City Oil Field, which was drilled in the early 1900s and DOGGR estimates there are 900 orphan wells located in the City of Los Angeles, most of which are buried and roughly 20,000 are located across the state; and

WHEREAS, the interagency effort to remediate the two Firmin Street wells cost in excess of \$1 million, expending DOGGR's full annual state-wide budget for the mitigation of hazardous conditions created by deserted and orphan wells; and

WHEREAS, currently pending in the State Legislature is SB 724 (Lara) which would revise DOGGR's processes related to addressing hazardous and deserted wells and associated production facilities; and

WHEREAS, SB 724 would temporarily increase the maximum annual fiscal expenditure to \$3 million for the plugging and abandonment of hazardous or idle-deserted wells, and the decommissioning of hazardous or deserted facilities, beginning in fiscal year 2017-2018; and

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WHEREAS, SB 724 would require DOGGR to develop criteria for determining the priority for the plugging and abandonment of hazardous or idle-deserted wells and the decommissioning of hazardous or deserted facilities; and

WHEREAS, SB 724 would require DOGGR to consult with local agencies in developing recommendations to the Legislature for improving and optimizing the involvement of local agencies in the plugging and abandonment of wells and the decommissioning of facilities, and require DOGGR to report to the Legislature with a cost estimate and time schedule for the plugging and abandonment of hazardous and idle-deserted wells and the decommissioning of hazardous or deserted facilities;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2017-18 State Legislative Program SUPPORT for SB 724 (Lara) which will significantly modify the Division of Oil, Gas, and Geothermal Resources' processes for addressing hazardous or idle-deserted wells and hazardous or deserted facilities.

PRESENTED BY: Gilbert Cedillo
GILBERT CEDILLO
Councilmember, 1st District

SECONDED BY: [Signature]

jmq

ORIGINAL

AMENDED IN SENATE MAY 26, 2017
AMENDED IN SENATE APRIL 27, 2017
AMENDED IN SENATE APRIL 17, 2017

SENATE BILL

No. 724

Introduced by Senator Lara

February 17, 2017

An act to amend Sections 3203, 3206, 3206.5, 3237, 3250, 3255, and 3258 of, to amend the heading of Article 4.2 (commencing with Section 3250) of Chapter 1 of Division 3 of, and to repeal and add Section 3251 of, the Public Resources Code, relating to oil and gas, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 724, as amended, Lara. Oil and gas: wells and production facilities.

(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources, as provided; to permit owners and operators of wells to utilize all known methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state. Under existing law, a person who fails to comply with an

order issued under these provisions and other requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

Existing law requires the operator of a well to file a written notice of intention to commence drilling with, and prohibits any drilling until approval is given by, the supervisor or district deputy. Under existing law, the notice is deemed approved if the supervisor or district deputy fails to respond to the notice in writing within 10 working days from receipt and is deemed canceled if operations have not commenced within one year of receipt.

This bill would extend the time period to commence operations from one year to 24 months before the notice is deemed canceled, would prohibit the notice from being extended, and would require the cancellation to be noted in the division's records.

(2) Existing law requires the operator of any idle well to either file with the supervisor a certain annual fee or file a plan with the supervisor to provide for the management and elimination of all long-term idle wells, as specified.

This bill would, if the operator has eliminated more wells than required in the prior 2 years under the plan, authorize the supervisor to deduct from the new requirement in the plan the net total of long-term idle wells eliminated in excess of those previously required.

(2)

(3) Existing law establishes the Hazardous and Idle-Deserted Well Abatement Fund in the State Treasury. Existing law directs fee moneys collected from operators of idle wells to be deposited in the fund. The moneys in the fund are continuously appropriated to the department for expenditure to mitigate a hazardous or potentially hazardous condition, by well plugging and abandonment, decommissioning attendant production facilities, or both, at a well of a fee-paying operator.

This bill would instead provide that the moneys in the fund are continuously appropriated to the department for expenditure to mitigate a hazardous or potentially hazardous condition, by well plugging and abandonment, decommissioning production facilities, or both, at a well of a fee-paying operator. Because the bill would expand the purposes for which moneys in a continuously appropriated fund may be used by no longer limiting those uses to attendant production facilities, it would make an appropriation.

(3)

(4) Existing law authorizes a city or county to request from the supervisor a list of those wells within its jurisdiction that have not

continuously produced oil or natural gas, or have not been utilized continuously for injection purposes for a 6-month period during any consecutive 10-year period prior to or after January 1, 1991.

This bill instead would authorize a city or county to request from the supervisor a list of all idle wells, as defined, within its jurisdiction.

(4)

(5) Existing law authorizes the supervisor or district deputy to order the plugging and abandonment of a well that has been deserted whether or not any damage is occurring or threatened by reason of that deserted well.

This bill would additionally authorize the supervisor or district deputy to order the decommissioning of a production facility that has been deserted. Because a violation of an order issued under these provisions would be a crime, the bill would impose a state-mandated local program.

(5)

(6) Existing law authorizes the supervisor to order certain operations to be carried out on any property in the vicinity of which, or on which, is located any well that the supervisor determines to be either a hazardous or idle-deserted well, as specified. Existing law prohibits the division from expending, commencing with the 2015–16 fiscal year, more than \$1,000,000 in any one fiscal year for these purposes related to hazardous or idle-deserted wells. *The Administrative Procedure Act governs the procedure for the adoption, amendment, or repeal of regulations by state agencies and for the review of those regulatory actions by the Office of Administrative Law.*

This bill would expand this authorization to allow the supervisor to order or undertake certain operations, as applicable, to be carried out on any property in the vicinity of which, or on which, is located any well or facility that the supervisor determines to be a hazardous well, an idle-deserted well, a hazardous facility, or a deserted facility, as defined. The bill would *temporarily* raise the cap on spending for these purposes from \$1,000,000 to ~~\$5,000,000~~ \$3,000,000 in any one fiscal ~~year~~ year, for the 2018–19 fiscal year to the 2021–22 fiscal year, inclusive. *The bill would require these moneys to be used exclusively for plugging and abandoning hazardous or idle-deserted wells and decommissioning hazardous or deserted facilities and would prohibit the moneys from being used for nonwell or nonproduction facility-related activities and payments. The bill would require the division to develop criteria for determining the priority of plugging and abandoning hazardous or idle-deserted wells and decommissioning*

hazardous or deserted facilities to be remediated pursuant to these provisions, and would exempt the development of those criteria from the Administrative Procedure Act.

~~This bill would require the division to provide a list of known idle-deserted wells, hazardous wells, deserted facilities, and hazardous facilities to cities and counties upon request. The bill would authorize a city or county to request to enter into a contract with the division to either receive funds to reimburse a city or county for its costs related to plugging and abandoning a hazardous or idle-deserted well and decommissioning hazardous or deserted facilities, or for the division to conduct work related to plugging and abandoning a hazardous or idle-deserted well and decommissioning hazardous or deserted facilities, as specified. The bill would prohibit the division, on or after July 1, 2018, from commencing any activity to plug and abandon a hazardous or idle-deserted well or decommission a hazardous or deserted facility within the jurisdiction of a city or county without entering into a contractual memorandum of understanding with the city or county, except as provided.~~

~~This bill would require the department to report on October 1, 2019, 2020, to the Legislature on the estimated number of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities remaining, the estimated costs of abandoning or decommissioning those wells and facilities, and a timeline for future well abandonment and decommissioning of facilities with a specific schedule of goals. *goals, and, as part of that report, provide recommendations to the Legislature for improving and optimizing the involvement of local agencies in the process of plugging and abandoning wells and decommissioning facilities.* The bill would require the department to provide the Legislature with an update to this report on October 1, 2022, 2023, containing specified information.~~

~~(6)~~

~~(7) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

~~Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: yes.~~

The people of the State of California do enact as follows:

1 SECTION 1. Section 3203 of the Public Resources Code is
2 amended to read:

3 3203. (a) The operator of any well, before commencing the
4 work of drilling the well, shall file with the supervisor or the district
5 deputy a written notice of intention to commence drilling. Drilling
6 shall not commence until approval is given by the supervisor or
7 the district deputy. If the supervisor or the district deputy fails to
8 give the operator written response to the notice within 10 working
9 days from the date of receipt, that failure shall be considered as
10 an approval of the notice and the notice, for the purposes and
11 intents of this chapter, shall be deemed a written report of the
12 supervisor. If operations have not commenced within 24 months
13 of receipt of the notice, the notice shall be deemed canceled, the
14 notice shall not be extended, and the cancellation shall be noted
15 in the division's records. The notice shall contain the pertinent
16 data the supervisor requires on printed forms supplied by the
17 division or on other forms acceptable to the supervisor. The
18 supervisor may require other pertinent information to supplement
19 the notice.

20 (b) After the completion of any well, this section also applies
21 as far as may be, to the deepening or redrilling of the well, any
22 operation involving the plugging of the well, or any operations
23 permanently altering in any manner the casing of the well. The
24 number or designation of any well, and the number or designation
25 specified for any well in a notice filed as required by this section,
26 shall not be changed without first obtaining a written consent of
27 the supervisor.

28 (c) If an operator has failed to comply with an order of the
29 supervisor, the supervisor may deny approval of proposed well
30 operations until the operator brings its existing well operations
31 into compliance with the order. If an operator has failed to pay a
32 civil penalty, remedy a violation that it is required to remedy to
33 the satisfaction of the supervisor pursuant to an order issued under
34 Section 3236.5, or to pay any charges assessed under Article 7
35 (commencing with Section 3400), the supervisor may deny
36 approval to the operator's proposed well operations until the
37 operator pays the civil penalty, remedies the violation to the

1 satisfaction of the supervisor, or pays the charges assessed under
2 Article 7 (commencing with Section 3400).

3 SEC. 2. Section 3206 of the Public Resources Code, as added
4 by Section 4 of Chapter 272 of the Statutes of 2016, is amended
5 to read:

6 3206. (a) The operator of any idle well shall do either of the
7 following:

8 (1) No later than January 31 of each year, for each idle well that
9 was an idle well at any time in the last calendar year, file with the
10 supervisor an annual fee equal to the sum of the following amounts:

11 (A) One hundred fifty dollars (\$150) for each idle well that has
12 been an idle well for three years or longer, but less than eight years.

13 (B) Three hundred dollars (\$300) for each idle well that has
14 been an idle well for eight years or longer, but less than 15 years.

15 (C) Seven hundred fifty dollars (\$750) for each idle well that
16 has been an idle well for 15 years or longer, but less than 20 years.

17 (D) One thousand five hundred dollars (\$1,500) for each idle
18 well that has been an idle well for 20 years or longer.

19 (2) File a plan with the supervisor to provide for the management
20 and elimination of all long-term idle wells.

21 (A) For the purposes of the plan required by this paragraph,
22 elimination of an idle well shall be accomplished when the well
23 has been properly abandoned in accordance with Section 3208, or
24 it has been shown to the division's satisfaction that, since the well
25 became an idle well, the well has maintained production of oil or
26 gas or been used for injection for a continuous six-month period.

27 (B) A plan filed pursuant to this paragraph shall meet all of the
28 following requirements and conditions:

29 (i) The plan shall specify the time period that it covers. The plan
30 and any renewal of the plan shall cover a time period of no more
31 than five years and shall be subject to approval by the supervisor
32 who may prioritize the order in which idle wells are addressed.

33 (ii) The plan shall be reviewed for performance annually by the
34 supervisor, and be subject to amendment by the supervisor, or by
35 the operator with the approval of the supervisor.

36 (iii) The required rate of long-term idle well elimination shall
37 be based upon the number of idle wells under the control of an
38 operator on January 1 of each year, as specified in clause (iv).
39 *If the operator has eliminated more wells than required in the*
40 *prior two years, the supervisor may deduct from the new*

1 *requirement the net total of long-term idle wells eliminated in*
2 *excess of those previously required. In addition, the supervisor*
3 *may require additional well testing requirements as part of the*
4 *plan.*

5 (iv) Unless and until the operator has no long-term idle wells,
6 the plan shall require that operators with 250 or fewer idle wells
7 eliminate at least 4 percent of their long-term idle wells each year,
8 and, in no case, less than one long-term idle well; operators with
9 251 to 1,250, inclusive, idle wells eliminate at least 5 percent of
10 their long-term idle wells each year, and, in no case, less than one
11 long-term idle well; and operators with more than 1,250 idle wells
12 eliminate at least 6 percent of their long-term idle wells each year,
13 and, in no case, less than one long-term idle well.

14 (v) An operator who fails to comply with the plan, as determined
15 by the supervisor after the annual performance review, is not
16 eligible to use the requirements of this paragraph, for purposes of
17 compliance with this section, for any of its idle wells. That operator
18 may not propose a new idle well plan for the next five years. An
19 operator may appeal to the director pursuant to Article 6
20 (commencing with Section 3350) regarding the supervisor's
21 rejection of a plan and plan amendments and the supervisor's
22 determination of the operator's failure to comply with a plan. If
23 the supervisor's determination that the operator failed to comply
24 with the plan is not timely appealed, or if the director upholds the
25 supervisor's determination upon appeal, then the operator shall
26 immediately file the fees required under paragraph (1) for each
27 year that the operator failed to comply with the plan.

28 (b) All fees received under this section shall be deposited in the
29 Hazardous and Idle-Deserted Well Abatement Fund, which is
30 hereby created in the State Treasury. Notwithstanding Section
31 13340 of the Government Code, the moneys in the Hazardous and
32 Idle-Deserted Well Abatement Fund are hereby continuously
33 appropriated to the department for expenditure without regard to
34 fiscal year, to mitigate a hazardous or potentially hazardous
35 condition, by well plugging and abandonment, decommissioning
36 the production facilities, or both, at a well of an operator subject
37 to the requirements of this section.

38 (c) Failure to file, for any well, the fee required under this
39 section shall be conclusive evidence of desertion of the well,

1 permitting the supervisor to order the well abandoned pursuant to
2 Section 3237.

3 (d) Nothing in this section prohibits a local agency from
4 collecting a fee for regulation of wells.

5 (e) This section shall become operative on January 1, 2018.

6 SEC. 3. Section 3206.5 of the Public Resources Code is
7 amended to read:

8 3206.5. (a) Any city or county may request from the supervisor
9 a list of all idle wells, as defined in subdivision (d) of Section 3008,
10 within its jurisdiction.

11 (b) After receiving the list from the supervisor, the city or county
12 may identify idle wells identified pursuant to subdivision (a) within
13 its jurisdiction which it has determined, based on a competent,
14 professional evaluation, have no reasonable expectation of being
15 reactivated, and formally request the supervisor to make a
16 determination whether the wells should be plugged and abandoned.

17 (c) Upon receiving the written request of a city or county, as
18 specified in subdivision (b):

19 (1) The supervisor may, within 60 days of receiving a written
20 request from a city or county, require the operator or operators to
21 file a statement for each well outlining those reasons why the wells
22 should not be plugged and abandoned.

23 (2) The supervisor shall, within 120 days of receiving a written
24 request, make a determination as to whether any of these wells
25 should be plugged and abandoned, pursuant to the criteria contained
26 in this chapter.

27 (d) Failure of the operator to file, for any well, the statement
28 required under this section shall be conclusive evidence of
29 desertion of the well, thereby permitting the supervisor to order
30 the well abandoned.

31 SEC. 4. Section 3237 of the Public Resources Code is amended
32 to read:

33 3237. (a) (1) The supervisor or district deputy may order the
34 plugging and abandonment of a well or the decommissioning of
35 a production facility that has been deserted whether or not any
36 damage is occurring or threatened by reason of that deserted well
37 or production facility. The supervisor or district deputy shall
38 determine from credible evidence whether a well or production
39 facility is deserted.

1 (2) For purposes of paragraph (1), “credible evidence” includes,
2 but is not limited to, the operational history of the well or
3 production facility, the response or lack of response of the operator
4 to inquiries and requests from the supervisor or district deputy,
5 the extent of compliance by the operator with the requirements of
6 this chapter, and other actions of the operator with regard to the
7 well or production facility.

8 (3) A rebuttable presumption of desertion arises in any of the
9 following situations:

10 (A) If a well has not been completed to production or injection
11 and drilling machinery have been removed from the well site for
12 at least six months.

13 (B) If a well’s production facilities or injection equipment has
14 been removed from the well site for at least two years.

15 (C) If an operator has failed to comply with an order of the
16 supervisor within the time provided by the order or has failed to
17 challenge the order on a timely basis.

18 (D) If an operator fails to designate an agent as required by
19 Section 3200.

20 (E) If a person who is to acquire a well or production facility
21 that is subject to a purchase, transfer, assignment, conveyance,
22 exchange, or other disposition fails to comply with Section 3202.

23 (F) If an operator has failed to maintain the access road to a
24 well or production facility site passable to oilfield and emergency
25 vehicles.

26 (4) The operator may rebut the presumptions of desertion set
27 forth in paragraph (3) by demonstrating with credible evidence
28 compliance with this division and that the well or production
29 facility has the potential for commercial production, including
30 specific and detailed plans for future operations, and by providing
31 a reasonable timetable for putting those plans into effect. The
32 operator may rebut the presumption set forth in subparagraph (F)
33 of paragraph (3) by repairing the access road.

34 (b) An order to plug and abandon a deserted well or to
35 decommission a production facility may be appealed to the director
36 pursuant to the procedures specified in Article 6 (commencing
37 with Section 3350).

38 (c) (1) The current operator, as determined by the records of
39 the supervisor, of a deserted well that produced oil, gas, or other
40 hydrocarbons or was used for injection is responsible for the proper

1 plugging and abandonment of the well or the decommissioning of
2 deserted production facilities. If the supervisor determines that the
3 current operator does not have the financial resources to fully cover
4 the cost of plugging and abandoning the well or the
5 decommissioning of deserted production facilities, the immediately
6 preceding operator shall be responsible for the cost of plugging
7 and abandoning the well or the decommissioning of deserted
8 production facilities.

9 (2) The supervisor may continue to look seriatim to previous
10 operators until an operator is found that the supervisor determines
11 has the financial resources to cover the cost of plugging and
12 abandoning the well or decommissioning deserted production
13 facilities. However, the supervisor may not hold an operator
14 responsible that made a valid transfer of ownership of the well
15 prior to January 1, 1996.

16 (3) For purposes of this subdivision, “operator” includes a
17 mineral interest owner who shall be held jointly liable for the well
18 and attendant production facilities if the mineral interest owner
19 has or had leased or otherwise conveyed the working interest in
20 the well to another person, if in the lease or other conveyance, the
21 mineral interest owner retained a right to control the well operations
22 that exceeds the scope of an interest customarily reserved in a lease
23 or other conveyance in the event of a default.

24 (4) No prior operator is liable for any of the costs of plugging
25 and abandoning a well or decommissioning deserted production
26 facilities by a subsequent operator if those costs are necessitated
27 by the subsequent operator’s illegal operation of a well or
28 production facility.

29 (5) If the supervisor is unable to determine that an operator who
30 acquired ownership of a well after January 1, 1996, has the
31 financial resources to fully cover the costs of plugging and
32 abandonment of the well or decommissioning deserted production
33 facilities, the supervisor may undertake plugging and abandonment
34 of the well or decommissioning deserted production facilities
35 pursuant to Article 4.2 (commencing with Section 3250).

36 (d) (1) Notwithstanding any other provision of this chapter, the
37 supervisor or district deputy, at his or her sole discretion, may
38 determine that a well that has been idle for 25 years or more and
39 that fails to meet either of the following conditions is conclusive
40 evidence of desertion, and may order the well abandoned:

1 (A) The operator is operating in compliance with a valid idle
2 well management plan that is on file with the supervisor pursuant
3 to paragraph (2) of subdivision (a) of Section 3206 or is covered
4 by an indemnity bond provided under Section 3204, subdivision
5 (a) of Section 3205, or subdivision (a) of Section 3205.2.

6 (B) The well meets the relevant testing standards for idle wells
7 required under the regulations implementing this chapter.

8 (2) The supervisor or district deputy shall provide the operator
9 a 90-day notice of warning once a determination has been reached
10 pursuant to this subdivision that a well has been deserted. An
11 operator may rebut the determination, made pursuant to paragraph
12 (1), of the supervisor or district deputy by demonstrating
13 compliance with subparagraphs (A) and (B) of paragraph (1).

14 (3) An order to plug and abandon a deserted well under this
15 section due to the supervisor's or district deputy's determination
16 of an operator's noncompliance with either subparagraph (A) or
17 (B) of paragraph (1) may be appealed to the director pursuant to
18 the procedures specified in Article 6 (commencing with Section
19 3350).

20 SEC. 5. The heading of Article 4.2 (commencing with Section
21 3250) of Chapter 1 of Division 3 of the Public Resources Code is
22 amended to read:

23
24 Article 4.2. Hazardous Wells and Facilities

25
26 SEC. 6. Section 3250 of the Public Resources Code is amended
27 to read:

28 3250. The Legislature hereby finds and declares that hazardous
29 and certain idle-deserted oil and gas wells and hazardous and
30 deserted facilities, as defined in this article, are public nuisances
31 and that it is essential, in order to protect life, health, and natural
32 resources that those oil and gas wells and facilities be abandoned,
33 reabandoned, produced, or otherwise remedied to mitigate,
34 minimize, or eliminate their danger to life, health, and natural
35 resources.

36 The Legislature further finds and declares that, although the
37 abatement of such public nuisances could be accomplished by
38 means of an exercise of the regulatory power of the state, such
39 regulatory abatement would result in unfairness and financial
40 hardship for certain landowners, while also resulting in benefits

1 to the public. The Legislature, therefore, finds and declares that
2 the expenditure of funds to abate such nuisances as provided in
3 this article is for a public purpose and finds and declares it to be
4 the policy of this state that the cost of carrying out such abatement
5 be charged to this state's producers of oil and gas as provided in
6 Article 7 (commencing with Section 3400).

7 SEC. 7. Section 3251 of the Public Resources Code is repealed.

8 SEC. 8. Section 3251 is added to the Public Resources Code,
9 to read:

10 3251. For the purposes of this article, the following definitions
11 apply:

12 (a) "Deserted facility" means a production facility determined
13 by the supervisor to be deserted under Section 3237 and for which
14 there is no operator responsible for its decommissioning under
15 Section 3237.

16 (b) "~~Decommission~~" ~~means the safe removal of all well~~
17 ~~equipment, the safe dismantling and removal of associated~~
18 ~~production facilities, and the restoration of the well and facility~~
19 ~~site in accordance with the division's regulations.~~ *has the same*
20 *meaning and requirements, as applicable, as the definition*
21 *established in Section 1760 of Title 14 of the California Code of*
22 *Regulations.*

23 (c) "Hazardous facility" means a production facility determined
24 by the supervisor to be a potential danger to life, health, or natural
25 resources and for which there is no operator determined by the
26 supervisor to be responsible for its decommissioning under Section
27 3237.

28 (d) "Hazardous well" means an oil and gas well determined by
29 the supervisor to be a potential danger to life, health, or natural
30 resources and for which there is no operator determined by the
31 supervisor to be responsible for its plugging and abandonment
32 under Section 3237.

33 (e) "Idle-deserted well" means an oil and gas well determined
34 by the supervisor to be deserted under Section 3237 and for which
35 there is no operator responsible for its plugging and abandonment
36 under Section 3237.

37 SEC. 9. Section 3255 of the Public Resources Code is amended
38 to read:

39 3255. (a) Notwithstanding any other provision of this division,
40 the supervisor may order to be carried out, or may undertake, any

1 of the following operations, as applicable, on any property in the
2 vicinity of which, or on which, is located any well or facility that
3 the supervisor determines to be a hazardous well, an idle-deserted
4 well, a hazardous facility, or a deserted facility:

5 (1) Any inspection or tests necessary to determine what action,
6 if any, would be appropriate to effectuate the purpose of this article.

7 (2) The abandonment of the well.

8 (3) The reabandonment of the well.

9 (4) The redrilling and production of an existing well for purposes
10 of remedying, mitigating, minimizing, or eliminating danger to
11 life, health, and natural resources.

12 (5) The drilling and production of a well for purposes of
13 remedying, mitigating, minimizing, or eliminating danger to life,
14 health, and natural resources.

15 (6) The decommissioning of hazardous or deserted facilities.

16 (7) Any other remedy or oilfield operation calculated to
17 effectuate the purpose of this article.

18 (b) If, pursuant to this article, the supervisor orders that any
19 operation be carried out with respect to a hazardous well, an
20 idle-deserted well, a hazardous facility, or a deserted facility and
21 that operation will, by virtue of the physical occupation or
22 destruction of all or any part of the property or the extraction of
23 oil or gas from the property, substantially interfere with the
24 enjoyment of the property, the supervisor may acquire, as provided
25 in Section 3256, a minimal interest in the property as is necessary
26 to carry out the operation. No acquisition may be made pursuant
27 to this subdivision unless the supervisor finds and determines that
28 the public benefits to be derived therefrom in remedying,
29 mitigating, minimizing, or eliminating danger to life, health, and
30 natural resources will exceed the cost of the acquisition,
31 irrespective of the manner in which the acquisition is to be funded.

32 (c) An order of the supervisor to carry out any of the operations
33 listed in subdivision (a) may be appealed by the owner of the
34 property pursuant to Article 6 (commencing with Section 3350),
35 except that in the case of an emergency no stay of the supervisor's
36 order shall accompany the appeal.

37 SEC. 10. Section 3258 of the Public Resources Code is
38 amended to read:

1 3258. (a) The division shall not make expenditures pursuant
2 to this article that exceed ~~five million dollars (\$5,000,000)~~ in any
3 one fiscal year. ~~Moneys year:~~

4 (1) ~~Three million dollars (\$3,000,000) commencing on July 1,~~
5 ~~2018, for the 2018–19 fiscal year, and continuing for three fiscal~~
6 ~~years thereafter.~~

7 (2) ~~One million dollars (\$1,000,000), commencing with the~~
8 ~~2022–23 fiscal year.~~

9 (b) ~~Moneys~~ expended pursuant to this article shall be used
10 exclusively for plugging and abandoning hazardous or idle-deserted
11 wells and decommissioning hazardous or deserted facilities and
12 shall not be used for nonwell or nonproduction facility-related
13 activities and payments.

14 (b) ~~Upon request by a local entity, the division shall provide~~
15 ~~the local entity a list of known idle-deserted wells, hazardous wells,~~
16 ~~deserted facilities, and hazardous facilities:~~

17 (c) ~~A local entity may request to enter into a contract with the~~
18 ~~division to either receive funds to reimburse a local entity's costs~~
19 ~~related to plugging and abandoning a hazardous or idle-deserted~~
20 ~~well and decommissioning hazardous or deserted facilities or for~~
21 ~~the division to conduct work related to plugging and abandoning~~
22 ~~a hazardous or idle-deserted well and decommissioning hazardous~~
23 ~~or deserted facilities:~~

24 (1) ~~A local entity seeking to contract with the division pursuant~~
25 ~~to this section shall submit a request to the division. The request~~
26 ~~shall be approved by the local entity's legislative body before it~~
27 ~~can be considered by the division. The request shall contain all of~~
28 ~~the following:~~

29 (A) ~~The location of the well to be plugged and abandoned and~~
30 ~~the production facilities to be decommissioned:~~

31 (B) (i) ~~All required nonwell or nonproduction facility-related~~
32 ~~activities and payments the local entity believes will be required~~
33 ~~to complete the project, including, but not limited to, relocating~~
34 ~~and accommodating impacted residents, utility relocation, business~~
35 ~~and transportation impacts, and site restoration:~~

36 (ii) ~~A stipulation that the local entity will pay all costs identified~~
37 ~~pursuant to clause (i).~~

38 (C) (i) ~~A statement of facts indicating why the specific well or~~
39 ~~wells or production facility or facilities were chosen:~~

1 (ii) The statement shall provide details regarding the potential
2 harms to public health and environmental safety posed by the well
3 or facility as documented by the local agency or public health and
4 safety agencies within the appropriate jurisdiction:

5 ~~(D) Estimated costs, determined by a licensed operator or~~
6 ~~contractor, to plug and abandon a well and decommission~~
7 ~~associated production facilities:~~

8 ~~(E) Estimated costs of all other activities identified in~~
9 ~~subparagraph (B):~~

10 ~~(F) All permits, if any, the division must obtain before the~~
11 ~~commencement of work to plug and abandon a well or~~
12 ~~decommission a production facility, and the anticipated timeline~~
13 ~~for the project:~~

14 ~~(G) A timeline for estimated project completion:~~

15 ~~(H) A verification that any funds provided by the division shall~~
16 ~~only be spent on the plugging and abandoning of a well and~~
17 ~~decommissioning production facilities and will not be used for~~
18 ~~nonwell or nonproduction facility-related activities and payments,~~
19 ~~including, but not limited to, relocating and accommodating~~
20 ~~impacted residents, utility relocation, business and transportation~~
21 ~~impacts, and site restoration:~~

22 ~~(I) A verification that the local entity will adhere to all state~~
23 ~~contracting and subcontracting rules, as specified in the state~~
24 ~~contract manual:~~

25 ~~(J) If a local entity is seeking funding to perform the plugging~~
26 ~~and abandonment or decommissioning work itself, documentation~~
27 ~~that the local entity is the operator of the well or production facility,~~
28 ~~will become the operator of the well or production facility, or has~~
29 ~~an agreement with the operator of the well or production facility~~
30 ~~for the work to be performed:~~

31 ~~(2) (A) In reviewing and evaluating requests related to plugging~~
32 ~~and abandoning a hazardous or idle-deserted well or~~
33 ~~decommissioning a hazardous or deserted facility, the division~~
34 ~~shall prioritize and decide to approve or deny requests based on,~~
35 ~~at minimum, all of the following criteria:~~

36 ~~(i) The degree of potential danger to life, health, or natural~~
37 ~~resources posed by a specific hazardous or idle-deserted well or~~
38 ~~hazardous or deserted facility:~~

1 ~~(ii) Whether the specific hazardous or idle-deserted well or~~
2 ~~hazardous or deserted facility is located within an economically~~
3 ~~disadvantaged community.~~

4 ~~(iii) The cost and potential environmental or public health~~
5 ~~benefits of plugging and abandoning the hazardous or idle-deserted~~
6 ~~well or decommissioning the hazardous or deserted facility.~~

7 ~~(iv) The availability of third-party funding, including private~~
8 ~~development fees and federal matching funds.~~

9 ~~(v) Any other consideration or priorities the division deems~~
10 ~~necessary, including, division funding and the statewide priority~~
11 ~~level of the hazardous or idle-deserted well or hazardous or~~
12 ~~deserted facility identified in the local entity's request.~~

13 ~~(B) This paragraph shall not be construed to require the division~~
14 ~~to approve any request.~~

15 ~~(3) (A) Upon approving a local entity's request, the division~~
16 ~~and the local entity shall enter into a contractual memorandum of~~
17 ~~understanding providing, at a minimum, all of the following:~~

18 ~~(i) A statement identifying the costs each party will be~~
19 ~~responsible for paying.~~

20 ~~(ii) A statement identifying the manner in which the city or~~
21 ~~county shall submit invoices for payment to the division.~~

22 ~~(iii) A verification that the local entity agrees to pay all costs~~
23 ~~to plug and abandon a well and decommission the production~~
24 ~~facility in excess of the estimate provided in the application~~
25 ~~pursuant to subparagraphs (D) and (E) of paragraph (1).~~

26 ~~(iv) A verification that the local entity shall be responsible for~~
27 ~~any cost not identified in the memorandum of understanding or~~
28 ~~the local entity's request.~~

29 ~~(v) A verification that any funds provided by the division that~~
30 ~~are not utilized shall be returned to the division within 15 days of~~
31 ~~the completion of the project identified in the local entity's request.~~

32 ~~(vi) Clearly state that the division shall only be responsible for~~
33 ~~the costs authorized pursuant to this section.~~

34 ~~(B) Before the memorandum of understanding is effective, both~~
35 ~~of the following shall occur:~~

36 ~~(i) The memorandum of understanding shall be approved by~~
37 ~~the legislative body of the local entity, and signed by an agent~~
38 ~~thereof, within 30 days of receiving notice of the division's~~
39 ~~approval of the local entity's request. A failure to submit the~~

1 approved memorandum of understanding to the division within
2 30 days cancels the division's approval of the local entity's request.

3 (ii) The memorandum of understanding shall be approved by
4 the supervisor. The supervisor shall approve a memorandum of
5 understanding provided both of the following conditions are met:

6 (I) The division has sufficient funds to cover the plugging and
7 abandonment of the well or decommissioning of the facility, based
8 on a division's estimate of the total cost of the work.

9 (H) The local entity provided all information and contractual
10 conditions required by this section.

11 (d) On or after July 1, 2018, the division shall not commence
12 any activity to plug and abandon a hazardous or idle-deserted well
13 or decommission a hazardous or deserted facility within the
14 jurisdiction of a local entity without entering into a contractual
15 memorandum of understanding with the local entity pursuant to
16 paragraph (3) of subdivision (c).

17 (e) Subdivisions (b), (c), and (d) do not apply to any idle wells,
18 hazardous wells, idle-deserted wells, deserted facilities, or
19 hazardous facilities located on property owned by a state agency.

20 (f) (1) Nothing in this section shall limit the division's authority
21 to plug and abandon a well or decommission a production facility
22 deemed by the supervisor to pose a substantial threat to public
23 health and environmental safety.

24 (2) If the division acts pursuant to paragraph (1), moneys shall
25 only be expended on plugging and abandoning hazardous or
26 idle-deserted wells and decommissioning hazardous or deserted
27 facilities and shall not be used for nonwell or nonproduction
28 facility-related activities and payments, including, but not limited
29 to, relocating and accommodating impacted residents, utility
30 relocation, business and transportation impacts, and site restoration.

31 (c) *The division shall develop criteria for determining the*
32 *priority of plugging and abandoning hazardous or idle-deserted*
33 *wells and decommissioning hazardous or deserted facilities to be*
34 *remediated pursuant to this article. The Administrative Procedure*
35 *Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of*
36 *Division 3 of Title 2 of the Government Code) does not apply to*
37 *the development of criteria by the division pursuant to this*
38 *subdivision.*

39 (g)

1 (d) (1) (A) On October 1, ~~2019~~, 2020, the department shall
2 report to the Legislature on the number of hazardous wells,
3 idle-deserted wells, deserted facilities, and hazardous facilities
4 remaining, the estimated costs of abandoning and decommissioning
5 those wells and facilities, and a timeline for future abandonment
6 and decommissioning of those wells and facilities with a specific
7 schedule of goals.

8 (B) *As part of the report required in subparagraph (A), the*
9 *department shall provide recommendations to the Legislature for*
10 *improving and optimizing the involvement of local agencies in the*
11 *process of plugging and abandoning wells and decommissioning*
12 *facilities. In drafting these recommendations, the department shall*
13 *consider factors unique to each of the division's districts, and shall*
14 *consult with local agencies in developing recommendations.*

15 (2) On October 1, ~~2022~~, 2023, the department shall provide to
16 the Legislature an update on the report required in paragraph (1)
17 that describes the total costs, average costs per well and facility,
18 the number of wells plugged and abandoned, the number of
19 facilities decommissioned, the total number of projects completed,
20 and any additional wells and facilities identified by the department
21 requiring abandonment or decommissioning.

22 (3) The report and update to the report required to be submitted
23 under this subdivision shall be submitted in compliance with
24 Section 9795 of the Government Code.

25 (4) The requirement for submitting a report imposed under this
26 subdivision is inoperative on October 1, ~~2026~~, 2027, pursuant to
27 Section 10231.5 of the Government Code.

28 (h) ~~For purposes of this section, the following terms have the~~
29 ~~following meanings:~~

30 (1) ~~“Economically disadvantaged community” means a~~
31 ~~community with a median household income less than 80 percent~~
32 ~~of the statewide average.~~

33 (2) ~~“Local entity” means a city or county.~~

34 SEC. 11. No reimbursement is required by this act pursuant to
35 Section 6 of Article XIII B of the California Constitution because
36 the only costs that may be incurred by a local agency or school
37 district will be incurred because this act creates a new crime or
38 infraction, eliminates a crime or infraction, or changes the penalty
39 for a crime or infraction, within the meaning of Section 17556 of
40 the Government Code, or changes the definition of a crime within

1 the meaning of Section 6 of Article XIII B of the California
2 Constitution.

O