



# DEPARTMENT OF CONSERVATION

*Managing California's Working Lands*

## Division of Oil, Gas, and Geothermal Resources

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## NOTICE TO OPERATORS

On September 20, 2013, Governor Brown signed into law Senate Bill 665 (Wolk), which amends a number of sections in the Public Resources Code (PRC) regarding bond requirements for oil and gas wells. The new law becomes effective January 1, 2014. The following is a brief summary of the most significant statutory changes.

Current law requires any operator who engages in the drilling, redrilling, deepening, or permanently altering the casing of any well to file with the Supervisor an individual indemnity bond in the specified sum for each well drilled, redrilled, deepened, or permanently altered. Current law also allows operators of two or more wells to file one blanket indemnity bond to cover all of the operations of their wells in the State in lieu of an individual indemnity bond for each operation.

The new law increases the amount required for each type of indemnity bond, and those changes are summarized below.

### **Current bonding requirements:**

Individual indemnity bonds, PRC Sections 3204 and 3205.2:

- \$15,000- Less than 5,000 feet deep
- \$20,000- More than 5,000 feet deep, but less than 10,000 feet deep
- \$30,000- 10,000 or more feet deep
- \$50,000- For each Class II commercial wastewater disposal well

Blanket indemnity bonds PRC Sections 3205 and 3205.1:

- \$100,000 for operators with 50 or fewer wells (does not include idle well fees)
- \$250,000 for operators with more than 50 wells (does not include idle well fees)
- \$1,000,000 (includes idle well fees)
- \$250,000 for operators with one or more offshore wells

### **Revised bonding requirements:**

Individual indemnity bonds, PRC Sections 3204 and 3205.2:

- \$25,000- Less than 10,000 feet deep
- \$40,000- 10,000 or more feet deep
- \$100,000- For each Class II commercial wastewater disposal well

Blanket indemnity bonds, PRC Sections 3205 and 3205.1:

- \$200,000 for operators with 50 or fewer wells (does not include idle well fees)
- \$400,000 for operators with more than 50 wells (does not include idle well fees)
- \$2,000,000 (includes idle wells fees)
- \$1,000,000 for operators with one or more offshore wells

The new law limits the use of blanket indemnity bonds to operators of twenty or more wells. In order to comply with the new law, an operator with fewer than twenty wells that need bond coverage, who is currently relying upon a blanket indemnity bond will need to adjust the amount of its bond to reflect the amount required for individual indemnity bonds. The legislation requires that any existing blanket cash bond or blanket surety bond be increased to comply with the new requirements proposed by this bill on or before January 1, 2016.

If you have questions regarding these requirements, please contact your local Division of Oil, Gas, and Geothermal Resources district office or the Headquarters office.



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Tim Kustic  
State Oil and Gas Supervisor