California
Department of Conservation

Geologic Energy Management Division

# Idle Well Program Legislative Report

## An Overview of Idle and Orphaned Wells in California

**Reporting Period: January 1, 2023 to December 31, 2023**

Prepared Pursuant to Public Resources Code sections 3206.3 and 3258, subdivision (e)

Assembly Bill 2729 (Williams, Ch. 272, Stats. of 2016)
Senate Bill 724 (Lara, Ch. 652, Stats. of 2017)
Senate Bill 551 (Jackson, Ch. 774, Stats. of 2019)
Senate Bill 84 (Hurtado, Ch. 758, Stats. of 2021)
Senate Bill 47 (Limón, Ch. 238, Stats. of 2021)

December 2025

**Gavin Newsom,** Governor, State of California

**Jennifer Lucchesi,** Director, Department of Conservation

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# ABOUT THE CALIFORNIA GEOLOGIC ENERGY MANAGEMENT DIVISION

The California Geologic Energy Management Division (CalGEM) prioritizes the protection of public health, safety, and the environment in its oversight of the oil, natural gas, and geothermal operations in California by utilizing science and sound engineering practices to regulate the drilling, operation, maintenance, and permanent closure of energy resource wells. CalGEM also regulates pipelines and facilities associated with oil and gas production and injection wells. These regulatory duties include conducting inspections, witnessing and reviewing tests, as well as permitting and reviewing operations.

When CalGEM was established in 1915 (then known as the Department of Petroleum and Gas), the initial focus of regulation was the protection of oil and gas resources in the state from production practices that could harm the ultimate level of hydrocarbon recovery. Early CalGEM regulations included well spacing requirements and the authority to limit production rates; however, over time those regulations along with the focus of CalGEM have evolved and now include the protection of public health, safety, and the environment.

CalGEM has grown significantly since it was established in 1915 and has taken major steps to ensure it will be able to handle challenges in a manner consistent with public expectations for a modern, efficient, collaborative, and science-driven regulatory agency. In 2019, the mission of CalGEM changed to include protecting public health and safety, environmental quality, and the reduction and mitigation of greenhouse gas emissions associated with the development of hydrocarbon and geothermal resources in a manner that meets the energy needs of the state.


## CalGEM Districts

CalGEM operates out of three districts to best serve the needs of the state: Northern, Central, and Southern. Each district has its own offices where staff are available to assist the public and stakeholders. For more information about CalGEM, visit our website at: https://www.conservation.ca.gov/calgem.

## Contact Information

For more information about the Idle Well Program, visit the program webpage: https://www.conservation.ca.gov/calgem/idle_well

For questions regarding the content of this report, contact the CalGEM Public Transparency Office at CalGEMPublicTransparencyOffice@conservation.ca.gov

## Acronyms

| TERM | DESCRIPTION |
|---|---|
| API | American Petroleum Institute |
| CalGEM | California Geologic Energy Management Division |
| IWMP | Idle Well Management Plan |
| LTIW | Long-term idle well |
| P&A | Plugging and Abandonment |
| WellSTAR | Well Statewide Tracking and Reporting |

# EXECUTIVE SUMMARY

California Geologic Energy Management Division (CalGEM) provides this annual report to satisfy the requirements of Public Resources Code (PRC) sections 3206.3 and 3258(e)(2). PRC section 3206.3 requires CalGEM provide an annual report to the Legislature on the status of idle and long-term idle wells for the preceding calendar year. PRC section 3258 (e)(1) and (2) require updates on the progress of the plugging and abandonment of hazardous or idle-deserted wells and the decommissioning of hazardous or deserted facilities. The reporting period addressed in this report is for January 1, 2023 to December 31, 2023.

This report includes the following key facts related to idle wells during the 2023 calendar year:

- 35,057 wells met the definition of idle well
  - 16,955 of those wells met the definition of long-term idle wells (LTIW)
  - 4,091 idle wells were plugged and abandoned
  - 1,316 idle wells were returned to use where the status changed from idle to active.
- 70 Idle Well Management Plans (IWMPs) were approved. Based on the terms of the approved IWMPs, operators were expected to eliminate a minimum of 701 LTIWs, by either returning the LTIWs to use, properly plugging and abandoning the LTIWs, or by applying previously earned credits.[1]
- The annual review of each approved 2023 IWMP yielded the following results:
  - 59 operators were found to be compliant with the terms of their approved IWMPs.
  - Nine (9) operators voluntarily voided their 2023 IWMP and paid a cumulative $116,100 in annual fees, based on the count of wells idle at any point in 2022, in advance of the annual review.
  - Two (2) operators' IWMPs were cancelled by CalGEM due to their failure to comply with the terms of their approved IWMP.
- In total 831 LTIWs were eliminated in 2023.
  - 739 LTIWs were eliminated in 2023 as part of an approved IWMP.
  - The remaining 89 LTIW eliminations were credits operators earned in prior years (2021 and 2022) and applied in 2023.
  - One (1) non-compliant operator applied three (3) available credits.

[1] Operators may earn credits by eliminating LTIWs in excess of the minimum elimination requirements of their IWMP. Credits may be used to meet the minimum requirements for either of the two following years.

- 18 operators eliminated more LTIWs than required on their approved IWMPs, earning 144 elimination credits in the year 2023 that may be applied to their IWMP minimum elimination for either of the two following years.
- CalGEM collected $1,433,015.00 in idle well fees from 155 operators. CalGEM collected an additional $23,820.91 in penalties and interest in 2023, which brings the total cumulative idle well fees collected to $1,456,836.40.
- Idle well fees are deposited into the Hazardous and Idle-Deserted Well Abatement Fund (HIDWAF). As of December 31, 2023, the balance of the HIDWAF was $25,270,000.00.

Through implementation of the state's idle well management regulations, the idle well testing regime, that includes the most rigorous testing standards in the country, and collecting idle well fees that can be used to fund the plugging and abandonment of deserted and orphan wells, CalGEM has been continuing to improve on the elimination of risk to public health, safety, and the environment from idle and orphan wells.

In addition, CalGEM has made significant progress in identifying the number of orphan and potentially orphan wells and facilities in the state. The May 2024 increases in federal and state funding available to support state abandonment have provided additional avenues for addressing orphan wells; however, abandoning and decommissioning the full inventory of orphan and potentially orphan wells and facilities in California may take decades. In February 2023, CalGEM released the final methodology for prioritizing orphan and potentially orphan wells for state abandonment. In October 2023, CalGEM released its Final State Oil and Gas Well Abandonment Expenditure plan with the initial list of orphan wells CalGEM will likely permanently plug and abandon using state and federal funds. These are wells selected from over 5,300 wells that were identified as orphan or potentially orphan in 2022.

The costs associated with the abandonment and decommissioning of orphan wells and facilities are highly variable depending on well and facility conditions, size, location, and other unforeseeable factors. Using the Method 1 methodology in the proposed Cost Estimate Regulations for Oil and Gas Operations, CalGEM has calculated the average plug and abandonment cost (including well site remediation) for Northern District as $142,918 per well, Central District as $100,927 per well, and Southern District as $256,089 per well (higher due to its highly urban environment and associated costs for operations in these spaces). Not reflecting well-specific cost drivers, the average cost to the state to plug and abandon wells (including well site remediation) since 2011 has been about $139,000 per well. While the cost of plugging and abandonment is highly variable and

dependent on many components, the average per-well cost was extrapolated across orphan, deserted, and potentially deserted wells identified in this report. The potential liability for plugging and abandoning these 5,300 wells is estimated to be at a little under $1 billion.[2]

During the calendar year 2023, CalGEM spent $19,079,341.04 in implementing state abandonment contracts.166 wells have been plugged and abandoned through the state abandonment program in 2023.

[2] Based on methodology reported in the 2021 Notice of Intent to Apply for Formula Grant Funding and 2021 State Abandonment Analysis Report.

# INTRODUCTION

## Objective and Scope of the Report

This report fulfills the reporting requirements codified in PRC sections 3206.3, and 3258, subdivision (e).

A comprehensive report on the status of idle and long-term idle wells for the preceding calendar year (January 1, 2023 through December 31, 2023), in accordance with PRC section 3206.3 as follows:

- A list of all idle and long-term idle wells (LTIWs) in the state by American Petroleum Institute identification (API) number, operator, field, and pool.
- A list of all wells with idle or long-term idle status changes in the preceding year by API number with the disposition and current status of each well.
- A list of remaining orphan wells, the estimated costs to abandon those orphan wells, and a timeline for future orphan well abandonment with a specific schedule of goals. Idle and LTIWs that have become orphan wells shall be identified in the list. For the purposes of this report, an orphan well is a well that has no party responsible for it that is financially solvent, leaving the state to plug and abandon it.
- A list of all operators with plans filed with the State Oil and Gas Supervisor (Supervisor) for the management and elimination of all LTIWs and the status of those plans.
- Any additional relevant information as determined by the Supervisor.
- Information summarizing violations and pertinent findings from inspections of production facilities attendant to LTIWs.
- Identification of idle wells by the API number that are registered to an operator and that have met the definition of an idle well for three years where neither the required annual fee has been paid nor is the idle well part of a valid IWMP on file with the Supervisor.
- A description of activities undertaken by CalGEM's collections unit, including the number of operators and amount of idle well fees collected in the preceding year, the criteria and timeline for determining a well or attendant facility is deserted, and amount of costs recovered from operators or responsible parties for work ordered by the Supervisor or undertaken by CalGEM. Additionally, information related to the use of liens, including the number of wells and facilities eligible to be subject to a lien, number of liens placed, and number of liens released.

A description of the following as required by PRC section 3258 (e)(1) and (2):

- The number of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities remaining.
- Total plugging and abandonment and decommissioning costs and average costs per well and facility.
- The number of wells that were plugged and abandoned.
- The number of facilities decommissioned.
- The total number of projects completed.
- The location of those wells, facilities, and projects.
- Any additional wells and facilities identified by the department requiring abandonment or decommissioning.
- A timeline for future abandonment and decommissioning of those wells and facilities with a specific schedule of goals.

## Definitions

CalGEM is required to report on the various well types, including orphan wells, hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities. These reporting requirements are overlapping, and as such all relevant definitions are provided below.

### *Orphan Wells*

"Orphan" wells are those wells that have been determined to be deserted as demonstrated through a final plugging and abandonment order, consistent with PRC section 3237, and have also been determined by CalGEM to have no legally responsible current or prior operator with sufficient financial resources to fully cover the costs of plugging and abandonment, as described in PRC section 3237(c). These wells fit the statutory definition of idle-deserted and may also fit the definition of hazardous, as presented in PRC section 3251. For purposes of this report, wells in this group are described as "Orphan" and are listed in Appendix A-6.

### *Deserted Wells*

"Deserted" wells are those wells that have been determined to be deserted in a final plugging and abandonment order, pursuant to PRC section 3237. Evidence of desertion includes failure to pay idle well fees, the operational history of the well, the lack of response from the operator, and other evidence, specified in PRC section 3237 (see also PRC sections 3206(c) and 3206.1(e)). For a full version of PRC sections 3206, 3206.1, and 3237, please see Appendices B-1 and B-2. In addition, as part of a continuing process to identify orphan wells, CalGEM has identified the current population of these deserted wells. For purposes of this report, wells in this group are described as "Deserted" and are listed in Appendix A-7.

### *Potentially Deserted Wells*

"Potentially deserted" wells are those wells that have not yet been determined to be deserted, but for which other evidence suggests the wells are likely deserted. These are wells for which CalGEM has not issued a final plugging and abandonment order, but is aware of evidence that would appear to support a desertion determination. This evidence includes failure to pay idle well fees, the operational history of the well, the lack of response from the operator, and other potential evidence specified in PRC section 3237 (see also PRC sections 3206(c)and 3206.1(e)). For a full version of PRC sections 3206, 3206.1, and 3237, please see Appendices B-1 and B-2. For purposes of this report, wells in this group are described as "Potentially Deserted" and are listed in Appendix A-7.

***Hazardous Wells and Idle-Deserted Wells***

A "hazardous" well is defined as an oil and gas well determined by the supervisor to be a potential danger to life, health, or natural resources and for which there is no operator determined by the supervisor to be responsible for its plugging and abandonment under [PRC] section 3237 (PRC section 3251(d)). An "idle-deserted" well is defined as an oil and gas well determined by the supervisor to be deserted under PRC section 3237 and for which there is no operator responsible for its plugging and abandonment under PRC section 3237 (PRC section 3251(e)). For purposes of this report, the wells that have been declared as "Hazardous" by the Supervisor are listed in Appendix A-10 with their respective plugging and abandonment costs estimated using the Method 1 methodology in the proposed Cost Estimate Regulations for Oil and Gas Operations.

***Deserted and Hazardous Facilities***

A "deserted facility" is defined as a production facility determined by the supervisor to be deserted under PRC section 3237 and for which there is no operator responsible for its decommissioning under PRC section 3237 (PRC section 3251(a)). A "hazardous facility" is defined as a production facility determined by the supervisor to be a potential danger to life, health, or natural resources and for which there is no operator determined by the supervisor to be responsible for its decommissioning under PRC section 3237 (PRC section 3251(c)). Foundational to both of these definitions is that the facility has no operator responsible for its decommissioning. For purposes of this report, the production facilities attendant to wells that have been declared as "Hazardous" by the Supervisor are listed in Appendix A-10 with their respective decommissioning and remediation costs estimated using the Method 1 methodology proposed in the proposed Cost Estimate Regulations for Oil and Gas Operations.

## IDLE AND ORPHAN WELLS IN CALIFORNIA

Even with California's crude oil production declining steadily in the last few decades, California ranks seventh in the nation for crude oil production, accounting for about 2.5% of U.S. production in 2023.[3] Based on 2023 idle well inventory, there are 35,057 known idle wells—wells that have not produced for at least 24 months and have not been plugged and abandoned—in California. All of these wells will eventually come to the end of their productivity, and operators will be required to plug and abandon the wells and decommission the associated production facilities. California also currently has more than 60,000 active wells, which will also eventually come to the end of their life—a transition that is potentially accelerated by California's move toward phasing out oil extraction in the state by 2045. While it is the responsibility of operators to properly plug and abandon their wells and decommission attendant facilities, many operators in California may not have the financial resources required to fully cover the costs of doing this work, leaving the responsibility and costs of plugging and abandonment, decommissioning, and environmental remediation to the state.

AB 1057 (Ch. 771, Stats. 2019) authorizes CalGEM to evaluate the risk of the operator deserting its well or wells and the potential threats the operator's well or wells pose to life, health, property, and natural resources, and based on that evaluation, to undertake a process to require additional financial security if deemed necessary (PRC section 3205.3). The additional security required by CalGEM must be based on CalGEM's estimation of the reasonable costs of properly plugging and abandoning all the operator's wells and decommissioning any attendant production facilities in accordance with PRC section 3208, not to exceed thirty million dollars ($30,000,000).

CalGEM has developed a tool to help assess an operator's risk of desertion and an environmental risk assessment framework, which provide an instructive but not determinative method for CalGEM to estimate the appropriate financial assurance for an operator. CalGEM uses these two risk scores to weigh the operator's total estimated costs to plug and abandon all of their wells, decommission all of their production facilities, and perform required site remediation. The weight represents a conservative risk discount to apply to operators' asset retirement obligation estimates for an appropriate additional financial security.

[3] U.S. EIA, California State Energy Profile. https://www.eia.gov/state/print.php?sid=CA#:~:text=California%20Quick%20Facts,in%20crude%20oil%20refining%20capacity.

It is CalGEM's practice to first notify operators of the proposed additional security amount that the operator may be required to post. The output of the model is intended to serve as a guide to start an exchange of information with operators who are subject to additional security requirements. CalGEM has initiated outreach in 2023 to those operators with the highest liability and number of environmentally sensitive and critical well counts.

## Status of Proposed Cost Estimate Regulations for Oil and Gas Operations

PRC section 3205.7 requires each operator of an oil or gas well, including an underground gas storage well, to submit a report to CalGEM estimating the cost to plug and abandon each of its wells, decommission each of its attendant production facilities, and complete any needed site remediation. CalGEM has developed a set of criteria for these reports, which are set forth in the Cost Estimate Regulations for Oil and Gas Operations. The rulemaking package was approved by the Office of Administrative Law and the regulations became effective October 2024, with the first reports due January 1, 2025.

The Cost Estimate Regulations for Oil and Gas Operations outlines the criteria that operators will use when preparing the cost estimate reports required under PRC section 3205.7, allowing two different methods for making the required estimates. Method 1 is a prescribed methodology whereby an operator uses values developed by CalGEM to estimate the costs associated with well plugging and abandonment, production facility decommissioning, and site remediation based upon the condition, location, and history of the operator's assets. Method 2 allows for the operator to develop their own site-specific cost estimates, providing the estimates are persuasively supported by detailed documentation and representative of what the State would pay a contractor to perform the required work, excluding savings or efficiencies specific to the operator. The Method 1 methodology was used to calculate the liability costs associated with orphan wells including well plugging and abandonment, production facility decommissioning, and site remediation as seen in section 7 of this report.

For more information about the Cost Estimate Regulations for Oil and Gas Operations and the Operator Financial Responsibility (OFR) program, visit the program webpage at: https://www.conservation.ca.gov/calgem/Pages/Cost-Estimation.aspx

# IDLE AND LONG-TERM IDLE WELLS IN CALIFORNIA

## 1. Idle Wells Statistics

In accordance with statute, this report provides key statistics and information regarding California's inventory of idle wells and long-term idle wells (LTIW). All statistics and data required by PRC section 3206.3 can be found in the following appendices for the reporting period of January 1 to December 31, 2023.

See Appendix A-1 for the list of all wells that met the definition of idle well and LTIW by American Petroleum Institute (API) identification number and indicating the operator field, and pool.

See Appendix A-2 for the list of all wells that had a status change from idle well to LTIW.

See Appendix A-3 for the list of all wells that had a status change from idle well to plugged and abandoned.

See Appendix A-4 for the list of wells that had a status change from idle well to active.

See Appendix A-5 for the list of operators with 2023 IWMPs and the status of those IWMPs.

### 1.1 Idle and Long-Term Idle Wells in 2023

The table below lists data for calendar years 2019 through 2023, including counts of idle wells, LTIWs, idle wells plugged and abandoned, idle wells returned to use, and LTIWs eliminated on an Idle Well Management Plan (IWMP) by either plugging and abandonment or returning to use. Idle well information is drawn from operator records submitted to CalGEM. These records include monthly volumetric reporting, IWMPs, and well histories required for permits to abandon wells.

**Idle Well Counts by Year**

| Calendar Year | Idle wells | Long-term idle wells | Idle wells changed to plugged and abandoned | Idle wells changed to active | IWMP wells eliminated |
|---|---|---|---|---|---|
| **2019** | 37,095 | 17,560 | 1,927 | 690 | 543 |
| **2020** | 37,612 | 17,786 | 2,154 | 532 | 558 |
| **2021** | 38,759 | 17,888 | 2,703 | 568 | 464 |
| **2022** | 38,794 | 17,595 | 3,508 | 1,520 | 447 |
| **2023** | 35,057 | 16,955 | 4,091 | 1,316 | 739 |

The annual idle well count saw a slight increase year over year between 2019 and 2022, while for 2023 a different trend with a decrease in the total idle well count was seen as more idle wells were plugged and abandoned compared to the previous four years.

35,057 wells met the definition of idle well at some point during the 2023 calendar year. Of the total idle well population, 16,955 idle wells have been idle for eight or more years and thus meet the statutory definition of LTIW.

From 2019 to 2023, operators eliminated over 19,000 idle wells either through proper plugging and abandonment or returning to use (maintained production of oil or gas or used for injection for a continuous six-month period). Over three quarters of the eliminations are due to plugging and abandonments with only a quarter of the elimination occurring by returning idle wells to use. The number of wells that changed from idle to active in 2023 was similar to 2022 but still a significant increase compared to the annual numbers from 2019 to 2021. The total number of wells that changed from idle to plugged and abandoned each year has increased steadily over the years with the highest number of plugged and abandonment in 2023 at 4,091 which was double the numbers of idle wells plugged and abandoned in 2019.

## 1.2 Idle and Long-Term Idle Wells That Changed Status in 2023

A total of 1,314 idle wells changed status from idle wells to LTIW during the 2023 calendar year.

During the 2023 reporting period a total of 5,407 wells no longer met the definition of an idle well. Of those, 4,091 wells were plugged in accordance with PRC section 3208 and changed status from idle to plugged and abandoned. The other 1,316 wells changed

status from idle to active by maintaining production of oil or natural gas, maintaining production of water used in production stimulation, or being used for enhanced oil recovery, reservoir pressure management, or injection for six continuous months (PRC section 3008(d)).

## 2. Plans for the Management and Elimination of Long-Term Idle Wells

### 2.1 Idle Well Management Plan Requirements and Status

Under PRC section 3206(a)(2), in lieu of paying annual idle well fees, operators may file an IWMP that provides for the management and elimination of all the operator's LTIWs. An operator may eliminate a LTIW by either properly plugging and abandoning the well in accordance with the requirements of PRC section 3208 or demonstrating to CalGEM's satisfaction that the well has maintained production of oil or gas or been used for injection for a continuous six-month period (PRC section 3206(a)(2)(A)).

In filing an IWMP, an operator commits to eliminating a minimum percentage of their LTIWs each calendar year. The required rate of elimination of LTIWs is based on the total number of statewide idle wells in the operator's possession on January 1 of each year. Unless and until the operator has no LTIWs, the operator must eliminate the required rate of wells annually. The required elimination rates are as follows:

- Operators with 250 or fewer idle wells must eliminate at least 4% of their LTIWs annually.
- Operators with 251 to 1,250 idle wells must eliminate at least 5% of their LTIWs annually.
- Operators with more than 1,250 idle wells must eliminate at least 6% of their LTIWs annually.

PRC section 3206(a)(2)(B)(iii), affords operators the opportunity to receive credits for eliminating greater than the minimum required number of LTIWs. These credits may be applied to future minimum elimination requirements in the operator's IWMP but expire after two years.

In this reporting period, CalGEM received 70 IWMPs and approved all of the submitted IWMPs. Based upon the terms of the approved IWMPs, operators were expected to eliminate a minimum of 701 LTIWs. An annual audit review of each approved 2023 IWMP yielded the following results:

- 59 operators were found to be compliant with the terms of their approved IWMPs.
- In total, 831 LTIWs were effectively eliminated in 2023 by all operators.

  - 739 LTIWs were eliminated in 2023 as part of an approved IWMP.
  - The remaining 89 LTIW eliminations were credits operators earned in prior years (2021 and 2022) and applied in 2023.
  - One (1) non-compliant operator applied three (3) available credits.
- 18 operators eliminated more LTIWs than required on their approved IWMPs, earning 144 elimination credits in the year 2023 that may be applied by operators to their IWMP minimum elimination for either of the two following years.
- Nine (9) operators voluntarily voided their 2023 IWMP and paid a cumulative $116,100 in annual fees based on the count of wells idle at any point in 2022.
- Two (2) operators' IWMPs were cancelled by CalGEM due to their failure to comply with the terms of their approved IWMP.

## 2.2 Non-Compliant Idle Well Management Plans

If an operator fails to comply with their approved IWMP, then the IWMP for that operator is revoked, and the operator is not eligible to propose a new IWMP for the next five years. An operator may appeal to the Director of the Department of Conservation (Director) regarding the Supervisor's determination of non-compliance and revocation of their IWMP. If the Supervisor's determination that the operator failed to comply with the IWMP is not timely appealed, or if the Director upholds the Supervisor's determination upon appeal, then the operator is required to immediately pay the idle well fees due for each year that the operator failed to comply with the IWMP. Failure of an operator to pay the idle well fee due for any well is conclusive evidence of desertion, permitting the Supervisor to order the well abandoned pursuant to PRC section 3237. Effective January 1, 2022, if an operator fails to pay an annual fee within 30 days of CalGEM's final decision, the fee becomes immediately delinquent. Upon the fee becoming delinquent, an additional 10% penalty and 1.5% interest per month is assessed pursuant to PRC section 3420.

CalGEM issued Notice of Cancellations, on March 28, 2024, to two (2) operators: West Energy Operating, LLC, Operator Code 11109 and Clean Energy Systems Placerita Inc., Operator Code P3850 for failing to comply with the requirements of their IWMP submitted in 2023 (PRC section 3206(a)(2)(B)(v)). West Energy Operating, LLC submitted an appeal, but the appeal was not made in a timely manner. Clean Energy Systems Placerita, Inc. did not appeal the cancellation. As a result, these operators were required to pay an annual fee for each well that was idle at any point in 2022.

Neither West Energy Operating, LLC (11109) nor Clean Energy Systems Placerita Inc. (P3850) made a timely payment of $141,750.00 and $8,250.00 respectively to resolve all due 2022 idle well fees. As a result, in accordance with PRC section 3420, CalGEM

assessed a 10% penalty and will perpetually assess interest at a rate of 1.5% per month until all fees are paid in full.

## 3. Collection and Liens

In 2023, CalGEM collected $1,433,015.00 in idle well fees from 155 operators. An operator who fails to timely pay their annual fees is assessed a 10% penalty and 1.5% interest per month on the unpaid balance in accordance with PRC section 3420. In total, CalGEM collected an additional $23,820.91 in penalties and interest in 2023, which brings the total cumulative idle well fees collected to $1,456,836.40. This amount is significantly less than the $5,221,869.35 collected in the previous calendar year. This was due to more operators with larger number of idle wells in their inventory filing IWMPs in lieu of paying idle well fees.

CalGEM's Collection's Unit has developed a more robust collections process, including collecting upon bonds, pursuing collections against responsible previous operators, utilizing available databases to identify assets, partnering with a third-party collections group, and working with the State Controller's Office to establish a systematic lien process.

## 4. Orphan Wells

CalGEM is continuously working to identify wells that have been deserted and for which there is no solvent operator and can therefore be considered orphaned. For the purpose of this report, CalGEM has provided an evaluation of wells that are either orphan or that appear likely to be orphan based on various considerations. Three categories comprise this landscape of wells that are orphan or potentially orphan: orphan, deserted, and potentially deserted wells.

### 4.1. Declared Orphan Wells

In accordance with PRC section 3206.3, this report also provides key statistics and information regarding California's current inventory of orphan wells, the estimated costs of abandoning those orphan wells, and a timeline for future orphan well abandonment. CalGEM declared 171 wells as orphan in 2023, bringing the total number of wells declared orphan since 2021 to 423. See Appendix A-6 for the list of idle wells declared orphan.

### 4.2. Inventory of Deserted and Potentially Deserted Wells

It is worth noting that even one year of failure to pay idle well fees is evidence of desertion but failure to pay idle well fees is not the only evidence of desertion that CalGEM may rely upon in ordering a well plugged and abandoned. Failure to comply with the idle well

regulations is also conclusive evidence of desertion (PRC section 3206.1(e)). Additionally, under PRC section 3237, credible evidence of desertion may also include, but is not limited to: the operational history of the well or production facility; the response or lack of response of the operator to inquiries and requests from CalGEM; the extent of compliance by the operator with the requirements; and other actions. Similarly, a rebuttable presumption of desertion arises if a well has not been completed to production or injection and the drilling machinery has been removed from the well site for at least six months; the well's production or injection equipment has been removed from the well site for at least two years, no matter the condition or relative completion of the well; the operator has failed to comply with an order of the Supervisor within the time provided by an order or has failed to comply with an order on a timely basis; an operator fails to designate an agent; an operator acquiring a well or production facility fails to comply with transfer requirements; or an operator fails to maintain the access road to a well or production facility.

As of December 2023, plug and abandonment orders had been issued for a cumulative total of 294 idle wells declaring them as deserted. A list of wells by operators who have failed to comply with either the idle well fee or IWMP for three consecutive years (2021, 2022 and 2023) is included in Appendix A-7 as potentially deserted wells. There are a total of 2,550 deserted and potentially deserted wells in this list, which is less than the 5,338 wells in the list published on CalGEM's website under "Likely Orphan and Deserted Well Inventory and Final Screening Scores- February 2023 (PDF)" with a map available at CalGEM Final Orphan Well Screening Results – GIS Mapping Application. This difference is due to the February 2023 published list including all wells that fit the presumption of desertion mentioned above and also includes wells that have just one year of failure to pay fees. Wells that have been plugged and abandoned or declared orphan have been removed from this list.

## 5. Declared Hazardous Wells & Attendant Production Facilities

For purposes of this report, the wells that have been declared as "Hazardous" and the production facilities attendant to wells that have been declared as "Hazardous" by the Supervisor are listed in Appendix A-10 with their respective plugging and abandonment and well site remediation costs estimated using the Method 1 methodology in the proposed Cost Estimate Regulations for Oil and Gas Operations.

## 6. Production Facilities Attendant to Long-Term Idle Wells

### 6.1 Violations Issued to Production Facilities Attendant to Long-Term Idle Wells

For the purpose of this report, a production facility attendant to a LTIW includes any setting, tank, vessel, sump, or pipeline. While the statutory definition of production facility found in PRC section 3010 includes a wellhead as a type of production facility, the operational definition used in this report omits violations observed directly related to the wellhead, as those violations are associated with the well.

See Appendix A-8 for the list of violations issued for production facilities attendant to LTIW.

| Subject Type | Count of Violations |
|---|---|
| **Pipeline** | 17 |
| **Sump** | 4 |
| **Setting** | 74 |
| **Tank** | 143 |
| **Vessel** | 8 |

*As of May 1, 2024

### 6.2. Inventory of Deserted and Potentially Deserted Production Facilities

The identification of deserted and potentially deserted production facilities is ongoing by CalGEM. Historically, production facilities have not been tracked to the same extent that wells have. CalGEM has been monitoring oil and gas wells for over 100 years. However, the development of data on production facilities, including tanks, vessels, pipelines, and other surface equipment commenced approximately 10 years ago. Considerable work has been done in recent years to better identify tanks and vessels used for processing the production fluids emanating from oil and gas wells. The process of identifying sensitive and environmentally sensitive pipelines started even more recently.

CalGEM is strengthening efforts to identify facilities for which there is no solvent operator responsible for decommissioning. If a well is deserted, then it is likely that the associated production facilities are deserted as well. Using the list of idle wells determined to be deserted or potentially deserted from Appendix 7, the associated production facilities to these wells were extracted from WellSTAR to generate a list of deserted or potentially deserted production facilities. A total of 287 production facilities were identified and can be seen in Appendix A-12.

## 7. Abandonment & Decommissioning– Cost & Timeline Considerations

## 7.1 Costs of Abandonment

The costs of plugging and abandoning orphan wells are highly variable and, in many cases, difficult to predict. When an operator plugs and abandons one of their wells, they are generally aware of the conditions of the well, including problems with obstructions that they may encounter. When CalGEM plugs and abandons an orphan well, it may lack critical information about the condition of the well. For example, the well could have been drilled 100 years ago, and CalGEM may not know if the previous operator attempted to plug and abandon the well in the past; the well may contain undocumented oil field and household refuse; the well may have been damaged, collapsed, or have a severed casing; or other information that is critical to understanding potential cost drivers in a plugging and abandonment project. Costs can range from as low as $11/foot in a rural oilfield with no wellbore damage to more than $200/foot in an urbanized area with high ancillary costs, such as temporarily moving utility lines, higher staging and mobilization costs, and/or the presence of refuse, mentioned above, which may obstruct downhole operations and lead to delays and cost overruns.

Using the Method 1 methodology in the proposed Cost Estimate Regulations for Oil and Gas Operations, CalGEM has calculated the average plug and abandonment cost (including well site remediation) for Northern District as $142,918 per well, Central District as $100,927 per well, and Southern District as $256,089 per well (higher due to its highly urban environment and associated costs for operations in these spaces). Not reflecting well-specific cost drivers, the average cost to the state to plug and abandon wells (including well site remediation) since 2011 has been about $139,000 per well. While the cost of plugging and abandonment is highly variable and dependent on many factors, if this average well cost is extrapolated across orphan, deserted, and potentially deserted wells identified in this report, accounting for rising costs and prevailing wage, the total potential liability to the state for plugging and abandoning these orphan, deserted, and potentially deserted wells could be a little under $1 billion.[4]

In 2023, a total of 166 wells were plugged and abandoned by the state. The list of plugging and abandonments and decommissioning pursuant to PRC section 3258(e)(2) can be found in Appendix A-11.

## 7.2 Factors for Future Abandonment and Decommissioning

In February 2023, after the incorporation of public comment, CalGEM released its final,

[4] Based on methodology reported in the 2021 Notice of Intent to Apply for Formula Grant Funding and 2021 State Abandonment Analysis Report.

two-phased methodology for screening, ranking, and prioritizing orphan and likely orphan wells in California for permanent plugging and abandonment. The two-phased approach prioritizes wells for state plugging and abandonment that may pose the greatest risk to public health, safety, and the environment, while also taking into consideration the concerns of the local jurisdictions and communities, and economic efficiencies associated with the ordering of well abandonments.

1. Phase 1: an initial technical screening of all wells according to California Code of Regulations, title 14, section 1772.4, CalEnviroScreen 4.0, and public feedback. This phase was completed in February 2023.
2. Phase 2: a secondary evaluation incorporating local government and additional public feedback on the provisional ranking of Phase 1. CalGEM's efforts during Phase 2 included:
    a. Holding public engagement meetings, summarized below (Table 1);

| Public Engagement/Meetings | Date |
|---|---|
| Methane Task Force Public Meeting. | 02/21/2023 |
| Kern County, and cities within. | 02/27/2023 |
| Santa Barbara County, San Luis Obispo County, and cities within; Long Beach City, Los Angeles City. | 02/28/2023 |
| Los Angeles County, Orange County, and cities within. | 03/02/2023 |
| Ventura County | 03/06/2023 |
| San Benito County, Monterey County, Fresno County, Kings County, Tulare County, Merced County, Madera County, San Joaquin County, Santa Clara County, San Mateo County, Solano County, Stanislaus County, Contra Costa County, and cities within. | 03/07/2023 |
| Sacramento County, and cities within. | 05/03/2023 |

    b. Soliciting feedback from the public;
    c. Soliciting feedback from CalGEM District staff;
    d. Prioritizing wells that benefit disadvantaged communities and geographic equity;
    e. Efficient use of funds by grouping accessible wells within close proximity to each other;
    f. Unique wellsite characteristics, such as population dense areas, reservoir characteristics (e.g. if reservoir is known to contain sour gas), and history of noncompliance issues at the site.

In October 2023, CalGEM released its final State Oil and Gas Well Abandonment Expenditure plan. The plan includes the initial list of orphan wells CalGEM will permanently

seal using state and federal funds. Additional information on the final methodology can be found on CalGEM's web page at: https://www.conservation.ca.gov/calgem/Pages/Orphan-Well-Screening-Methodology.aspx

## 7.3 Timeline for Future Abandonment and Decommissioning of Orphan Wells

Current funding levels to support the plugging and abandonment of over 5,300 orphan or potentially orphan wells in California are insufficient to address the full scope of this issue in a timely manner. However, CalGEM has recently received unprecedented levels of funding—from a new Federal grant opportunity, through the 2022/2023 California State Budget, and from legislation aimed at increased industry contributions for State abandonments.

There are three sources of State funds currently available to be used by CalGEM to conduct State abandonments:

1. The Oil, Gas, and Geothermal Administrative Fund (OGGA) is funded by operator assessment fees. Starting with the 2021/2022 fiscal year, expenditures from this fund to plug and abandon wells are capped at $5 million per year (PRC, 3258, subd. (a)).
2. The Hazardous and Idle-Deserted Well Abatement Fund (HIDWAF) is funded by operator idle well fees and continuously appropriated to CalGEM to plug and abandon wells to mitigate a hazardous or potentially hazardous condition. There are, however, limitations to spending from the HIDWAF – the well to be plugged and abandoned must be characterized as hazardous or idle-deserted and must be a "well of an operator subject to the requirements" of PRC 3206, subdivision (b) (idle well regulations).
3. As part of the California state budget, a total of $100 million from the State's General Fund was allocated over two years - $50 million was appropriated in the Budget Act of 2022 and an additional $50 million was allocated in the Budget Action of 2023, to plug and abandon orphan and deserted wells.

With the passage of the Federal Infrastructure Investment and Jobs Act, California is slated to receive millions in federal funding for orphan well remediation. CalGEM has received an Initial Grant of $25 million and is eligible to receive an additional $140 million more as part of the Phase 1 funding. In July 2023, the US Dept. of Interior opened the application period for the first 25% of the $140M formula grant monies. CalGEM has received the first tranche of $35M. CalGEM will be applying for the next three tranches in upcoming years. More information on CalGEM's oil and gas well state abandonment

program can be found here: https://www.conservation.ca.gov/calgem/Pages/State-Abandonments.aspx

## 7.4 Costs of Decommissioning Production Facilities & Site Remediation

The cost of decommissioning production facilities is highly variable and dependent on many factors. However, the cost for the removal of surface equipment can be reasonably estimated upon inspection as most of the surface facilities are visible and the difficulty of removal can be determined. The Method 1 methodology in the proposed Cost Estimate Regulations for Oil and Gas Operations provides operators with base numbers for estimating the costs to decommission attendant production facilities and complete site remediation. To establish the base numbers proposed for use in Method 1, CalGEM conducted a comprehensive review and analysis of past production facility decommissioning work and site remediation conducted by the state from 2011 to 2020. CalGEM analyzed all costs incurred by the state to decommission each production facility and complete site remediation (i.e., equipment rental rates, service charges, and personnel rates) as reported and invoiced by the contractors. Multipliers were then applied to the base numbers to adjust for the specific production facility and site characteristics known to increase the costs associated with these activities.

Although the costs of specific facility removal projects can be estimated based on physical inspection of the work to be done, each facility site is unique in terms of what is required to be decommissioned and remediated. Using the Method 1 methodology in the proposed Cost Estimate Regulations for Oil and Gas Operations, CalGEM calculated the average production facilities decommissioning and associated site remediation cost as $45,588 per well. The cost of decommissioning production facilities and site remediation is highly variable and dependent on many factors, making it challenging to extrapolate statewide.

# APPENDIX A

## A-1 2023 Calendar Year Idle Well Inventory

List of all wells that met the definition of an idle well at any point in the 2023 reporting period. The list includes the API number and designation of the well, well type, operator, field, district, county, pool, and LTIW status identified for each well.

## A-2 Idle Wells That Changed Status from Idle to Long-Term Idle Well

List of all idle wells that met the definition of LTIW for the first time in the 2023 reporting period. The list includes the API number and designation of the well, well type, operator, field, district, county, and pool.

## A-3 Idle Wells That Changed Status from Idle to Plugged and Abandoned

List of all idle wells that changed status to plugged in the 2023 reporting period. The list includes the API number and designation of the well, well type, operator, field, district, county, pool, and LTIW status identified for each well.

## A-4 Idle Wells That Changed Status from Idle to Active

List of all idle wells that changed status to active in the 2023 reporting period. The list includes the API number and designation of the well, well type, operator, field, district, county, pool, and LTIW status identified for each well.

## A-5 Operators with 2023 IWMPs & Current Status

List of all operators with IWMPs submitted in 2023 and the status of each IWMP as of the annual review, including the minimum number of LTIWs required to be eliminated, the effective number of LTIWs eliminated, credits applied, and credits earned for LTIWs eliminated in excess of the minimum requirement.

## A-6 Idle Wells Declared Orphan

List of all idle wells that are presumed to be or have been determined to be orphaned. The list includes the API number, well type, last known operator name and code, field, district, county, status, pool, order number, and date declared orphan for each well.

## A-7 Idle Wells Potentially Deserted or Determined to be Deserted

List of all idle wells that have not yet been determined to be "deserted," but for which the operator failed to pay idle well fees for the years 2021, 2022 and 2023 suggesting the wells likely have no responsible operator. Additionally, the list includes idle wells which have

been determined to be deserted as demonstrated through a final plugging and abandonment order, consistent with PRC section 3237. The list includes the API number, and the operator's name and code. This list specifically excluded the wells that have been declared orphan and listed in appendix A-6.

## A-8 Production Facility Violations Attendant to Long-Term Idle Wells

List of violations issued to operators in 2023 for violations at production facilities attendant to LTIWs including: settings, tanks, vessels, sumps, and pipelines. While the statutory definition of production facility found in PRC section 3010 includes a 'wellhead' as a type of production facility, the operational definition used in this report omits violations observed directly related to the wellhead. This list includes the violation identification number, operator code, facility ID, facility type, observation date, remedy due date, resolved date (if violation remediated), section of the PRC or California Code of Regulations violated, and violation status as of May 1, 2023.

## A-9 Wells idle for three years for which the idle well fees have not been paid and the well is not on an approved IWMP

A list of wells idle for three years or more in calendar year 2023 and the responsible operator neither paid the require idle well fee nor filed and complied with a plan with the Supervisor for the management and elimination of long-term idle wells (IWMP). The list includes the API number, well type, operator name, and code, field, district, county, status, and pool.

## A-10 Declared Hazardous Wells & Attendant Production Facilities

A list of wells that have been declared hazardous by the Supervisor and their attendant production facilities. The list includes the well API number, facility ID, well type, facility type, operator name, field, district, county, and estimated abandonment or decommissioning cost.

## A-11 Plugging and Abandonment and Decommissioning Update

A list of plugging and abandonments, and decommissioned wells and facilities pursuant to PRC section 3258(e)(2). The list includes the well API number, field, and county.

## A-12 Production Facilities Potentially Deserted or Determined to be Deserted

A list of production facilities extracted from WellSTAR that are associated with the Idle Wells Potentially Deserted or Determined to be Deserted from Appendix A-7. The list includes the field, lease, operator, subject type, subject status, location, district, and county.

# APPENDIX B – PUBLIC RESOURCES CODE SECTIONS

## B-1 Public Resources Code section 3206, 3206.1 and 3206.3

***Public Resources Code section 3206***

(a) The operator of any idle well shall do either of the following:

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

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

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

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

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

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

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

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

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

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

(iii) The required rate of long-term idle well elimination shall be based upon the number of idle wells under the control of an operator on January 1 of each year, as specified in clause (iv). If the operator has eliminated more wells than required in the prior two years, the supervisor may deduct from the new requirement the net total of long-term idle wells eliminated in excess of those previously required. In addition, the

supervisor may require additional well testing requirements as part of the plan.

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

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

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

(c) Failure to file, for any well, the fee required under this section shall be conclusive evidence of desertion of the well, permitting the supervisor to order the well abandoned pursuant to Section 3237.

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

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

(Amended by Stats. 2018, Ch. 742, Sec. 3. (SB 1493) Effective January 1, 2019.)

***Public Resources Code section 3206.1***

(a) By June 1, 2018, the division shall review, evaluate, and update its regulations pertaining to idle wells. The update shall include idle well testing and management requirements that, at a minimum, include all of the following:
  (1) Appropriate testing, as determined by the supervisor, to determine whether the fluid level is above the base of an underground source of drinking water.
  (2) Appropriate testing, as determined by the supervisor, to verify the mechanical integrity of the well.
  (3) Appropriate remediation, as determined by the supervisor, of idle wells if there is an indication of a lack of mechanical integrity.
  (4) For a well that has been an idle well for 15 years or more, an engineering analysis demonstrating to the division's satisfaction that it is viable to return the idle well to operation in the future.

(b) If the operator demonstrates to the division's satisfaction that the well is not within one half mile of an underground source of drinking water, testing required under the regulations implementing this section shall not be required until at least two years after the well becomes an idle well. This subdivision shall not be construed to prohibit or limit any other testing required under this chapter.

(c) At the discretion of the supervisor, the regulations implementing this section may provide an option for temporary or partial well abandonment in lieu of compliance with the requirements of the regulations implementing this section.

(d) If the operator does not remediate an idle well as required by the regulations implementing this section, or the operator does not demonstrate that an idle well is economically viable as required by the regulations implementing this section, then the operator shall plug and abandon the idle well in accordance with Section 3208.

(e) Failure to file to comply with the requirements of the regulations implementing this section shall be conclusive evidence of desertion of the well, permitting the supervisor to order the well abandoned pursuant to Section 3237.

(f) For purposes of this section, an "underground source of drinking water" has the same meaning as in the federal Safe Drinking Water Act (42 U.S.C. Sec. 300f).

(Added by Stats. 2016, Ch. 272, Sec. 11. Effective January 1, 2017.)

***Public Resources Code section 3206.3***

(a) (1) Notwithstanding Section 10231.5 of the Government Code, on or before July 1, 2019, and annually thereafter, the supervisor shall, in compliance with Section 9795 of the Government Code, prepare and transmit to the Legislature a comprehensive report on the status of idle and long-term idle wells for the preceding calendar year. The report

shall include all of the following:

(A) A list of all idle and long-term idle wells in the state by American Petroleum Institute identification number and indicating the operator, field, and pool.

(B) A list of all wells whose idle or long-term idle status changed in the preceding year by American Petroleum Institute identification number with the disposition and current status of each well.

(C) A list of orphan wells remaining, the estimated costs of abandoning those orphan wells, and a timeline for future orphan well abandonment with a specific schedule of goals. Idle and long-term idle wells that have become orphan wells shall be identified in the list. For the purposes of this report, an orphan well is a well that has no party responsible for it, leaving the state to plug and abandon it.

(D) A list of all operators with plans filed with the supervisor for the management and elimination of all long-term idle wells and the status of those plans.

(E) Any additional relevant information as determined by the supervisor.

(2) The report shall be made publicly available and an electronic version shall be available on the division's internet website.

(b) For the report due on or before July 1, 2021, and each report thereafter, the division shall do both of the following:

(1) Conduct inspections of production facilities attendant to long-term idle wells to ensure compliance with the requirements of this chapter. Information summarizing violations and pertinent findings in these inspections shall be included in the applicable report required to be prepared and transmitted pursuant to subdivision (a).

(2) Identify idle wells by the American Petroleum Institute identification number that are registered to an operator and that have met the definition of an idle well for three years where neither the required annual fee has been paid or the well is part of a valid idle well management plan on file with the supervisor pursuant to subdivision (a) of Section 3206.

(c) For the report due on or before July 1, 2023, and each report thereafter, the division shall provide a description of activities undertaken by the division's collections unit established pursuant to Section 3243. This description shall include the number of operators and amounts of idle well fees collected by the collections unit in the preceding year, the criteria, including timelines, used by the collections unit to determine a well or attendant facility is deserted, and the amount of costs recovered from operators or responsible parties for work ordered by the supervisor or undertaken by the division. Information related to the division's use of liens, including, but not limited to, the number of wells and facilities eligible to be subject to a lien, the number of liens placed by the supervisor, and the number of liens released by the supervisor, shall also

be provided.

(d) Information on how to access the plans described in subparagraph (D) of paragraph (1) of subdivision (a) shall be made readily available on the division's internet website.

(e) The division shall continue to regularly provide updated information describing idle and long-term idle wells on the division's internet website.

(Amended by Stats. 2022, Ch. 844, Sec. 3. (SB 1295) Effective January 1, 2023.)

## B-2 Public Resources Code section 3237

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

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

(3) A rebuttable presumption of desertion arises in any of the following situations: (A) If a well has not been completed to production or injection and drilling machinery have been removed from the well site for at least six months. (B) If a well's production facilities or injection equipment has been removed from the well site for at least two years. (C) If an operator has failed to comply with an order of the supervisor within the time provided by the order or has failed to challenge the order on a timely basis. (D) If an operator fails to designate an agent as required by Section 3200. (E) If a person who is to acquire a well or production facility that is subject to a purchase, transfer, assignment, conveyance, exchange, or other disposition fails to comply with Section 3202. (F) If an operator has failed to maintain the access road to a well or production facility site passable to oilfield and emergency vehicles.

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

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

(c) (1) The current operator, as determined by the records of the supervisor, of a deserted well that produced oil, gas, or other hydrocarbons or was used for injection is responsible for the proper plugging and abandonment of the well or the decommissioning of deserted production facilities. If the supervisor determines that the current operator does not have the financial resources to fully cover the cost of plugging and abandoning the well or the decommissioning of deserted production facilities, the immediately preceding operator shall be responsible for the cost of plugging and abandoning the well or the decommissioning of deserted production facilities.

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

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

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

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

(6) By July 1, 2022, the supervisor shall provide to the Senate Committee on Natural Resources and Water and the Assembly Committee on Natural Resources the process the supervisor has established to determine that the current operator does not have the financial resources to fully cover the cost of plugging and abandoning the well or the decommissioning of deserted production facilities pursuant to paragraph (1), or for a

previous operator pursuant to paragraphs (1) and (2). The supervisor shall, in a timely manner, post the materials provided to the legislative committees pursuant to this paragraph on a public portion of the division's internet website.

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

(A) The operator is operating in compliance with a valid Idle Well Management Plan that is on file with the supervisor pursuant to paragraph (2) of subdivision (a) of Section 3206 or is covered by an indemnity bond provided under Section 3204, subdivision (a) of Section 3205, or subdivision (a) of Section 3205.2.

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

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

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

(Amended by Stats. 2021, Ch. 758, Sec. 3. (SB 84) Effective January 1, 2022.)

## B-3 Public Resources Code section 3251 and 3251.5

***Public Resources Code section 3251***

For the purposes of this article, the following definitions apply:

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

(b) "Decommission" has the same meaning and requirements, as applicable, as the definition established in Section 1760 of Title 14 of the California Code of Regulations.

(c) "Hazardous facility" means a production facility determined by the supervisor to be a potential danger to life, health, or natural resources and for which there is no operator

determined by the supervisor to be responsible for its decommissioning under Section 3237.

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

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

(Repealed and added by Stats. 2017, Ch. 652, Sec. 8. (SB 724) Effective January 1, 2018.)

***Public Resources Code section 3251.5***

(a) Notwithstanding Section 3251, a well shall be deemed a hazardous well if it has been determined by the supervisor to pose a present danger to life, health, or natural resources and has been abandoned in accordance with the requirements of the division in effect at the time of the abandonment 15 or more years before the date of the supervisor's determination that it poses such a danger.

(b) Re-abandonment initiated by the supervisor shall not be affected by the timeline established in this section.

(Added by Stats. 1987, Ch. 1322, Sec. 2.)

## B-4 Public Resources Code section 3258

(a) The division shall not make expenditures from the Oil, Gas, and Geothermal Administrative Fund pursuant to this article that exceed the following sum any one fiscal year:

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

(2) Commencing with the 2022–23 fiscal year, and each fiscal year thereafter, five million dollars ($5,000,000). On a one-time basis, the division may also expend each of the following amounts:

(A) For the 2024–25 fiscal year, seven million five hundred thousand dollars ($7,500,000), as a match to the dedicated General Fund appropriation for the 2022–23 fiscal year for the purposes of plugging and abandoning wells, decommissioning facilities, and site remediation pursuant to this article.

(B) For the 2025–26 fiscal year, seven million five hundred thousand dollars ($7,500,000),

only if there is a dedicated General Fund appropriation for the 2023–24 fiscal year for the purposes of plugging and abandoning wells, decommissioning facilities, and site remediation pursuant to this article.

(b) (1) The expenditure limits of subdivision (a) also apply to expenditures by the division from the Oil, Gas, and Geothermal Administrative Fund pursuant to Section 3226, unless the division obtains a lien against real or personal property of the operator. If the division obtains a lien against real or personal property of greater value than the amount of the expenditure, then the amount of the expenditure shall not count against the expenditure limit of subdivision (a). If the division obtains a lien against real or personal property of lesser value than the amount of the expenditure, then only the difference between the amount of the expenditure and the value of the property counts against the expenditure limit of subdivision (a). Any moneys recovered by the division pursuant to Section 3226 shall be deposited in the Oil and Gas Environmental Remediation Account, unless the moneys are recovered against expenditures that have been or will be made from the Hazardous and Idle-Deserted Well Abatement Fund.

(2) (A) Commencing with the 2023–24 fiscal year, in any fiscal year that the division makes expenditures that are less than the amount appropriated in the annual state Budget Act or any other law related to the expenditures described in subdivision (a), the Controller shall transfer from the Oil, Gas, and Geothermal Administrative Fund to the Oil and Gas Environmental Remediation Account, established pursuant to Section 3261, an amount equal to the difference between what was appropriated and what was encumbered pursuant to this article by the division for that fiscal year, unless there is more than two hundred million dollars ($200,000,000) in the account.

(B) Upon the order of the Department of Finance, the Controller shall transfer the unencumbered amount from the Oil, Gas, and Geothermal Administrative Fund to the Oil and Gas Environmental Remediation Account.

(c) Moneys expended pursuant to this article shall be used exclusively for plugging and abandoning hazardous or idle-deserted wells, decommissioning hazardous or deserted facilities, or otherwise remediating well sites of hazardous or idle-deserted wells.

(d) The division shall 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 this article and performing work pursuant to Section 3226. The criteria shall consider the information required to be reported pursuant to subdivision (e). The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) does not apply to the development of criteria by the division pursuant to this

subdivision.

(e) (1) (A) On April 1, 2021, the department shall report to the Legislature on the number of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities remaining, the estimated costs of abandoning and decommissioning those wells and facilities, and a timeline for future abandonment and decommissioning of those wells and facilities with a specific schedule of goals. By April 1, 2022, the department shall report to the Legislature the location of the applicable wells and facilities, including the county in which they are located, if the information is not otherwise included in the April 1, 2021, report described in this paragraph.

(B) As part of the report required in subparagraph (A), the department shall 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. In drafting these recommendations, the department shall consider factors unique to each of the division's districts, and shall consult with local agencies in developing recommendations.

(C) In collecting the information for the report required in subparagraph (A), the division shall conduct field inspections of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities and include information in the report from the field inspections that can be used to prioritize those wells and facilities in the specific schedule of goals.

(2) On October 1, 2023, and annually thereafter, the department shall provide to the Legislature an update on the report required in paragraph (1) that describes the total costs, average costs per well and facility, the number of wells plugged and abandoned, the number of facilities decommissioned, the total number of projects completed, and any additional wells and facilities identified by the department requiring abandonment or decommissioning. The update shall include the location, including the county, of applicable wells, facilities, and projects identified in the report.

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

(Amended by Stats. 2023, Ch. 51, Sec. 19. (SB 122) Effective July 10, 2023.)

# APPENDIX C – REFERENCES & DATA SOURCES

The following were used as references for this report:

- California Public Resources Code
- Title 14 of the California Code of Regulations
- Contract Management Analysis of Plugging & Abandonment Well Costs: (CalGEM, Division of Administration / Performance Review Unit).
- Facilities Project Monitoring Costs of Various Oil Fields in California (CalGEM Cost Estimate).
- U.S. Methane Emissions Reduction Action Plan (U.S. Department of the Interior)
- Cost Estimate Regulations for Oil and Gas Operations – Initial Statement of Reasons– August 2023

The following were used as data sources for this report:

- IWMP documents submitted by operators.
- WellSTAR: an electronic database used to maintain, monitor, and track well information.

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