

SB 1137 FIRST IMPLEMENTATION REGULATIONS

NOTICE OF PROPOSED RULEMAKING ACTION

REGARDING

TITLE 14. NATURAL RESOURCES DIVISION 2. DEPARTMENT OF CONSERVATION CHAPTER 4. DEVELOPMENT, REGULATION, AND CONSERVATION OF OIL AND GAS RESOURCES

Notice Published: August 1, 2025

Office of Administrative Law Notice File Number: 72025-0722-04

NOTICE IS HEREBY GIVEN that the California Department of Conservation (Department) proposes to adopt the regulations described below after considering all comments, objections, and recommendations regarding the proposed action.

WRITTEN COMMENT PERIOD AND PUBLIC COMMENT HEARING

Any person, or his or her authorized representative, may submit written statements, arguments, or comments related to the proposed regulatory action to the Department.

Comments may be submitted by email to:

CalGEMRegulations@conservation.ca.gov

Or by mail to:

Department of Conservation
715 P Street, MS 1907
Sacramento, CA 95814
Attn: SB 1137 First Implementation Regulations

The written comment period closes at 11:59 pm on September 18, 2025. The Department will only consider comments received by the Department by that time.

Public Hearing

The Department will hold a public hearing on September 17, 2025, from 9 am to 12 pm.

Attendees may participate via Zoom online meeting platform or telephone conferencing. Register for the public hearing on zoom by clicking https://us06web.zoom.us/webinar/register/WN_JlaTjfPLRvmrWaryi45c9g.

Or join by telephone: English – 877-336-1831 Code 148676
 Español – 888-455-1820 Código 7315269

For those who wish to attend the hearing in person, including those who require reasonable accommodation, seating will be available in rooms 2-302A and 2-302B on the 2nd floor of the Natural Resources Headquarters Building at 715 P Street, Sacramento, CA 95814.

Participants will be given instructions on how to provide oral comments once they have accessed the hearing. The hearing will proceed on the date noted above until all testimony is submitted or until 12 pm, whichever is later. At the hearing, any person may present oral or written statements or arguments relevant to the proposed rulemaking action described in the Informative Digest, the proposed regulatory text, or any rulemaking procedures.

Accessibility

If you have a disability and require a reasonable accommodation to fully participate in this event, please contact Sarah Rubin, Outreach and Engagement Coordinator as soon as possible to discuss your accessibility needs. Email: Sarah.Rubin@conservation.ca.gov | PH: (916) 214-5731

[English]

Translation and interpretation services may be provided upon request. To ensure availability of these services, please make your request no later than 10 working days prior to the event by contacting Sarah Rubin, Outreach and Engagement Coordinator. Email: Sarah.Rubin@conservation.ca.gov | PH: (916) 214-5731

[Spanish]

Se podrán proporcionar servicios de traducción e interpretación a petición previa. Para poder garantizar la disponibilidad de estos servicios, asegúrese de realizar su solicitud a más tardar diez días hábiles antes de la reunión comunicándose con Sarah Rubin, Coordinadora de Alcance y Participación. Correo electrónico: Sarah.Rubin@conservation.ca.gov | Tel: (916) 214-5731

AUTHORITY AND REFERENCE

Pursuant to the authority vested by California Public Resources Code (PRC) sections 3013, 3106, and 3270, and to implement, interpret, or make specific sections 3011, 3106, 3203, 3270, 3280, 3281, 3281.5, 3284, and 3285 of the PRC, the Department proposes to add sections 1765 through 1765.10 within the California Code of Regulations, title 14, division 2, chapter 4, subchapter 2, article 2.5.

INFORMATIVE DIGEST / POLICY STATEMENT

Existing Law

The California Geologic Energy Management Division (Division), within the Department of Conservation, regulates the drilling, operation, maintenance, and plugging and abandonment of onshore and offshore oil and gas wells, and the operation, maintenance, and removal or abandonment of facilities attendant to oil and gas production throughout California. The Division carries out this regulatory mission under a legislative mandate to encourage the wise development of oil and gas resources, while preventing damage to life, health, property, and natural resources, including underground and surface waters suitable for domestic or irrigation purposes. (PRC, § 3106.) The Division's duties include the protection of public health and safety and environmental quality, including reduction and mitigation of greenhouse gas emissions associated with the development of hydrocarbon resources. (PRC, § 3011.) Written notice to and approval from the Division is required before any oil or gas well may be drilled, redrilled, deepened, plugged and abandoned, or subjected to any operations permanently altering the casing of the well. (PRC, § 3203.) The process for providing that notice to the Division is referred to as a "notice of intention." The Division is charged with adopting and implementing regulations prescribing minimum maintenance standards for equipment attendant to oil and gas production or "production facilities." (PRC, §§ 3010, 3270.)

In furtherance of these legislative mandates, the Division oversees and enforces compliance with numerous existing statutory and regulatory requirements regarding oil and gas operations in California. These include: requirements regarding the protection of underground and surface water, requirements for testing and monitoring to ensure the integrity of the well casing, requirements for cement used to secure the well casing inside the bore hole, requirements for the cement and equipment used to seal off the well from other hydrocarbon resources and groundwater resources, requirements for routinized reporting of information about production and injection volumes, and minimum maintenance requirements for oil and gas production facilities. Compliance

with and enforcement of these requirements provides a first line of protection from potential damage caused by oil and gas production.

On September 16, 2022, Governor Gavin Newsom signed into law Senate Bill 1137 (Gonzalez, Chapter 365, Statutes of 2022) (SB 1137). SB 1137 complements and expands upon this existing regulatory framework for protecting the environment and public health by creating health protection zones within a 3,200-foot area around “sensitive receptors,” as defined in the bill. (PRC, § 3280.) SB 1137 sets forth a variety of new requirements related to health protection zones and to wells and production facilities based on their location relative to a health protection zone. The Division is no longer authorized to approve a notice of intention for any well with a wellhead (i.e., a surface location) situated within a health protection zone, unless a specific exception applies. (PRC, §§ 3281, 3281.5.) Further, when performing work authorized by an approved notice of intention on a well located within a health protection zone, operators are required to offer sampling and testing of water wells and surface water to nearby property owners and tenants, and to provide related notices and information to certain state agencies. (PRC, § 3284.) Construction and operation of new production facilities within a health protection zone is also prohibited unless a specific exception applies. (PRC, § 3280, subd. (b).) Additionally, all operators of oil and gas wells in California are required to provide the Division with an annual submission that describes the proximity of their wells and production facilities to sensitive receptors. (PRC, § 3285.) Additional restrictions and requirements under SB 1137 become effective in 2026 or 2030 and are outside the scope of this rulemaking action. (PRC, § 3282, 3283.)

Shortly after SB 1137 was signed into law in 2022, the Division promulgated emergency regulations implementing core provisions of the legislation. In February 2023, a referendum advanced by opponents of SB 1137 qualified for the November 2024 ballot, staying the effect of both the SB 1137 legislation and the Division's emergency implementing regulations. However, the referendum proponents withdrew the measure in June 2024, and SB 1137 immediately resumed effect.

The Division's emergency regulations, which include California Code of Regulations, title 14 (CCR), sections 1765 to 1765.10, also immediately resumed effect, and per PRC section 3288, remain in effect until July 1, 2026.

Objectives and Benefits of the Proposed Regulations

The proposed regulations are intended to permanently replace the emergency regulations. The proposed regulations provide a framework for implementing the restrictions and requirements that apply within a health protection zone as outlined in SB 1137. These proposed regulations provide additional specificity on the statutory

definitions for “sensitive receptor” and “health protection zone.” They provide a mechanism for measuring distances and additional requirements for operator-submitted notices of intention. The regulations also provide for operator notification to sample and test surface and groundwater before drilling, and outline required notices for new production facilities. They provide guidance for the submission of sensitive receptor inventories and maps, and what must be submitted to demonstrate that a well or facility is not within a health protection zone.

This rulemaking does not cover all of SB 1137’s provisions, but rather focuses on PRC sections 3280, 3281, 3281.5, 3284, and 3285. In summary, PRC section 3280 provides definitions, including the meaning of “sensitive receptor”; PRC section 3281 prohibits approval of notices of intention within a health protection zone except in limited circumstances; PRC section 3281.5 covers development for nonfossil fuel production and injection and related uses; PRC section 3284 requires, if requested by a property owner or tenant, the operator to conduct water sampling and testing prior to and after drilling operations within a health protection zone; and for wellheads and production facilities within a health protection zone, PRC section 3285 requires the submission of a sensitive receptor inventory and map. For other wellheads and production facilities, section 3285 requires a statement as to whether they are within a health protection zone.

These proposed regulations implement statutory provisions and have significant overlap with the Division’s 2023 emergency regulations, but incorporate lessons learned since the implementation of SB 1137. These regulations focus on protecting sensitive receptors from harm by prohibiting well permits, and construction and operation of new production facilities, within health protection zones except where a statutory exception applies.

In general, this rulemaking action will facilitate implementation of the restriction and requirements that apply in a health protection zone under SB 1137 and will thereby further the Division’s statutory mandates under PRC sections 3011, 3013, 3106, 3203, 3270, 3281, 3281.5, 3284 and 3285 to prevent damage to life, health, property, and natural resources, and to protect public health, public safety, and environmental quality, including the mitigation and reduction of greenhouse emissions associated with oil and gas development.

CONSISTENCY WITH COMPARABLE FEDERAL STATUTE AND REGULATION

The proposed regulations are an administrative framework for implementing specific and express requirements of SB 1137 and certain related statutes. The proposed regulations are not inconsistent or incompatible with federal statutes and regulations.

CONSISTENCY WITH EXISTING STATE REGULATIONS

The proposed regulations are an administrative framework for implementing specific and express requirements of SB 1137 and certain related statutes. No other state agency has existing regulations implementing SB 1137. The proposed regulations are intended to dovetail with existing requirements implemented by other state agencies charged with regulatory functions related to natural resources, the environment, and public health, such as the State Water Resources Control Board and the regional water quality control boards. The proposed regulations are not inconsistent or incompatible with existing state regulations.

PLAIN ENGLISH REQUIREMENT

The Department prepared the proposed regulations pursuant to the standard of clarity provided in Government Code section 11349, subdivision (c), and the plain English requirements of Government Code sections 11342.580 and 11346.2, subdivision (a)(1). The proposed regulations are written in a manner to be easily understood by the persons that will use them.

LOCAL MANDATE

The Department has determined that the proposed action does not impose a mandate on local agencies or school districts.

COSTS TO LOCAL AGENCIES

This proposed action does not impose costs on any local agency or school district for which reimbursement would be required pursuant to Part 7 (commencing with section 17500) of Division 4 of the Government Code. This proposal does not impose other nondiscretionary costs or savings on local agencies.

COST OR SAVINGS IN FEDERAL FUNDING

This proposal does not result in any costs or savings in federal funding to the state.

COST OR SAVINGS TO STATE AGENCIES

Implementation of the requirements of the proposed regulations would require the Division to incur additional staff hours for oversight of operator compliance. During the one-year implementation period, the Division will incur a total estimated expense of \$426,686 for additional requirements for a Notice of Intention, \$97,791 for required notice for new production facilities, and \$152,911 for determination that a location is

not within a health protection zone. In subsequent years, the Division will incur the same annual recurring expense of \$677,388 from staff hours for the monitoring of the same requirements. With recent increases in staff associated with the current workload, the Division is confident that these additional costs can be absorbed within existing resources.

EFFECT ON HOUSING COSTS

The Department has determined that the proposed regulation will have no significant effect on housing costs.

IMPACT ON SMALL BUSINESS

The Department has determined that the proposed regulations will most likely not affect small businesses. Oil and gas production operations generally are not among the types of business activities categorized as a "small business" under the statutory definition applicable to this rulemaking determination. (See Gov. Code, § 11342.610; Cal. Code Regs., tit. 1, § 4.) That said, the proposed regulations will result in direct costs for oil and gas operators, which is discussed in the Economic Impact Analysis for this rulemaking action.

COST IMPACTS ON A REPRESENTATIVE PRIVATE PERSON OR BUSINESS

As discussed in the Economic Impact Analysis, with compliance with the statutory requirements of SB 1137 as the baseline, the proposed regulations will result in the following additional direct costs to representative private persons or businesses:

- The proposed regulations specify additional information oil and gas operators must submit with a notice of intention to demonstrate compliance with statutory requirements.
- The proposed regulations establish requirement for oil and gas operators to provide notice of new production facilities to demonstrate compliance with statutory requirements.
- The proposed regulations specify information oil and gas operators must submit to demonstrate whether a location is within a health protection zone.

RESULTS OF THE ECONOMIC IMPACT ASSESSMENT/ANALYSIS

Based on its Economic Impact Analysis for this rulemaking action, the Department determined:

- The proposed regulations will not affect the creation or elimination of jobs within the State of California.
- The proposed regulations will not affect the creation of new businesses or the elimination of existing businesses within the State of California.
- The proposed regulations will not affect the expansion of businesses within California.
- As stated earlier, the implementation of the restriction and requirements that apply in a health protection zone will protect public health, safety, and environmental quality. Therefore, the proposed regulations will benefit the health and welfare of California residents, worker safety, and the state's environment.

NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT

As discussed in the Economic Impact Analysis, the Department has determined that the proposed regulations will not have a significant statewide adverse economic impact directly affecting business, including the ability of businesses within California to compete with businesses in other states.

BUSINESS REPORTING REQUIREMENT

These regulations will implement the requirements under PRC sections 3281, 3284, and 3285 for the submission of information to the Department by businesses that own or operate oil and gas wells and production facilities. The Department finds that it is necessary for the health, safety, or welfare of the people of this state that the submission of information required by these regulations applies to the affected businesses.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code section 11346.5, subdivision (a)(13), the Department must determine that no reasonable alternative it considered or that has otherwise been identified and brought to the attention of the Department that would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. The Department invites interested persons to present statements or arguments with respect to alternatives to the proposed regulations during the written comment period or at any hearing scheduled to take statements or arguments that are relevant to the proposed action.

CONTACT PERSONS

Inquiries concerning the proposed administrative action may be directed to:

Department of Conservation
715 P Street, MS 1907
Sacramento CA 95814
Attn: SB 1137 First Implementation Regulations

Christine Hansen
Regulations Manager
Christine.Hansen@conservation.ca.gov
Phone: 916-208-4190

Katherine Litzky
Assistant Director of the Office of Legislative & Regulatory Affairs
Katherine.Litzky@conservation.ca.gov
Phone: 916-201-1084

The Department has made available the express terms of the regulations, the Initial Statement of Reasons, and all the information upon which the proposal is based (the rulemaking record). Copies of these documents are available on the Department website at: <https://www.conservation.ca.gov/index/Pages/rulemaking.aspx> and via email from the contact persons listed above.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

The Department will consider all timely and relevant comments received during the written comment period and at the public hearings above. Thereafter, the Department may adopt the proposed regulations in substantially the same form as described in this Notice.

If the Department makes any modifications to the text of the proposed regulations that are substantial, but sufficiently related to the original proposed text as described in this Notice, the Department will make the modified text (with changes clearly indicated) available to the public for at least 15 days before adopting the proposed regulations as modified. The Department will accept written comments regarding modified regulations for 15 days after the date upon which they are made available to the public. Please send requests for copies of any modified regulations via email or mail to the persons identified as contact persons in this notice.

AVAILABILITY OF THE FINAL STATEMENT OF REASONS

Upon its completion, copies of the Final Statement of Reasons may be obtained by sending an inquiry to one of the contact persons listed above. The Final Statement of Reasons will also be available on the Department website at:

<https://www.conservation.ca.gov/index/Pages/rulemaking.aspx>.

AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of this Notice of Proposed Action, the Initial Statement of Reasons, and the text of the regulations in underline and strikeout can be accessed through the Department's website at:

<https://www.conservation.ca.gov/index/Pages/rulemaking.aspx>. If you have any questions regarding the process of this proposed action, please contact the Department of Conservation by email at: CalGEMRegulations@conservation.ca.gov.