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AB-2716 Oil and gas: low-production wells: Baldwin Hills Conservancy: Equitable Community Repair and Reinvestment Account. (2023-2024)

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Assembly Bill No. 2716

CHAPTER 549

An act to amend Section 3008 of, and to add Section 3206.1.5 to, the Public Resources Code, relating to oil and gas.

[Approved by Governor September 25, 2024. Filed with Secretary of State September 25, 2024.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2716, Bryan. Oil and gas: low-production wells: Baldwin Hills Conservancy: Equitable Community Repair and Reinvestment Account.

Existing law establishes the Geologic Energy Management Division in the Department of Conservation, under the direction of the State Oil and Gas Supervisor, who is required to supervise the drilling, operation, maintenance, and abandonment of oil and gas wells, as provided. Existing law requires the operator of a well to file a written notice of intention to commence drilling with, and prohibits any drilling until approval is given by, the supervisor or district deputy. Existing law requires the operator of any idle well, as defined, to either (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 according to a specified schedule of fees based on the length of time a well has been idle, or (2) file a plan with the supervisor to provide for the management and elimination of all long-term idle wells. A violation of these or other laws regulating oil and gas operations, as provided, is a crime.

This bill would require the division, on or before March 1, 2025, to identify all low-production wells, as defined, that are located in the County of Los Angeles in an oil field that is adjacent to a state recreation area or state park and is located, in whole or in part, within the boundary of the Baldwin Hills Conservancy, and determine the length of time each of those wells has continuously been a low-production well, as provided. The bill would prohibit, commencing March 1, 2026, the owners of those wells from allowing those wells to be low-production wells for more than 12 months. Upon a violation of that prohibition, the bill would require the supervisor to charge an administrative penalty of \$10,000 per month to the low-production well owner, until the low-production well is plugged and abandoned, as provided. Because a violation of these requirements would be a crime, the bill would impose a state-mandated local program. The bill would establish the Equitable Community Repair and Reinvestment Account, require these administrative penalties to be deposited into the account, and make the funds from the account available, upon appropriation by the Legislature, to the Department of Conservation for allocation to the County of Los Angeles for projects that benefit communities living within 2¹/₂ miles of the identified low production wells, as provided.

This bill would require the plugging and abandoning of all wells located in the County of Los Angeles in an oil field that is adjacent to a state recreation area or state park and is located, in whole or in part, within the boundary of the Baldwin Hills Conservancy by December 31, 2030. The bill would require the supervisor, on and after January 1, 2031, to charge the owner of a well an administrative penalty of \$10,000 per month for a violation of that requirement, until the well is plugged and abandoned, to be deposited in the account, as provided. The bill would authorize the owner of an idle well or long-term idle well subject to this requirement to adjust the terms of the above-described idle well management plan to accomplish the plugging and abandoning of

those covered wells by December 31, 2030. Because a violation of these requirements would be a crime, the bill would impose a state-mandated local program. The bill would state that the Legislature shall not allow the account balance to exceed specified amounts, determined as provided.

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

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

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) The Baldwin Hills Inglewood oil field is the largest urban oil field in our state with approximately 655 active oil wells right in the heart of the County of Los Angeles and historic South Los Angeles communities.

(b) In addition to the increasing impacts of climate change, a growing body of research shows direct health impacts from proximity to oil extraction.

(c) These impacts are disproportionately impacting Black, Brown, and Indigenous people in California, who are most likely to live in close proximity to oil extraction activities and who are the most vulnerable to the negative impacts of climate change.

(d) Proximity to oil and gas extraction sites poses significant health risks, especially due to increased air pollution.

(e) Studies have shown evidence of harm at distances up to one kilometer, which is approximately 3,200 feet.

(f) Further assistance must be provided to frontline communities that have been most polluted by the fossil fuel industry by cleaning up pollution, remediating negative health impacts, and building resilient infrastructure to prepare for the unavoidable impacts of climate change.

(g) On December 7, 2023, the City of Culver City and Sentinel Peak Resources, a California limited liability company, executed a settlement agreement that includes a provision that Sentinel Peak Resources must plug and abandon all remaining wells and complete the overall closure of the city portion of the Inglewood Oil Field by December 31, 2029.

SEC. 2. Section 3008 of the Public Resources Code is amended to read:

3008. (a) "Well" means any oil or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably presumed to contain oil or gas; any well drilled for the purpose of injecting fluids or gas for stimulating oil or gas recovery, repressuring or pressure maintenance of oil or gas reservoirs, or disposing of waste fluids from an oil or gas field; any well used to inject or withdraw gas from an underground storage facility; or any well drilled within or adjacent to an oil or gas pool for the purpose of obtaining water to be used in production stimulation or repressuring operations.

(b) "Prospect well" or "exploratory well" means any well drilled to extend a field or explore a new, potentially productive reservoir.

(c) "Active observation well" means a well being used for the sole purpose of gathering reservoir data, such as pressure or temperature in a reservoir being currently produced or injected by the operator. For a well to be an active observation well, the operator shall demonstrate to the division's satisfaction that the well fulfills a need for gathering reservoir data, and the operator shall provide the division with a summary report of the type of data collected at least annually or as requested by the division.

(d) "Idle well" means any well that for a period of 24 consecutive months has not either produced oil or natural gas, produced water to be used in production stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection. For the purpose of determining whether a well is an idle well, production or injection is subject to verification by the division. An idle well continues to be an idle well until it 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 for a continuous six-month period either maintained production of oil or natural gas, maintained production of water used in production stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection. An idle well does not include an active observation well.

(e) "Long-term idle well" means any well that has been an idle well for eight or more years.

(f) "Low-production well" means an oil or gas well that produces, on average, fewer than 15 barrels of oil a day during the past 12 consecutive months, or a natural gas well whose maximum daily average gas production does not exceed 60,000 cubic feet of gas, per day, during the past 12 consecutive months. A low-production well does not include a natural gas storage well, a

dedicated injection well, an active observation well, an idle well as defined in subdivision (d), or a fully plugged and abandoned well.

SEC. 3. Section 3206.1.5 is added to the Public Resources Code, immediately following Section 3206.1, to read:

3206.1.5. (a) On or before March 1, 2025, the division shall identify all low-production wells that are located in a county of the first class in an oil field that is adjacent to a state recreation area or state park and is located, in whole or in part, within the boundary of the Baldwin Hills Conservancy. The division shall determine the length of time those low-production wells have continuously been low-production wells. The division shall consider whether and for how long a well was shut-in for maintenance and subtract that from the calculation of the length of time a well meets the definition of a low-production well.

(b) On or before March 1, 2026, the division shall notify the owners of low-production wells identified in subdivision (a) of the prohibition on operating a low-production well for more than 12 months, as described in subdivision (c).

(c) Commencing March 1, 2026, a well identified pursuant to subdivision (a) shall not be a low-production well for more than 12 months.

(d) The supervisor shall charge an administrative penalty of ten thousand dollars (\$10,000) per month to a low-production well owner in violation of subdivision (c) until the low-production well is plugged and abandoned pursuant to Section 3208. Penalties shall be remitted annually on a schedule determined by the supervisor. The low-production well site shall not be required to be remediated until oil and gas operations cease.

(e) The division shall waive the penalty in subdivision (d) on a low-production well when the owner submits a request for approval of a notice of intention pursuant to Section 3203 to plug and abandon the well. If work to plug and abandon the well does not start before the notice of intention expires, the division shall resume assessing the penalty on the well owner. A well owner who has an approved notice of intention to plug and abandon a well in accordance with Section 3208 shall not apply for approval of another notice of intention to plug and abandon the same well in a two-year period unless the supervisor determines that the well poses a present danger to life, health, or natural resources.

(f) (1) All funds collected pursuant to this section shall be deposited into the Equitable Community Repair and Reinvestment Account, which is hereby created in the State Treasury as a special fund administered by the Department of Conservation.

(2) Funds from the account shall be available, upon appropriation by the Legislature, to the Department of Conservation for allocation to a county of the first class. The county may contract with entities within its jurisdiction, including, but not limited to, cities, state conservancies, joint powers authorities, and nonprofit organizations to use the funds for projects listed in subparagraphs (A) to (E), inclusive, to the extent that these projects benefit communities living within two and one-half miles of the oil wells identified in subdivision (a).

(A) Park creation or expansion and maintenance of new outdoor amenities in park-poor neighborhoods.

(B) Urban greening.

(C) Affordable housing needed to accommodate community needs.

(D) Climate mitigation and resilience.

(E) Community benefit projects with environmental cobenefits.

(3) (A) The Legislature shall not allow the account balance to exceed twenty million dollars (\$20,000,000).

(B) Until December 31, 2030, the Legislature shall not allow the account balance to exceed ten million dollars (\$10,000,000) once 50 percent of all wells that meet the conditions specified in subdivision (a) have been plugged and abandoned.

(C) Commencing January 1, 2031, the Legislature shall not allow the account balance to exceed ten million dollars (\$10,000,000) once 50 percent of all wells that meet the conditions specified in paragraph (1) of subdivision (g) have been plugged and abandoned.

(g) (1) All wells, as defined in subdivision (a) of Section 3008, that are located in a county of the first class in an oil field that is adjacent to a state recreation area or state park and is located, in whole or in part, within the boundary of the Baldwin Hills Conservancy shall be plugged and abandoned by December 31, 2030.

(2) An owner of an idle well or long-term idle well that is located in a county of the first class in an oil field that is adjacent to a state recreation area or state park and is located, in whole or in part, within the boundary of the Baldwin Hills Conservancy may adjust the terms of an idle well management plan required pursuant to Section 3206, as needed, to accomplish the plugging and abandonment of those covered wells by December 31, 2030.

(3) (A) On and after January 1, 2031, the supervisor shall charge an administrative penalty of ten thousand dollars (\$10,000) per month to a well owner in violation of paragraph (1) until the well is plugged and abandoned pursuant to Section 3208.

(B) The supervisor shall not charge an administrative penalty pursuant to subparagraph (A) for a violation by a well owner if the supervisor has already charged an administrative penalty to that well owner for a violation, applicable to the same well and covering the same time period, pursuant to subdivision (d).

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.