



September 26, 2023

Governor Gavin Newsom
 1021 O Street, Suite 9000
 Sacramento, CA 95814

RE: AB 1167 (W. Carrillo) Orphan Well Prevention Act – Request for Signature

Dear Governor Newsom:

On behalf of the undersigned organizations, we urge you to sign AB 1167 (W. Carrillo), the Orphan Well Prevention Act. This legislation will help ensure that California taxpayers are not stuck with the bill for cleaning up oil wells that get sold off to less financially stable buyers. The bill requires that buyers of idle and marginally producing oil wells post a bond or other financial assurance for the full cost of plugging and abandoning them after they are no longer producing.

We applaud your will to hold the oil industry accountable through the lawsuit filed against the major producers earlier this month, and through this year's groundbreaking legislation taking aim at oil company price gouging. AB 1167 needs to be treated as part and parcel of this same effort: a way to hold the industry financially accountable, and make certain that Big Oil, and not the citizens of California, pays the cost of the damage the industry is leaving behind in our state.

The full-cost bonding approach in AB 1167 is in place already for offshore wells in California per SB 1147 (Hertzberg, 2018), and has been taken by other states (among them Arkansas), but the breadth and strength of the bill puts California in a position to take the lead on this issue, and demonstrate our commitment to putting the costs of damage caused by the oil industry on the industry itself rather than taxpayers. We appreciate your past efforts to make public funds available to begin to address the idle well problem. AB 1167 is a bold, forward-looking measure designed to prevent the problem from growing worse, and moving ahead to hand well cleanup costs back to industry where they belong.

Current law requires that anyone drilling a well post a bond to theoretically cover plugging and abandonment, but the bonding amounts fall far short of what's necessary to pay for that process. AB 1167 addresses the specific risk associated with transfer of wells to smaller and less solvent operators. The California Council on Science and Technology has [estimated](#) the average cost of plugging and abandonment per well at roughly \$68,000, but [required](#) bonding amounts can be as low as a few hundred dollars per well. This bonding shortfall becomes a heightened risk for the state when well owners transfer their aging wells to potentially less solvent owners. This risk already [materialized](#) into multimillion dollar liability for the state when the owner of the idle wells on Rincon Island went bankrupt in 2016, and the situation threatens to repeat itself as California's oil production dwindles and owners increasingly seek to offload their marginal and idle wells, as Aera Energy (an Exxon/Mobil partnership) [did last year](#).

The financial risk to California will only get worse with time, as in-state production continues to decline, and more and more idle and low-producing wells are sold off. A May 2023 [report](#) by Carbon Tracker documented these trends, concluding that currently available financial assurance for onshore wells would cover less than one percent of their total closure and cleanup costs - which could potentially top out at \$21.5 billion. And a contemporaneous [report](#) by FracTracker on well transfers in California showed that the rate of such transfers has spiked, and that the vast majority of transfers are of either idle wells or nearly-idle "stripper" wells producing only a trickle of oil.

In addition to the financial risks to the state, the current shortfall in bond funds leads to significant health and safety risks for people living near orphaned wells that have not been plugged or abandoned due to lack of resources. It is essential for health, safety and the environment that wells be properly closed once they have ceased operation.

We ask that you not be swayed by the misleading talking points being circulated by oil industry lobbyists in opposition to the bill, as they are not grounded in fact. Contrary to industry claims, the current system of merely authorizing CalGEM to pursue past owners – a cumbersome and difficult process – is not working. If it were, our communities would not be littered with leaking wells held by financially shaky small operators. Nor should you believe the self-serving claim that AB 1167 will not help with the problem, which is based on the fictional scenario being spun by the major oil companies that they are white knights fixing the problem by buying up idle wells in order to plug and abandon

them. [Our research shows](#), quite to the contrary, that most sales of idle and marginal wells are to smaller companies from bigger ones, who want to leave the California market now that they've squeezed their profits out of it.

AB 1167 would squarely address the continuing threat to California's finances and communities represented by orphan wells, ensuring that well owners cannot use sales to pass the buck for their cleanup costs to the state's taxpayers. It's the commonsense solution to a growing problem.

We urge your signature on this important legislation. Thank you for considering our views.

Sincerely,



Victoria Rome
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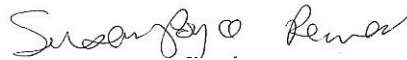
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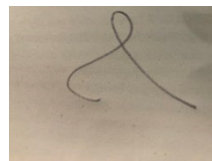
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