CALIFORNIA'S ORPHAN WELLS: The costly remains of a fading industry NRD

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ORPHAN WELL:

An idle well without a solvent party available to pay for plugging and abandonment.

Photo courtesy of Jim West/Alamy

NI+T



5,540 wells: at "high risk" of becoming orphaned 69,425 wells: "economically marginal and idle" 106,687 wells: total number of wells that will need to be plugged and

Source: CCST Orphan Wells in California, 2018

abandoned

CALIFORNIA'S POTENTIAL ORPHAN WELL LIABIILITY

- For 5540 "at risk" wells: <u>\$500</u> <u>million</u>
- For 69,425 "economically marginal and idle" wells: <u>\$5.2 billion</u>
- For all 106,687 wells: <u>\$9.1</u> billion



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Allocated by California legislature: <u>\$100 M</u>

Allocated by federal government: <u>eligible for \$140M</u>



HOW DID WE GET HERE?

•<u>Declining production</u>: dropping steadily since 1980s.

California Field Production of Crude Oil



DOWNLOAD



It is series is available through the EIA open data API and can be downloaded to Excel or embedded as an interactive chart or map on your website.

Decade		Year-1	California Field Production of Crude OII (Inousand Barreis)							
	Year-0		Үеаг-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9
1980's		365,370	373,176	374,161	381,621	394,002	378,059	364,608	354,730	331,174
1990's	320,868	319,497	305,488	293,090	286,060	278,977	282,409	285,172	283,627	273,017
2000's	271,132	260,663	257,898	248,093	240,138	230,230	223,015	218,518	214,533	207,262
2010's	200,370	196,172	197,211	198,928	204,699	201,284	186,079	173,403	160,658	156,350
2020's	143,114									

California Field Production of Crude Oil (Thousand Barrels)

HOW DID WE GET HERE?

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- Inadequate bonding: \$68,000 average cost to remediate vs. \$1,000 average available bond funds.
- •<u>Transfers to less solvent operators</u>: declining wells sold to operators at higher risk of insolvency



Los Angeles Times

SUBSCF

CALIFORNIA

California oil regulator confirms methane leak at idle oil wells in Bakersfield



The leak was discovered near a residential neighborhood in Bakersfield. (Lisa Mascaro / Associated Press) BY NATHAN SOLIS | STAFF WRITER MAY 22, 2022 UPDATED 10:46 AM PT

State regulators have confirmed a methane gas leak at a pair of idle oil wells near a residential neighborhood in Bakersfield, raising the concerns of local environmental



STEPS WE'VE TAKEN

• Funding allocations (federal and state) Industry-funded remediation to a tight cap • AB 1057 (2019): discretionary authority for CalGEM to increase bonding amounts CalGEM prioritization and cost assessments • Methane task force Various statutory requirements to remediate idle wells or pay fees

STEPS WE NEED TO TAKE

- Bonding reform
 - AB 1167: full bonding upon transfer
 - Longer term comprehensive bonding reform
- Eliminate the cap on industry liability
- Require prompt plugging and abandonment of idle wells
- Strengthen regulatory standards for leaks
- Stop drilling more wells!

Thank you