



June 16, 2023

Senator Dave Min, Chair
 Senate Natural Resources and Water Committee
 1021 O Street, Room 3220
 Sacramento, CA 95814

RE: AB 1167 (W. Carrillo) Orphan Well Prevention Act – SUPPORT

Dear Senator Min and Committee Members:

The undersigned organizations are pleased to support AB 1167, the Orphan Well Prevention Act, by Assembly Member Wendy Carrillo. This bill 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 would require that buyers of oil wells post a bond for the full cost of plugging and abandoning them after they are no longer producing.

Current law requires that anyone drilling a well post a bond to cover plugging and abandonment, but the bonding amounts fall far short of what's necessary to pay for that process. 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.

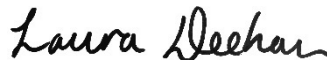
AB 1167 would squarely address this problem by requiring that any buyer of an oil well in California post a bond for the full cost of plugging and abandonment, ensuring that well owners cannot use sales to pass the buck for their cleanup costs to the state's taxpayers. It's the commonsense solution to a growing problem.

We respectfully urge your aye vote on this important legislation.

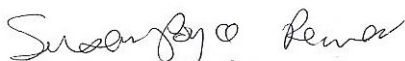
Sincerely,



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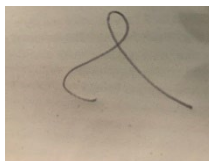
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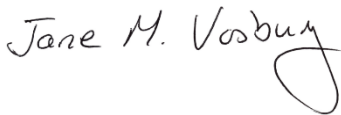
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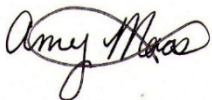
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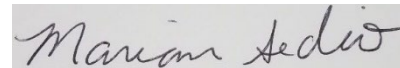


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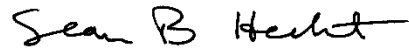
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