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California Geologic Energy Management Division  
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*RE: Comments concerning CalGEM draft cost estimate regulations*

Dear Supervisor Ito:

The undersigned organizations, representing hundreds of thousands of members and supporters in California, appreciate the opportunity to comment on CalGEM’s discussion draft of cost estimate regulations implementing [SB 551](#) (Jackson, 2019). These cost estimates are essential to ensuring that sufficient funds are available to plug and abandon the state’s wells. The current bonding requirements are far below the actual costs of plugging and abandoning wells. A range of different studies that examined well closure in California found that onshore well plugging and abandonment can range from [\\$57,000 to \\$300,000](#). Well plugging and abandonment costs depend on various factors associated with the well, such as [well type, depth, age, and location](#). It is critical that these cost estimates are accurate to ensure that oil well operators are paying for the closure and cleanup of their wells, in accordance with the Polluter Pays Principle.

Given the ongoing risk of marginal and idle wells becoming orphaned in the near future as described by [CCST](#) and [CalGEM](#), it is important that the regulations be issued as promptly as possible. While the draft sets the initial compliance deadline of January 1, 2025, we encourage you to move up that deadline to the earliest feasible date, given that industry is already well aware of the requirements of SB 551 and could be preparing now for compliance. [Carbontracker’s recent report](#) shows the looming fiscal risk to taxpayers if operators are not accurately assessing and funding decommissioning and remediation of their well stock in California, and any delay in the application of this rulemaking process only will accrue increasing clean up liabilities. The current draft also only prioritizes low production wells in the first round of compliance, and we urge CalGEM to include any operators with wells within 3200 ft of sensitive receptors to be under the earliest compliance deadline as well.

Regarding the substantive cost estimation requirements articulated in the draft, we offer the following comments and recommendations:

- *Require documentation listed via section 1753.1.1 C(2) for both well cost estimation methods.* As written, the draft only requires operators to provide information listed in 1753.1.1 C(2) for estimates using Method 2 (1753.3). CalGEM has the ability to request additional information

per Method 1 (1753.2.) submissions, and this ability should be required to validate how calculations were made and how categories in Method 1 were determined for CalGEM to ensure accuracy of all estimates supplied.

- *Provide Examples of Method 1(1753.2.) vs. Method 2 (1753.3) estimations for onshore wells, and reasoning behind only requiring Method 2 for offshore wells.* Offshore wells are currently the only wells required to use Method 2 (1753.2.). Given that Method 2 uses the same calculations as Method 1, but requires more documentation to be submitted to evidence the accuracy of the estimates made, what is the reasoning to only require offshore wells to use Method 2? Any wells within 3200 ft of sensitive receptors, high risk wells, and other factors could contribute to wells requiring the fullest documentation possible when submitting these estimates, and only requiring Method 2 for offshore wells may limit the accuracy of assessing onshore cost estimates.
- *Include Explicit Site Remediation Definitions.* For both site remediation methods listed in this draft- what definition for remediation is being used as the basis of these estimates? Details on how prices for remediation were determined and the level of remediation these methods estimate are essential to define in this rulemaking. In addition, we urge CalGEM to require the highest level of remediation possible for sites within 3200 ft of sensitive receptors.
- *Require that estimates and supporting documentation be made available on CalGEM's website.* The public should have full access to all cost estimates and supporting information collected by CalGEM pursuant to the regulations. As is already required now by statute, the information should be submitted by operators electronically. All such information, including supporting documents provided by operators, should be posted on CalGEM's website and made accessible via CalGEM's [WellSTAR](#) tools. We would also like to see WellSTAR include summary cost information for each facility and well, accurate and up to date bonding information, and datasets that are aggregatable and queryable by Well API or Facility ID.
- *Require affirmative findings by CalGEM.* The draft regulations should specify that CalGEM will make an affirmative finding as to the accuracy of the cost estimates submitted by industry, although the finding should be subject to change if new information emerges. Also, while as noted above, the current draft allows generally for CalGEM to request additional information, the regulations should identify a timeframe for such requests as well. By way of example, the regulations could provide that responses to CalGEM requests for information shall be provided within 30 days; and that CalGEM findings regarding the accuracy of cost estimates shall be made within 90 days of submission of complete information. All findings and requests for additional information should be made available on CalGEM's website via WellSTAR.
- *Publish an aggregatable dataset of well ownership histories.* Additional data is important to determine what factors influence the cost of well plugging and remediation. One that is entirely overlooked by the discussion draft is the original operator who drilled the well and the subsequent owner operators of the well throughout the history of the well. This data is important for a number of reasons. The regulations should require that well ownership histories are documented and published in an aggregatable dataset (.csv format preferred) for all CalGEM regulated unplugged wells in the state.

In addition, we note that the discussion draft does not provide any information as to the basis for the risk scores and costs associated with various well conditions and geographic locations. We request that prior to moving forward, you provide to the public on your website all of the documentation and modeling used to develop these assumptions.

Thank you for considering these comments.

Respectfully submitted,

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