



April 2, 2024

The Honorable Issac Bryan
State Assembly, 55 District
State Capitol, Annex Room 5630
Sacramento, CA 95814

RE: Assembly Bill 2716 Oil and gas wells – Low production wells - Oppose

Dear Assemblymember Bryan,

The Western States Petroleum Association (WSPA) and the California Independent Petroleum Association (CIPA) respectfully write in opposition to your AB 2716. Both non-profit trade associations represent members that account for the bulk of petroleum and natural gas exploration, production, refining, transportation, and marketing in the state of California. This bill would eliminate the existing idle well fee program and the existing idle well management program (IWMP), the statutory structures for ensuring that idle wells are plugged and decommissioned timely on an annual basis. More importantly, the bill would also require the plugging and decommissioning of actively producing wells. This blanket prohibition on owning a low-producing well comes with a \$10,000 per day fine for operating those wells. This is inconsistent with existing statutes that promote the domestic production of oil (PRC section 3601) and support California's need for in-state oil production to meet the demands of manufacturing fuel for California drivers.

First and foremost, the assumption that a "low-producing well" (defined in the bill as producing less than 15 barrels of oil per day) is closer to being an idle well is completely false. Prior to drilling an oil well, engineers design the well explicitly based on its anticipated volume of production, whether it is 15 barrels or less per day or significantly more than that. The wells are specifically designed and engineered to accommodate the amount of oil produced on a daily basis. Like high-producing wells, low-producing wells have been deliberately engineered for decades based on the available reserves, and are regulated by the California Geologic Energy Management Division (CalGEM) to ensure that public health and safety is protected. In addition, it is also a false assumption that a low-producing well has any greater or lesser risk associated with its operation than any other oil or gas well, without regard to volume of production. All are managed and regulated equally by the state under the same environmental and public safety rules and regulations.

Severely restricting in-state production will continue to increase California's dependence on foreign crude oil to meet the State's energy needs. While every barrel of oil produced in California is consumed in the state, over 75% of the state's demand for crude oil is imported to



meet California's energy needs. Unlike many other countries, California oil producers operate under the most stringent environmental regulations in the world. In fact, California produced oil is transferred via pipeline with logistic costs of \$1 per barrel. All imported oil is brought to California via oil tankers with logistic costs from \$5 to \$6 dollars per barrel from Alaska, Brazil, and the Middle East. Thus, imported oil ultimately results in higher prices at the pump. AB 2716 will simply result in increased imports from foreign sources not operating under the same environmental standards and will only lead to significantly higher transportation costs and an increase in greenhouse gasses and other emissions associated with bringing that oil into the state.

The IWMP has proven to be an effective means to encourage operators to plug and decommission thousands of long-term idle wells to be plugged and decommissioned while at the same time allowing operators the flexibility to maintain the availability of short-term idle wells that still retain potential future production capacity or may be used for other purposes such as carbon sequestration and storage. In place of the IWMP, the bill would force the plugging and abandonment of producing wells within the 3,200 foot setback area within 24 months. This will remove a valuable contributor to California's current oil and gas needs.

Low-producing wells are valuable assets of the mineral rights holders and operators. This bill has the potential to open the state to significant legal liability under the takings clause of the U.S. Constitution.

In addition, on November 28, 2018, the California Council on Science and Technology (CCST) published a report titled "Orphan Wells in California: An Initial Assessment of the State's Potential Liabilities to Plug and Decommission Orphan Oil and Gas Wells. The CCST analysis focused on wells that may already be orphaned or that they are at high risk of becoming orphan wells in the near future and found that 5,540 wells in California may already have no viable operator or be high risk of becoming orphan wells. In response to the CCST report the Geologic Energy Management Division (CalGEM) put together a list of 5,356 wells that were "orphaned, deserted, or potentially deserted." 95 percent of the wells on this list were "potentially deserted wells" where the owner/operator did not pay idle well fees over a period of time. Many of these wells are located in urban areas throughout the State and some are labeled as "critical wells" which means a well within 300 feet of a building and an airport runway and 100 feet of a street or highway, body of water, and public recreational facility, and a wildlife preserve. Policymakers should prioritize and focus on these critical wells for immediate plugging and decommissioning.



For all the reasons stated above, WSPA and CIPA must oppose AB 2716. Thank you for your consideration.

Sincerely,

Zachary Leary
Chief Lobbyist
Western States Petroleum Association

Rock Zierman
Chief Executive Officer
California Independent Petroleum
Association

cc: The Honorable Issac Byran, Chair, Assembly Natural Resources Committee
The Honorable Heath Flora, Vice-Chair, Assembly Natural Resources Committee
Members, Assembly Natural Resources Committee
Lawrence Lingbloom, Chief Consultant, Assembly Natural Resources Committee
Elizabeth MacMillan, Principal Consultant, Assembly Natural Resources Committee
Paige Brokaw, Senior Consultant, Assembly Natural Resources Committee
Casey Dunn, Assembly Republican Caucus