

California State Senate

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September 18, 2019

The Honorable Gavin Newsom
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

RE: Recommended Veto of SB 551 (Jackson))

Dear Governor Newsom:

I respectfully write to request your veto of Senate Bill 551 (Jackson), which would require, beginning July 1, 2022, oil and gas well operators to submit reports to the State Oil & Gas Supervisor to demonstrate the operator's total financial liability to plug and abandon all wells and to decommission all attendant production facilities, including site remediation.

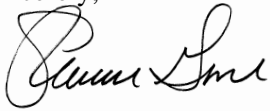
Since 2013, there has been no shortage of legislation to deal with statewide indemnity bond requirements for both active and idle wells. SB 665 (Wolk, 2013) and AB 2729 (Williams, 2016) establish significant increases in DOGGR's statewide indemnity bond requirements for both active and idle wells.

In 2017, the industry worked collaboratively in SB 724 (Lara) to allow orphan well funds to be utilized for decommissioning of orphan production facilities. In addition, other legislation attempting to ensure that indemnity bond amounts for oil and gas well operators are sufficient to cover plugging and abandonment of wells and to assess decommissioning costs should wells be improperly abandoned have also been passed. These include SB 1147 (Hertzberg, 2018), which required DOGGR to evaluate and estimate the costs associated with decommissioning offshore oil and gas wells, and this year's AB 1057 (Limon), which would authorize DOGGR's supervisor to require additional financial assurance from well operators to fully cover the reasonable costs to plug, abandon, and remediate a well site.

This bill would simply add to DOGGR's workload for no apparent reason. Perhaps we should evaluate the effectiveness of this previous legislation before imposing new requirements on DOGGR and well operators.

For these reasons, I respectfully request your veto of SB 551.

Sincerely,

A handwritten signature in black ink, appearing to read "Shannon Grove". The signature is written in a cursive style with a large initial 'S'.

Shannon Grove
Senate Republican Leader