

California lawmakers have a plan to plug old, vapor-spewing oil wells. Could it backfire?



An active oil field operates on Rockwood Street, near Alliance Ted K. Tajima High School, in Westlake. (Mel Melcon / Los Angeles Times)

By [Tony Briscoe](#) Staff Writer,
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As flammable gases and toxic fumes seep from thousands of abandoned oil wells across California, state legislators passed a bill last month that would require owners to set aside more funding to properly seal wells once their use has ended.

But the measure attracted a surprising adversary: Gov. Gavin Newsom's Department of Finance. The state agency, in a July analysis, has contended the bill could backfire and wind up exacerbating the very problem it intends to solve.

Although Newsom has recently gone after oil companies for price-gouging and climate denialism, his finance department's opposition has cast uncertainty over whether Newsom might veto the would-be law.

After passing the California Assembly and Senate, the bill has sat on Newsom's desk for more than a week, and he has until Oct. 14 to sign or veto it.

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Assemblymember Wendy Carrillo, foreground, holds a news conference at Vista Hermosa Park in Echo Park to urge Gov. Gavin Newsom to sign a bill that would require oil and gas companies to set more money aside to ensure wells are plugged near the end of their productive life. (Mel Melcon / Los Angeles Times)

At a news conference in Echo Park recently, Assemblymember Wendy Carrillo, the bill's author, framed Newsom's decision as a litmus test of his commitment to seek accountability from oil companies.

Standing alongside a coalition of environmental advocates at Vista Hermosa Park, a former oil field turned into green space, she pleaded for the governor's signature, highlighting roughly 200 unplugged wells in her district, which includes the Echo Park and Elysian Park neighborhoods.

"Not only are these communities inhaling the pollution from vehicles on freeways, but they have been also risking their lives by inhaling the methane gas that has been evaporating from the uncapped oil wells," Carrillo said.

"The governor has an opportunity ... to either say, 'I agree that oil operators should be held responsible,' or 'I'm going to veto this policy,'" she added.

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More than a century of drilling has depleted once-abundant oil reservoirs and left thousands

of unplugged wells across the state of California. If these wells aren't properly capped, they can leak planet-warming methane and dangerous chemicals, undermining the state's climate goals and threatening the health of nearby residents.

Statewide, some 5,500 wells are thought to be orphaned, meaning they don't have a legally liable party to plug them, according to [a 2018 report by the California Council on Science and Technology](#). Nearly 70,000 more are at risk of becoming orphaned wells. Experts say the public liability for that many orphaned wells is nearly \$500 million.

Assembly Bill 1167 prohibits the sale or transfer of idle or low-producing wells unless the new owner obtains a bond — a financial guarantee similar to an insurance policy — that would cover the full cost of plugging them. As oil production in California continues to decline, the measure would act as a contingency plan in the event these companies fail, and then abandon the wells. It is intended to prevent billions of dollars in well-plugging costs from falling to taxpayers.

It has become commonplace for large energy companies to sell oil and gas fields, including barren or marginally productive wells, to smaller businesses with less financial resources. And in cases where the new owners go bankrupt, oftentimes the financial responsibility for sealing these orphan wells falls to state or local governments.



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Unplugged wells have been known to release several harmful pollutants, including cancer-causing benzene and formaldehyde.

Idle and orphan wells can leak methane, a potent greenhouse gas capable of warming the planet 80 times more than carbon dioxide over a 20-year period. Nationally, there are about 2 million unplugged, nonproducing wells. The EPA estimates these wells released 275,000 metric tons of methane in 2020 — the equivalent of adding 1.7 million cars on the road for a year.

In addition to the climate consequences, methane is also flammable, and [state agencies have discovered concerning levels seeping out of some idle wells](#).



Storage tanks holding oil and other chemicals sit next to an active oil field in Westlake. (Mel Melcon / Los Angeles Times)

Even though some communities, such as Culver City, have banned new drilling and have moved to phase out existing wells, they continue to be haunted by wells drilled nearly a century ago, according to Meghan Sahli-Wells, a former mayor.

“That means 100 years of leaks, 100 years of releases, 100 years of miscarriages, emphysema, asthma, cancer clusters,” said Sahli-Wells, now California state director for Elected Officials to Protect America, a national environmental organization composed of current and former lawmakers. “Our community has paid over and

over again ... and it’s time that the polluter who made the mess actually pay the bill.”

Part of the problem, according to Carrillo, is the average cost to plug wells is \$68,000, yet the bond funding available per well is about \$1,000, according to the 2018 report.

If the bill is signed into law, the California Department of Conservation, the state agency overseeing oil and gas extraction, will evaluate the cost of plugging wells and set the bond amount.

“The fact is, if you want to make a profit off an oil well, you should also be responsible in its cleanup and in ensuring that it’s closed off and capped to ensure the health and well-being of the communities in which you’re drilling. Plain and simple,” Carrillo said while advocating for the bill last month at the state Capitol.

Oil industry representatives and Republican lawmakers warned the new financial requirements could discourage the sale of oil wells, potentially saddling struggling energy companies with unmarketable land.

Assemblymember Vince Fong, a Republican from Bakersfield, said the bill may exacerbate the issue it is trying to solve.

“The main cause of abandoned wells is the financial burden on well operators,” Fong said. “But this bill would barricade operators with even more financial constraints. With more constraints comes more abandoned wells — the exact problem this bill is trying to solve.”

“Don’t take my word for it. The governor’s own administration agrees,” Fong added.

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In July, an analysis by the state Department of Finance warned that “the additional costs could unintentionally act as a disincentive for larger operations to purchase smaller operations, which are the operators that are more likely unable to cover the cost of plugging idle or orphan wells in the first place.”

Kevin Slagle, spokesperson for the Western States Petroleum Assn., said Newsom’s administration and the state oil industry have rarely found common ground, whether it be on [legislation requiring oil wells to be set back 3,200 feet from homes](#) or calling on ending drilling by 2045.

Given the governor’s history of opposition to oil extraction, the fact that his own Department of Finance spoke out against the bill was telling, Slagle said.

“The impact very well could be driving businesses out of the state — or driving them out of business,” Slagle said.

Under the bill, new well owners would need to obtain a so-called indemnity bond, whereby they would make a partial payment for plugging the well to a surety company. If the well owner became insolvent and could not pay the full cost of sealing the well, the surety company would assume responsibility.

However, when oil companies fail, the surety companies also risk going bankrupt, according to

Michael Salman, a UCLA professor emeritus in history who has closely followed oil issues.

“Over the past 100 years, there were boom and bust cycles when some companies went bankrupt and some wells became orphaned,” Salman said. “Now we are looking forward to a different future; the state is moving to substitute electric vehicles for gasoline and diesel fuel vehicles.

“The oil industry in California is only going to be around for a few more decades as [production] winds down,” he said. “Bond companies are going to go bankrupt and they’re not going to pay out the face amount of the bonds to plug all the wells.”

Under current law, when well owners declare bankruptcy, the financial obligation for well plugging may shift to previous owners, but this provision applies only to wells transferred after Jan. 1, 1996.

In perhaps one of the most notorious examples, a portion of Beverly Hills High School was leased for oil production. Nineteen wells were drilled near the school’s athletic fields in the 1980s and 1990s. But, in 2017, shortly after the lease ended, oil company Venoco filed for bankruptcy, leaving the school district responsible for the cost of closing the wells.

In Bankruptcy Court, the school district only secured \$760,000 in a settlement. The city, however, ended up paying \$40 million to properly cap and secure the site.

Most cities, however, don’t have that luxury.

The communities filled with the largest concentrations of wells are typically working-class and the least likely to be able to bear the costly burden of plugging them.

In Echo Park, the area surrounding Vista Hermosa Park, once a sprawling assemblage of oil derricks, has drastically changed over the last century.

Now, it’s a vast collection of homes, schools and businesses, attracting droves of new residents

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and real estate investments. But Danny Luna, a resident and community activist, said virtually all these properties sit on or near unplugged wells.

For years, Luna and his neighbors have withstood noxious odors and poisonous chemicals percolating from wells beneath their feet. Recently, as developers have broken ground, they have incurred extra costs as they

find old wells, adding more challenges for a city already in the throes of a housing crisis.

Given his experiences, Luna said he doesn't consider Newsom's decision on the bill very difficult.

"To me, it's actually the simplest no-brainer that you can sign," Luna said. "Because if you are profiting from polluting, you should be responsible to pay for [plugging]."

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