

## Exhibit 5

### Summary of Recent State Laws Related to Oil and Gas Operations

Several state laws related to oil and gas operations are summarized here due to their bearing on oil and gas operations in Ventura County. Key provisions are identified.

#### Senate Bill 2007 (Costa 1996)

- If a well is deserted but the operator cannot pay for the costs of plugging and abandonment, CalGEM can pursue operators that owned the well as far back as January 1, 1996 for plugging and abandonment costs.

#### Assembly Bill 2729 (Williams 2016)

- Updated bond requirements for operators when they drill, re-drill, deepen, or permanently alter any well or any operator who acquires a well.
- Bond intended to address state's liability to properly plug and abandon wells that are orphaned by operator bankruptcy or failure to act.
- Operators must file a \$25,000 bond with CalGEM for a well less than 10,000 feet deep and \$40,000 for each well that is greater than or equal to 10,000 feet deep.
- Alternatively, an operator can file a blanket indemnity bond based on the number of wells they own, as shown in the table below. The bonds are not released until the wells are properly plugged and abandoned.
- Idle well fees increase based on the length of time a well is idle, as shown in table below.

# of Wells in the State	Blanket Bond Amount
<b>50 or fewer</b>	\$200,000
<b>51-500</b>	\$400,000
<b>501-10,000</b>	\$2,000,000
<b>More than 10,000</b>	\$3,000,000

Years Idle	Annual Fee/Well
3 – 7	\$150
8 – 14	\$300
15 – 19	\$750
20 or more	\$1,500

- An operator of an idle well must pay an annual fee or file an Idle Well Management Plan, which outlines the operator's plan to manage and eliminate (i.e., either plug and abandon or bring back into production) their idle wells.
  - Idle well fees are paid into the Hazardous and Idle-Deserted Well Abandonment Fund (HIDWAF), which CalGEM uses to plug and abandon orphan wells and plug and/or decommission hazardous wells or production facilities.

- The funds from the HIDWAF are in addition to those granted under CalGEM's annual expenditure authority for plugging and abandoning wells, which is \$5 million per year beginning in the 2022-2023 fiscal year per the recent passage of SB 47 (discussed below).
- If operators choose to file an Idle Well Management Plan instead of paying the idle well fees, operators must eliminate their long-term idle wells as follows: operators with 250 or fewer idle wells must eliminate four percent of their long-term idle wells each year, operators with 251 to 1,250 idle wells must eliminate five percent each year, and operators with more than 1,250 idle wells must eliminate six percent each year.
- CalGEM is required to present an annual report to the legislature regarding the status of idle and long-term idle wells in California. CalGEM has presented two reports thus far: one in 2019 representing data from January 1 – December 31, 2018<sup>1</sup>, and one in 2021 representing data from January 1 – December 31, 2019<sup>2</sup>.

#### **Senate Bill 724 (Lara 2017)**

- Authorizes a city or county to request from CalGEM a list of all identified idle wells within its jurisdiction.
- Temporarily raised the cap on CalGEM spending for hazardous wells, idle-deserted wells, hazardous facilities, or deserted facilities, from \$1,000,000 to \$3,000,000 in any one fiscal year, for the 2018–19 fiscal year to the 2021–22 fiscal year.<sup>3</sup>
- Requires CalGEM to develop criteria for determining the priority of plugging and abandoning hazardous or idle-deserted wells and decommissioning hazardous or deserted facilities to be remediated pursuant to these provisions and would exempt the development of those criteria from the Administrative Procedure Act.
- Requires CalGEM to report on October 1, 2020, to the Legislature on the estimated number of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities remaining, the estimated costs of abandoning or decommissioning those wells and facilities, and a timeline for future well abandonment and decommissioning of facilities with a specific schedule of goals, and, as part of that report, provide recommendations to the Legislature for improving and optimizing the involvement of local agencies in the process of plugging and abandoning wells and decommissioning facilities.

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<sup>1</sup> CalGEM. 2019. Idle Well Program Report on Idle and Long-term Idle Wells in California. Reporting Period: January 1, 2018 to December 31, 2018 Prepared Pursuant to Assembly Bill 2729 (Ch. 272, Stats. of 2016).

<sup>2</sup> CalGEM. 2021. Idle Well Management Program Report. Idle and Long-Term Idle Wells in California. Reporting Period: January 1, 2019 to December 31, 2019. Prepared Pursuant to Assembly Bill 2729 (Ch. 272, Stats. Of 2016).

<sup>3</sup> Prior to the passage of SB 47, this cap would have returned to \$1,000,000 for the 2022-23 fiscal year.

### **Assembly Bill 1057 (Limón, 2019)**

- Authorizes CalGEM to require an operator filing an individual or blanket indemnity bond to provide an additional amount of security based on CalGEM's evaluation of the risk that the operator will desert its wells and the potential threats the operator's well or wells pose to life, health, property, and natural resources.
- The amount cannot exceed the lesser of CalGEM's estimate of the reasonable costs of properly plugging and abandoning all of the operator's wells and decommissioning any attendant production facilities, or \$30,000,000.
- Provides CalGEM authority to track and trace the ownership of wells and facilities with greater accuracy to enable it to take enforcement actions against the appropriate operators.

### **Senate Bill 47 (Limón 2021)**

- Beginning in FY 2022–23, raises the cap on CalGEM spending for purposes related to hazardous wells, idle-deserted wells, hazardous facilities, and deserted facilities from \$1 million to \$5 million in any one fiscal year.

### **Assembly Bill 896 (Bennett 2021)**

- Authorizes CalGEM to impose a claim and lien upon the real property in the state owned by the operator or responsible party of an oil or gas well and attendant facility under specified conditions and in specified amounts.
- Requires the CalGEM Supervisor, no later than July 1, 2022, to establish a collections unit responsible for: (1) collection of unpaid idle well fees from an operator, (2) establishing the timelines and criteria for determining if a well has been deserted, and (3) locating or collecting any costs from the operator or responsible party for a well that has been deserted or ordered to undergo well integrity testing or to be plugged and abandoned.
- Requires CalGEM's annual idle well report to include the following components:
  - Number of operators and amounts of idle well fees collected by the collections unit in the preceding year;
  - Criteria used by the collections unit to determine whether a well or attendant facility is deserted;
  - Amount of costs recovered from operators or responsible parties for work ordered or undertaken by CalGEM;
  - Number of wells and facilities eligible to be subject to a lien; and
  - Number of liens placed and released by the supervisor.

### **Senate Bill 84 (Hurtado 2021)**

- Revises and enhances the legislative reporting requirements of CalGEM's idle oil and gas well program.
- Requires CalGEM Supervisor by July 1, 2022, to provide the Legislature with a report detailing the process used by the state to determine that the current operator of a deserted well does not have the financial resources to fully cover the cost of plugging and abandoning the well or the decommissioning of deserted production facilities.
- Requires CalGEM to report the location of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities remaining, including the county in which they are located, to the Legislature by April 1, 2022, if the information is not otherwise included in the April 1, 2021, report already required by existing law.

### **Discussion Draft Rule for Protection of Communities and Workers from Health and Safety Impacts from Oil and Gas Production Operations**

Released on October 21, 2021, the discussion draft rule proposed new statewide setbacks from oil and gas wells: CalGEM would not approve any Notice of Intention to drill a new well with a surface location within 3,200 feet of a sensitive receptor<sup>4</sup>, with exceptions for health and safety reasons. The discussion draft also proposed updated requirements for active and idle wells within 3,200 feet of sensitive receptors, including the following:

- Implementation and requirements for a Leak Detection and Response Plan to detect methane and hydrogen sulfide.
- Vapor venting prevention system requirements for all permanent and temporary equipment that emits vapors, including tanks, vessels, separation facilities, gas processing units, and other equipment holding petroleum liquids or produced water
- Baseline Water Sampling and Testing before commencing any work that requires a Notice of Intention
- Sound controls
- Lighting controls
- Dust control

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<sup>4</sup> Under the draft discussion rulemaking, a "Sensitive receptor" means any residence including private homes, condominiums, apartments, and living quarters; education resources such as preschools and kindergarten through grade twelve (K-12) schools; daycare centers; any building housing a business that is open to the public; and health care facilities such as hospitals or retirement and nursing homes. A sensitive receptor includes long term care hospitals, hospices, prisons, and dormitories or similar live-in housing.

- Gas Sampling and Analysis requirements for each field or distinct geologic area in which the operator produces gas
- Produced Water Sampling and Analysis
- Non-Emergency Spill Reporting
- Production Facility Secondary Containment
- Wellhead Containment
- Stuffing Box Containment
- Tank Construction and Leak Detection
- Tank Testing and Minimum Wall Thickness Requirements
- Out-of-Service Production Facility Requirements
- Pipeline Inspection and Testing
- Pipeline Cleanup and Abatement
- Maintenance and Monitoring of Production Facilities, Safety Systems, and Equipment
- Cementing Casing Survey
- Drilling Fluid Program
- Plugging and Abandonment - General Requirements