

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Support
SPONSOR: Department of Conservation

BILL NUMBER: AB 2453
AUTHOR: V. Tran

BILL SUMMARY: Oil and Gas: Operations: Enforcement Actions

Existing law establishes procedures for an operator of a well or owner of a rig, derrick, or other operating structure to appeal an order of the State Oil and Gas Supervisor or a district deputy regarding the operation of a well, or drilling or testing operations. This bill would make numerous changes to the appeal process and procedures.

FISCAL SUMMARY

To implement the requirements of this bill, the Department of Conservation (Conservation) would need to fund 1.0 Staff Counsel III position from the Oil, Gas and Geothermal Administrative Fund. Conservation estimates the annual cost for this position would be \$145,000.

We note that Conservation is currently represented by the Attorney General's Office (AGO) for the appeals process. The costs for the AGO representation is approximately \$260,000 per year. To the extent there is informal case consultation, settlement negotiations, or drafting of settlement agreements, AGO representation would no longer be needed resulting in a savings to Conservation.

COMMENTS

Finance supports this bill as it would implement needed changes to the appeal process.

Specifically, this bill would do the following:

- Require the State Oil and Gas Supervisor or a district deputy to state the factual basis for the order, the statutory and regulatory basis for the action, and the penalties and requirements imposed on the operator.
Require a cease and desist order to specify the operations to cease and a detailed explanation of the action to be taken by the operator to allow operations to resume.
Provide for review by the Director of Conservation if an order by the State Oil and Gas Supervisor or a district deputy imposes a civil penalty.
Require an expedited hearing before the Director of Conservation for any order issued under emergency circumstances.
Require the Division of Oil, Gas, and Geothermal Resources to reimburse an operator for required remedial work if an order is invalidated on appeal.
Require certain appeals to be heard in a formal hearing process before an administrative law judge.

(Continued)

COMMENTS (continued)

Analyst/Principal (0634) M. Almy Date Program Budget Manager Karen Finn Date

Department Deputy Director Date

Governor's Office: By: Date: Position Approved Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

AUTHOR

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The author of the bill states that the statutory changes provided would address procedural concerns raised by the Court of Appeal in the *Terro Company v. Bridgette Luther* decision. Conservation states that having both in-house counsel to address informal hearings and Attorney General's Office support for formal hearings would provide the most cost-effective model to implement the requirements of this bill.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
3480/Conservation	SO	No		--	C	\$73	C	\$145	3046
<u>Fund Code</u>	<u>Title</u>								
3046	Oil, Gas and Geothermal Administrative								