August 2, 2024

Gavin Newsom
Governor Of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Dear Governor,

Recent actions by CalGEM to undermine two state laws banning new oil well permits near communities and requiring adequate bonding of oil wells are nearly unfathomable. These are not the actions of the agency you reformed in 2019 and 2020. Instead, they harken to the dark days of an agency controlled by a revolving door of financial interests with oil drillers, when oil drillers' legal and regulatory theories ruled the day.

As you recall, our letter pointing out the extraordinary conflicts of interest – including supervisors owning stock in the drillers they regulate – sparked a shakeup at the agency, culminating in a management change with the departure of Jason Marshall, the then Chief Deputy Director of the Department of Conservation.

Now, CalGEM is refusing to enforce The Orphan Well Protection Act, despite a clear legal mandate to do so. The law, that you signed as AB 1167 (Carrillo), requires that drillers who acquire the "right to operate" a low-producing or idle well be responsible for full bonding to pay for full future wellsite plugging and remediation efforts upon the wells being decommissioned.

The law is incredibly broad, citing any "person who acquires the right to operate a well or production facility, by purchase, transfer, assignment, conveyance, exchange, or other disposition," must submit a bond in an amount covering the complete costs of plugging and site remediation. Under the law, with California Resources Corporation's acquisition of Aera (CRC), CRC should be responsible for a bond of at least $2.4 billion to meet these critical obligations for its newly acquired wells. CalGEM's decision to ignore AB 1167's application creates a dangerous precedent and playbook that the oil industry could replicate going

forward. CalGEM's refusal to apply the law to the transaction could leave everyday Californians paying for this multi-billion-dollar price tag.

CalGEM's interpretation of the law -- that because the acquisition was completed as a stock transfer it doesn't count -- is so far off base that it raises the question of how the decision was made. It appears that the old hands at the old CalGEM had a huge impact on this decision.

In May, Jason Marshall joined California Resources Corporation (CRC) as Vice President of Regulatory Affairs, apparently leveraging his old relationships at the agency to compel the state's decision not to enforce The Orphan Well Prevention Act just as CRC acquired Aera.

Marshall, who spent 28 years with the Department of Conservation (DOC), presided over a tragic era at the Department and his tenure was marred by significant financial conflicts of interest, pro-oil decisions, and rubber-stamping of oil permits. He served three times as acting chief of CalGEM and its predecessor agency. Under Marshall, few fines were levied for practices threatening public health and safety, implementation of the state's first fracking law in 2014 was slow-walked, and regulation of cyclic steaming was gutted. As the Desert Sun reported, in 2011, after Governor Brown fired the head of the Department of Conservation and the oil and gas supervisor for trying to enforce stronger regulatory requirements, and tapped Marshall as acting oil and gas supervisor, "Marshall started re-issuing permits to oil companies that critics said sometimes appeared to flout state and federal laws…the Environmental Protection Agency had told California that it had violated the Safe Drinking Water Act by issuing drilling and underground injection control permits above shallow aquifers that might be suitable for drinking water and crop irrigation."

David Shabazian, the current Director of the Department of Conservation, has praised Marshall. After his resignation, Shabazian defended him from critics and credited him for his "many years of dedicated service" and his "wisdom and counsel on important issues."

CalGEM's decisions to ignore The Orphan Wells Act and to issue new permits in the half-mile public health setback zone is making a mockery of your claim that a new CalGEM will be tough on oil drilling. Your Administration needs to conduct an independent investigation of how the CRC decision was made and Jason Marshall's role in CalGEM's decision making regarding orphan wells.

If this decision stands, you will no doubt have to answer for it in court. Better that you have the facts and take time to review the decision making before going before a judge or jury to defend such an unsupported and biased decision.

Sincerely,

Jamie Court
Consumer Watchdog

Kyle Ferrar
FracTracker Alliance