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May 7, 2026

The Honorable Buffy Wicks
Chair, Assembly Committee on Appropriations
1021 O Street, Suite 8220
Sacramento, CA 95814

RE: AB 2716 (Ávila Farías), Oil and gas bonding requirements – SUPPORT IF AMENDED

Dear Assembly Member Wicks,

I am writing on behalf of the Kern County Board of Supervisors to express our strong support for AB 2716 (Ávila Farías) if the bill is amended to include critical clarifications on the assessment standards for oil and gas bonding requirements. This bill is urgently needed to correct serious and increasingly harmful problems created by AB 1167 (Carrillo, 2023) and makes targeted, responsible adjustments to restore a workable regulatory framework—one that continues to protect taxpayers and the environment while preventing the severe unintended fiscal and operational consequences California is now experiencing.

AB 1167 Has Stalled the Transfer Market and Increased Risk

AB 1167 imposed a rigid, full-cost upfront bonding requirement before any transfer of an oil or gas property may occur. In practice, this has completely frozen the lawful transfer of assets that require CalGEM approval. CalGEM confirmed that zero qualifying operational well transfers occurred in 2024 and 2025. The only transactions during this period were full corporate acquisitions by a single large operator—transactions that do not trigger AB 1167.

As a result, marginal wells and mature assets have been stranded and recapitalization has been blocked. Operators who are capable of maintaining production and responsibly retiring wells cannot acquire properties and the risk of well desertion has increased, exactly as Governor Newsom warned in his AB 1167 signing message. In short, the law has not created a viable compliance pathway. It has simply halted the transfer market for the operators subject to it.

The State Board of Equalization Has Warned of Severe Assessment Impacts

The consequences now extend far beyond industry transactions. The State Board of Equalization (BOE) issued a Letter to Assessors¹ in 2025 explaining that AB 1167's bonding mandate must be

¹ <https://boe.ca.gov/proptaxes/pdf/lta25017.pdf>

treated as a required “Year Zero” acquisition cost when valuing petroleum properties because the statute requires the acquiring party to post bonding equal to the full estimated abandonment and restoration cost.

As a result, the BOE has advised county assessors that the bonding mandate must be built into income-approach valuations, even for properties that have not changed hands. Because few bonds are commercially available, operators are being required to post full-cost Certificates of Deposit, functioning as capital that cannot be deployed elsewhere. This dramatically increases acquisition-related costs and correspondingly reduces the appraised value of petroleum properties.

Here in Kern County, preliminary models suggest that these valuation effects could reduce our oil & gas assessed roll by approximately 45%, even using conservative abandonment-cost assumptions. Actual CalGEM abandonment estimates are often higher. For many small operators already assessed at minimum value, this new mandate could completely wipe out those assessed values from the tax roll altogether, thus eliminating property tax revenue that flows into Kern’s General Fund.

These reductions will directly impact revenue for local school districts as well and have severe repercussions for our public safety services, roads, libraries, and other vital county services. The quality-of-life impacts will be staggering to our community, which is already economically disadvantaged. Likewise, the BOE interpretation of AB 1167 comes at a time when the County was hopeful it could regain some of its lost economic viability through the passage of SB 237 (Grayson, 2025), which has expedited the permitting of oil and gas wells in Kern. Instead, the two measures have left Kern in an unenviable and contradictory position of gaining and losing at the same time.

AB 2716 Is the Necessary Fix

AB 2716 takes a balanced approach to restoring functionality while retaining strong financial responsibility standards. The bill aligns AB 1167 with the risk-based financial assurance framework enacted by AB 1057 (Limón, 2019), recognizes existing CalGEM-approved security, and avoids duplicative requirements. The bill also allows a broader set of financial assurance mechanisms in place of a single, rigid full-cost cash bond, creating an efficient pathway for transactions undertaken solely to plug, abandon, and restore well sites. In addition, AB 2716 maintains seller liability and preserves full CalGEM enforcement authority.

These proposed reforms, therefore, do not reduce accountability. They enable compliance, restore orderly market function, and reduce the risk of orphan wells, which is now heightened by AB 1167’s unintended consequences.

A Necessary Amendment: Restoring Fair and Accurate Property Assessments

Lastly, to prevent permanent erosion of county revenues and ensure that AB 1167’s acquisition requirements are not misapplied, we respectfully request that AB 2716 incorporate clarifying language to restore traditional assessment practices.

The proposed amendment clarifies that the AB 1167 bonding requirement is an acquisition-related obligation only. Accordingly, assessors should not impute a “Year Zero” bonding cost into valuations (as suggested by the BOE) unless a qualifying ownership transfer has actually occurred. If the acquiring party has been required to post a bond or other security, that cost should be prorated over the expected useful life of the property as an annual operating expense.

This proposed amendment will prevent unnecessary and artificial reductions in assessed values, protect local government revenues without altering abandonment-cost scheduling in appraisal models, and ensure consistent statewide assessment practice.

Draft statutory language accomplishing this clarification accompanies this letter and is available for the Committee's review.

As currently drafted, AB 2716 is a responsible, urgently needed correction to an unworkable statutory framework. It preserves strong protections for taxpayers and the environment while preventing continued economic harm to the state's energy sector.

The Kern County Board of Supervisors is encouraged by the direction AB 2716 lays out and will gladly support the bill if the amendments to address assessment standards described above are included in the bill language. We strongly believe the proposed amendments will ensure this legislation provides an even more robust and equitable policy tool for industry stakeholders, taxpayers, local government, and the environment. Thank you for your leadership on this critical matter, we look forward to discussing Kern's concerns with the author and committee staff as necessary.

Sincerely,



Phillip Peters, Chairman
Kern County Board of Supervisors

Enclosure: Draft Statutory Amendment Language – Assessment Standards for Oil and Gas
Bonding Requirements

cc: The Honorable Anamarie Ávila Farías, California State Assembly
Honorable Members, Assembly Committee on Appropriations
Honorable Members, Kern Legislative Delegation
Kern County Planning and Natural Resources Department
Shaw Yoder Antwih Schmelzer & Lange

AB 2716: Draft Statutory Amendment Language - Assessment Standards for Oil and Gas Bonding Requirements

Existing law, the Public Resources Code, requires that when an oil or gas property is transferred, the acquiring party must post a bond or provide other financial assurance sufficient to cover the full cost of plugging, abandonment, decommissioning, and site restoration. These requirements were established by Assembly Bill 1167 (Stats. 2023, ch. 359).

Existing property tax law generally requires county assessors to determine the fair market value of petroleum properties using an income approach, valuing the property “as if acquired by the next owner.” This practice has led to uncertainty as to whether the bonding requirement—referred to as a “Year Zero” investment cost by the Board of Equalization in LTA No. 2025-017—should be included in appraisal models for properties that have not changed ownership.

This amendment language clarifies that the bonding requirement is an acquisition-related obligation only. The “Year Zero” bonding cost shall not be included in the appraisal of an oil or gas property unless there has been an actual transfer of ownership that triggered the requirement under the Public Resources Code, and if the acquiring party has been required to post a bond or other security, that cost shall be prorated equally over the expected useful life of the property as an annual operating expense.

Draft Legislative Language

SECTION 1. Section 3017 of the Public Resources Code is amended to add subdivision (c):

(c) For purposes of property tax assessment, the bonding requirement imposed by this section or by Section 3205.8 shall be recognized as an acquisition-related obligation only. The estimated cost of such bond or other financial assurance shall not be included in the valuation of an oil or gas property for property tax purposes unless the property has been transferred and the acquiring party is required to post a bond pursuant to this section. If the acquiring party has been required to post a bond or other security, that cost shall be prorated equally over the expected useful life of the property as an annual operating expense.

Effect of This Fix

- Clarifies that the bonding requirement is only an acquisition cost.
- Prevents counties from artificially depressing appraised values for properties that haven’t changed hands.
- Still requires that future abandonment/remediation costs be scheduled in the appraisal cash flows (as before).