NATIONAL ASSOCIATION OF ROYALTY OWNERS
NARO CALIFORNIA

August 19, 2026

Assemblymember Ávila Farías
P.O. Box 942849
Sacramento, CA 94249-0015

Submitted via Legislative Portal

RE: AB 2716 (Ávila Farías) – Oil and Gas: Bonding Requirements
SUPPORT

Dear Assemblymember Farías:

On behalf of the National Association of Royalty Owners – California (NARO-California), we write in support of AB 2716, which would establish a more workable framework for oil and gas financial assurance requirements while maintaining important protections to ensure wells are properly plugged and sites restored.

NARO-California advocates for and defends the rights and interests of California's estimated 600,000 oil and gas royalty owners, and even more mineral owners. These Californians include farmers, ranchers, retirees living on fixed incomes, small business owners, families, students, and nonprofit organizations.

California's mineral and royalty owners have a direct interest in maintaining a robust and competitive market for oil and gas properties. Royalty owners benefit when responsible, financially capable producers can compete to acquire and operate producing assets, invest in continued production, and develop mineral resources.

Unfortunately, California's existing financial assurance requirements have created significant obstacles to otherwise legitimate transfers of oil and gas properties. **According to the Senate Appropriations Committee analysis of AB 2716, CalGEM processed approximately 3,500 well transfers annually in the four years before AB 1167 took effect. Since then, only fourteen transfers have been proposed, with just three to four completed.**

A nearly frozen market for well transfers does not serve royalty owners. When financially sound operators face unnecessary barriers to acquiring producing properties, mineral owners can lose opportunities for investment and continued responsible development of their resources.

AB 2716 provides a more balanced approach. Among other provisions, the bill allows qualifying operators to use self-insurance and corporate guarantees to satisfy financial assurance requirements, subject to financial standards, reporting requirements, ongoing review by CalGEM, and requirements related to plugging and abandonment.

Just as importantly, mineral and royalty owners have no interest in seeing wells improperly abandoned or plugging obligations left unmet. Responsible development includes responsible stewardship at the end of a well's productive life. AB 2716 maintains financial protections intended to ensure those obligations are met while providing greater flexibility in how financially capable operators demonstrate their ability to meet them.

The bill also provides a pathway for certain wells and production facilities to be transferred specifically for plugging, decommissioning, and redevelopment. Removing unnecessary financial barriers to transactions whose purpose is to properly close wells and return properties to productive new uses is sound public policy.

California should have a financial assurance system that protects against irresponsible abandonment without making legitimate transfers and continued investment economically impractical. Royalty owners benefit from both a competitive market for producing properties and confidence that operators will meet their obligations when production ends.

For these reasons, NARO-California is pleased to support AB 2716.

We invite you and your staff to visit **www.NARO-CA.org** to learn more about oil and gas mineral and royalty owners and our vital contributions to California communities.

Respectfully submitted,

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