

CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

DATE: September 23, 2021

TO: Councilmember Paul Krekorian, Chair
Budget and Finance Committee
Attention: Mandy Morales, Legislative Assistant

FROM: Vincent P. Bertoni, Director 
Department of City Planning

Greg Good, President 
Board of Public Works

SUBJECT: **REPORT BACK RELATIVE TO THE NECESSARY STAFF NEEDS
TO ADDRESS OIL & GAS EXTRACTION IN THE CITY; CF 17-0447**

Dear Honorable Committee Chair and Members:

BACKGROUND:

At an April 20, 2021 meeting, the Planning and Land Use Management (PLUM) Committee considered the Board of Public Works (BPW) report dated July 29, 2019, and the recommendations approved by the Energy, Climate Change, and Environmental Justice (ECCEJ) Committee on December 20, 2020 (as amended), attached to Council File No. 17-0447, relative to the feasibility of amending current City Land Use Codes at oil and gas wells and drill sites. The PLUM Committee concurred with the recommendations of the ECCEJ Committee and added additional instructions to the recommendations. Several of the instructions were referred to the Department of City Planning (DCP) and the Office of Petroleum and Natural Gas Administration and Safety (OPNGAS). Specifically, the latest amended instruction, from the PLUM Committee asked DCP to:

- I. Hire an expert to conduct an amortization study of drill sites in order to determine an amortization period for oil and gas operators of neighborhood drill sites;
- II. Develop changes to the Zoning Code and codify restrictions in regards to neighborhood drill sites, particularly in disadvantaged neighborhoods after completing an amortization study on drill sites in order;
- III. Work with the Office of the City Attorney to prepare an ordinance to prohibit by-right oil and gas extraction activities in the City; and,
- IV. Work with the Office of the City Attorney to prepare an ordinance to make oil and gas extraction a non-conforming use in all zones.

SUMMARY:

The final step of the above referenced instructions will be the consideration by the full City Council. The purpose of this report is to provide an overview of the resources necessary for both DCP and OPNGAS to implement the current tasks and future efforts associated with oil extraction activities relative to this Council File.

Should the City Council approve all of the amended recommendations, DCP and OPNGAS is proposing to execute the Council File instructions in two phases.

- The first phase deals with prohibiting future by-right oil activities in the M3 zones
- The second phase deals with amortizing existing oil activities, making these activities a non-conforming use in neighborhoods

Each of these efforts will require an ordinance to amend the Los Angeles Municipal Code (LAMC). Importantly, the code amendment dealing with existing wells relies heavily on amortization studies; that ordinance cannot be completed until the amortization studies are finalized. Given the time and cost implications of these studies, DCP recommends working on the ordinance to eliminate future by-right drilling in the M3 Zone in the interim, as that effort does not rely on the amortization studies.

DCP would then begin drafting the ordinance for the second phase after the amortization studies are largely completed for the "O" districts, commonly known as neighborhood drill sites or oil drilling districts. This phased approach would allow for City Council to take action while the necessary amortization study takes place. Nevertheless, it is important to note that the second phase cannot be completed until all the amortization studies have been completed. The initial steps for each phase include public engagement and outreach, environmental review and analysis, and outlining the various sections of the Zoning Code that would need to be amended.

DCP will need staffing resources in place in order to begin the first ordinance that will address by-right operations in the M3 Zone. Meanwhile OPNGAS will require funding transferred from the Unappropriated Budget (UB), and subsequent staffing in place, to support these concurrent efforts. The second ordinance will involve making neighborhood oil extraction a non-conforming use by way of the amortization findings. Once the amortization studies are largely complete and the findings are released, then DCP will have the ability to draft a final ordinance for the oil drill sites in the "O" Districts.

ANALYSIS:

Oil Regulations & Operations

The motion instructs DCP to take steps to make oil drilling in neighborhood drill sites a non-conforming use, which will require an amendment to LAMC Sections 12.23 (Non-Conforming Uses) and 13.01 (Oil Drilling Supplemental Use Districts). These code sections concern the regulation of oil extraction as well as the time allotted to phase out oil wells when they are designated as a nonconforming land use.

DCP's Office of Zoning Administration (OZA) is currently responsible for overseeing drill sites across the City. LAMC Chapter 1, Article 3, Section 13.01, allows DCP to create land use codes that permit oil drilling and production. The Zoning Code provisions also allow the creation of "Oil Drilling Districts" as a supplemental use district, or "O" districts. "O" districts are defined in the LAMC as areas where the drilling of oil wells and/or the production from the wells of oil, gases or other hydrocarbon substances is permitted.

The "O" districts are categorized into three types within the Los Angeles City Oil Field Area: Non-urbanized area, Offshore area and Urbanized area. LAMC Section 13.01 establishes the application requirement for any person wishing to drill, deepen, or maintain an oil well in an oil drilling district that had been established by ordinance or to drill, deepen and maintain an oil well in the M3 Zone within 500 feet of a more restrictive zone* (Consult Exhibit A: Terms and Definitions).

The City of Los Angeles currently has twenty-six (26) oil and gas fields that intersect city boundaries and approximately 5,274 oil and gas wells (See Exhibit B: Los Angeles Oil Fields). There are seventeen (17) drill sites that are either active or idle oil or perform gas drill site operations across the City. There are oil and gas facilities in nearly every section of the 503 square miles of the City. Approximately sixty-seven percent (67%) of oil and gas wells are within drill sites. The remaining wells are dispersed throughout the City in urban and rural locations.

This information is based on April 2021 data provided by the California Geologic Energy Management Division (CalGEM), the State agency that provides oversight of the oil, natural gas, and geothermal industries in California and verified by the City's Petroleum Administrator.

Work Sequence

Amortization Study

The latest amended instruction, dated May 7, 2021, from the PLUM Committee, requests an additional ordinance to require that all oil extraction activities, including those in the M3 Zone, be no longer permitted as a by-right use. Consult **Exhibit A: Terms & Definitions**.

These stand-alone oil extraction sites are separate from the "O" districts in the city that were granted discretionary approval and created by ordinance. The Department proposes to begin the work first on this stand-alone code amendment that would prohibit by-right oil extraction in the City as the first phase in completing the Council's instructions.

Relative to the existing "O" districts, DCP and Public Works recommend that OPNGAS take on the requisite function of hiring and coordinating with an expert consultant to perform an Amortization study. The aforementioned staffing will be necessary to achieve this, as will transfer of the cumulative \$3.5 million allocated for the Amortization studies in the FY 21/22 Budget's Unappropriated Balance (UB). Notably, DCP and Public Works believe this is adequate to begin the process, but also believe more funds will eventually be needed to complete the work as described below.

Once amortization studies are completed for the "O" districts, the City would then move on to complete the second ordinance based on those studies' findings. In this second phase, the Department would prepare an ordinance to declare the oil extraction and production sites inside the "O" districts in the City a non-conforming use. Again, this ordinance will require an amortization study that OPNGAS would take the lead in managing.

The OPNGAS is responsible for the management of most City functions and oversight related to petroleum and natural gas, including geological exploration, petroleum production, underground pipelines, oil fields, refineries, drilling leases, and gas storage facilities within the City of Los Angeles. OPNGAS sits within the Department of Public Works, and provides policy advice to the Mayor, City Council, and the Board of Public Works on petroleum and natural gas matters. In addition to acting as the lead negotiator on franchise agreements and compliance with existing franchise agreements, OPNGAS produces technical reports on the evaluation of oil, natural gas, and electric utility fees; conducts safety and compliance reviews, advises zoning hearings and establishes general rules and procedures in adherence to best practices, laws, rules, and regulations.

The amortization study that OPNGAS would oversee will identify whether an extraction site can continue beyond the 20 years, or less, currently permitted in LAMC Section 12.23-C(4) (non-conforming oil uses). OPNGAS will require other mandatory technical studies, in addition to the amortization study, for which a consultant will be needed (including mapping and data analysis) for environmental review under the California Environmental Quality Act (CEQA) and for expertise in petroleum activities. Additionally, OPNGAS, working in coordination with DCP, will conduct public outreach/review, interdepartmental coordination, and adoption through the legislative process for this second ordinance.

By-Right Oil Use in M3 Zones

For the ordinance concerning by-right operations in the M3 Zone, DCP staff, in collaboration with OPNGAS, will be required to collect the necessary oil well data needed to inform the scope of work for possible consultants concerning CEQA and petroleum engineering. The data analysis phase is necessary to inform the scope, scale, and overall cost estimate of the contractual services needed.

DCP would also contract with environmental consultants who are experts in petroleum and gas activities in urban areas. A mapping consultant might also be retained for complex GIS research regarding oil wells in the M3 zones. This work plan will require specialized research skills and fact-finding capabilities by DCP's Code Studies planners through a lengthy process, involving close coordination with the City Attorney's Office.

STAFFING RESOURCES

Department of City Planning

DCP can begin preparation of an ordinance to prohibit the by-right operation of oil and gas extraction activities in the M3 Zone as the first phase in completing the Council's instructions. To commence this work program, DCP requests a team consisting of one Senior City Planner, two City Planners, two City Planning Associates, one Senior Administrative Clerk, and one Geographic Information Systems Specialist. These staff positions would be allocated across two separate units: the Office of Zoning Administration (OZA) and Code Studies.

	OZA	Code Studies	Cost (6 mo. funding in FY 2021-22)		
			Direct	Related	Total
1 Senior City Planner	1 shared position (6 mo. funding approved: FY 21-22)		\$69,604	\$30,528	\$100,132
2 City Planners	1 position	1 position	\$118,630	\$54,110	\$172,740
2 City Planning Associates	1 position	1 position	\$84,506	\$42,594	\$127,100
1 Senior Admin. Clerk	1 shared position		\$32,446	\$14,795	\$47,241
1 GIS Supervisor I	1 shared position		\$59,626	\$27,190	\$86,816

DCP's OZA team would need the resources immediately to respond to the existing oil-related case load that has significantly increased without budgeted staff to process cases and to assist staff in crafting Code Amendments. DCP's Code Studies team would also need staff resources immediately to conduct initial preparation for the first ordinance, conduct the required research, prepare the appropriate environmental studies, and complete a thorough outreach process, particularly as this code amendment will affect many low-income communities and communities of color. The proposed, expanded OZA team would assist the Code Studies Division and their staff in completing the Council's instructions. OZA staff would assist in reviewing the proposed ordinances and compatibility with implementation practices. This support would be in addition to the oil work program currently in place. Therefore, increased staffing to both units is necessary for all phases of these work programs for the anticipated two ordinances and Code Amendments.

Council has already approved one Senior City Planner position for six months of funding in the current fiscal year. Therefore, the request for additional staff would also be for the last six months of the 2021-2022 fiscal year. The Senior City Planner will provide direction and management in both the Code Studies Unit and in the Office of Zoning Administration. One City Planner and one City Planning Associate will be allocated for the Code Amendment tasks in the Code Studies section of DCP's Policy Planning Bureau. In the Project Planning Bureau, one City Planner and one City Planning Associate would be assigned to the Office of Zoning Administration. One Senior Administrative Clerk and one Geographic Information Systems Specialist would be assigned to duties and assignments across both of the aforementioned sections for purposes of the Council's instructions in CF 17-0447.

Existing staff in these DCP sections are currently at capacity with ongoing assignments and new staffing resources are imperative to commence any initial steps to the Council instructions. The additional funding for staff resources is also required due to the complex and controversial nature of preparing the ordinances, particularly the instruction line item related to non-conforming uses. Obtaining the requested staffing resources is imperative to completing the work necessary for the ordinances but also to continue working on existing priorities. In 2020 and 2021, DCP lost staff resources due to retirement-eligible employees who took advantage of the Separation Incentive Program (SIP), as well as the City's hiring freeze. During this same time period, DCP saw an increase in the number of project applications, which further stretched the Department's limited staffing resources. Because of these staffing capacity constraints, and the importance of current efforts such as the Housing Element and the Community Plan Updates, there is little ability to borrow staffing from other parts of DCP to begin this work program.

Office of Petroleum and Natural Gas Administration and Safety

In the past two years, OPNGAS has been decimated by staffing turnover, promotions, SIP retirements and managed hiring, and is presently staffed by only two individuals. These individuals already have a very substantial workload, and represent inadequate human capacity to meet the expectations and objectives of stakeholders and public officials.

The 21/22 Budget allocated three new positions for OPNGAS, with classes to be determined, in the UB for the initiation of an Amortization study. Due to the nature of the work (interagency coordination, historical records gathering, fiscal analysis), OPNGAS proposes that these positions

be filled as an Environmental Supervisor II, an Environmental Specialist III and a Management Analyst. OPNGAS recommends that the soon-to-be-filled Deputy Director (URPS) serve as the main point of contact for this unit and the day-to-day work duties. If these positions receive approval for six months of funding for the last six months of the current fiscal year, rather than allowing us to move forward as quickly as possible, work on amortization will be necessarily minimal until they are filled.

TIMING

Both OPNGAS and DCP intend to collaborate and partner to ensure that a quality, defensible amortization study is prepared in the best interest and benefit of the City. OPNGAS plans to initiate an RFP process to assess the interest and availability of qualified contractors to perform this type of work at the scale of the City's needs. Preliminary inquiries have been conducted and two firms have indicated interest. The Scope of Work and consultant engagement and selection will be done collaboratively between both departments as well to ensure that the proper subject matter experts are highly involved.

Due to the unique nature of the amortization study and high number of drill sites the City has within its Oil Districts, there are a few options the City could consider to make this initiative as practicable as possible: (1) start with a pilot or partial study of many by completing one active drill site to gauge the time period of each study and cost, including lessons learned; (2) start with three drill sites that are active yet have a low level or degree of production (i.e., less than 7,000 barrels, such as Harbor Gateway 1, Broadway, Filipino Town) to expedite process yet gain better understanding of time, cost, and implications; (3) start with 10 drill sites that are in or around low income and disadvantaged communities (or subject to highest pollution burden per CalEnviroScreen scores of 85-100%, which are some of the most pollution burdened areas of our City) to not only gauge all the above, but also focus with intention on environmental justice outcomes that may arise from these studies; or (4) conduct studies of all 17 drill sites (16 active and 1 idled) in a concurrent fashion where some may take several months and others may take up to two years to complete. This would require the most significant financial and human capital investment within a two-year fiscal period.

Regardless of the ultimate approach, analysis will need to be done individually for each operator and based on each specific drill site because each has a unique capital investment, geological characteristic, geographical characteristic, and cash flow history. In addition, OPNGAS will need to assess the overlap of drill sites against Oil Districts to determine if any other pending locations must undergo the same study process. The process could take several months per operator and one drill site/area could take many months, or up to two years with an average of 1.25 years per drill site/area. This process would include data collection, review of documents and valuation, model development, report generation, and presentation.

It is worth noting that a zoning code amendment generally takes, at minimum, twelve months to complete, including public outreach and environmental review. Depending on the type of environmental review that is needed for these code amendments and the breadth of public outreach, that timeline is subject to change. Therefore, it is necessary to have new DCP staff dedicated to the two requested oil related Code Amendments, the first being to prohibit future by-right oil extraction activities in the M3 Zone, and the second being to make existing oil drilling a non-conforming use throughout the City.

CONCLUSION:

Public Works/OPNGAS and DCP will continue to coordinate through the legislative process. Moreover, given the unprecedented scope and stakes of this endeavor, we would be remiss if we failed to acknowledge that our Departments may - as we move forward with the work program -, determine that additional resources are required for items such as staffing or technical studies for which a consultant may be needed (including mapping, data analysis or environmental review under CEQA).

Please direct any questions regarding this report to the following staff: [Hagu Solomon-Cary](mailto:Hagu.Solomon-Cary@lacity.org) via email at Hagu.Solomon-Cary@lacity.org, Vanessa Soto via email at Vanessa.Soto@lacity.org or Erica Blyther via email at Erica.Blyther@lacity.org.

Exhibit A: Terms & Definitions

Oil and Gas Terms

Oil fields: The oil fields in the City of Los Angeles are sandstone reservoirs that were formed approximately 2.5 - 23 million years ago in the Pliocene and Miocene geological time eras (U.S. Geological Survey, Geology of the Los Angeles Basin California Report - Appendix A2-28 July 2019 CF 17-0447 Report).

Drill Site: Active or idle oil and gas facilities where oil and gas operations occur

Well status: There are many terms used to describe the status of wells:

Active: An active well is an oil well that has been drilled and completed and is currently in use and producing oil and/or gas or is used for injection. Injection wells are used for waterflood, steamflood, cyclic steam, and water disposal. These wells are used to dispose of the salt and fresh water produced with oil and gas and are used to increase oil and gas production. Many drill sites have both oil and injection wells. CalGEM monitors all wells to ensure that they are operated properly.

Buried: A Buried well is an older historically abandoned well that pre-dates current records and may not be abandoned to current standards.

Idle: An idle well is a well that has not been used for production or injection for six consecutive months in two or more years, but is capable of being reactivated. It has not been plugged or abandoned.

New/Permitted: A new well is a newly drilled well or if recently permitted, the well may be in the drilling state of development.

By-Right: A land use that is allowed by the zoning regulations and does not require a discretionary action.

Plugged: A plugged well has been abandoned and plugged/permanently sealed with a cement plug in compliance with current regulations. (Note: Some legacy oil wells that were previously abandoned may need to be re-abandoned in order to comply with current regulations.)

Unknown: Unknown wells are wells with little to no information and are from the pre-1976 era of wells drilled within the City.

Abeyance: represents held in abeyance wells

Orphan Wells: wells for which there is no operator or other responsible party to pay for its costs are known as orphan wells or "idle-deserted" wells which are then the responsibility of the state to plug and abandon. (PRC §3251, §3206.3)

The following tables itemize oil fields beneath the City and which oil fields are in each Los Angeles City Council District:

Exhibit B: Los Angeles Oil Fields

	Oil Fields	Discovered	Status	Era	Type
1.	Aliso Canyon	1938	Producing	Pliocene	Sandstone
2.	Beverly Hills	1900	Producing	Pliocene	Sandstone
3.	Boyle Heights	1955	Abandoned	Miocene	Sandstone
4.	Cascade	1954	Producing	Pliocene	Sandstone
5.	Cheviot Hills	1958	Producing	Miocene	Sandstone
6.	El Segundo	1935	Producing	Miocene	Sandstone
7.	Horse Meadows	1952	Abandoned	Pliocene	Sandstone
8.	Hyperion	1944	Producing	Miocene	Sandstone
9.	Inglewood	1924	Producing	Pliocene	Sandstone
10.	La Cienega	1961	Producing	Pliocene	Sandstone
11.	Los Angeles City	1890	Producing	Pliocene	Sandstone
12.	Los Angeles Downtown	1965	Producing	Pliocene	Sandstone
13.	Mission	1961	Abandoned	Pliocene	Sandstone
14.	Pacoima	1978	Abandoned	Miocene	Sandstone

15.	Playa Del Rey	1929	Producing	Miocene	Sandstone
16.	Potrero	1928	Abandoned	Miocene	Sandstone
17.	Rosecrans	1927	Producing	Miocene	Sandstone
18.	Salt Lake	1902	Producing	Pliocene	Sandstone
19.	Salt Lake, South	1970	Producing	Pliocene	Sandstone
20.	San Vicente	1968	Producing	Pliocene	Sandstone
21.	Sawtelle	1965	Producing	Pliocene	Sandstone
22.	Torrance	1922	Producing	Miocene	Sandstone
23.	Union Station	1967	Abandoned	Pliocene	Sandstone
24.	Venice Beach	1966	Abandoned	Miocene	Sandstone
25.	Wilmington	1932	Producing	Miocene	Sandstone
26.	Old Wilmington	1932	Abandoned	Miocene	Sandstone

Table 2. City of Los Angeles Oil Fields by City Council District

Council District/Member	Oil Fields	
1. Gilbert Cedillo	La Cienega Los Angeles City	
2. Paul Krekorian	None	
3. Bob Blumenfield	None	
4. Nithya Raman	Salt Lake Salt Lake South	
5. Paul Koretz	Cheviot Hills Beverly Hills Inglewood Sawtelle	Salt Lake Salt Lake South San Vicente
6. Nury Martinez	Pacoima	
7. Monica Rodriguez	Pacoima	
8. Marqueece Harris Dawson	Inglewood La Cienega	
9. Curren D. Price Jr.	Los Angeles Downtown La Cienega	

10. Mark Ridley-Thomas	Beverly Inglewood	La Cienegas Salt Lake South
11. Mike Bonin	Hyperion Playa Del Rey Venice Beach (Abd)	Sawtelle
12. John Lee	Aliso Canyon Cascade	Mission (Abd) Horse Meadows (Abd)
13. Mitch O'Farrell	Los Angeles City	
14. Kevin de León	Boyle Heights (Abd) Los Angeles Downtown Union Station (Abd)	
15. Joe Buscaino	Old Wilmington (Abd) Rosecrans Torrance Wilmington	

Note: Sawtelle field has 14 active wells and 1 idle well that were zoned by the City of Los Angeles, but are outside the city boundaries on federal lands and under federal authority.

The following table lists the drill sites by Council District and Neighborhood Council that have been approved for operations by the City Planning Department:

Table 3. Oil & Gas Drill Sites by Council District and Neighborhood Council

Oil & Gas Drill Sites	Council District	Neighborhood Council
1. AllenCo (Idle)	CD 1	Empowerment Congress North
2. Jefferson	CD 8	Empowerment Congress North
3. Murphy	CD 10	United Neighborhoods
4. West Pico	CD 5	Westside
5. Rancho Park Golf Course	CD 5	Westside
6. Hillcrest Country Club	CD 5	Westside
7. San Vicente	CD 5	Mid-City West
8. Packard	CD 10	Pico
9. Mission Visco	CD 12	Granada Hills North
10. Aliso Canyon	CD 12	Porter Ranch
11. Filipino Town	CD 13	Westlake North
12. Echo Park	CD 13	Greater Echo Park
13. Broadway	CD 14	Downtown Los Angeles
14. Harbor Gateway 1	CD 15	Harbor Gateway

15. Harbor Gateway 2	CD 15	Harbor Gateway
16. Joughin	CD 15	Harbor City
17. Warren E&P	CD 15	Wilmington

Note: There are also nine (9) abandoned drill sites across the City, notably: Fox Studios #1, Fox Studios #2, Fox Studios #3, Fourth Avenue, Garey, Gilmore, Pacific Electric, Paxson, and Venice Beach. The Playa Del Rey and Aliso Canyon sites are oil fields that are also gas storage facilities operated by the Southern California Gas Company.

Of these 17 drill sites, 10 are in or around low income and disadvantaged communities and subject to the highest pollution burden per CalEnviroScreen (scores of 85-100%).

Table 4. Oil & Gas Drill Sites by Council District and CalEnviroScreen 3.0 Score and Pollution Burden

Rank	Drill Site Name	Council District	CalEnviroScreen 3.0 Percentile	Pollution Burden Percentile
1	Echo Park Drill Site	CD13	95-100%	96
2	Broadway Drill Site	CD14	95-100%	94
3	Harbor Gateway Drill Site #1	CD15	90-95%	93
4	Harbor Gateway Drill Site #2	CD15	90-95%	93
5	AllenCo	CD1	90-95%	82
6	Murphy Drill Site	CD10	90-95%	71
7	Warren E & P Site	CD15	85-90%	95

8	Packard Drill Site	CD10	85-90%	91
9	Jefferson Drill Site	CD8	85-90%	65
10	FilipinoTown Drill Site	CD13	85-90%	83

The following table lists the well count and status by council district based on April 2021 data from CalGEM. There are approximately 5,274 oil and gas wells: 704 active, 1,335 idle, 3,190 plugged, 31 Canceled and 5 unknown, 8 New and 1 Held in Abeyance wells.

Table 5. Well Count and Status by Council District

Council District	Active Wells	Idle Wells	Plugged Wells	Total
1. Gilbert Cedillo	0	435	270	705
2. Paul Krekorian	0	1	3	4
3. Bob Blumenfield	0	3	2	5
4. Nithya Raman	0	21	176	197
5. Paul Koretz	112	72	343	529
6. Nury Martinez	0	0	11	11
7. Monica Rodriguez	0	4	28	32
8. Marqueece Harris Dawson	22	9	20	51
9. Curren D. Price Jr.	0	0	10	10

10. Mark Ridley-Thomas	67	59	67	197
11. Mike Bonin	43	13	330	387
12. John Lee	43	10	84	139
13. Mitch O' Farrell	11	431	67	509
14. Kevin de León	13	25	53	92
15. Joe Buscaino* *(Also 8 New & 1 Held in Abeyance)	393	252	1,726	2,406
Total:	704	1,335	3,190	5,274