

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

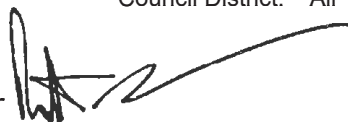
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Date: May 20, 2022

CAO File No. 0220 - 05875 - 0000  
Council File No. 21-0065  
Council District: All

To: Honorable Members of the City Council

From: Matthew W. Szabo, City Administrative Officer



Reference: C.F. 21-0065

Subject: **PETROLEUM OIL EXTRACTION TAX AND REVENUE**

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### SUMMARY

The City Council instructed the Office of the City Administrative Officer (CAO), with assistance from the Office of Petroleum and Natural Gas Administration and Safety (OPNGAS), to report back on the following (C.F. 21-0065):

- Potential amounts and structures of oil extraction taxes for the City of Los Angeles, to be considered on the November 2022 ballot; including examples of oil and gas extraction taxes from other jurisdictions and the revenue estimates;
- Potential fee structures, penalties, bonding requirements, and other components that may be implemented and imposed on oil and gas production to expedite cost recovery, phase-out, and remediation of these activities; and,
- The possibility of funding of the amortization study to phase out the production of oil and gas in the City and to assist disadvantaged communities that have historically faced the brunt of negative impacts caused by climate change.

This report outlines the options for an oil extraction tax measure for the November 2022 election. Of the three taxation methods reviewed, the best taxation options that can be imposed on oil well operators are a Fixed Price per Barrel tax or an increase to the special business tax on gross receipts. Either taxation method could generate \$1.4 million to \$5 million annually, depending upon the level of the tax. A general tax ballot measure would require a simple majority for approval. The proceeds of the tax will go to the General Fund and can be programmed as part of the City budget process toward any purpose, including an amortization study and other climate change and environmental policies.

Oil extraction permits, compliance fees, bonding, and insurance requirements were also reviewed as part of the report to ensure that oil wells operate safely within the City. Natural gas is excluded from this discussion as oil extraction taxes can only apply to oil. Natural gas is under the jurisdiction of the state and is principally regulated by the California Public Utilities Commission (CPUC), California Energy Commission (CEC), California Air Resources Board (CARB), and the California Geologic Energy Management Division (CalGEM formerly known as Division of Oil, Gas, and Geothermal Resources or DOGGR).

## RECOMMENDATIONS

That the City Council, subject to approval of the Mayor:

1. Determine whether a City-sponsored oil extraction tax should be placed on the November 8, 2022, Municipal Election Ballot;
2. If the City Council chooses to place an oil extraction tax on the November 8, 2022 ballot,
  - a. Request that the City Attorney, with the assistance of the City Administrative Officer (CAO), and the Office of Petroleum and Natural Gas Administration and Safety (OPNGAS), prepare and present the necessary Resolutions and Ordinances for the proposed ballot measure;
  - b. Approve a per barrel oil extraction tax of between \$0.50 to \$1.80;
3. Instruct the Fire Department (Fire), Finance Department, and City Planning Department to work with OPNGAS to conduct a fee study or all permitting fees related to oil extraction to determine full cost recovery, consistent with the City's financial policies;
4. Instruct the Fire Department, to work with OPNGAS to:
  - a. To conduct a fee study and develop compliance fees for oil well operators to ensure they are in compliance with rules related to keeping oil wells idle longer than a year and the closure or abandonment of an oil well without a specific action permit;
  - b. Report back within 90 days with recommendations to adjust bond requirement levels for Oil well operators, and create a process to periodically review and adjust the bond requirements for sufficiency; and,
5. Instruct the City Risk Manager and OPNGAS to report back within 90 days with recommendations to determine appropriate types of insurance coverage for oil well operators of drilling sites.

## DISCUSSION

Oil extraction taxes, also referred to as Barrel Taxes or Oil Severance Taxes, were previously included in the Los Angeles Municipal Code (LAMC) generating revenue from operators of oil wells located in the City. Each quarter, well operators were required to pay \$21.29 for each well that produced 200 barrels of oil or less. Wells that produced more than 200 barrels of oil were subject to the base fee (\$21.29) plus \$0.11 for each barrel of oil extracted during the reporting period. The City charged this tax for 60 years. In 1996, the City Council and Mayor approved ordinance 171411 that repealed the tax from the LAMC due to revenue collections being considered minimal (C.F. 96-2085).

In March 2011, a ballot measure proposed a fixed price per barrel tax of \$1.44. At the time \$0.60 per barrel was the highest tax charged by local jurisdictions. Opposition was also expressed by the Los Angeles Times and Los Angeles Daily News. The proposed ballot measure was rejected by

voters 48.93 percent to 51.07 percent. Today, the City assesses a business tax (\$1.01 per \$1,000 in gross receipts) on wholesale sales of oil or gas that is extracted within City limits. A new ballot measure is necessary for a new tax on oil extraction.

### Oil Extraction Tax Methods

There are three potential methods of taxation for oil extraction used in Southern California. All methods can include an escalation clause.

1. **Fixed Price Per Barrel Tax:** This method charges a fixed tax per barrel (barrel tax). The tax repealed in 1996 was a barrel tax. The defeated 2011 measure was also a barrel tax. The Office of Finance (Finance) reports that the 1996 barrel tax can be used as a template to administer a new barrel tax with minimal costs.
2. **Special Business Tax.** The City can set a business tax rate on gross receipts. Finance reports current business tax rates are \$1.01 per \$1,000 in gross receipts tax for wholesale and \$1.27 per \$1,000 in gross receipts tax for retail oil or gas that is extracted within City limits. Finance has an existing system in place to bill, collect, and audit gross receipts tax of oil and gas.
3. **Percentage of the Sale Price Per Barrel:** This method is used by Culver City. The Culver City rate is set at 1.8 percent of the selling price. It should be noted that on October 25, 2021, Culver City adopted the Oil Termination Ordinance, which will phase out, plug, and restore all existing oil wells no later than November 24, 2026. This method is not recommended as it is the most difficult to administer as the daily barrel production and price must be monitored.

### Oil Extraction Taxes paid to Local Jurisdictions

At least 11 other local jurisdictions collect oil extraction taxes. The City of Long Beach (Long Beach) charges the highest barrel tax at \$0.63 per barrel extracted. The total tax of \$0.63 is divided into a \$0.33 per barrel restricted tax to fund emergency services and a \$0.30 per barrel unrestricted tax that provides General Fund revenue. In November 2020, Long Beach sponsored Measure US which passed by a simple majority vote of 57.08 percent to double the prior unrestricted tax of \$0.15 to \$0.30 per barrel and to include annual Consumer Price Index (CPI) adjustments. The tax is estimated to provide an additional \$1.6 million in unrestricted General Fund revenue in the first year to fund City services. Long Beach reported almost no opposition to the measure by oil companies. The majority of the tax will be paid by the State of California who is both landowner and producer of the oil wells within the Port of Long Beach. The City of Los Angeles is different as more oil wells operated within the City limits are owned and operated by various private and public entities.

The Long Beach City Council, on September 15, 2020, adopted a resolution expressing its intent to prioritize spending of Measure US funds for the following purposes:

- **Climate Change and the Environment:** May provide funding to reduce greenhouse gas emissions; educate and inform the public of the consequences of climate change; implement the City's Climate Action and Adaptation Plan or other environmental strategic plans; promote air and water quality; and, other climate and environmental programs as determined by the City Council through the annual budget process.
- **Community Health:** May provide funding for community health and well-being programs and

services; trauma-based approaches to community needs; violence prevention services; address health equity and health disparities in at-risk populations; implement health-focused strategic plans; and, other health-focused initiatives as determined by the City Council through the annual budget process.

- Children and Youth Services and Programs. May provide funding to create and expand early childhood education; youth programming and youth equity opportunities; implement youth-focused strategic plans; youth job training opportunities; and, other child and youth-focused initiatives as determined by the City Council through the annual budget process.

Unlike the City of Long Beach, the City of Los Angeles has a financial policy that unrestricted General Fund revenue streams should not be restricted to meet specific policy purposes. Through the City's budget process the Mayor with the approval of City Council, may designate funding towards climate change and the environmental programs.

#### *Other Local Jurisdictions*

On July 29, 2019, the City of Los Angeles Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) produced a report (C.F. 17-0447), entitled "*Feasibility of Amending Current City Land Use Codes in connection with Health Impacts at Oil and Gas Wells and Drill Sites,* " which lists the following neighboring municipalities with barrel taxes on oil extraction :

#### Oil Barrel Tax of Surrounding Communities

City	Fee per Barrel
City of Los Angeles	\$0.00
Yorba Linda	\$0.04
Fullerton	\$0.08
Torrance	\$0.15
Seal Beach	\$0.21
Inglewood	\$0.22
La Habra Heights	\$0.36
Huntington Beach	\$0.37
Santa Fe Springs	\$0.41
Beverly Hills	\$0.42
Signal Hill	\$0.60
Long Beach	\$0.63

#### Revenue Projections from an Oil Extraction Tax in the City of Los Angeles

There are 5,274 oil wells in the City of Los Angeles based on April 2021 data from the California Geologic Energy Management Division (CalGEM). All Council Districts except two (Krekorian) and three (Blumenfield) have existing oil wells. The condition of operation for oil wells within the City are as follows:

Active Oil Wells	\$ 704
Idle Oil Wells (can be reactivated)	\$ 1,335
Oil Wells That Can Produce Oil:	\$ 2,039
Closed Oil Wells	\$ 3,235
Total Oil Wells within City Limits:	\$ 5,274

There are 704 active wells and 1,335 idles wells that may be turned on for a total of 2,039 wells capable of producing oil in the City. The 704 active wells produce an average of 7,500 barrels per day or 2,737,500 barrels per year. The following projection models compare three taxation options at different tax rates.

Fixed Price per barrel Oil Extraction Tax			
Tax per Barrel	Barrels per Day	Annual Estimated Revenue	
\$0.50	7,500	\$1,368,750	
\$0.65	7,500	\$1,779,375	
\$0.80	7,500	\$2,190,000	
\$1.00	7,500	\$2,737,500	
\$1.44	7,500	\$3,942,000	
\$1.80	7,500	\$4,927,500	
Special Business Oil Extraction Tax,			
Rate	Barrels per Day	Average cost per Barrel	Annual Estimated Revenue
\$10 per \$1000 in gross sales	7,500	\$100.00	\$2,737,500
\$15 per \$1000 in gross sales	7,500	\$100.00	\$4,106,250
\$18 per \$1000 in gross sales	7,500	\$100.00	\$4,927,500
Percentage of the Price per Barrel Oil Extraction Tax,			
Percentage	Barrels per Day	Average cost per Barrel	Annual Estimated Revenue
0.50%	7,500	\$100.00	\$1,368,750
0.65%	7,500	\$100.00	\$1,779,375
0.80%	7,500	\$100.00	\$2,190,000
1.00%	7,500	\$100.00	\$2,737,500
1.50%	7,500	\$100.00	\$4,106,250
1.80%	7,500	\$100.00	\$4,927,500

Of the three taxation models presented, a new barrel tax in the range of \$0.50-\$1.80 per barrel is the recommended tax method the City Council should consider as a measure on the November ballot. However, the City Council can consider a higher tax rate than what is presented in the table above. The Office of Finance (Finance) reports that the barrel tax would be the simplest for oil well operators to pay as the companies have a system to track the production by the barrel. Finance also noted that the administration costs of the tax are unknown at this time but would be minimal

since the template to implement this tax already exists. The Special Business tax on gross receipts is not recommended, as there is no way to distinguish between oil extracted in the City versus imported oil when it is sold. The Percentage of the Sale Price per Barrel method is also not recommended as it is the most difficult to administer as the daily barrel production and price must be monitored.

### Ballot Requirements and Schedule

Proposition 218 requires that any new tax assessed by a local government must first be submitted to the electorate for approval. A general tax requires majority approval and does not require a use designation. A separate companion advisory measure could be adopted if the revenue collected for the tax were to be designated for a specific purpose. A special tax is designated for a specific purpose and requires two-thirds voter approval. The City's General Election will be held on November 8, 2022. Based on the deadlines contained in the City Election Code and the City Council's recess schedule, the last day for the Council to request the City Attorney to prepare the necessary election documents for measures appearing on the general election ballot is June 21, 2022. The last day for the Council to adopt Resolutions of Necessity (required for bond measures) is June 28, 2022. The last day for the Council to adopt all final election resolutions and ordinances is June 29, 2022. The City Clerk's election calendar provides specific information regarding these deadlines. Since this is a regularly scheduled Municipal Election, the Council may present both general tax and special tax measures on the November 2022 ballot, as outlined below.

#### Ballot Deadlines

Ballot	Council Request City Attorney to Prepare Resolutions (125 days prior)	Last Date to Adopt Resolution of Necessity (required for the issuance of bonds)	Last Date for Council To Adopt Election Resolutions (110 days Prior)	Date of Election
State General				
Municipal	June 21, 2022 <sup>1</sup>	June 28, 2022 <sup>2</sup>	June 29, 2022 <sup>2</sup>	November 8, 2022

<sup>1</sup> The legal deadline of E-125 falls on an anticipated Council Recess day (7/6/2022); therefore, the deadline is moved up two weeks to ensure compliance with subsequent ballot measure resolution deadlines that follow.

<sup>2</sup> The legal deadline of E-110 falls on an anticipated Council Recess day (7/21/2022); therefore, the deadline is moved up to the Wednesday preceding a holiday and anticipated Council Recess. Resolutions of Necessity for bond measures must be adopted at the meeting before the final election resolutions.

### Cost Recovery and Revenue Opportunities

The City Fiscal Policies section on Fees for Services states that the City should charge a fee for services where permitted and feasible. All fees are to be based on the full cost of operations and monitored annually. The following discussion reviews fees that are being collected and proposes compliance fees for oil extraction companies.

#### *Permits*

The City Planning Department and the Fire Department charge permitting fees to oil well operators for various services including:



1. Oil well operation fee - \$1,670;
2. Field Erected Vessel - \$1,336;
3. Oil Well drilling or re-drilling - \$4,008; and
4. Abandon Oil Well - \$2,672.

Both departments state that a fee study needs to be completed to ensure full cost recovery. All fees should be reviewed and updated annually consistent with the City's financial policies.

The Fire department does annual inspections of oil wells in the City that are separate from permitting fees to operate in the City. The inspection fees charged by the Fire department are not recommended for adjustments as they are reviewed and adjusted annually. The fees are based on the average salary of an Inspector in the Fire Prevention Bureau. The cost recovery is based on the actual services performed and includes related costs.

Other local jurisdictions have various permits and fees that they collect from oil well operators. A chart created by the County of Los Angeles is provided as an attachment for a comparison of fees collected by the City and other local jurisdictions. The fees collected vary by local jurisdiction, but the City of Los Angeles is the only jurisdiction listed that does not charge compliance fees.

### *Compliance Fees*

Compliance fees for not requesting a Specific Action Permit for the closure of oil wells and keeping wells in an idle state are recommended to ensure compliance from oil extraction operators. The Fire Department reports that a compliance fee should be assessed to oil well operators who do not apply for a Specific Action Permit to close an oil well. The Specific Action Permit for an oil well triggers a visit from the Fire Inspector who must witness the last 100 feet of cement fill and the plate welding of an oil well.

The Fire Code states that a well that has not been in operation for over a year must be reactivated or abandoned within 30 days. The wells which have not been in operation for more than one year have been submitted to the Fire Department Legal Unit. There are ten different facilities that have been submitted to the Fire Department Legal Unit for non-operating wells. There are currently no fines incurred for owning an idle well in violation of the Fire Code.

### Other Fees and Revenue Opportunities

The Petroleum Administrator (OPNGAS) is in the planning stages of reviewing and auditing Royalties and Franchise agreements for gas and oil extraction.

- *Royalties:* Oil royalties are a per barrel revenue source for minerals removed from land owned by the City. The City Petroleum Administrator is planning a review of rental and royalty revenues to re-evaluate current royalty levels and to potentially negotiate higher levels. Additionally, an audit can be done to review royalty payments, ensure accuracy and collect any underpayments.
- *Pipeline Franchise Payments:* Each pipeline franchise holder makes payments to the City that reflect the value of the franchise as compensation for the use of the public right of way. The City Petroleum Administrator is planning on conducting an audit of pipeline franchise payments to ensure the accuracy of payments and collect any underpayments identified.

### Infeasible Cost Recovery and Revenue Opportunities Considered

Below is a list of cost recovery and revenue opportunities analyzed that were found to be infeasible.

- *Property Tax:* Petroleum companies that own the land where well operations are located are charged property tax. In other states, the property tax may be increased. In California, property tax assessments are limited by the State Constitution and annual increases to property tax are limited to two percent per year.
- *Import Tax:* An Import Tax could be applied to every barrel of oil imported through the Port of LA. However, the import tax could be easily avoided by petroleum companies importing oil through the Port of Long Beach. Therefore, this is unlikely to be worth the effort.
- *Sovereign Fund:* The City could consider setting aside oil related revenues (e.g. taxes, permit fees) into a special fund that would generate interest and use that interest. This could take limited, one-time revenues and convert them into an ongoing revenue stream. However, we do not anticipate that sufficient one-time revenues will be available to make a substantive impact. OPNGAS reports that Norway and Alaska have sovereign funds. Additionally, the opportunity cost of not spending the principal amounts to make a substantive impact now and delaying those impacts may not be desirable. This may be a strategy worth exploring should the City require cash deposits (instead of bonds) from petroleum companies for the costs of well abandonment.

### *Bonding Requirements for Oil Extraction and Abandonment Costs*

The approved motion instructed this Office to report on Bonding and Insurance requirements for oil extraction operators. The current bonding levels are far below the OPNGAS estimates for the cost of well abandonment. The City should increase the requirement for petroleum companies to submit a bond equal to the overall cost of closing (abandoning) a well. At this time, the City requires bonds from oil well permit holders to cover the cost of proper well closure (abandonment). The City Controller's Review of the City of Los Angeles' Oil and Gas Drilling Sites, dated June 27, 2018 (C.F. 18-0623), noted that operators seeking to obtain an operational permit from LAFD are required to post and maintain surety bonds. The City requires a \$10,000 surety bond per well or a blanket bond of \$50,000 for any number of wells (or cash-in-lieu deposits) to ensure compliance with the Fire Code. In addition, the City requires a \$5,000 surety bond to ensure compliance with zoning and conditions of approval. Generally, the purpose of the surety bonds is to ensure the City has access to funds if an operator is unable to absorb the costs of site remediation and well plugging and abandonment.

The report produced by OPNGAS echoed the liability concerns of the Controller's report. "The abandonment of an oil well in the Los Angeles Region can cost anywhere from \$50,000 to \$500,000 per well according to news reports from CIPA. The two (2) wells recently abandoned on Firmin Street in the Echo Park area of the City cost the state about \$375,000. Sixty-Five percent (65%) of active and idle wells are located within drill sites which should be on the lower end of the cost scale. The remaining wells will likely require higher abandonment costs due to their locations in difficult-to-access urban settings. Drill site well abandonments are estimated to cost \$250,000 per well for seven hundred twenty-five (725) wells at a projected cost of \$181 million. Non-drill site wells are estimated to cost \$375,000 per well for the three hundred seventy-five (375) wells, which would



total approximately \$140 million.” (OPNGAS Report pg. 126)

Therefore, to protect the City and its taxpayers from having to bear the financial burden of properly closing a well, bonds should be required at the upper limit of potential costs (currently estimated at \$500,000) for each well that is active or inactive but not yet closed (abandoned), and this amount should be reviewed annually and increased appropriately. This will prevent taxpayers from having to pay for the costs of abandoning wells.

### *Insurance*

The LAMC does not require operators of drilling sites on private property to maintain insurance. It is recommended that the City Risk Manager and City Petroleum Administrator develop insurance requirements (including the consideration of policy types, and the duration of insurance requirements), and ensure that the City can collect from an insurance company in the event of a claim. The Controller’s Report noted that the risk management approach for oil extraction sites should include a combination of increased bonding requirements and insurance.

In 2016, the City of Carson revised the Carson Municipal Code to require operators of oil and gas drilling sites in Carson to maintain liability policies that also name the City of Carson, its officers, officials, agents, and employees as additional insured entities. The minimum insurance requirements are as follows:

- Control of Well Insurance- \$40 million per occurrence;
- Excess or Umbrella Liability Insurance- \$25 million;
- Bodily Injury and Property Damage- \$2 million per occurrence/\$2.5 million in the aggregate;
- Environmental Impairment (Pollution Coverage): \$2 million per occurrence/\$2.5 million in the aggregate;
- Commercial Liability Insurance: \$1 million per occurrence; and,
- Workers’ Compensation Insurance: \$1 million per occurrence.

Insurance companies develop policies based on the required coverage amount and level of risk, operators of older drilling sites may be incentivized to invest in site modifications or safety enhancements to drive down monthly insurance costs. The potential site modifications and the insurance will reduce or prevent damages to City constituents and the environment.

### **FISCAL IMPACT STATEMENT**

The recommendations in this report do not impact the General Fund at this time.

### **FINANCIAL POLICIES STATEMENT**

The actions recommended in this report comply with the City’s Financial Policies.

Attachment 1 – Table of Fees of other jurisdictions from Los Angeles County Report (Nov. 2020)

Fee Study

Final Report

Table 5-1 Oil and Gas Fee Comparison

Oil and Gas Fees for Various Jurisdictions														
Jurisdiction	Issue Areas Addressed													
	Franchise Fees	Planning Fees	Compliance Fees	Building and Safety Fees	Fire Safety & Inspection Fees	Other Fees								
City of Los Angeles	Base Rate: \$1.40 per cubic foot  Actual Adjusted Rate: \$3.77 per cubic foot	CUP:\$8,811  MND:\$7,778	None	None specific for Oil and Gas	Drill oil well or redrill a well: \$3,096  Field Inspection: \$516  Abandoned oil well: \$2,064	Bonding requirements for Individual wells: \$10,000. 5 wells or more: \$50,000								
Bakersfield	Not Available	CUP Petroleum Wells (Class 1): \$6789.75  CUP – Oil Well Review: \$2,376  Oil Well Permit Fee: \$732	Oil Well Inspection (Annual): \$98  Re-inspection (if required): \$98  Encroachment Permit: \$575	Oil Well Installation: \$98	Fire Safety Inspection: \$98  Re-inspection fee: \$98									
City of Carson	Base Rate: \$2.56 per linear foot  Actual Adjusted Rate: \$2.65 per linear foot	CUP: \$6,000 deposit plus pass-thru of third-party professional services  Development Agreement (Oil Wells): \$20,000 deposit plus pass thru of third-party professional services	Good Neighbor Compliance (Oil Wells): \$10,500 deposit plus pass-thru of third-party professional services  Oil Natural Gas Wells - Field Permit: \$332.00	Construction/Excavation/ Encroachment Permit Issuance Fee: \$155  Construction Plan Check: \$675 (minimum 6 hrs. of work), plus \$112.50 for each additional hr., plus City's actual out-of-pocket third-party costs  Plan Check by L.A. County: L.A. County fee plus, 30% for City admin. costs	Emergency Response Initial Fee: \$650; Hourly Fee: \$176  Site Mitigation Initial Fee: \$2,677; Hourly Fee: \$165  Re-inspection Fee: \$448  CERS Service Fee: \$100  Hazardous Material Handler Program Annual Fees  California Accidental Release Prevention Program Annual Fees  Aboveground Petroleum Storage Act Program Annual Fees	Application: \$1,600 to \$7,500 based on pipeline length  Faithful Performance Bond: \$100,000  Abandonment Fees: <table><tr><td>Pipeline Internal Diameter</td><td>\$ Per Linear Foot</td></tr><tr><td>0-12 in</td><td>\$15.00</td></tr><tr><td>14-18 in</td><td>\$22.00</td></tr><tr><td>20-30 in</td><td>\$28.00</td></tr></table>	Pipeline Internal Diameter	\$ Per Linear Foot	0-12 in	\$15.00	14-18 in	\$22.00	20-30 in	\$28.00
Pipeline Internal Diameter	\$ Per Linear Foot													
0-12 in	\$15.00													
14-18 in	\$22.00													
20-30 in	\$28.00													

Fee Study

Final Report

Table Oil and Gas Fees for Various Jurisdictions						
Jurisdiction	Issue Areas Addressed					
	Franchise Fees	Planning Fees	Compliance Fees	Building and Safety Fees	Fire Safety & Inspection Fees	Other Fees
Huntington Beach	Base Rate: \$0.590 to \$4.469 based on diameter  Adjusted Rate: \$4.47 per linear foot	CUP Industrial: \$12,695  Well Activation Plan Check/ Permit: \$241  Plan Check/ Permit (per additional well): \$80 Permit Processing Charge: \$32.00	Business License - Oil Penalty Administration Fee: \$38.00  Oil Well Gas Monitoring Inspection: \$161 Encroachment Permits-Industrial: Minor: \$2,377 Major: \$5,943	Building Inspection Fees: based on Project Valuation  Building Plan Review: 85% of building inspection fee	Well Vent Inspection (per well): \$482  Well Activation Inspection: \$161; per additional well: \$80  Existing Well Inspection: \$241; per additional well: \$40 Oil Well Re-inspection: \$121 per well	Application: Base granting fee of \$10,000 plus reimbursement for all costs  Surety Bond: \$100,000 Oil/Gas/Injection Well Abandonment Plan Check: \$482  Oil/Gas/Injection Well Abandonment Inspection: \$482
Kern County	Base Rate: \$1.55 per cubic foot  Adjusted Rate: \$1.76 per linear foot	CUP: \$1,995 plus \$25/lot  Permit Application Fee: \$125  Pipeline Review: \$130  Deposit Administration Fee (per permit): \$50  General Plan/Ordinance maintenance: \$200	Conformity Review: Large Producer: \$800 Small Producer: \$800  Conformity Review Minor Rework Fee: \$550  Minor Activity Review: \$300  Business Operating Permit: \$145.00	Gas Detection System Permit: To install, alter, or modify a gas detection system: \$290.00	Fire Inspector or Safety Officer: \$150/hr., \$300 minimum	Application: \$1,200  Surety Bond of \$10,000 to \$50,000 based on the length of the pipeline (minimum 2 miles & maximum 5 miles or more)  Permit Correction: \$200  Program Administration: \$60
Long Beach	Base Rate: \$0.232 to \$1.758 per linear foot  Adjusted Rate: \$4.70 per linear foot (highest diameter)	CUP Minor: \$4200.00  CUP Major: \$7315.00	Annual Oil Well Permit: \$261.65/well  Well Drilling & Re-drilling: \$1035.00  Delinquency Penalty: 25% of the fee due	Oil Well Drilling/Re-drilling: \$1,105.38 per well  Electrical Permit Minimum Fee: \$106.80/permit	Well Initial Inspection: \$305.00  Drill or Re-drill Well Inspection: \$595.00 Reinspection: \$170.00  Well Vent Inspection: \$595.00	Well Abandonment Inspection: \$400.50  Oil & Gas Records Search: \$100.39/lot or parcel in an oil zone

Fee Study

Final Report

Table Oil and Gas Fees for Various Jurisdictions						
Jurisdiction	Issue Areas Addressed					
	Franchise Fees	Planning Fees	Compliance Fees	Building and Safety Fees	Fire Safety & Inspection Fees	Other Fees
			Oil Well Exemption (from idle well provision): \$352.44		Fire Facilities Impact Fee-Industrial: \$0.132/sq. ft.	
Orange County	Base Rate: \$0.088 to \$0.660 per lineal foot; adjusted by the CPI for the area	Development Plan/Site Review: \$387  Oil Well: Drilling \$865 Oil Well: Re-drilling \$600  Above-ground storage tank, including equipment: \$5625  Above-ground storage tank, including equipment - Inspection only: \$259	Annual Inspection (1 <sup>st</sup> well): \$325  Annual Inspection (each additional well): \$50  Methane testing, findings, & recommendations: \$427  Methane Mitigation Plan: \$488	Building & Safety permit Issuance fee: \$25  Industrial Plant Permit: Valuation Based  Dispensing from underground storage tank: New installation (Aboveground safety/components only) \$738  Dispensing from underground storage tank: New installation (Aboveground safety/components only) - Inspection only: \$311  Dispensing from underground storage tank: Repair, alteration, abandonment: \$440	Flammable Combustible Liquids – Issuance to use or operate a pipeline: \$202/hr.  Flammable Combustible Liquids – To operate tank vehicles, equipment, tanks, plants, terminals, wells, etc.: Issuance: \$234 Reissuance: \$156  Liquefied Petroleum Gas – Issuance: \$149 Reissuance: \$138  Travel Time: \$70	Gas systems: industrial gas (including piping & manifolds): \$1,195 Gas systems: industrial gas – Inspection only: \$605
Redondo Beach	Base Rate: \$0.232 to \$1.758 per linear foot	CUP Category 1: \$2,910.00  Annual license tax (per well): \$322.00  Minimum Annual License Tax (per person): \$747.00  Annual License Tax per well (outside original Townsite of Redondo Beach or annexed to the City): \$320.00	Right-of-Way Encroachment Permit: \$65.00	Inspection Outside Normal Business Hrs. (Min. 2 – Hr. Charge): \$120.00/hr.  Re-Inspection: \$180.00/hr.  Electrical Plan Check Fee (1 hr. minimum): 100% of Electrical Permit Fee or \$125.00/hr.	Annual fire & life safety inspection: \$113.50  Inspections for Which No Fee is Indicated (Minimum 1 Hr. Charge): \$165.00/hr.	Idle Well - Application for Decision or Exception: \$75.00

Fee Study

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Jurisdiction	Issue Areas Addressed					
	Franchise Fees	Planning Fees	Compliance Fees	Building and Safety Fees	Fire Safety & Inspection Fees	Other Fees
Santa Barbara County	Base Rate: \$3.00 per linear foot  Adjusted Rate: \$3.00 per linear foot	CUP – PC: \$8,000 CUP – ZA: \$3,000  New Well Permit/Re-Drills: \$527  Oil & Gas production/exploration plans: CNTY CONSL \$1,087.32 ENV Health \$836 Roads \$255 APCD \$600	Annual Well Inspection (per well) \$191  Annual Tank Inspection (per tank setting) \$736  Soil Restoration Inspections: \$500 Security Deposit	CUP – PC: \$187  Site Investigation: \$55 Plan Check Fee \$116 Inspection Fee  New Tank (install/repair/replace): \$456	Development fee: \$710/ 1,000 sq. ft. for Industrial  Special Billable Inspections: Actual cost	Application: Reimbursement for costs  Performance Bond: \$200,000  Petroleum Specialist: \$140/hr.  Research Requests/Inquiries: Actual cost Appeals of Code Determinations: \$337  Abandonment of Wells & Tanks (per well or tank setting): \$875
Signal Hill	Base Rate: Negotiated, \$2.36 per linear foot	Well Discovery Permit: \$401/well plus consultant costs  CUP: \$4,000.00  Plan Check Fee: 85% of building permit fee  Methane Mitigation: \$231 per hr. of consultant time	Annual license tax per well: \$150 base tax plus \$0.15/barrel produced & shipped from the well during each calendar quarter.  Well Leak Testing & Observation Permit: \$535/well + consultant costs  Methane Site Testing & Mitigation Permit \$535/site + consultant costs	Minimum building Permit Fee: \$73.00  Building Re-inspection Fee: \$133.00	Emergency Response Initial Fee: \$650; Hourly Fee: \$176  Site Mitigation Initial Fee: \$2,677; Hourly Fee: \$165 Re-inspection Fee: \$448  CERS Service Fee: \$100  Hazardous Material Handler Program Annual Fees  California Accidental Release Prevention Program Annual Fees  Aboveground Petroleum Storage Act Program Annual Fees	Abandonment Leak Test Inspection: \$10 permit plus full inspection fees upon inspection completion  Oil Natural Gas Wells: Field Permit: \$332.00  Single Bonds – Corporate Surety Bonds: \$6,000 per well  Blanket Bonds: \$25,000 in lieu of a single bond per well

Fee Study

Final Report

Table Oil and Gas Fees for Various Jurisdictions						
Jurisdiction	Issue Areas Addressed					
	Franchise Fees	Planning Fees	Compliance Fees	Building and Safety Fees	Fire Safety & Inspection Fees	Other Fees
Ventura County	Base Rate: \$1.50 per linear foot  Adjusted Rate: \$4.02 per linear foot	Oil & Gas Zoning Clearance Deposit: \$330  CUP: Oil and gas exploration/ production (includes pipelines and transmission lines in Coastal Zone only): \$2,500-Deposit	Periodic condition compliance review/inspection of oil & gas exploration & production facilities: \$0- Full Cost Recovery based on hourly rate(s)  Conditional Certificate of Compliance: PWA: \$2,400 deposit \$749	Building Permit Application: \$37.60  Fuel oil piping serving industrial appliances regulated by Uniform Mechanical Code: \$19.30  Mechanical Maintenance Permit: \$188.50	Building Plan Review Fee (Structural/Fire & Life Safety): 85% of building permit fee  Reinspection: \$99.30	For new oil & gas exploration & production facilities: a financial Security not less than \$10,000.00 for each well that is drilled or to be drilled.  Or, a Security in the penal amount of not less than \$10,000.00 to cover all operations conducted in Ventura County