

Ventura County Noncoastal Zoning Ordinance and Coastal Zoning Ordinance Amendments: Basis for Amendments and California Environmental Quality Act Categorical Exemption

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County of Ventura
Planning Commission Hearing
PL21-0099 and PL21-0100
Exhibit 8 - Analysis supporting California
Environmental Quality Act exemption

Table of contents

SECTION 1	Introduction.....	1-1
SECTION 2	Process and Analysis Supporting Ordinance Amendments.....	2-2
2.1	New and extended conditional use permits for oil and gas operations would be granted for a duration of fifteen years, excluding restoration activities.....	2-2
2.2	Increasing the amount of the oil and gas permit compliance/site restoration surety and insurance.....	2-2
2.3	Measures addressing long-term idle wells and coordination with CalGEM to prioritize wells for closure	2-21
SECTION 3	Basis for Categorical Exemption from CEQA.....	3-23
3.1	No Exceptions for Categorical Exemptions Apply.....	3-24
3.2	Ordinance Text Amendment 1: New and extended CUPs for oil and gas operations would be granted for a maximum duration of 15 years at a time, not including restoration activities.	3-25
3.3	Ordinance Text Amendment #2: The amount of the oil and gas permit compliance/site restoration surety and insurance shall be increased.	3-29
3.4	Ordinance Text Amendment #3: Measures addressing long-term idle wells.	3-32
SECTION 4	Conclusion.....	4-35
SECTION 5	Glossary.....	5-36

List of tables

Table 1. Current Oil and Gas Bonding by Jurisdiction	2-4
Table 2. Physical Infrastructure and Equipment Removal Costs.....	2-6
Table 3. State and Federal Oil and Gas Bonding Requirements.....	2-8
Table 4. Oil and Gas Wells in Ventura County.....	2-10
Table 5. CalGEM Blanket Bonds	2-12
Table 6. CalGEM Annual Idle Well Fees.....	2-12
Table 7. CalGEM Idle Well Management Report Summary	2-13
Table 8. CCST Estimated Plugging and Abandonment Costs.....	2-16
Table 9. CalGEM Estimated Plugging and Abandonment Costs.....	2-16
Table 10. City of Carson Insurance Requirements of Oil and Gas Well Operators	2-20

SECTION 1 Introduction

The County of Ventura's (County) proposed project is comprised of ordinances amending the Ventura County Non-Coastal Zoning Ordinance (NCZO; Section 8107-5 – Oil and Gas Exploration and Production) and the Coastal Zoning Ordinance (CZO; Section 8175-5.7 - Oil and Gas Resources and Related Industrial Development). If approved by the Board of Supervisors, the ordinance amendments would update the County's oil and gas zoning ordinance provisions as follows:

- (1) New and extended conditional use permits (CUPs) for oil and gas operations would be granted for a maximum duration of fifteen years at a time, excluding restoration activities;
- (2) The amount of the oil and gas permit site restoration and well abandonment surety, and insurance requirements, would be increased; and
- (3) Wells that have been idle for 15 years or longer would be subject to a supplemental surety.

This document provides the technical basis for the ordinance amendments, a description of the process and data used to draft the ordinance amendments, and compliance with the California Environmental Quality Act (CEQA) through a determination that the project is categorically exempt from CEQA review.

SECTION 2 Process and Analysis Supporting Ordinance Amendments

The technical basis for each of the ordinance amendments is described in this section.

2.1 New and extended conditional use permits for oil and gas operations would be granted for a duration of fifteen years, excluding restoration activities

The NCZO and CZO do not currently stipulate a maximum or minimum CUP duration for oil and gas projects, and duration is therefore at the discretion of the Planning Division and/or Board of Supervisors on a case-by-case basis. As directed by the Board of Supervisors, the County is proposing to incorporate a 15-year maximum permit duration on CUPs approved for all new and extended oil and gas projects. Under the proposed revisions, an operator of an existing 15-year CUP would be allowed to apply for a new discretionary 15-year CUP for the same project prior to expiration of the initial CUP and, if approved, be allowed to continue project operations. No limit to the total number of sequential 15-year CUPs is proposed. New discretionary 15-year CUPs would be required for the continuation of operations permitted under the existing 15-year CUP, regardless of whether the operator proposes changes to its operations. Permits previously granted without expiration dates (which have been referred to as “antiquated” or “legacy” permits), will not be subject to the proposed 15-year maximum CUP term because under the County’s existing zoning ordinances, the permits do not expire and thus do not require a discretionary renewal.

2.2 Increasing the amount of the oil and gas permit compliance/site restoration surety and insurance

As codified in NCZO Sec. 8107-5.6.5 and CZO Sec. 8175-5.7.8, the County currently requires a bond of not less than \$10,000 bond for every well drilled or a blanket bond of not less than \$10,000 for all wells drilled by each operator in unincorporated Ventura County. The purpose of the bond, also called a surety or security, is to provide a financial guarantee that the operator will fulfill and perform all terms and provisions in the CUP. As such, the bond establishes funds for surface demolition/removal of structures and restoration of well sites and the oil field in the event that the operator is unable or unwilling to fulfill these requirements at the end of operations (known as “failure to act”). The County’s current bonding requirements are not dependent on the size of the oil field, the number of wells, or the number and type of other surface infrastructure¹ that may require demolition, removal, and restoration.

As shown in this section, the current bond requirement does not provide adequate protection for the County from operator bankruptcy or failure to act. These bonding requirements have never been revised. In addition, the County does not have a process to adjust for risk factors unique to each site

¹ Such infrastructure may include storage tanks, water treatment, gas separation and treatment, waste storage areas, pipelines, and appurtenant infrastructure to these major types.

such as number of wells, number and type of other infrastructure², well age, well depth, methods of operation, operator history, and proximity to residents and sensitive environmental sites.

Oil and gas operations pose risks during operation and at end of field life that can impact environmental quality. Several southern California municipalities have comparable operational surety bond requirements to the County, while jurisdictions such as Culver City, Santa Fe Springs, and Carson have provisions in place to determine the appropriate level of bonding that is needed on a case-by case basis (Table 1). The City of Carson requires its Petroleum Administrator to reassess each bond requirement every five years to determine whether the amount is sufficient to cover any abandonment or remediation costs.

Similarly, in the County of Los Angeles, the Inglewood Oil Field operates under the Baldwin Hills Community Services District (CSD), which has distinct rules and regulations from other wells in the unincorporated county. The LA County CEO determines the appropriate insurance and bonding requirements for wells that operate within the Baldwin Hills CSD, and the County may conduct a review of these amounts at any time. The County of LA has also recently drafted proposed zoning ordinance changes for the unincorporated area not including the Baldwin Hills CSD that would require a bond, determined by the Director *“based on the site and existing operations, including the total number of wells, operations, size, and nature of the operations on the property, and other relevant conditions related to the existing site operations”* and not less than \$152,00 per well.³ This proposed ordinance revision was approved by the County Regional Planning Commission on June 8, 2022, and will be voted on by the Board of Supervisors.⁴

² *Ibid.*

³ Los Angeles Department of Regional Planning Report to the Regional Planning Commission. May 26, 2022.

⁴ Los Angeles Department of Regional Planning Commission Minutes for June 8, 2022 Meeting.

Table 1. Current Oil and Gas Bonding by Jurisdiction

Jurisdiction	Individual Well	Blanket bond
Ventura County	\$10,000	\$10,000
City of Los Angeles	\$10,000	\$50,000
County of Los Angeles (current)	\$2,000	\$10,000
County of Los Angeles (proposed)	At discretion of the Director, not less than \$152,00 per well ¹	
City of Carson	Not less than \$10,000/well ²	
Yolo County	\$5,000	
Kern County	None	None
Santa Barbara County	Only required for high risk operations	
San Luis Obispo County	\$5,000	\$25,000
City of Torrance	\$2,000	\$10,000
City of Fullerton	\$5,000	\$25,000
City of Santa Fe Springs	Determined by resolution of City Council or by state law, as applicable	
Orange County	\$5,000	\$25,000

¹The Director shall determine the bond amount based on the site and existing or proposed operations, including the total number of wells, operations, size and nature of the operations on the property, and other relevant conditions related to the existing site or proposed operations.

²Determined by Petroleum Administrator based on the total number of wells, proposed operations, size and nature of the property, appropriate environmental studies on the property, including a phase I, II or human health risk assessment report and other relevant conditions related to the proposed wells or operations at a specific oil or gas site, and recognized commercial standards.

2.2.1 Surety for Surface Facility Demolition, Removal, and Restoration Liability

2.2.1.1 Method for Site Specific Determination of Surety

Although the current method of surety determination is based on the presence of one or more wells, the number and type of infrastructure that may require restoration is much more diverse. Most oil and gas fields in Ventura County extract oil, natural gas, and saline water⁵ from subsurface reservoirs located between 1,000 and 10,000 feet deep. These three intermingled “total fluids” are routed by pipeline to separation tanks⁶ that allow separation of crude oil, produced water, and natural gas by density. Natural gas is removed from the top of the tank, processed at an onsite gas plant to purify it, and shipped by pipeline for end use by consumers and industry or transported to area refineries for use in the refining

⁵ Known as “produced water” because it is produced from the same formation at the same time as the product oil and natural gas.

⁶ Sometimes referred to as free water knockout tanks because they allow separation of oil from water by the density difference of the two fluids.

processes. If natural gas is at insufficient quantity for sale, it is either re-injected into the formation or burned in an onsite flare. Oil is the next layer, and it is removed and then shipped by pipeline to area refineries to be processed into gasoline and other products. Produced water is then removed and typically transported by pipeline to an onsite water treatment plant. Once treated, the water is reinjected into the producing formation to enhance further oil recovery. In some cases, the water is disposed of by injection into non-producing formations or transported by pipeline to a commercial disposal well that injects the water into an oil-bearing formation.

Processing activities at Ventura County oilfields may include the following types of infrastructure:

- Total Fluid Production Gathering and Testing;
- Crude Oil Handling with tanks;
- Water Processing with tanks;
- Water Injection;
- Gas Gathering/Gas Processing; and
- Ancillary Systems.

In the event of failure to act by the oil and gas operator, surface facility demolition and removal and site restoration would be conducted on behalf of another party such as the surface property owner or the California Department of Conservation California Geologic Energy Management Division (CalGEM) in conjunction with its well abandonment process. Such actions usually seek to recycle/reuse as much material as possible, including tanks, aboveground structures, piping, electrical equipment, poles, and wiring, and to provide disposition of equipment, materials, structures, non-hazardous waste, and debris. Given that the resale/salvage value is highly dependent on market conditions at the time of abandonment, this analysis does not quantify this factor, but it could result in a decrease of 50% or higher of the overall physical infrastructure abandonment costs. The equipment used during demolition activities would be task-specific and dependent upon the methods selected by the demolition contractor, but would likely include excavators, loaders, backhoes, cranes, welding/cutting tools, waste hauling trucks, and hand tools. The costs provided in Table 2 are unit cost estimates⁷ for the decommissioning and removal of the inventoried equipment and infrastructure. These estimates were based on information obtained from oil field contractors and guidance from current and former oil field operations employees, as well as Catalyst Environmental Solutions staff experience.

There are several methods that could be used for establishing site-specific levels of surety. One is the site-specific unit-cost method as follows:

- Identify number of tanks, structures, and piping to be decommissioned/removed;
- Identifying the number of wells that may require surface remediation and restoration.

For each operator and field, the operator would develop an inventory of each type of equipment and infrastructure. These data may be developed from plot plans for each tank setting (including the Gas Plant and the Water Plant), the process flow diagrams, and aerial photographs for existing

⁷ That is, costs per units such as wells, tanks, and other infrastructure.

infrastructure. Next, cost estimates for the removal of the inventoried equipment and infrastructure would be calculated based on the unit cost estimates provided in Table 2.

As the operator removes equipment and restores areas during operations, this method also allows for reducing the amount of surety/bonding required by scaling it to the actual infrastructure at risk.

Table 2. Physical Infrastructure and Equipment Removal Costs

Infrastructure Type	Unit	Removal Cost/Unit (\$)
Wells	\$/Well	10,000
Oil and Total Fluids Tank Settings		
Small (100 bbl)	\$/tank	2,000
Medium (1,000 bbl)	\$/tank	9,000
Large (10,000 bbl)	\$/tank	60,000
Cogen Generator	\$/generator	7,500
Heater Treater	\$/heater treater	11,000
Gas Scrubber	\$/scrubber	6,000
Water Plant		
Small (500 bbl)	\$/tank	2,500
Medium (1,000 bbl)	\$/tank	5,000
Large (5,000 bbl)	\$/tank	15,000
Compressor	\$/compressor	6,000
Gas Plant		
Propane Tank	\$/tank	5,400
Scrubbers	\$/scrubber	3,000
Flares	\$/flare	2,500
Pumps	\$/pump	1,200
Compressors	\$/compressor	2,200
Lease Automatic Custody Transfer (LACT) Unit	\$/LACT Unit	5,400
Large Chemical Tank (3,000 gal)	\$/tank	5,000
Medium Chemical Tank (300 gal)	\$/tank	3,500
Small Chemical Tank (20 gal)	\$/tank	250
Coolers	\$/vessel	5,000
Automatic Well Tester (AWT) Settings		
Vessels	\$/vessel	4,500
Emulsion/Chemical Tanks	\$/tank	3,500

For example, an operator may have 10 oil and gas wells, one large total fluids tank, one medium oil tank, one large water tank, and one flare. The estimated cost to restore the site would be:

$$(10 \times \$10,000) + \$60,000 + \$9,000 + \$15,000 + \$2,500 = \mathbf{\$184,000}.$$

Another method is to embed the site-specific unit cost results for typical oil and gas fields of different sizes to establish a blanket level of surety based on the number of wells. This method provides a more streamlined approach for determining level of surface restoration surety. Based on the unit costs provided in Table 2 and accounting for economies of scale, the County is amending the CZO and NCZO to include the surface restoration surety amounts presented in Table 3.

Table 3. Ordinance Amendment Surface Restoration Surety Amounts

Total Number of Active/Idle Wells per Operator	Surface Restoration Surety
1-5	\$100,000
6-10	\$185,000
11-20	\$300,000
21-50	\$500,000
51-100	\$1 million
101-200	\$3 million
201-400	\$5 million
≥401	\$10 million

The annual cost of the surety bond to the operator is approximately 2 to 4% of the total surety amount. For example, the annual costs to an operator required to provide a \$300,000 surety would range from \$6,000 to \$12,000.

Other state agencies also collect fees or require surety for specific liabilities (discussed below in Section 2.2.1.2). The surety calculated by this method for the County does not duplicate these other bonding requirements.

2.2.1.2 Other State and Federal Security Requirements

The following state and federal agencies require bonding for oil and gas operations:

- CalGEM requires individual well indemnity bonds based on the depth of the well (less than or greater than 10,000 feet deep). In lieu of individual bonds, it also allows blanket bonds based on the number of wells an operator owns in the state.
- The California Department of Fish and Wildlife’s (CDFW) Office of Spill Prevention and Response (OSPR) is the primary agency in California with regulatory oversight to prevent and respond to oil spills in marine and inland surface waters in the state. Upon review of financial responsibility demonstration, CDFW issues a Certificate of Financial Responsibility, which is reviewed annually and renewed every two years. CDFW is now considering potential revisions to these financial requirements.

- Under CCR Title 5 Division 1, Part 1 Chapter 5.5 - The Elder California Pipeline Safety Act of 1981, the State Fire Marshal exercises exclusive safety regulatory and enforcement authority over intrastate hazardous liquid pipelines and may act as agent for the United States Secretary of Transportation to implement federal hazardous waste and pipeline safety regulations to portions of interstate pipelines within the state.
- The Bureau of Land Management (BLM) is responsible for issuing leases for private entities to develop oil and gas resources on roughly 700 million acres of BLM land, other federal agencies’ land, and private land where the federal government owns the mineral rights. In 2018, the BLM oversaw private entities operating over 96,000 oil and gas wells on leased federal lands.

The bonding amounts required by these agencies is summarized in Table 3.

Table 3. State and Federal Oil and Gas Bonding Requirements

CalGEM	CDFW OSPR (spills)	Office of State Fire Marshal (pipelines)	BLM (wells federal land)
Individual well indemnity bond: <ul style="list-style-type: none"> • \$25,500 for well <10,000 ft deep • \$40,000 for well ≥10,000 ft deep Blanket indemnity (>20 wells) <ul style="list-style-type: none"> • \$200,000 for <50 wells • \$400,000 for 51-500 wells • \$2M for 501-10,000 wells • \$3M for >10,000 wells 	Certificate of Financial Responsibility: Inland Facility – <ul style="list-style-type: none"> • Risk to ephemeral waters - \$6,000 x Reasonable Worst Case Scenario¹ • Risk to perennial waters - \$10,000 x Reasonable Worst Case Scenario • Maximum \$100M 	Annual fees: <ul style="list-style-type: none"> • \$6,000 pipeline operator; • \$550 (intrastate) or \$300 (interstate)/mile of pipeline operated 	<ul style="list-style-type: none"> • Individual lease bond: \$10,000 for all wells on an individual lease • Statewide bond: \$25,000 for all wells in a state • Nationwide bond: \$150,000 for all wells

¹ Reasonable worst-case spill formulas for facilities are based on linefill capacities, transfer rates, discovery and shut off time for pipelines, 10% of daily production rate of largest-producing well for production facilities and speed/volume factors for a railroad.

2.2.2 Surety for Well Subsurface Plugging and Abandonment Liability

When a well is no longer producing, timely and proper plugging and abandonment is essential for preventing methane leakage and groundwater contamination. The cost of permanently plugging and abandoning a well includes surface and subsurface activities. Briefly, the wellbore is plugged with cement, the wellhead is then removed, and the surface casing is cut off, sometimes above the surface so the well can be easily marked, and sometimes below the depth of a plow (typically around three feet) to ensure that the well does not interfere with surface and agricultural operations.

Surface restoration, which is what the County regulates in consultation with CalGEM, includes removing surface equipment, emptying and reclaiming pits, disposing of all waste, and restoring surface conditions to pre-well conditions through activities such as recontouring or revegetation as necessary. These costs are addressed in the method for determining the surface restoration surety in the previous section. This section evaluates the subsurface cost liability for plugging and abandoning orphan wells.

CalGEM is the state agency responsible for the subsurface components of plugging and abandoning orphan wells or wells for which the operator fails to act. An orphan well is a well that has no solvent party responsible for it, leaving the state to plug it.⁸ The number of orphan wells in the state is such that this liability is potentially very large; much larger than the amount that CalGEM requires from operators to address this risk. Accordingly, the state has implemented two approaches to reduce this risk:

1. Implement an Idle Well Management Program, which requires operators to inventory and expeditiously plug and abandon long-term idle wells. The objective is to reduce the number of wells that may become orphan by substantially increasing the rate of well abandonment that solvent operators must complete per year.
2. Increase bonding requirements and remediation budget to increase the state's fund to address orphan wells to the scale of the liability. The State Legislature has also made one-time contributions to these funds.

These steps are not sufficient to cover costs associated with plugging and abandonment of orphan wells in Ventura County, as detailed below. In this section, we first describe the different state programs that address risks posed by orphan wells, including spill risks. We next provide a basis for the County requiring additional bonding for the potentially unfunded liability posed by orphan wells. This discussion is placed separate from the determination of surety based on the number and type of equipment at an oil and gas field, because it would be triggered by two separate liabilities: failure to act on the part of the operator (which could include bankruptcy or inability to identify the former operator of an orphan well), and failure to act on the part of CalGEM due to insufficiency of funds or other considerations.

Based on the information provided in Section 2.2.2.2 below, the County estimates that plugging and abandonment costs for a well in Ventura County would average \$143,300 (see Table 9). To bridge the gap in unfunded liability for orphaned oil and gas wells, the County is proposing a \$36,000 surety for each active and idle oil well in Ventura County (25 percent of \$143,300), with a not-to-exceed amount of \$5 million per operator.

The scale of potential liability posed by orphan and potentially orphan wells in Ventura County is large. There are currently 8,690 wells related to oil and gas operations in Ventura County identified by the CalGEM Well Statewide Tracking and Reporting (WellSTAR) Data Dashboard⁹ (Table 4).

⁸ Public Resources Code, § 3206.3, subd. (a)(1)(C). CalGEM's determination that a well is orphaned is a multi-step process that requires CalGEM to determine whether the well has been deserted by the operator and whether there is a solvent entity responsible to plug the well.

⁹ CalGEM WellSTAR Data Dashboard. https://www.conservation.ca.gov/calgem/Online_Data/Pages/WellSTAR-Data-Dashboard.aspx. June 1, 2022.

Table 4. Oil and Gas Wells in Ventura County

Well Type	Count
Oil & Gas	6,184
Dry Hole	1,262
Waterflood	789
Water Disposal	132
Injection	120
Multi-purpose	62
Core Hole	42
Cyclic Steam	38
Water Source	34
Unknown	11
Observation	9
Dry Gas	5
Steamflood	2
Total	8,690¹⁰

Of these wells, just over half (4,396 wells) are plugged and abandoned and just under 20% (1,679 wells) are active¹¹. There are approximately 2,267 idle wells in Ventura County, of which 1,520 are considered long-term idle wells (i.e., wells that have been idle for longer than eight years)¹² (Figure 1).

¹⁰ This total contains 249 cancelled wells, which means the permits were cancelled before the wells were drilled.

¹¹ CalGEM WellSTAR Data Dashboard. https://www.conservation.ca.gov/calgem/Online_Data/Pages/WellSTAR-Data-Dashboard.aspx. June 1, 2022.

¹² CalGEM. 2022. 2022 IWMP Inventory. Includes only wells that were idle on January 1, 2022. Available online: <https://filerequest.conservation.ca.gov/RequestFile/2843955>. Accessed June 14, 2022.

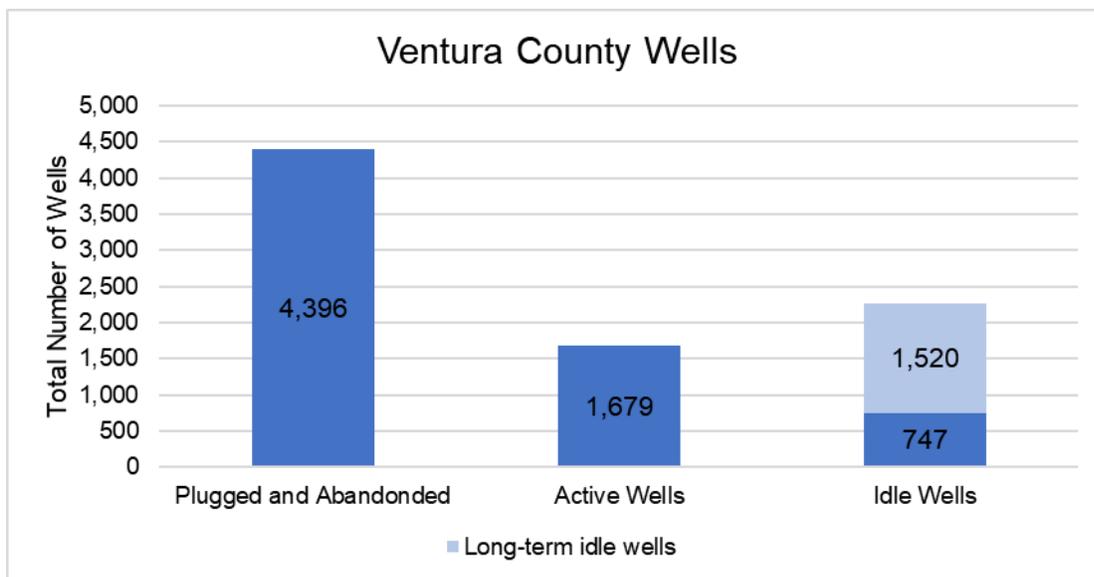


Figure 1. Status of Oil and Gas Wells in Ventura County

The following discussion describes existing state programs that address plugging and abandonment liability (including spills and pipelines), followed by a description of the potentially unfunded liability for such plugging and abandonment, and potential options for addressing this financial and environmental risk.

2.2.2.1 California Geologic Energy Management Division (CalGEM)

CalGEM is mandated by the California Laws for the Conservation of Petroleum and Gas (Division 3, starting with Chapter 1, starting with Section 3000) and California Code of Regulations (CCR) Title 14, Division 2, Chapters 2 and 4 to supervise the drilling, operation, maintenance and abandonment of oil, gas and geothermal wells within California. CCR Title 14 § 1723¹³ describes requirements for plugging and abandonment and inspection of plugging and abandonment operations.

2.2.2.1.1 Assembly Bill 2729 (Williams, 2016)

AB 2729 updated indemnity bond requirements for operators when they drill, re-drill, deepen, or permanently alter any well or any operator who acquires a well. This bond is intended to address CalGEM’s liability to properly plug and abandon wells that are orphaned by operator bankruptcy or failure to act. An operator must file with CalGEM a bond of \$25,000 for a well less than 10,000 feet deep and \$40,000 for each well that is 10,000 or more feet deep. Alternatively, if an operator operates multiple wells in the state, it can file a blanket indemnity bond based on the number of wells it owns, as shown in Table 5. The bonds are not released until the well is properly plugged and abandoned.

¹³ CCR Title 14 Chapter 4, Article 3, Section 1723 – Plugging and Abandonment.

Table 5. CalGEM Blanket Bonds

# of Wells in the State	Bond Amount
50 or fewer	\$200,000
51-500	\$400,000
501-10,000	\$2,000,000
More than 10,000	\$3,000,000

AB 2729 also increased idle well fees based on the amount of time a well has been idle (Table 6). Under the law, an operator of an idle well must pay an annual fee or file an Idle Well Management Plan, which outlines the operator’s plan to manage and eliminate (i.e., either plug and abandon or bring back into production) their idle wells. The idle well fees are paid into the Hazardous and Idle-Deserted Well Abandonment Fund (HIDWAF), which CalGEM uses to plug and abandon orphan wells and plug and/or decommission hazardous wells or production facilities. The funds from the HIDWAF are in addition to those granted under CalGEM’s annual expenditure authority for plugging and abandoning wells, which increased to \$5 million per fiscal year beginning in 2022-2023 in accordance with the recently passed SB 47 (discussed in Section 2.2.2.1.4 below).

Table 6. CalGEM Annual Idle Well Fees

Years Idle	Annual Fee/Well
3 – 7	\$150
8 – 14	\$300
15 – 19	\$750
20 or more	\$1,500

If operators choose to file an Idle Well Management Plan instead of paying the idle well fees, operators must eliminate their long-term idle wells as follows: operators with 250 or fewer idle wells must eliminate 4% of their long-term idle wells each year, operators with 251 to 1,250 idle wells must eliminate 5% of their long-term idle wells, and operators with more than 1,250 idle wells must eliminate 6% of their long-term idle wells each year.

2.2.2.1.2 CalGEM Idle Well Management Program Report

In accordance with AB 2729, CalGEM is required to present an annual report to the Legislature regarding the status of idle and long-term idle wells in California. CalGEM has presented two reports thus far: one in 2019 representing data from January 1 – December 31, 2018¹⁴, and one in 2021 representing data

¹⁴ CalGEM. 2019. Idle Well Program Report on Idle and Long-term Idle Wells in California. Reporting Period: January 1, 2018 to December 31, 2018 Prepared Pursuant to Assembly Bill 2729 (Ch. 272, Stats. of 2016). July 1.

from January 1 – December 31, 2019¹⁵. Statewide and Ventura County data from the 2019 report are summarized in Table 7 and described further below.

Table 7. CalGEM Idle Well Management Report Summary

	Statewide	Ventura County
Idle Wells	37,095	2,260*
Long-term Idle Wells	17,560	1,519*
Idle Wells Plugged and Abandoned	1,927	33
Idle Wells Returned to Active Use	690	48
Idle Wells Eliminated under IWMPs	543	N/A
Number of Orphan Wells	24	0
Potentially deserted wells	3,265	439

* These data are from 2019 and are therefore slightly different than the number of wells discussed at the beginning of this section and shown in Figure 1.

CalGEM collected \$4,199,550 in idle fees in 2019. Of the 61 operators with approved IWMPs in 2019, 50 operators were in compliance with their IWMPs. Five operators voluntarily voided their 2019 IWMPs and filed idle well fees instead. CalGEM canceled the IWMPs of six operators due to failure to comply with the terms of their approved IWMPs. Two of these operators paid the idle well fees owed, and CalGEM is pursuing enforcement action against the remaining three operators. Of these, one operator, Thompson Oil Co., operates in Ventura County. A fourth operator also failed to pay the required idle well fees; however, the operator is currently in bankruptcy. CalGEM filed a Proof of Claim with the bankruptcy court for the outstanding idle well fees.

Of the 279 operators to whom CalGEM sent idle well fee invoices, CalGEM identified 176 operators that failed to file idle well fees for 1,057 idle wells in 2019. CalGEM will be pursuing enforcement action against those operators.

CalGEM has not released an Idle Well Management Plan Report in 2022.

2.2.2.1.3 AB 1057 (Limón, 2019)

AB 1057 authorizes CalGEM to require an operator filing an individual or blanket indemnity bond to provide an additional amount of security based on the CalGEM’s evaluation of the risk that the operator will desert its well or wells and the potential threats the operator’s well or wells pose to life, health, property, and natural resources. The amount cannot exceed the lesser of the division’s estimation of the reasonable costs of properly plugging and abandoning all of the operator’s wells and decommissioning any attendant production facilities, or \$30,000,000.

The bill also gives CalGEM the authority to track and trace the ownership of wells and facilities with greater accuracy to enable it to take enforcement actions against the appropriate operators. A key

¹⁵ CalGEM. 2021. Idle Well Management Program Report. Idle and Long-Term Idle Wells in California. Reporting Period: January 1, 2019 to December 31, 2019. Prepared Pursuant to Assembly Bill 2729 (Ch. 272, Stats. Of 2016).

impact of these track and trace provisions is better enforcement of SB 2007 (Costa), enacted in 1996, which makes oil producers jointly liable for plugging and abandonment costs. Under SB 2007, if a well is deserted but the operator cannot pay for the costs of plugging and decommissioning, CalGEM can pursue operators that owned the well as far back as January 1, 1996 for plugging and abandonment costs.

2.2.2.1.4 Senate Bill 47 (Limón, 2021)

SB 47, signed by the Governor on September 23, 2021, amends Section 3258 of the Public Resources Code. Beginning with the 2022–23 fiscal year, the bill raises the cap on CalGEM spending for purposes related to hazardous wells¹⁶, idle-deserted wells, hazardous facilities, and deserted facilities from \$1 million to \$5 million in any one fiscal year.

2.2.2.1.5 Assembly Bill 896 (Bennett, 2021)

AB 896, signed by the Governor on October 8, 2021, amends Section 3206.3 of, and add Sections 3239 and 3243 to, the Public Resources Code. This bill would authorize CalGEM to impose a claim and lien upon the real property in the state owned by the operator or responsible party of an oil or gas well and attendant facility under specified conditions and in specified amounts. The bill would require the CalGEM Supervisor, on or before July 1, 2022, to establish a collections unit within the division to be responsible for: (1) collection of unpaid idle well fees from an operator, (2) establishing the timelines and criteria for determining if a well has been deserted, and (3) locating or collecting any costs from the operator or responsible party for a well that has been deserted or ordered to undergo well integrity testing or to be plugged and abandoned by the supervisor.

The bill would also require CalGEM’s annual idle well report to include the following components:

- the number of operators and amounts of idle well fees collected by the collections unit in the preceding year,
- the criteria, including timelines, used by the collections unit to determine a well or attendant facility is deserted, and
- the amount of costs recovered from operators or responsible parties for work ordered by the supervisor or undertaken by the division.
- the number of wells and facilities eligible to be subject to a lien,
- the number of liens placed by the supervisor, and
- the number of liens released by the supervisor.

2.2.2.1.6 Senate Bill 84 (Hurtado, 2021)

SB 84, signed by the Governor on October 9, 2021, amends Sections 3206.3, 3237, and 3258 of the Public Resources Code. The bill requires CalGEM, by July 1, 2022, to provide the Legislature with a report

¹⁶ A hazardous well is an oil and gas well determined by the CalGEM supervisor to be a potential danger to life, health, or natural resources and for which there is no operator determined by the supervisor to be responsible for its plugging and abandonment under Section 3237. Public Resources Code Section 3251.

detailing the process the supervisor has established to determine that the current operator of a deserted well does not have the financial resources to fully cover the cost of plugging and abandoning the well or the decommissioning of deserted production facilities, or for a previous operator. The report due on July 1, 2022 and those thereafter, will have to identify idle wells by the American Petroleum Institute identification number that are registered to an operator and that have met the definition of an idle well for three years where neither the required annual fee has been paid or the well is part of a valid IWMP.

The bill also requires CalGEM to report the location of hazardous wells, idle-deserted wells, deserted facilities, and hazardous facilities remaining, including the county in which they are located, to the Legislature by April 1, 2022, if the information is not otherwise included in the April 1, 2021 report already required by existing law. The bill requires the October 1, 2023 update report required by current law to include the location, including the county, of applicable wells, facilities, and projects identified in the report. The bill requires CalGEM to consider certain information reported to the Legislature when developing criteria for determining the priority of plugging and abandoning hazardous or idle-deserted wells and decommissioning hazardous or deserted facilities to be remediated.

2.2.2.1.7 Governor's 2022-2023 Budget

The Governor's budget proposes \$100 million from the General Fund in 2022-23 and \$100 million in 2023-24 for CalGEM to plug wells and decommission facilities. The money would be allocated as follows:

- \$10 million for a construction management contractor to manage the remediation projects,
- \$20 million for a contractor to conduct financial obligations and land ownership research, and
- \$160 million for contractors to plug wells and decommission facilities. In addition, the division will use \$10 million for department administrative costs.

2.2.2.2 Estimated Subsurface Plugging and Abandonment Costs

2.2.2.2.1 California Council on Science and Technology

The California Council on Science and Technology (CCST) authored a report assessing the state's potential orphan well liabilities in 2018.¹⁷ CCST used costs provided by CalGEM to plug and abandon 86 onshore wells since 2013 to estimate plugging and abandonment costs as shown in Table 8.

¹⁷ California Council on Science and Technology. 2018. Orphan Wells in California: An Initial Assessment of the State's Potential Liabilities to Plug and Decommission Orphan Oil and Gas Wells.

Table 8. CCST Estimated Plugging and Abandonment Costs

	Number of Observations	Per Well Abandonment Cost
Minimum Value	1	\$1,500
Coastal (incl. Ventura, Santa Barbara, San Luis Obispo counties)	20	\$40,000
Inland (incl. Kern County)	17	\$47,000
Northern (incl. Yolo County)	32	\$51,000
Southern (incl. Los Angeles, San Bernadino, Riverside counties)	17	\$152,000
Maximum Value	1	\$391,000
Average Value	86	\$68,000

2.2.2.2.2 CalGEM

CalGEM has also published data regarding the cost to the state for plugging and abandoning orphan wells. Table 9 shows the costs that the state has paid to contractors to plug and abandon 50 orphan wells from 2017-2019.¹⁸ CalGEM notes that much of the costs to plug and abandon a well are due to downhole conditions that are not apparent until the plugging and abandonment process begins.

Table 9. CalGEM Estimated Plugging and Abandonment Costs

	Per Well Abandonment Cost
Minimum Value	\$63,154
Coastal (incl. Ventura, Santa Barbara, San Luis Obispo counties)	\$87,075
Inland (incl. Kern County)	\$86,983
Northern (incl. Yolo County)	\$98,423
Southern (incl. Los Angeles, San Bernadino, Riverside counties)	\$231,052
Maximum Value	\$652,367
Average Value	\$143,266.74*

*Average value calculated from well costs provided in CalGEM’s Idle Well Program Report Table 2.4-2.

In a recent presentation, CalGEM stated that the average cost to the state to plug and abandon wells since 2011 has been approximately \$111,000 per well.¹⁹ They state that costs range from as low as

¹⁸ CalGEM. 2021. Idle Well Management Program Report. Idle and Long-Term Idle Wells in California. Reporting Period: January 1, 2019 to December 31, 2019. Prepared Pursuant to Assembly Bill 2729 (Ch. 272, Stats. Of 2016).

¹⁹ CalGEM Oil and Gas State Abandonment Planning. PowerPoint presentation. April 6, 2022.

\$14/foot for a well in Kern County if the project goes smoothly to well over \$200/foot in an urbanized area with high ancillary costs.²⁰

2.2.2.2.3 Ho et al. 2018 - Managing Environmental Liability: An Evaluation of Bonding Requirements for Oil and Gas Wells in the United States

Ho et al. evaluated plugging and abandonment costs for orphan wells in 13 states, including California, and compared them with average bond amounts that operators are required to provide the state.²¹ The study found that the “average [plugging and abandonment] expenditures on orphaned wells exceed bond amounts, and therefore revenues collected via bonds are insufficient for the state to cover the cost of plugging orphaned wells under their jurisdiction” and that the disparity between plugging and abandonment costs and bonds “can be exacerbated by the use of blanket bonds”. The authors calculated that the average cost of plugging and abandoning wells, not including surface restoration costs, in California was \$30,877 in 2014 dollars.²²

The study also noted that surface restoration costs vary widely, citing three contracts for surface reclamation of wells in Oklahoma that cost \$8,000, \$17,000, and \$58,000. The study did not identify the size of the reclaimed operation or amount of infrastructure removal that was associated with these costs.

2.2.2.2.4 U.S. Government Accountability Office

In a review of the BLM’s bonding requirements, the Government Accountability Office identified a low- and high-cost scenario for BLM’s reclamation cost for wells throughout the United States whose operators have filed bankruptcy. The low-cost scenario, \$20,000 per well, is based on the 25th percentile of average well reclamation costs, and the high-cost scenario, \$145,000 per well, is based on the 75th percentile. The report noted that the two scenarios do not encompass the complete range of BLM’s well reclamation cost estimates. For example, on the low end, the 5th percentile average was about \$15,000, and the lowest average estimate was \$3,096. On the high end, the 95th percentile average was about \$174,000, and the highest estimate was \$603,000.²³

2.2.2.3 Protecting Against Insufficient Funding for Orphan Well Plugging and Abandonment

Because of the state’s regulatory authority, the County is likely preempted from controlling how plugging and abandonment activities are carried out. Nonetheless, the California State Constitution authorizes local governments to “make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws [i.e., federal and State].” Further, the Legislature has expressly contemplated and recognized that local governments may require their own

²⁰ CalGEM. 2021. Idle Well Management Program Report. Idle and Long-Term Idle Wells in California. Reporting Period: January 1, 2019 to December 31, 2019. Prepared Pursuant to Assembly Bill 2729 (Ch. 272, Stats. Of 2016).

²¹ Jacqueline S. Ho, * Jhih-Shyang Shih, Lucija A. Muehlenbachs, Clayton Munnings, and Alan J. Krupnick. 2018. Managing Environmental Liability: An Evaluation of Bonding Requirements for Oil and Gas Wells in the United States. Environ. Sci. Technol. 2018, 52, 3908–3916.

²² This average was calculated from a sample size of 113 wells.

²³ United States Government Accountability Office. 2019. Report to Congressional Requesters. Oil and Gas Bureau of Land Management Should Address Risks from Insufficient Bonds to Reclaim Wells. GAO-19-615.

well abandonment sureties (see Pub. Res. Code § 3205.3(c)(8)). As such, providing additional surety/bonding to address the risk of wells becoming idle wells at a rate that would exhaust the state's ability to pay is fiscal policy that does not conflict with state laws.

The City of Los Angeles is also seeking to address this potentially unfunded liability, and provides the following example to illustrate the point²⁴:

“DOGGR’s²⁵ remediation budget and bond requirements may not be sufficient to cover costs associated with all orphan wells in the City of Los Angeles. DOGGR recently sealed two orphan wells buried under a residential street in an Echo Park neighborhood after receiving complaints from residents about foul odors from leaking gas. The wells were originally drilled before 1903, and DOGGR concluded that they would likely continue to deteriorate without intervention. The total cost of plugging the two wells exceeded \$2 million. The City could have been forced to absorb a portion of the cost if DOGGR did not have funds available, or if deserted wells in other areas of the State were a higher priority. This example, though seen as a worst-case scenario, demonstrates the need for financial assurance requirements to reasonably reflect the cost of remediation.”

The underlying goal of requiring a surety bond for plugging and abandoning oil and gas wells is to protect taxpayers from absorbing the cost of remediating a site if an operator is unable to pay. For example, idle oil and gas wells that are no longer in operation present environmental and safety risks. If CalGEM cannot identify the operator of a deserted well, or an operator enters bankruptcy, CalGEM can access funds from its Oil and Gas Environmental Remediation Account to plug and therefore appropriately abandon those “orphan” wells that pose a danger to life, health, water quality, wildlife, or natural resources.

Given the uncertainties related to the actual number of orphan wells in Ventura County, the exact scale of potential liability from orphaned wells in Ventura County is unknown. However, reasonable assumptions can be used to estimate potential liability.

Based on CalGEM data, there are approximately 1,520 long-term idle wells in the County (see Figure 1). CCST estimates that the chance of a well that has been idle for 8 years (the point at which a well is considered a LTIW) returning to production is slightly less than 20%, and this likelihood decreases the longer a well has been idle, to approximately 12.5% for a well that has been idle for 25 years.²⁶

CalGEM has not yet identified any orphan wells in the County; however, it has identified 439 wells as potentially deserted or deserted due to the operator's failure to pay idle well fees.²⁷ Failure to comply with idle well requirements is conclusive evidence of desertion of a well per Public Resources Code § 3206.1. In addition, the Legislature has deemed the following to be credible evidence CalGEM may use for purposes of determining desertion (per Public Resources Code § 3237): the operational history of the

²⁴ City of Los Angeles. 2018. Review of the City of Los Angeles' Oil and Gas Drilling Sites. Report from the City Controller to the Mayor and City Council.

²⁵ DOGGR was the previous name of CalGEM.

²⁶ California Council on Science and Technology. 2018. Orphan Wells in California: An Initial Assessment of the State's Potential Liabilities to Plug and Decommission Orphan Oil and Gas Wells.

²⁷ CalGEM. 2021. Idle Well Management Program Report. Idle and Long-Term Idle Wells in California. Reporting Period: January 1, 2019 to December 31, 2019. Prepared Pursuant to Assembly Bill 2729 (Ch. 272, Stats. Of 2016).

well or production facility, the response or lack of response of the operator to inquiries and requests from CalGEM, the extent of compliance by the operator with the requirements, and other actions. These 439 wells are not considered orphan as CalGEM has not yet made a formal determination of the financial solvency of the current operator or any other party responsible for plugging the well under Public Resources Code § 3237.

As described in the preceding subsections, there is a range of potential plugging and abandonment costs for wells in the state. The average value of \$143,300 per well is used herein as it provides the average cost for CalGEM to plug and abandon wells throughout the state based on recent available data.

Using the potential number of orphan wells in the future and considering an average abandonment cost of \$143,300 per well (as shown in Table 9), the scale of the liability ranges from \$0 considering there are no currently identified orphan wells in the County up to \$217.8 million based on 1,520 long-term idle wells. If an average cost for plugging and abandonment is closer to the Coastal district amount (\$87,075, shown in Table 9), the upper end of this range would be approximately \$132.3 million.

As of June 30, 2020, the HIDWAF account had a balance of over \$13 million. The Department of Finance subsequently made a temporary loan of \$10 million from that account to the General Fund to address the COVID pandemic.²⁸ There is currently approximately \$8 million in the HIDWAF.²⁹ Additionally, considering wells throughout the state that are likely orphaned and those that have the highest probability of becoming orphan wells, CCST estimates that the potential liability for the state is approximately \$528 million. CalGEM has also recently estimated that the potentially cost to plug and abandon approximately 5,356 currently known orphaned, deserted, and potentially deserted wells statewide is \$974 million.³⁰ The \$13 million that CalGEM has is just over 2% or 1%, respectively, of these two estimates of the funds needed to plug and abandon orphan/deserted wells throughout the state.

2.2.3 Insurance for Active Oil and Gas Operations

The County requires liability insurance of not less than \$500,000 for one person and \$1,000,000 for all persons and \$2,000,000 for property damage.³¹ The County can initiate legal proceedings to pursue compensation from any operator responsible for an accident that causes harm to public safety or the environment. However, this approach may not be successful in providing funds necessary for remediation because the impacts of a serious incident may render the responsible operator insolvent. In addition, the County would be required to provide the evidence to show an operator was responsible for the accident. One potential strategy is to transfer risk to a third party, through insurance requirements. Because insurers 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.

Some other southern California jurisdictions such as Culver City and Simi Valley require all operators of oil and gas wells to maintain general commercial liability insurance. Of particular note is the City of

²⁸ Office of Senate Floor Analyses. 2021-2022 Session. Senate Third Reading Packet. Wednesday, May 26, 2021. Available online at: https://sfa.senate.ca.gov/sites/sfa.senate.ca.gov/files/packet/trp_052621.pdf.

²⁹ CalGEM Oil and Gas State Abandonment Planning. PowerPoint presentation. April 6, 2022.

³⁰ *Ibid.*

³¹ NCZO - Sec. 8107-5.6.12 – Insurance and CZO Sec. 8175-5.7.8 – Oil Development and Operational Standards (I.)

Carson, which made significant revisions to its Municipal Code in 2016. Operators of each oil and gas drilling site in Carson are required to maintain liability policies that also name the City of Carson, its officers, officials, agents, and employees as additional insured entities. The specific insurance requirements are outlined in Table 10 below.

Table 10. City of Carson Insurance Requirements of Oil and Gas Well Operators

Insurance Type	Minimum Requirements	Notes
Bodily Injury and Property Damage	\$2 million per occurrence \$2.5 million in aggregate	Coverage must include premises, operations, blowout or explosion, products, completed operations, blanket contractual liability, underground property damage, underground reservoir (or resources) damage, broad form property damage, independent contractor’s protective liability and personal injury
Control of Well	\$40 million per occurrence Maximum deductible of \$500,000 per occurrence	Only applied during drilling or reworking of a well. Policy shall cover the cost of controlling a well that is out of control, drilling or restoration expenses, and seepage and pollution damage. May be reduced or waived upon finding that the operations will be confined to depths and formations within which there is no substantial risk of loss of well control.
Excess/Umbrella Liability	\$25 million	Provides excess coverage for each of the perils insured by the preceding liability insurance policies, except for underground reservoir (or resources) damage.
Environmental Impairment	\$2 million per occurrence \$2.5 million in aggregate	Coverage shall apply to sudden and accidental pollution conditions resulting from the escape or release of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids, oil and gas, waste material, or other irritants, contaminants or pollutants
Commercial Automobile Liability	\$1 million per occurrence	
Workers’ Compensation	\$1 million per occurrence	

Operators of oil and gas wells located in the County are not currently required to maintain insurance policies with provisions for liability other than property or personal injury, such as accidents from well blowouts, oil/chemical spills, or groundwater contamination, all of which are addressed by the City of Carson and are incorporated by reference into these insurance level considerations.

The County has determined the four following insurance types are appropriate to require from oil and gas operators and are reflected in the ordinance amendments:

- General Liability for Oil & Gas Businesses: General Liability, with at least \$2,000,000 each occurrence and \$4,000,000 general aggregate.
- Control of Well: Control of Well insurance (initial drill or well modification) coverage with a minimum of \$10,000,000 per occurrence; it is designed to cover cost of controlling a well that is out of control, drilling or restoration expenses, and seepage and pollution damage.
- Environmental Impairment: Pollution Liability Policy with coverage not less than \$10,000,000.
- Excess (or umbrella) Liability Insurance: Providing excess coverage for each of the perils insured by the preceding insurance policies with a minimum of \$25,000,000.

2.3 Measures addressing long-term idle wells and coordination with CalGEM to prioritize wells for closure

CalGEM is mandated by the California Laws for the Conservation of Petroleum and Gas (Division 3, starting with Chapter 1, starting with Section 3000) and CCR Title 14, Division 2, Chapters 2 and 4 to supervise the drilling, operation, maintenance and abandonment of oil, gas, and geothermal wells within California. CCR Title 14 Chapter 4, Article 3, Section 1723 – Plugging and Abandonment describes requirements for plugging and abandonment and inspection of plugging and abandonment operations.

Under AB 2729, CalGEM instituted a new program that requires an operator to file an Idle Well Management Plan, which outlines the operator’s plan to manage and eliminate (i.e., either plug and abandon or bring back into production) their idle wells. The Idle Well Management Plan must specify that operators will eliminate their long-term idle wells as follows: operators with 250 or fewer idle wells must eliminate 4% of their long-term idle wells each year, operators with 251 to 1,250 idle wells must eliminate 5% each year, and operators with more than 1,250 idle wells must eliminate 6% each year.

The Idle Well Management Plan is a new instrument to reduce the number of long-term idle wells in the state, and so far, the majority of operators with these plans have been plugging and abandoning wells in compliance with AB 2729. However, the specified rate would still allow an operator to have wells legally idle for greater than 15 years. In addition, an operator’s Idle Well Management Plan applies to their entire portfolio of long-term idle wells across the state. Accordingly, an operator may concentrate on plugging and abandoning wells outside of Ventura County, leaving Ventura County wells for last. There are currently 2,267 idle wells in Ventura County, of which 1,520 are LTIW.³² Of these, 1,275 have been idle for 15 years or more.

³² CalGEM. 2022. 2022 IWMP Inventory. Includes only wells that were idle on January 1, 2022. Available online: <https://filerequest.conservation.ca.gov/RequestFile/2843955>. Accessed June 14, 2022.

The County is proposing a “Long-Term Idle Well Supplement Surety” that would require that operators provide a supplemental bond of \$15,000 for each well that has been idle for longer than 15 years, not to exceed a total cost of \$5M for any one operator. Such funds, as well as the proceeds for the Well Abandonment sureties, to the extent any such sureties are forfeited and the proceeds collected by the County, would be held in trust by the County and used for the sole purpose of addressing the plugging and abandonment of the subject wells. Consequently, the County could contribute the funds to the State for the plugging and abandonment of the subject wells under the direction of CalGEM or could provide the funds to the property owner or other responsible party to fund the plugging and abandonment of the subject wells in accordance with State rules and requirements.

2.3.1 Recommendation that the County Intercede with CalGEM to Prioritize Prompt State Action on Well Abandonment in Ventura County

As a separate matter, the following outlines action the County can take to coordinate with CalGEM to prioritize plugging and abandonment of wells in the County. To do so, the County could commission a professional evaluation to identify Ventura County wells that have no reasonable expectation of being reactivated and thus require plugging and abandonment, as well as prioritize which wells should be plugged and abandoned first. This information would then be conveyed to CalGEM consistent with Public Resources Code Section 3206.5, which states the following:

- (a) Any city or county may request from the supervisor a list of all idle wells, as defined in subdivision (d) of Section 3008, within its jurisdiction.
- (b) After receiving the list from the supervisor, the city or county may identify idle wells identified pursuant to subdivision (a) within its jurisdiction which it has determined, based on a competent, professional evaluation, have no reasonable expectation of being reactivated, and formally request the supervisor to make a determination whether the wells should be plugged and abandoned.
- (c) Upon receiving the written request of a city or county, as specified in subdivision (b):
 - (1) The supervisor may, within 60 days of receiving a written request from a city or county, require the operator or operators to file a statement for each well outlining those reasons why the wells should not be plugged and abandoned.
 - (2) The supervisor shall, within 120 days of receiving a written request, make a determination as to whether any of these wells should be plugged and abandoned, pursuant to the criteria contained in this chapter.
- (d) Failure of the operator to file, for any well, the statement required under this section shall be conclusive evidence of desertion of the well, thereby permitting the supervisor to order the well abandoned. (Amended by Stats. 2017, Ch. 652, Sec. 3. (SB 724) Effective January 1, 2018.)

SECTION 3 Basis for Categorical Exemption from CEQA

The California Environmental Quality Act (CEQA) Guidelines Section 15300, et seq. (CCR, Title 14) provide a list of classes of projects that are exempt from CEQA. Two specific classes, Class 7 and Class 8, as well as the “common sense” statutory exemption apply to the NCZO amendments:

- CEQA Guidelines Section 15307 (i.e., Class 7) provides an exemption from environmental review for "actions taken by regulatory agencies as authorized by state law or local ordinance to assure the maintenance, restoration, or enhancement of a natural resource where the regulatory process involves procedures for protection of the environment. Examples include but are not limited to wildlife preservation activities of the State Department of Fish and Game. Construction activities are not included in this exemption."
- CEQA Guidelines Section 15308 (i.e., Class 8) provides an exemption from environmental review for "actions taken by regulatory agencies as authorized by state law or local ordinance to assure the maintenance, restoration, enhancement, or protection of the environment where the regulatory process involves procedures for protection of the environment. Construction activities and relaxation of standards allowing environmental degradation are not included in this exemption."

Class 7 and 8 Categorical Exemptions apply to the NCZO amendments for the following reasons:

- The County is proposing to exercise its regulatory powers for the purpose of protecting natural resources and the environment, and therefore meets the definition of a "regulatory agency".
- As discussed below in the No Significant Impacts section, the ordinances would maintain, enhance, or protect a natural resource and the environment.
- As discussed below in the No Exceptions Apply section, none of the exceptions to the use of these classes of Categorical Exemptions apply to the project.

While the NCZO amendments are categorically exempt under exemption Class 7 and Class 8, they also qualify for the general, common-sense exemption (CEQA Guidelines Section 15061(b)(3)). According to the State CEQA Guidelines, “Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA” [State CEQA Guidelines Section 15061(b)(3)]. The factual basis provided below in the No Significant Impacts section demonstrates that it can be seen with certainty that there is no possibility of a significant impact from the project on the environment. Therefore, the common-sense exemption also applies to the NCZO.

The proposed CZO amendments constitute an amendment to the County’s Local Coastal Program (LCP). Section 21080.9 of the Public Resources Code, which is part of CEQA, exempts local governments from preparing an environmental impact report or other CEQA document in connection with an amendment to an LCP. Instead, certification of an LCP amendment by the California Coastal Commission (Coastal Commission) is required and is subject to Coastal Commission review for compliance with the California Coastal Act of 1972. The Coastal Commission’s regulatory program for the preparation, approval and

certification of LCPs has been certified by the Natural Resources Agency under Public Resources Code Section 21080.5 as the functional equivalent of CEQA review.

The proposed ordinance text amendments would apply throughout unincorporated Ventura County, which encompasses approximately 1,593 square miles in southern California (Figure 2).

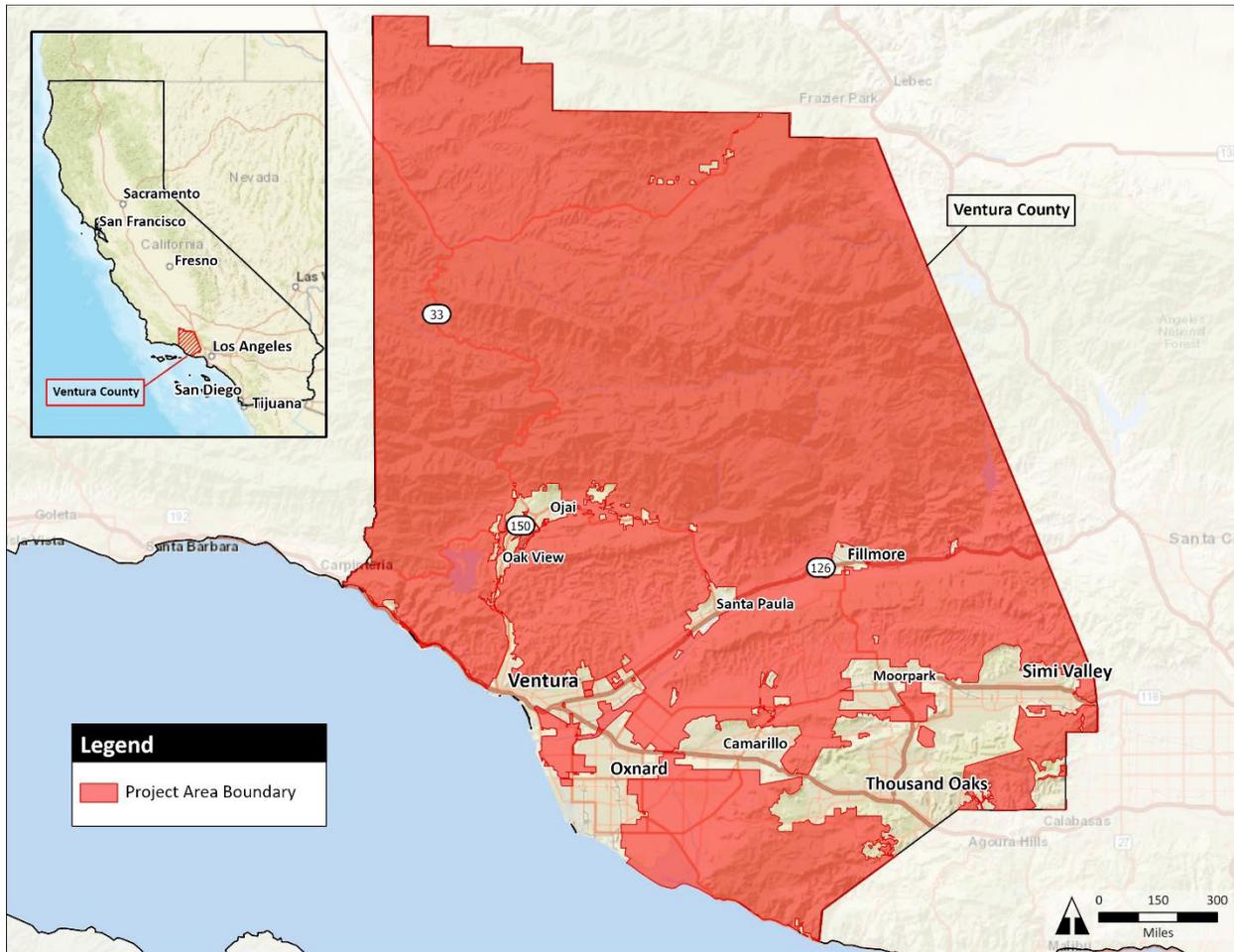


Figure 2. Ventura County

3.1 No Exceptions for Categorical Exemptions Apply

In applying the categorical exemptions, the County must consider if any exceptions apply, as defined in the CEQA Guidelines Section 15300.2 and summarized in the following:

1. The project site is environmentally sensitive as defined by the project's location. A project that is ordinarily insignificant in its impact on the environment may in a particularly sensitive environment be significant;
2. The project and successive projects of the same type in the same place will result in cumulative impacts;
3. There are "unusual circumstances" creating the reasonable possibility of significant effects;

4. The project may result in damage to scenic resources, including, but not limited to, trees, historic buildings, rock, outcroppings, or similar resources, within an officially designated scenic highway, except with respect to improvements required as mitigation for projects for which negative declarations or EIRs have been prepared;
5. The project is located on a site that the Department of Toxic Substances Control and the Secretary of the Environmental Protection have identified, pursuant to Government Code section 65962.5, as being affected by hazardous wastes or clean-up problems; or
6. The project may cause a substantial adverse change in the significance of an historical resource.

Each of the ordinance amendments is evaluated individually for exceptions in the following sections. As described, no exceptions apply to the ordinance text amendments, and therefore Class 7 and 8 are appropriate.

3.2 Ordinance Text Amendment 1: New and extended CUPs for oil and gas operations would be granted for a maximum duration of 15 years at a time, not including restoration activities.

3.2.1 Environmentally Sensitive Location

CEQA Guidelines Section 15300.2(a) state the following:

“(a) Location. Classes 3, 4, 5, 6, and 11 are qualified by consideration of where the project is to be located -- a project that is ordinarily insignificant in its impact on the environment may in a particularly sensitive environment be significant. These classes are considered to apply in all instances, except where the project may impact an environmental resource of hazardous or critical concern where designated, precisely mapped, and officially adopted pursuant to law by federal, state, or local agencies.”

The exception to categorical exemptions under CEQA Guidelines Section 15300.2(a) of projects in sensitive environments does not apply to the ordinance text amendment, because it does not apply to Class 7 and 8 categorical exemptions.

3.2.2 No Cumulative Impacts

CEQA Guidelines Section 15300.2(b) state the following:

“(b) Cumulative Impact. All exemptions for these classes are inapplicable when the cumulative impact of successive projects of the same type in the same place, over time is significant.”

The ordinance amendment does not relax standards for environmental protection but rather places a time limit on discretionary permits approved by the County. This allows the County to conduct a CEQA evaluation at the time of permit renewal to determine whether any new permit conditions are warranted. This provides for further protection of the environment from oil and gas operations that are currently allowed. The ordinance would not lead to significant impacts, and where there are impacts, they are beneficial. As such, a permit time limit would not have substantial adverse impact on the environment, cumulative or otherwise. Therefore, the exception to categorical exemptions under CEQA

Guidelines Section 15300.2(b) of successive projects of the same type in the same place over time does not apply to the project.

3.2.3 No Unusual Circumstances that lead to Significant Impacts

CEQA Guidelines Section 15300.2(c) state the following:

“(c) Significant Effect. A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.”

The ordinance amendment does not relax standards for environmental protection but rather places a time limit on discretionary permits approved by the County, which provides for further protection of the environment from oil and gas operations. The ordinance amendment would have potential beneficial impacts on air quality, energy, and greenhouse gases and no impacts on mineral resources as described below.

3.2.3.1 Air Quality

By placing a 15-year limit on new oil and gas CUPs, the County would be able to ensure that new oil and gas operations are conducted with the technology and in a manner that complies with any potentially updated federal, state, or local air quality standards. Therefore, any impacts to air quality would be beneficial.

3.2.3.2 Energy

By placing a 15-year limit on new oil and gas CUPs, the County would be able ensure that new oil and gas operations are conducted with the technology and in a manner that complies with any potentially new or updated energy standards. A 15-year CUP review cycle would ensure that new oil and gas projects do not contribute to wasteful, inefficient, or unnecessary consumption of energy. Therefore, any impacts to energy would be beneficial.

3.2.3.3 Greenhouse Gases

As recently published in the IPCC’s Climate Change 2021 report³³, increases in greenhouse gas (GHG) concentrations since 1750 are “unequivocally caused by human activities” and these increased concentrations are responsible for global temperature increases of 1.0°C to 2.0°C over the past 150 years and global warming of a further 1.5°C and 2°C “will be exceeded during the 21st century unless deep reductions in CO₂ and other greenhouse gas emissions occur in the coming decades”. The combustion of fossil fuels was responsible for about 86% ± 14% of human-caused CO₂ emissions over the past decade.

By placing a 15-year limit on new oil and gas CUPs, the County would be able to ensure that new oil and gas operations are conducted with the technology and in a manner that complies with any potentially new or updated federal, state, or local GHG emissions plans, policies, or regulations and avoids

³³ Intergovernmental Panel on Climate Change (IPCC). 2021. Climate Change 2021. The Physical Science Basis. Summary for Policymakers.

significant impacts to the environment. Therefore, any impacts to greenhouse gas emissions would be beneficial.

3.2.3.4 Mineral Resources

Placing a 15-year limit on new oil and gas CUPs would not limit the availability of a known mineral resource (i.e., oil and gas). It does not prevent the ability of an operator to apply for new CUPs for the same project after expiration of the previous CUP. It also does not prevent operators accessing oil and gas under existing CUPs from doing so. Besides a CUP time limit, no other changes to the permit application and approval process are proposed. Therefore, the proposed ordinance amendment does not prohibit access to nor limit the availability of oil and gas in Ventura County.

3.2.3.5 Other Resources Areas

The ordinance amendment would not alter the CUP approval process, the environmental evaluation that would be required prior to permit approval, or any environmental protection measures that would be required as part of the CUP approval. Therefore, the proposed ordinance amendment would have no impacts on the following resources:

- Aesthetics
- Agriculture and Forestry Resources
- Biological Resources
- Cultural Resources
- Geology and Soils
- Hazards and Hazardous Materials
- Hydrology/ Water Quality
- Land Use and Planning
- Noise
- Population and Housing
- Public Services
- Recreation
- Transportation
- Tribal Cultural Resources
- Utilities and Service Systems
- Wildfire

Therefore, there are no unusual circumstances that would lead to a significant impact due to the ordinance.

3.2.4 No damage to scenic resources

CEQA Guidelines Section 15300.2(d) state the following:

“(d) Scenic Highways. A categorical exemption shall not be used for a project which may result in damage to scenic resources, including but not limited to, trees, historic buildings, rock outcroppings, or similar resources, within a highway officially designated as a state scenic highway. This does not apply to improvements which are required as mitigation by an adopted negative declaration or certified EIR.”

Route 33 is an officially designated scenic highway in Ventura County³⁴. However, the proposed ordinance amendment would have no impact on scenic highways as it only places a time limit on new

³⁴ Caltrans. 2019. List of eligible and officially designated State Scenic Highways. Available at: <https://dot.ca.gov/programs/design/lap-landscape-architecture-and-community-livability/lap-liv-i-scenic-highways>

CUPs, it does not alter permit requirements or the necessary environmental evaluation that would be required prior to permit approval.

3.2.5 Not on a contaminated site

CEQA Guidelines Section 15300.2(e) state the following:

“(e) Hazardous Waste Sites. A categorical exemption shall not be used for a project located on a site, which is included on any list compiled pursuant to Section 65962.5 of the Government Code.”

The proposed ordinance amendment does not propose construction on "a site" and oil and gas sites are not hazardous waste sites on the Cortese list (Section 65962.5 of the Government Code). It also does not alter the current CUP approval process that would be required for a new oil and gas operation on a hazardous waste site. Therefore, there would be no impacts on hazardous waste sites.

3.2.6 No impacts on historical resources

CEQA Guidelines Section 15300.2(f) state the following:

“(f) Historical Resources. A categorical exemption shall not be used for a project, which may cause a substantial adverse change in the significance of a historical resource.”

The proposed ordinance amendment does not modify current protections for historical resources in the County and does not alter the approval and environmental review process that would be required of new oil and gas CUPs. Therefore, there would be no impacts on historical resources.

3.3 Ordinance Text Amendment #2: The amount of the oil and gas permit compliance/site restoration surety and insurance shall be increased.

3.3.1 Environmentally Sensitive Location

CEQA Guidelines Section 15300.2(a) state the following:

“(a) Location. Classes 3, 4, 5, 6, and 11 are qualified by consideration of where the project is to be located -- a project that is ordinarily insignificant in its impact on the environment may in a particularly sensitive environment be significant. These classes are considered to apply in all instances, except where the project may impact an environmental resource of hazardous or critical concern where designated, precisely mapped, and officially adopted pursuant to law by federal, state, or local agencies.”

The exception to categorical exemptions under CEQA Guidelines Section 15300.2(a) of projects in sensitive environments does not apply to the ordinance amendment, because it does not apply to Class 7 and 8 categorical exemptions.

3.3.2 No Cumulative Impacts

CEQA Guidelines Section 15300.2(b) state the following:

“(b) Cumulative Impact. All exemptions for these classes are inapplicable when the cumulative impact of successive projects of the same type in the same place, over time is significant.”

The ordinance amendment does not alter standards for environmental protection but rather creates a new surety/bonding requirement for oil and gas operations. The ordinance would not lead to significant impacts, and where there are impacts, they are beneficial. Creating a new surety/bonding requirement would better incentivize operators to operate safely and to complete their remediation obligations when operations cease and would provide sufficient funding if they fail to do so, thus providing greater protection to the environment. As such, an increased surety requirement would not have substantial adverse impact on the environment, cumulative or otherwise. Therefore the exception to categorical exemptions under CEQA Guidelines Section 15300.2(b) of successive projects of the same type in the same place over time does not apply to the project.

3.3.3 No Unusual Circumstances

CEQA Guidelines Section 15300.2(c) state the following:

“(c) Significant Effect. A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.”

The ordinance amendment does not alter environmental protection standards currently in place by the County but rather increases surety/bonding and insurance amounts for oil and gas operations. Creating a new surety/bonding requirement would better incentivize operators to operate safely and to complete their remediation obligations when operations cease and would provide sufficient funding if they fail to do so, thus providing greater protection to the environment. Further, as set forth more fully below, there is no evidence that any unusual circumstances exist such that there may be a reasonable possibility that the activity will have a significant effect on the environment.

3.3.3.1 Air Quality, Greenhouse Gases, Biological Resources, Hazards and Hazardous Materials, and Hydrology/Water Quality

By increasing the amount of surety required for oil and gas wells, it would better incentivize operators to operate safely and to complete their remediation obligations when operations cease and would provide sufficient funding if they fail to do so, thus providing greater protection to the environment. In addition, there would be greater financial resources with which to respond to permit noncompliance of operators of active wells that could result in hazardous air emissions, increased GHG emissions, environmental contamination that could contaminate ground and/or surface water and adversely affect biological resources and human health. It would also provide more financial resources with which to assist the state in responding to environmental contamination from idle or orphan wells. Increased insurance requirements would provide for greater protection of the environment and human health and safety in the case of accidental releases that could adversely affect air quality, ground and/or surface water quality and adversely affect biological resources and human health.

Therefore, increased bonding and insurance would have a beneficial impact on these resources.

3.3.3.2 Mineral Resources

Increased surety and insurance requirements for oil and gas wells would not limit the availability of a known mineral resource (i.e., oil and gas). The proposed amendment also would not require operators

of active CUPs to alter their operations as it does not amend environmental compliance requirements for existing or future CUPs. Therefore, the proposed ordinance amendment does not prohibit access to nor limit the availability of oil and gas in Ventura County.

3.3.3.3 Other Resources Areas

The ordinance amendment would not alter the permitting and operational requirements of oil and gas wells in the County. Therefore, the proposed ordinance amendment would have no impacts on the following resources:

- Aesthetics
- Agriculture and Forestry Resources
- Cultural Resources
- Geology and Soils
- Land Use and Planning
- Noise
- Population and Housing
- Public Services
- Recreation
- Transportation
- Tribal Cultural Resources
- Utilities and Service Systems
- Wildfire

Therefore, there are no unusual circumstances that would lead to a significant impact due to the project.

3.3.4 No damage to scenic resources

CEQA Guidelines Section 15300.2(d) state the following:

“(d) Scenic Highways. A categorical exemption shall not be used for a project which may result in damage to scenic resources, including but not limited to, trees, historic buildings, rock outcroppings, or similar resources, within a highway officially designated as a state scenic highway. This does not apply to improvements which are required as mitigation by an adopted negative declaration or certified EIR.”

Route 33 is an officially designated scenic highway in Ventura County. However, the proposed ordinance amendment would have no impact on scenic highways or resources as it does not alter permit conditions or change the way that oil and gas operations in the county are carried out.

3.3.5 Not on a contaminated site

CEQA Guidelines Section 15300.2(e) state the following:

“(e) Hazardous Waste Sites. A categorical exemption shall not be used for a project located on a site, which is included on any list compiled pursuant to Section 65962.5 of the Government Code.”

The proposed ordinance amendment does not propose construction on "a site" and oil and gas sites are not hazardous waste sites on the Cortese list (Section 65962.5 of the Government Code). It also does not alter the current CUP approval process that would be required for a new oil and gas operation on a hazardous waste site. Therefore, there would be no impacts on hazardous waste sites.

3.3.6 No impacts on historical resources

CEQA Guidelines Section 15300.2(f) state the following:

“(f) Historical Resources. A categorical exemption shall not be used for a project, which may cause a substantial adverse change in the significance of a historical resource.”

The proposed ordinance amendment does not modify current protections for historical resources in the County. Therefore, there would be no impacts on historical resources.

3.4 Ordinance Text Amendment #3: Measures addressing long-term idle wells.

3.4.1 Environmentally Sensitive Location

CEQA Guidelines Section 15300.2(a) state the following:

“(a) Location. Classes 3, 4, 5, 6, and 11 are qualified by consideration of where the project is to be located -- a project that is ordinarily insignificant in its impact on the environment may in a particularly sensitive environment be significant. These classes are considered to apply in all instances, except where the project may impact an environmental resource of hazardous or critical concern where designated, precisely mapped, and officially adopted pursuant to law by federal, state, or local agencies.”

The exception to categorical exemptions under CEQA Guidelines Section 15300.2(a) of projects in sensitive environments does not apply to the ordinance amendment, because it does not apply to Class 7 and 8 categorical exemptions.

3.4.2 No Cumulative Impacts

CEQA Guidelines Section 15300.2(b) state the following:

“(b) Cumulative Impact. All exemptions for these classes are inapplicable when the cumulative impact of successive projects of the same type in the same place, over time is significant.”

The ordinance amendment does not alter standards for environmental protection but rather creates a new surety/bonding requirement for oil and gas wells that have been idle for longer than 15 years. Creating a new surety/bonding requirement for oil and gas wells that have been idle longer than 15 years provides greater financial resources with which to assist the state in plugging and abandonment in the event that these long term idle wells become orphan wells, and thus serves to provide greater protection for the environment and public health against risks posed by idle wells. The ordinance would not lead to significant impacts, and where there are impacts, they are beneficial. As such, the surety requirement would not have substantial adverse impact on the environment, cumulative or otherwise. Therefore the exception to categorical exemptions under CEQA Guidelines Section 15300.2(b) of successive projects of the same type in the same place over time does not apply to the project.

3.4.3 No Unusual Circumstances

CEQA Guidelines Section 15300.2(c) state the following:

“(c) Significant Effect. A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.”

The ordinance amendment does not alter environmental protection standards currently in place by the County but rather creates a new surety/bonding requirement for oil and gas wells that have been idle for longer than 15 years. Creating a new surety/bonding requirement for oil and gas wells that have been idle longer than 15 years provides greater financial resources with which to assist the state in plugging and abandonment in the event that these long term idle wells become orphan wells, and thus serves to provide greater protection for the environment and public health against risks posed by idle wells. Further, as set forth more fully below, there is no evidence that any unusual circumstances exist such that there may be a reasonable possibility that the activity will have a significant effect on the environment.

3.4.3.1 Air Quality, Greenhouse Gases, Biological Resources, Hazards and Hazardous Materials, and Hydrology/Water Quality

Idle wells pose various risks to the environment and public health, including the potential contamination of groundwater and surface water resources from improperly maintained casings as well as methane and other volatile organic compound leakage. An additional surety for wells that have been idle for 15 years or more provides greater financial resources with which to assist the state in plugging and abandonment in the event that these long term idle wells become orphan wells, and thus serves to provide greater protection for the environment and public health against risks posed by idle wells. Therefore, there would be beneficial impacts to air quality, GHGs, biological resources, hazards and hazardous materials, and hydrology/water quality.

3.4.3.2 Mineral Resources

A new surety requirement for oil and gas wells that have been idle for longer than 15 years would not limit the availability of a known mineral resource (i.e., oil and gas). By definition, these wells are not producing oil and gas. The surety does not prevent an operator from bringing these wells back into production nor does it require operators of active CUPs to alter the operations of their active wells as it does not amend environmental compliance requirements for existing or future CUPs. Therefore, the proposed ordinance amendment does not prohibit access to nor limit the availability of oil and gas in Ventura County.

3.4.3.3 Other Resources Areas

The proposed ordinance text amendment would have no impacts on the following resources:

- Aesthetics
- Agriculture and Forestry Resources
- Cultural Resources
- Geology and Soils
- Land Use and Planning
- Noise
- Population and Housing
- Public Services

- Recreation
- Transportation
- Tribal Cultural Resources
- Utilities and Service Systems
- Wildfire

Therefore, there are no unusual circumstances that would lead to a significant impact due to the project.

3.4.4 No damage to scenic resources

CEQA Guidelines Section 15300.2(d) state the following:

“(d) Scenic Highways. A categorical exemption shall not be used for a project which may result in damage to scenic resources, including but not limited to, trees, historic buildings, rock outcroppings, or similar resources, within a highway officially designated as a state scenic highway. This does not apply to improvements which are required as mitigation by an adopted negative declaration or certified EIR.”

Route 33 is an officially designated scenic highway in Ventura County. However, the proposed ordinance amendment would have no impact on scenic highways or resources as it does not alter permit conditions or change the way that oil and gas operations in the county are carried out.

3.4.5 Not on a contaminated site

CEQA Guidelines Section 15300.2(e) state the following:

“(e) Hazardous Waste Sites. A categorical exemption shall not be used for a project located on a site, which is included on any list compiled pursuant to Section 65962.5 of the Government Code.”

The proposed ordinance amendment does not propose construction on "a site" and oil and gas sites are not hazardous waste sites on the Cortese list (Section 65962.5 of the Government Code). It does not alter the current CUP approval process that would be required for a new oil and gas operation on a hazardous waste site nor does it alter plugging and abandonment requirements for idle wells. Therefore, there would be no impacts on hazardous waste sites.

3.4.6 No impacts on historical resources

CEQA Guidelines Section 15300.2(f) state the following:

“(f) Historical Resources. A categorical exemption shall not be used for a project, which may cause a substantial adverse change in the significance of a historical resource.”

The proposed ordinance amendment does not modify current protections for historical resources in the County. Therefore, there would be no impacts on historical resources.

SECTION 4 Conclusion

As set forth above, the NCZO ordinance amendments are exempt under the above-cited classifications and can be appropriately determined to be categorically exempt from CEQA pursuant to CEQA Guidelines 15307 (Class 7), 15308 (Class 8), and 15061(b)(3) (common sense).

SECTION 5 Glossary

Deserted Well – a well that is no longer producing and the operator of which has failed to comply with idle well or other requirements or has failed to respond to inquiries and requests from CalGEM. These wells may be orphan wells, but CalGEM has not yet made a determination of the financial solvency of the current operator or any other party responsible for plugging the well under Public Resources Code Section 3237.

Hazardous well - an oil and gas well determined by the CalGEM supervisor to be a potential danger to life, health, or natural resources and for which there is no operator determined by the supervisor to be responsible for its plugging and abandonment under Section 3237 (Public Resources Code Section 3251).

Idle Well - any well that for a period of 24 consecutive months has not either produced oil or natural gas, produced water to be used in production stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection (Pub. Resources Code, § 3008, subd. (d)).

Long-term Idle Well - any well that has been an idle well for eight or more years (Pub. Resources Code, § 3008, subd. (e)).

Orphan Well - a well for which there is no known responsible operator or no financially viable operator capable of plugging and decommissioning the wells.

Plugging and Abandonment – when an oil and gas well is no longer producing, the procedure of permanently sealing the well with a cement plug to isolate the hydrocarbon-bearing formation from water sources and prevent leakage to the surface.

Surety - an agreement between three groups, the principal conducting the work (operator), the obligee to whom money is owed if obligations are not met (the County or State), and a surety bond company (surety).