

Ventura County Planning Commission

Public Hearing to Consider and Make Recommendations
to the Board of Supervisors Regarding Amendments to
the Non-Coastal Zoning Ordinance (PL21-0099) and
Coastal Zoning Ordinance (PL21-0100) Related to
Permit Terms, Surety and Insurance Requirements for Oil
and Gas Operations



Resource Management Agency, Planning Division
Shelley Sussman, Planning Manager
General Plan Implementation Section
July 28, 2022

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Project History

November 10, 2020 - Board of Supervisors (BOS or Board) direction:

- (1) Limit new discretionary permits for oil and gas operations to 15 years;
- (2) Increase the amount of compliance/site restoration surety and insurance from what is currently required by County ordinance; and
- (3) Incorporate measures to assure the timely permanent plugging and restoration of oil and gas wells that have been idle for 15 years or more.

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County of Ventura
Planning Commission Hearing
Case Nos. PL21-0099 and PL21-0100
Exhibit 1 - Planning Division Staff PowerPoint
presented on July 28, 2022

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Important Terms and Definitions

Wells: All wells utilized for oil and gas exploration and production purposes, including but not limited to exploration, production, injection, and observation wells.

Active wells: Drilled, completed, and in use.

Idle wells: Have not produced oil or gas for 24 consecutive months or more.

Long-term idle wells (LTIW): Have been idle for eight years or more.

Deserted wells: Identified by CalGEM for operator failure to pay required idle wells fees or failure to respond to a plug and abandonment order.

Orphan wells: Formally identified by CalGEM as having no financially viable operator of record either due to an operator's bankruptcy and/or decision to relinquish a lease without complying with the requirement to properly plug and abandon the well(s).

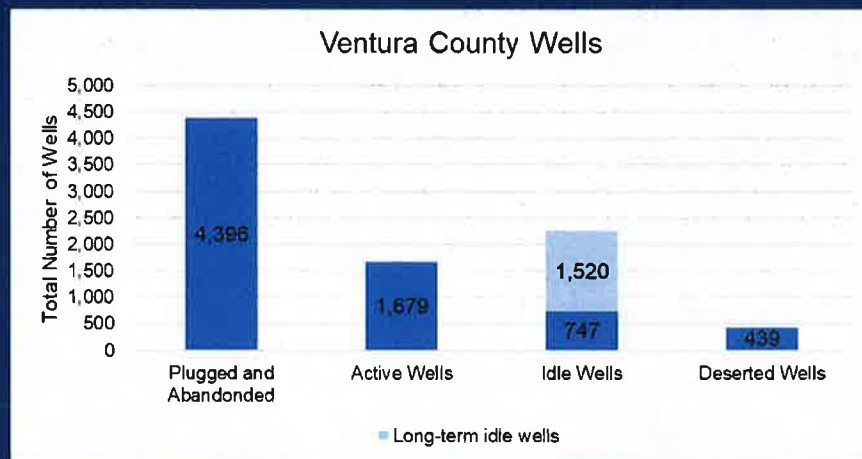
Plugged and Abandoned wells: Permanently sealed and closed pursuant to regulatory standards.

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Oil and Gas Wells in Ventura County

There are 8,690 oil and gas wells in Ventura County – 91% are in unincorporated county



All well data obtained from publicly available CalGEM data

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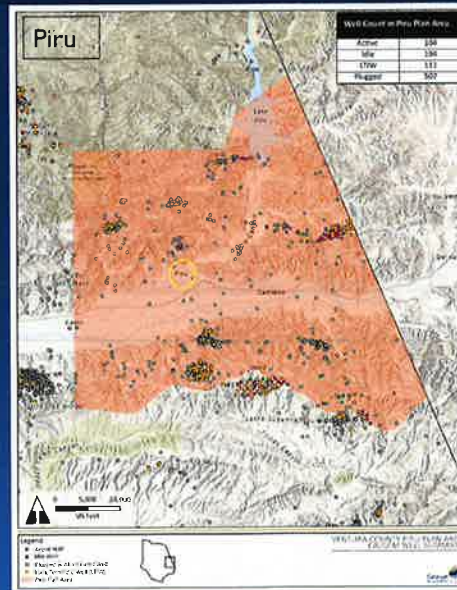
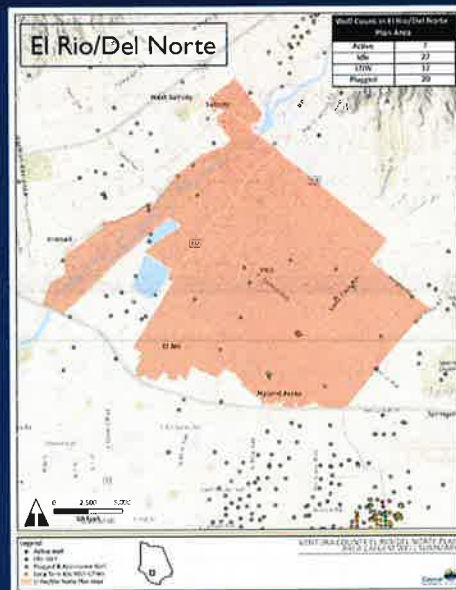
Oil and Gas Wells in Ventura County



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Wells in Designated Disadvantaged Communities



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Limit new discretionary permits to 15 years

Board direction: Limit the term of new discretionary oil and gas permits to 15 years except for permits and approvals issued for post-closure activities

- **Proposed Conditional Use Permit (CUP) duration (Sections 8107-5.4; 8175-5.7.5):**
 - Maximum 15-year permit duration for new or modified CUPs
 - Allows for subsequent CUP renewal terms of up to 15 years
 - Permit time limit does not apply to “antiquated” permits
- **Current CUP duration:** None specified; CUPs range from 10-30 years

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Sureties

- **Current surety requirement:** Not less than \$10,000 for each well **OR** \$10,000 for all operations
- **Proposed sureties (8107-5.6.5; 8175-5.7.8)**
 - (1) Surface restoration surety
 - (2) Well plugging and abandonment surety
 - (3) Supplemental surety for wells that have been idle for at least 15 years (“Long-term Idle Well Supplemental Surety”)
- Amount based on number of active and/or idle wells in the county
- Sureties would be released after all regulatory requirements for proper well abandonment and site restoration have been met

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County Authority to Modify Surety Requirements

The County has the legal authority (police powers) to impose new financial security obligations on existing operations without violating operators' property rights because these requirements:

- (a) Don't alter or impair ability to produce oil and conduct operations under existing CUPs;
- (b) Protect public health and safety by helping avoid environmental harm and nuisances from occurring later based on failure to comply with preexisting legal requirements;
- (c) Do not expand the County's powers; County can already modify an existing permit to protect the public health and safety and to prevent a public nuisance (NCZO Section 8111-6.2 and CZO Section 8181-10.1)

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Increased Surety – Proposed Surface Restoration Surety

- Fund surface restoration if the operator does not fulfill these requirements at the end of operations (e.g., demolition, removal of structures and site remediation)
- Amount based on estimated cost to decommission a "typical" 10-well site incl. one large fluids tank, one medium oil tank, one large water tank, and one flare (~\$186K)

Infrastructure Type	Unit	Abandonment Cost/Unit (\$)
Wells	\$/Well	10,000
Oil and 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

Estimated unit costs provided by Catalyst
Partial Unit Cost Table - Exhibit 6

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Increased Surety – Oilfield Surface Infrastructure



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Increased Surety – Proposed Surface Restoration Surety

Total Number of Active/Idle Wells per Operator	Number of Operators in County	Proposed Surface Restoration Surety Surety cost = 2-4% of Surety amount
1-5	8	\$100,000 (cost: \$2-4k annually)
6-10	4	\$185,000
11-20	4	\$300,000
21-50	5	\$500,000 (cost: \$10-20k annually)
51-100	1	\$1 million
101-200	0	\$3 million
201-400	0	\$5 million
≥401	3	\$10 million (cost: \$200-400k annually)

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Increased Surety – Proposed Well Abandonment Surety

- State lacks adequate resources to properly and timely plug and abandon orphaned wells.
- Helps address negative impacts to the environment, human health and safety, and the potential impairment of subsequent use or redevelopment of the affected land.

Well Count Details

- 439 Deserted Wells
- 2,267 Idle Wells
- 1,520 LTIW (8 years or more)
Approximately 73% of all LTIW are operated by CalNRG, Aera Energy LLC, and Carbon California, LLC

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Increased Surety - Proposed Well Abandonment Surety

Staff Recommendation for Well Abandonment Surety:

- \$36,000 per well (active and idle), not to exceed \$5,000,000
- Approximately 25% of estimated plugging and abandonment costs

Estimated Plugging and Abandonment Costs:

- Based on CalGEM payments to contractors to plug and abandon 50 orphaned wells throughout the state
 - Costs averaged approximately \$143,300 per well
 - Wide range of costs based on location, age, depth of well

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Proposed Long-Term Idle Well Abandonment Supplemental Surety

- **Staff Recommendation:** \$15,000 for each 15+ LTIW, not to exceed a total cost of \$5M for any one operator
- There are 1,275 15+ LTIW in Ventura County
- CalGEM has exclusive statutory authority over timing and implementation of plugging and abandonment work
- Potential risks of older idle wells may include:
 - degraded well casings that allow oil or gas to leak;
 - contaminated soils from small spills or other wastes;
 - methane leaks

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Estimated Costs to Plug & Abandon Ventura County Idle Wells

Well Types	Number of Wells	Percentage of wells requiring closure (likely not returned to production) ^	Total number of wells requiring closure	Total Estimated Closure Cost (based on \$143,300/well)
Idle Wells	747	70%	523	\$74.9 million
Long Term Idle Wells	1,520	80%	1,216	\$174.2 million
Deserted Wells	439	100%	439	\$62.9 million

^Chance of returning to production based on estimates provided by California Council of Science and Technology 2018 study

Total number of Idle Wells = 2,267; deserted wells are subset of idle well total

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State Bonding and Plugging and Abandonment Funds

- CalGEM Bond Requirements – Per well or Blanket bond
- Operators pay State Idle Well Fees or file Idle Well Management Plan
- Idle Well Fees paid into Hazardous and Idle-Deserted Well Abandonment Fund (HIDWAF); used by CalGEM to plug and abandon orphan wells.
 - Fund Balance: \$8M
- State administrative fund from which \$5M can be spent annually by CalGEM to plug and abandon orphaned wells

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State Bonding and Plugging and Abandonment Costs

- CalGEM Cost Estimate - \$974M to plug and abandon currently known orphaned, deserted, and potentially deserted wells statewide (~ 5,300 wells).
- The \$13M in the HIDWAF and administrative fund represents just over one percent of what CalGEM estimates it will cost to properly plug and abandon currently known orphaned and deserted wells.

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Increased Insurance Requirements

- **Current Insurance Requirements:**
 - Liability insurance of \$500,000 for one person and \$1,000,000 for all persons
 - \$2,000,000 for property damage
- **Proposed Insurance Requirements:**
 - **General Liability for Oil & Gas Businesses:** General Liability, with at least \$2,000,000 each occurrence and \$4,000,000 general aggregate
 - **Environmental Impairment:** Pollution Liability Policy with coverage not less than \$10,000,000
 - **Control of Well:** (initial drill or well modification) coverage of a minimum of \$10,000,000 per occurrence
 - **Excess (or umbrella) Liability Insurance:** providing excess coverage for each of the perils insured by the preceding insurance policies with a minimum limit of \$25,000,000

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Summary of Increased Surety and Insurance Requirements

Financial Assurance Mechanisms	Amount	Estimated Cost to Operator
Surface Restoration Surety	\$100k - \$10 million Depending on size of operation	2-4 percent of bond amount
Well Abandonment Surety	\$36,000 per well; not to exceed \$5 million per operator	2-4 percent of bond amount
Long Term Idle Well Abandonment Supplement Surety	\$15,000 for 15-year+ idle wells; not to exceed \$5 million per operator	2-4 percent of bond amount
Insurance Coverages	<ul style="list-style-type: none"> - General Liability - \$2M each occurrence; \$4M general aggregate - Environmental Impairment - \$10M - Control of Well - \$10M - Excess (umbrella) Liability - \$25M 	Coverage costs based on size and complexity of operation, financial position of operator.

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Coordination with CalGEM to Prioritize Wells for Closure

CalGEM is working to establish risk-based screening criteria to identify high-priority wells for plugging and abandoning statewide.

Staff Recommendation:

- County should commission a professional evaluation to identify Ventura County wells that have no reasonable expectation of being reactivated – prioritize these wells for plugging and abandonment
- Share information and local prioritization with CalGEM - formally request the [CalGEM] supervisor to determine whether the wells should be plugged and abandoned.

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CEQA Categorical Exemption - NCZO

The NCZO amendments are categorically exempt from CEQA under Class 7, Class 8, and Common-sense exemptions

The County must consider if any exceptions apply (CEQA Guidelines, Section 15300.2):

- There are no "unusual circumstances" creating the reasonable possibility of significant effects
 - Beneficial impacts to Air Quality, Greenhouse Gases, Biological Resources, Hazards and Hazardous Materials, and Hydrology/Water Quality
 - Do not limit the availability of Mineral Resources

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CEQA - CZO

The Coastal Commission's regulatory program for the preparation, approval and certification of LCPs has been certified by the Natural Resources Agency under PRC Section 21080.5 as the functional equivalent of CEQA review.

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Public Noticing & Public Comments

Public noticing

- Legal advertisement providing notice of this public hearing in the Ventura County Star on July 15, 2022, and in Spanish in Vida on July 14, 2022
- A project web page (in English and Spanish) was available 3 weeks prior to Planning Commission hearing (July 8, 2022) and provided access to proposed ordinances
- The web page included detailed bilingual Frequently Asked Questions
- E-mail notification of the hearing to 1,265 stakeholders on July 8, 2022

Public comments as of July 27 at 3:30 p.m. ~ 300 comments

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Recommended Actions

1. **CERTIFY** that the Commission has reviewed and considered this staff report and all exhibits hereto, and has considered all other materials and public comments received during the public comment and hearing processes.
2. **ADOPT** a resolution (Exhibit 1) recommending that the Board of Supervisors take the following actions regarding the proposed amendments to the NCZO and CZO.
 - a. **CERTIFY** that the Board has reviewed and considered the Board letter and all exhibits hereto, the Planning Commission staff report and all exhibits thereto, and has considered all other materials and public comments received during the public comment and hearing;
 - b. **FIND** that the adoption of the proposed ordinance amending the Ventura County Non-Coastal Zoning Ordinance (Exhibit 3) is exempt from CEQA section 15061(b)(3) because it can be seen with certainty that there is no possibility the project may cause a significant effect on the environment ; **FIND** that because the project consists of regulations intended to benefit natural resources and the environment, it is also categorically exempt from CEQA pursuant to CEQA Guidelines sections 15307 and 15308; **FIND** that no substantial evidence exists precluding the use of the above categorical exemptions based on the presence of unusual circumstances or any other exception set forth in CEQA Guidelines section 15300.2; and **FIND** that adoption of the proposed ordinance amending the Ventura County Coastal Zoning Ordinance (Exhibit 4) is statutorily exempt from CEQA pursuant to Public Resources Code section 21080.9 as an amendment to the County's Local Coastal Program;

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Recommended Actions

- c. **FIND** that the proposed ordinance amending the Ventura County Non-Coastal Zoning Ordinance (Exhibit 3) is consistent with the goals, policies and programs of the Ventura County General Plan and good planning practices and is in the interest of public health, safety and general welfare;
- d. **FIND** that the proposed ordinance amending the Ventura County Coastal Zoning Ordinance (Exhibit 4) is consistent with the goals, policies and programs of the Ventura County General Plan, the Ventura County Coastal Area Plan, the Coastal Act (Exhibit 7) and good planning practices, and is in the interest of public health, safety and general welfare;
- e. **ADOPT** the proposed ordinances amending the Ventura County Non-Coastal Zoning Ordinance (Exhibit 3) and Coastal Zoning Ordinance (Exhibit 4);
3. **DIRECT** Planning Division staff, pursuant to Public Resources Code section 3206.5, to commission a professional evaluation to identify and prioritize Ventura County wells that should be plugged and abandoned, (i.e., those that have "no reasonable expectation of being reactivated"). This evaluation would be provided to the supervisor of CalGEM for a formal determination and identification of wells that should be plugged and abandoned in Ventura County.
4. **SPECIFY** the Clerk of the Board of Supervisors at 800 S.Victoria Avenue, Ventura, CA 93009 as the location and custodian of the documents and materials that constitute the record of proceedings upon which these decisions are based.

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Questions of County Staff and Consultant

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