



City of Culver City

Mike Balkman Council
Chambers
9770 Culver Blvd.
Culver City, CA 90232

Staff Report

File #: 22-361, **Version:** 1

Item #: PH-1.

CC - (1) PUBLIC HEARING: Reintroduction of an Ordinance Approving Zoning Code Amendment P2021-0036-ZCA, Amending Culver City Municipal Code Title 17: Zoning Code, Section 17.610.010.D - Nonconforming Oil Use, to Terminate Nonconforming Oil and Gas Uses by November 24, 2026; and (2) Direction to the Subcommittee and City Staff as Deemed Appropriate.

Meeting Date: October 18, 2021

Contact Person/Dept: Heather Baker, Assistant City Attorney;
Melanie Doran Traxler, Contract Project Manager

Phone Number: (310) 253-5660
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Fiscal Impact: Yes ☐ No ☒

General Fund: Yes ☐ No ☒

Public Hearing: ☒

Action Item: ☐

Attachments: ☐

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council 10/07/2021, 10/11/2021), Culver City News and Events (10/07/2021, 10/11/2021), Stay Informed - Inglewood Oil Field (10/07/2021, 10/11/2021); Stay Informed - Sustainability and Environmental Issues 10/07/2021, 10/11/2021), Sentinel Peak Resources (10/07/2021, 10/11/2021); and (Mail) Inglewood Oil Field Property Owners (10/07/2021).

Department Approval: Carol Schwab (10/11/2021)

RECOMMENDATION

Staff recommends the City Council (1) reintroduce an Ordinance approving Zoning Code Amendment P2021-0036-ZCA, amending Culver City Municipal Code ("CCMC") Title 17: Zoning Code ("Zoning Code"), Section 17.610.010.D, Nonconforming Oil Use, to terminate nonconforming oil and gas uses by November 24, 2026 ("Oil Termination Ordinance" or "Ordinance"); and (2) provide other direction to the Subcommittee and City staff, as deemed appropriate.

PROCEDURE

1. The Mayor seeks a motion to receive and file the affidavit of mailing and posting of public

notice.

2. The Mayor calls on staff for a brief staff report and the City Council poses questions to staff as desired.
3. The Mayor seeks a motion to open the public hearing and the City Council receives public comment.
4. The Mayor seeks a motion to close the public hearing after all testimony has been presented.
5. The City Council discusses the matter and arrives at its decision.

BACKGROUND

Oil drilling within Culver City ("City") was first established during the 1920s within the current 78-acre land and surface facilities for the Inglewood Oil Field located within City boundaries ("City IOF"). For at least the last 60 years, oil and gas uses have been prohibited throughout the City, including within the City IOF, by the Culver City Municipal Code ("CCMC"). Because oil and gas activities remaining today were established prior to the time those activities were prohibited, such previously established oil and gas uses have been allowed to continue operation as a nonconforming use (per CCMC Section 17.610.010.D) when compliant with the provisions of CCMC Chapter 11.12, Oil, Gas and Hydrocarbons.

After decades' culmination of periodic operational issues and growing concern for the health, safety and general welfare of the Culver City community and residents, the City Council, at its June 20, 2018, Special Meeting, based on a recommendation from the City Council Oil Drilling Subcommittee (Subcommittee), requested staff to proceed with an informational study outlining options for addressing the potential amortization and termination of nonconforming oil-related activities.

At a Public Hearing held June 17, 2021, following almost three years of study, evaluation and public engagement, the City Council introduced an Ordinance approving Zoning Code Amendment (P2021-0036-ZCA), amending Zoning Code Section 17.610.010.D, Nonconforming Oil Use, to terminate nonconforming oil and gas uses.

Summary of June 17, 2021 Report and Council Action

City Council Action Taken to Proceed with Ordinance

At the June 17, 2021, Special Meeting, the City Council took two actions related to the proposed Ordinance and Zoning Code Amendment. The first action was a motion that the City Council move forward with negotiations with the City IOF Operator, Sentinel Peak Resources, LLC, ("SPR"). The motion was approved by a vote of 4 - 0, with 1 abstention.

A second motion was approved by a vote of 4 - 1 to: (1) introduce an Ordinance approving Zoning Code Amendment P2021-0036-ZCA, amending Zoning Code Section 17.610.010.D, Nonconforming Oil Use, to terminate nonconforming oil and gas uses by July 28, 2026; and (2) provide direction to City staff to work with the Subcommittee, as needed, on the following items:

1. Study and return to City Council with a fee resolution establishing an appropriate "Termination Fee".
2. Evaluate and return to City Council with recommendations and a resolution establishing appropriate insurance and bond requirements.

3. Initiate coordination with CalGEM to review the status of long-term idle wells within the City and prioritize and determine appropriate action as can be facilitated through CalGEM's Idle Well Program (which can be separate and independent from the Ordinance requirements).
4. Initiate coordination with CalGEM to document baseline conditions, including the number and status of all existing wells, by developing a current and complete list of all nonconforming oil and gas uses within the City, which are subject to termination under the Ordinance.
5. Seek CalGEM's guidance and assistance to coordinate and facilitate the timely termination of nonconforming oil and gas uses within the City.
6. Continue research into other "just transition" issues that may complement and facilitate implementation of the Ordinance.
7. Initiate coordination with CalGEM to review safety considerations, assess compliance and arrange to monitor the integrity of plugged wells, including previously and pending future plugged wells, within the City corporate limit and provide recommendations for City Council consideration, as appropriate.
8. Address compliance and enforcement for ongoing operations under provisions of Chapter 11.12.

Intent to Terminate Nonconforming Oil Uses over a Five-Year Phase-Out Period

The June 17th hearing reaffirmed the City Council's intent to terminate nonconforming oil uses over a five-year, phase-out period. At its meeting of October 26, 2020, the City Council adopted Resolution No. 2020-R100 declaring its intent to evaluate the establishment of an approximate five-year phase-out period for the termination of nonconforming oil and gas uses within the City, with emphasis on phase-out of the active oil and gas uses located within the City IOF, which is the only remaining area within the City where nonconforming oil and gas activities have continued.

The decision to change this situation came about because of escalating concern for the public health, welfare and safety of the community and the issues associated with incompatibility of oil drilling in urban areas. A five-year phase-out would offer a reasonable time period for the City IOF Operator to wind down oil production activities, schedule appropriate resources for the plugging of nonconforming oil wells, remove associated surface facilities, restore the oil use premises and secure requisite bonding prior to initiating any decommissioning work.

Amortization of Original Capital Investment Has Been Achieved

Amortization of the original capital investment in oil uses is one factor of many that were evaluated by the City while considering options for potential termination or phase-out of nonconforming oil uses. The *Capital Investment Amortization Study for the Culver City Portion of the Inglewood Oil Field* ("ACI Study") completed by Baker & O'Brien in May 2020, concluded that a return on the original investment of capital was accomplished years ago. Further, the ACI Study analyzed a second scenario for comparison purposes substituting SPR's acquisition investment to acquire the City IOF in 2017 as a proxy for original capital investment and concluded that amortization would be achieved within approximately four years, or approximately by the end of 2020.

Since release of the ACI Study, numerous written technical comments have been submitted to the City. Review and evaluation of those comments provides no evidence nor raises any substantial issues that change the conclusions of the ACI Study, which remain valid and relevant. The ACI Study concluded that amortization of original capital investment occurred within five years and thus

amortization had already been achieved many years ago. Response to technical comments received on the ACI Study are addressed in more detail in the Discussion section of the report below.

Termination of Nonconforming Oil Uses Realizes Many Benefits

The City's decision to terminate the nonconforming oil uses over a five-year period is supported by knowledge that elimination of nonconforming oil uses would affect the community in a range of beneficial ways. Specifically, termination of nonconforming oil uses and removal of all active and potentially active wells would:

- improve land use consistency and compatibility between the obsolete oil activities and other surrounding residential and community uses.
- improve the City's ability to implement the goals, objectives, and policies of the General Plan for the affected areas because it will resolve a nonconforming land use that is a barrier to accomplishing those goals.
- enhance public health, safety and welfare, and protection of the environment by eliminating and safely removing aged and outdated infrastructure that is vulnerable to failure and poses a threat to public safety and the environment and by minimizing exposure to risk of upset arising from oil and gas facilities due to seismic events.
- result in a long-term net reduction in greenhouse gas ("GHG") emissions, benefiting goals to reduce and manage emissions that affect climate change and facilitate the City's compliance with State-mandated Climate Action requirements, including a State-wide trend and local desire to shift away from fossil-fuels in support of cleaner, renewable energy sources.
- incrementally reduce the air pollutant burden for local communities proximate to the IOF and reduce the regional contribution of smog-forming emissions as well as the contribution to global GHGs and climate change.
- embrace State-wide trends and mandates that include plans to transition to clean, renewable energy by 2045 and to reduce reliance on fossil-fuels and vehicles that utilize fossil-fuels by 2035.
- bring stability to the City's efforts to provide operational oversight to a land use situation that brings growing concern created through a lack of continuity resulting from a successive change of oil field operators, as experienced in recent history, that may have led to limited interest to invest in operational programs that would achieve compliance with Culver City standards and compatibility with community uses.
- include the ability for the City to manage its resources more efficiently by minimizing unproductive use of City staff and financial resources spent toward enforcement of regulations applicable to the City IOF and undesirable and nonconforming oil uses.

Summary of Sentinel Peak Resources Communications with the City

At the June 17, 2021 public hearing, the City Council received a request from the current City IOF Operator, SPR, asking that any immediate action affecting the City IOF be paused to enable the City IOF Operator and City decision-makers to engage in a dialogue to explore alternatives to the proposed Ordinance that might mutually serve all parties. The City Council authorized Mayor Alex Fisch and staff to engage in exploratory conversations if initiated by SPR. As a result, the City made itself available to meet with SPR and any other stakeholders.

More specifically, in correspondence submitted for the June 17th meeting, SPR requested to "work

amicably with the City in good faith, assuming the City agrees to do the same, to come to a resolution on the future of the [City IOF] that is outside the context of amortization but achieves the goals of the City and its constituents in addition to the goals of Sentinel Peak.” Also, SPR explained that it “has had significant success in resolving oil and gas disagreements with government officials in other jurisdictions, including the City of Los Angeles, working with government officials to move forward to achieve local goals.”

During June and July, the City engaged in several brief discussions with SPR and/or its representative to provide the opportunity for SPR to present possible alternatives to the Oil Termination Ordinance that would satisfy each parties’ respective goals. Ultimately, no immediately feasible options emerged during those discussions.

In short, from the City’s perspective, SPR’s request appeared to be untimely in light of the history and stage of the City’s process and SPR failed to present any specific proposals or alternatives. In addition, it was not evident to the City how SPR’s vague approaches would be feasible or consistent with and successfully achieve the City’s stated objectives. No further discussion has occurred since July. As a result, the City’s path to terminate nonconforming oil uses remains unchanged.

Summary of Public Comments Received

At the June 2021 hearing, the City Council received substantial community input, including written comments, addressing the proposed Ordinance and the future of the City IOF. In general, a majority of the public comments expressed support for the proposed Ordinance, with a smaller number of comments submitted by other parties (e.g., land owners, leaseholders, etc.) generally in opposition to the Ordinance, which included criticism as to the technical merits of the Ordinance, the City’s process related to the Ordinance and/or the scope of the City’s authority. Specifically, comments provided by SPR included a letter with multiple attachments from its legal representative presenting its opposition to the City’s proposed action and citing various grounds for the City Council to consider as asserted bases to reject the Ordinance.

City staff has reviewed all comments and considered how they might apply to the currently proposed Oil Termination Ordinance. Some of the issues raised by comments are addressed in the Discussion section of the report below. Other comments are acknowledged and reflected in refinements, clarifications and adjustments made to the previously introduced Ordinance, including the text of the Zoning Code Amendment.

DISCUSSION

Overview of Ordinance to Terminate Nonconforming Oil and Gas Uses

The Oil Termination Ordinance was initially introduced by the City Council following a public hearing on June 17, 2021. City staff has incorporated adjustments to the Oil Termination Ordinance (**Attachment 1**), after considering all comments. These modifications necessitate the reintroduction of the Oil Termination Ordinance at a new public hearing.

The overall objective and intent, to terminate and remove nonconforming oil uses within the City limits within a five-year period, remains unchanged. The modified Oil Termination Ordinance will

amend the provisions under the Zoning Code for nonconforming oil uses to clearly establish that oil and gas uses are to be phased out and must be fully terminated by November 24, 2026. Modifications made to the Ordinance since June 2021 are intended primarily to improve clarity as to the applicability, administration, and implementation of the Oil Termination Ordinance. Particular attention was given to reinforce the relationship and role of the California Department of Conservation's Geologic Energy Management Division ["CalGEM," formerly known as the Division of Oil, Gas, and Geothermal Resources ("DOGGR")] in context of the Zoning Code Amendment. A summary of the provisions of the Oil Termination Ordinance is provided below.

The five-year phase-out timeframe for the termination process accommodates three stages, each targeting certain expectations to be performed by no later than a specified date, as follows:

- **November 24, 2021 - Prohibit New or Expanded Oil and Gas Activity:** Immediately upon the effective date of the Oil Termination Ordinance, November 24, 2021, no new or expanded oil and gas activity such as drilling of new wells, redrilling or deepening of existing wells, or the erection or installation of any derrick, structure, facilities or equipment related to oil and gas production, excepting those existing oil and gas operations as described in the Zoning Code Amendment or as required to facilitate termination of the nonconforming oil uses, shall be allowed within the "Oil Use Premises", as defined in the Zoning Code Amendment. This deadline ensures that there will be no expansion of the existing oil use facilities.
- **November 24, 2022 - Establish Program and Schedule Detailing Plan for Removal:** Within one year from the effective date of the Oil Termination Ordinance, by no later than November 24, 2022, each Operator of a nonconforming oil use shall submit a Termination Program and Schedule demonstrating how compliance with the Oil Termination Ordinance shall be accomplished and fully completed by November 24, 2026. The Program shall detail and demonstrate how and when all applicable oil and gas facilities will be plugged or removed and the Oil Use Premises remediated, restored and revegetated to as near a natural state as practicable, as required under the Ordinance, in a manner consistent with California Statutes and Regulations overseen by CalGEM, and in strict accordance with all other applicable local, state and federal laws, regulations, rules and standards. This date provides for a one-year allowance as a reasonable time period for the Operator to develop a thoughtful plan for compliance and initiate steps to attain required funding, permits, equipment, staffing, insurance and bonding. The plan must be reviewed and approved by the Community Development Director.
- **November 24, 2026 - Terminate and Remove Nonconforming Oil Uses:** Approximately five years from the effective date of the Oil Termination Ordinance, by no later than November 24, 2026, all nonconforming oil uses and associated facilities shall be terminated, and the Oil Use Premises remediated, restored and revegetated to as near a natural state as practicable, as required under the Oil Termination Ordinance. This date provides an overall five-year period for each Operator to develop a plan, retain appropriate reviews and approvals, and implement a plan to fully terminate the nonconforming oil uses. The five-year phase out period was based on the specific and existing conditions for the City IOF, which has approximately 41 active and potentially active wells, certain surface facilities and at least 28 previously plugged wells. Other Oil Use Premises within the City limits may not exist and, in the event any are identified as nonconforming oil uses subject to compliance with the Oil Termination Ordinance, they are expected to involve limited facilities, and thus would be able to comply within the five-year

compliance deadline. A five-year phase-out period would allow for a reasonable timeframe during which the logistics necessary to decommission the City IOF, and any other identified nonconforming well sites within the City, can be accommodated and accomplished in a safe and secure manner, coordinated and balanced with the urgent concerns and objectives under the Oil Termination Ordinance.

The Oil Termination Ordinance also provides for the following administrative features:

- Applicable City-Wide - The Oil Termination Ordinance covers all oil and gas wells city-wide, but emphasis is on the City IOF, which is the only known location having active or potentially active wells and continuing nonconforming oil uses.
- Quarterly Progress Reports - Following review and approval by the Community Development Director of the Termination Program and Schedule submitted by each Operator, quarterly progress updates shall be provided to the Director by the Operator. The intent of the periodic progress reports is to demonstrate that the approved Termination Program is moving forward at pace that demonstrates the capability to achieve compliance within the required Schedule.
- Performance Secured Through Bonds and Insurance - Bond requirements will be set to guarantee faithful performance of all elements necessary to comply with the termination and restoration requirements under the Oil Termination Ordinance. Insurance requirements will be set to adequately address potential liability, such as due to possible operational upset during the termination and removal process. Bond and insurance requirements will be established by resolution of the City Council at a future meeting.
- Termination Fee - A termination fee (per well) will be required to recover the City's reasonable costs associated with review of the Termination Program and Schedule and subsequent monitoring and inspection of the Oil Use Premises. Fees will be established by resolution of the City Council at a future meeting.
- Continued Oversight of Interim Activities - Until all nonconforming oil uses are completely terminated in accordance with the Oil Termination Ordinance, all oil use activities and operations continuing in the interim shall be conducted in compliance with provisions of CCMC Chapter 11.12 to the extent that such provisions are not inconsistent with the Oil Termination Ordinance.

Consistent with California Statutes and Regulations, the modified Oil Termination Ordinance reinforces the applicability of regulations and requirements overseen by CalGEM with emphasis on those set forth in California Code of Regulations, Title 14 (Natural Resources), Division 2 (Department of Conservation), Chapter 4 (Development, Regulation, and Conservation of Oil and Gas Resources), Article 3 (Requirements), Section 1775 (Oilfield Wastes and Refuse) and Section 1776 (Well Site and Lease Restoration). It is expected that a collaborative role between the City and CalGEM will be established for implementing the Oil Termination Ordinance. The Oil Termination Ordinance reflects the City's authority to retain land use control over the location of oil and gas facilities and the timing for termination and removal of nonconforming oil uses under the Oil Termination Ordinance while recognizing CalGEM's customary and established role, regulatory authority and expertise in regulating all down-hole aspects and in supervising and overseeing surface activities related to the plugging and removal of oil and gas facilities under established procedures.

Amortization and Achievement of ACI Reaffirmed

Several public comments received by the City raised questions about the ACI Study. In addition, detailed comments presented by SPR introduced new data and information.

The ACI Study was released publicly in May 2020 and presented, reviewed and discussed at public meetings held June 4, 2020 (by the Subcommittee) and August 13, 2020 (held by the City Council). During that period, two comment letters in particular specifically addressed technical aspects of the ACI Study. In response, Baker & O'Brien prepared a Memorandum (First Response), dated June 8, 2021, to address those written technical comments and clarify the analysis and conclusions of the ACI Study. That First Response Memorandum was attached to the June 17, 2021 staff report and concluded that none of the written comments provided evidence or raised issues that changed the conclusions of the ACI Study, which remain valid and relevant.

On June 17, 2021, SPR delivered, through its legal representative, additional technical comments ("SPR Comments") addressing the merits of the ACI Study. Those technical comments were reviewed and evaluated, and the results and conclusions of that evaluation are discussed in a second Memorandum ("Second Response"), dated October 8, 2021, prepared by Baker & O'Brien (*Attachment 2*).

As demonstrated in the Second Response, none of the issues raised by the SPR Comments change the original conclusions of the ACI Study. In summary, the SPR Comments include certain erroneous assumptions as to methodology that are inappropriate for income analysis used to determine amortization of original capital investment. Specifically, the SPR Comments present an analysis targeted at defining the value of the City IOF to SPR rather than addressing the time to achieve ACI of the City IOF, as was evaluated in the ACI Study. Despite these flaws, the SPR Comments confirm the key conclusions of the ACI Study: 1) that an original capital investment in an oil and gas development achieves ACI within five years; and 2) that the time to achieve ACI does not change significantly when the assumptions that were provided in the SPR Comments are substituted into the income model and methodology used for the ACI Study.

To the extent that the SPR Comments provide new information about the City IOF that was not previously available, Baker & O'Brien found that such information generally validates the publicly-available historical information utilized in the ACI Study. The SPR Comments confirm that the information and assumptions used in the ACI Study are reasonable and, when properly applied, validate the time to achieve ACI for original capital investment as determined by the ACI Study prepared in May 2020.

Updated Oil Operations Status

Information presented in the June 17, 2021 City Council hearing staff report/presentation reflected the status of known well locations within the City limits as of May 1, 2021. Per CalGEM, well status at that time indicated:

Historically, oil drilling has occurred throughout Culver City. However, the greatest concentration of oil and gas activity is found within the vicinity of the City IOF. The City IOF refers to an approximate 78-acre area that lies within the City corporate limit and is

located easterly of the Jefferson Boulevard and the Culver City Park, southerly of the Blair Hills neighborhood and the Stoneview Nature Center, and west of La Cienega Boulevard. As of May 1, 2021, there were approximately 41 active or potentially active wells and an estimated 28 previously plugged wells located within the City IOF. SPR is the current Operator for wells located within the City IOF. An additional 70 previously plugged or abandoned wells are located throughout the City area outside of the City IOF. Previously plugged wells located outside of the City IOF are maintained by a variety of Operators. No active or potentially active wells are anticipated to be located outside of the City IOF. However, oil well data available from the CalGEM public portal as of May 1, 2021 indicates three potential “idle” wells located on properties that are developed with other uses. These three wells, which are non-operational and capped, are likely previously plugged, pending verification from CalGEM.

Within the City IOF, the 41 active or potentially active wells are comprised of 31 producing wells and 10 water flooding injection wells. As of May 1, 2021, the status of approximately 14 of the 41 wells were listed by CalGEM as “idle”. An idle well is any well that has not either produced oil, natural gas or produced or been used for injection of produced water (for production stimulation, enhanced oil recovery or reservoir pressure management) for a period of 24 consecutive months. The number of idle wells in May 2021 was an increase from only five idle wells documented in the City IOF in 2015.

A review of the well status obtained from the CalGEM public portal as of October 1, 2021, indicates that currently, of the total 41 active or potentially active wells, there are as many as 21 idle wells within the City IOF (**Attachment 3**). This is a substantial increase in the number of idle wells since the number reported by CalGEM in May (from 14 to 21), which appears to indicate that for at least two years, SPR has substantially reduced oil production operations within the City IOF.

In addition, the CalGEM public portal indicates, as of October 1, 2021, a total of five wells (up from three) located outside of the City IOF and on properties that are developed with other uses are potential “idle” wells. The addition of these two idle wells, which were indicated as plugged per May 2020 CalGEM records, is likely the result of CalGEM's ongoing audit of well records to verify status. Regardless, all five wells, which are non-operational and capped, are likely previously plugged, pending final verification by CalGEM.

The active or idle status of wells can change over time, with idle wells being returned to active use or active wells placed idle for periods of time. A well that has not been plugged in accordance with the State Statutes and Regulations is considered to be active or potentially active by the City. The number and status of all existing wells throughout the City would be confirmed in coordination with CalGEM as an initial step towards implementation of the Oil Termination Ordinance.

Technical Evidence of Public Health, Safety and Welfare Concerns

The proposed Oil Termination Ordinance was initiated, in part, as result of public concerns that nearby ongoing oil and gas activity is adversely affecting the public health, safety, welfare and quality of life for existing residents and businesses. This is demonstrated by technical studies and other expanding evidence that highlight concerns due to drilling activity located within close proximity to developed communities, particularly in urbanized areas, and the detriment to public health and

safety, as well as potential environmental consequences. Some samples of the technical evidence in the form of articles, reports, and studies that have been considered by the City during its evaluation of amortization and the potential termination of nonconforming oil uses located within the City are provided in **Attachment 4**.

Recent Local Oil Field Incidents

The proposed Oil Termination Ordinance was initiated, in part, as result of public concerns that aged and outdated infrastructure common to wells located within the City IOF is vulnerable to failure and poses a threat to public safety and the environment. Such concerns are not limited to aged and outdated infrastructure, as human error and equipment failure are also concerns. A growing list of incidents both within the IOF and within oil and gas facilities located throughout the Los Angeles region support this concern.

Recent documented incidents within the City IOF include:

- ***Brush Fire***: On October 3, 2021, the Culver City Fire Department (“CCFD”) responded to a reported smell of smoke in the area of Stoneview Drive to find a small, one-quarter acre brush fire within the City IOF. CCFD assessed the fire to be fed by medium fuel and moving uphill with a slow rate of spread. One vacant structure was threatened at the time of the fire. Spread of the fire was quickly halted. This fire was determined to have originated on the east facing slope, in between the structure and fire road, approximately three feet up the slope from the road. Although the fire’s specific ignition source is undetermined, it appears to have originated in an area of dried, medium brush.
- ***Leash Lane Flow Line Leak***: On April 1, 2019, there was an oil-water leak located along Leash Lane in the vicinity of The Bone Yard (Dog Park) within Culver City Park. The leak originated from the “Block 31” oil well, which is located within a fenced area atop a knoll within the City Park and along the east edge of Leash Lane. The oil-water leak traveled down the north hillside slope and traveled along the curb/gutter down Leash Lane in the direction of Duquesne Avenue and Jefferson Boulevard. The leaked fluids, which did not discharge to the La Ballona Creek, were quickly contained and cleaned up by the IOF Operator. The source of the leak was determined to be from a ruptured two-inch diameter pipe flowline. The cause of the rupture remains unknown but was likely due to a high impact puncture from an unknown source. The total spill of production water and crude oil is estimated to be 504 gallons having an oil to water yield percent ratio of approximately 1.5% (i.e., the equivalent of eight gallons of oil to 496 gallons of produced water).

Recent documented incidents within the County portion of the IOF include:

- ***E&B Pipeline Open-Valve Leak***: On April 6, 2021, a pipeline located within the IOF near the Kenneth Hahn State Recreation Area leaked more than 1,600 gallons of oil due to human error when a valve was accidentally left open. E&B Natural Resources, the company that operates the pipeline, handled the cleanup. The release of oil was contained onsite within secondary containment facilities that serve as a built-in safety measure to catch accidental spills.
- ***Stocker Line Leak***: On March 27, 2020, a line leak was identified near the intersection of Stocker Street and Fairfax Avenue. Approximately five barrels of produced water flowed off the IOF, following the curb of Stocker Street and reentering the field boundary a short distance downslope. The leak was quickly isolated, cleanup was completed, and the line restored. The

cause of the leak was due to external corrosion at the point of a minor defect (referred to as “holiday”) in the external pipe coating that resulted in a pinhole and resultant leak.

- ***BC Tank Flow Failure Spill:*** On November 22, 2018, approximately 630 gallons (15 barrels) of oil/water mixture spilled over a 15 to 20 minute time frame from a storage tank located near the IOF offices at Fairfax Avenue. The spill occurred when a tank overflowed due to the failure of the tank level controller. The overflow spilled into the secondary containment area. Odor complaints were received from as far as 3,100 feet away from the spill. Computer modeling used to estimate impacts indicate that odor threshold levels were exceeded as far as 4,900 feet from the spill and health index thresholds, due to the release of benzene, toluene, xylene, hydrocarbons and H₂S gases, were exceeded as far as 4,100 feet from the spill. Exposure was characterized as short-term, but acute. The Ladera Heights neighborhood located east of the IOF and downwind from the spill was most heavily impacted from the tank spill and release of odors and vapors.

Feasibility of Five-Year Phase Out Affirmed by City of Los Angeles Example

The Oil Termination Ordinance is based on an approximate five-year phase-out period to allow for a reasonable timeframe during which the logistics necessary to decommission the City IOF in a safe and secure manner can be coordinated and balanced. The five-year phase-out period seeks to reasonably expedite the termination and removal of all nonconforming oil uses while balancing considerations key to the protection of the public health, safety and welfare and the environment, and to accommodate important logistical issues that will help to ensure a thoughtful implementation plan.

City evaluation of multiple factors related to the termination of nonconforming oil uses supports that five years is a reasonable and appropriate time to plug at least 41 wells within the City IOF and complete the dismantling and removal of all surface facilities associated with the nonconforming oil use, including storage tanks, above-ground pipelines, equipment, debris and other physical operational components, the plugging/capping of subsurface pipelines and the remediation, restoration and revegetation of those areas of the Oil Use Premises affected by the plugging and removal activities to as near a natural state as practicable.

Such time frame is supported by a closure program for SPR’s Jefferson Drill Site located within the City of Los Angeles for which at least 36 oil and injection wells are scheduled for termination and closure over a 36-month period between 2019 and 2021 (extended due to the COVID-19 pandemic). The Sentinel Peak Resources, LLP, Las Cienegas Field Jefferson Drill Site Abandonment Plan (the “Jefferson Site Abandonment Plan”), prepared by SPR for CalGEM, dated July 12, 2019, (***Attachment 5***), illustrates that closure of wells at a pace of approximately 12 wells annually is a reasonable and feasible expectation for closure of a drill site comparable in size to the City IOF. Preparation of the Jefferson Site Abandonment Plan is the result of SPR negotiations with the City of Los Angeles during 2019 and is related to the City’s review of the status of Plan Approval No. 5 (PA5) addressing the approval and conditions tied to operation of the Jefferson Drill Site. Ultimately, SPR chose to voluntarily agree to close down the Jefferson Drill Site and initiated abandonment procedures through CalGEM in 2019. The closure of the Jefferson Drill Site was approved by the City of Los Angeles in May 2019.

ENVIRONMENTAL REVIEW

The adoption of the proposed Oil Termination Ordinance, including the approval of the Zoning Code Amendment, is a discretionary action by the City Council, and therefore, subject to consideration under the California Environmental Quality Act (CEQA). Pursuant to CEQA and the CEQA Guidelines, it has been determined that the Oil Termination Ordinance project is exempt from CEQA, including without limitation, requirements for CEQA review, pursuant to exemptions applicable to the Oil Termination Ordinance project under CEQA Guidelines Section 15061(b), including but not limited to the “common sense” exemption under CEQA Guidelines Section 15061(b)(3) and the following categorical exemption classes under CEQA Guidelines Section 15061(b)(2): Class 1 - Existing Facilities (CEQA Guidelines Section 15301), Class 4 - Alterations to Land (CEQA Guidelines Section 15304) and Class 8 - Actions by Regulatory Agencies for the Protection of the Environment (CEQA Guidelines Section 15308).

In connection with making the determination as to whether the Oil Termination Ordinance is exempt from CEQA, City staff evaluated the potential for environmental effects associated with the termination of nonconforming oil uses under the Oil Termination Ordinance project and evaluated the applicability of certain exemptions to the Oil Termination Ordinance project in the following documents: (1) CEQA Exemption Review (the “Exemption Review”) and (2) Categorical Exemption Environmental Checklist for the Ordinance to Terminate Nonconforming Oil and Gas Uses (the “Checklist”) (collectively, **Attachment 6**). The City’s determination that the Oil Termination Ordinance is exempt from CEQA is based, in part, on the attached Exemption Review and Checklist.

In fact, due to the long-term cessation of oil use operations within the City, the Oil Termination Ordinance project will result in beneficial effects that would promote protection of the environment. Such benefits include, but are not limited to:

- Improved land use consistency and compatibility between oil production areas, such as the City IOF, and other surrounding community uses;
- As to air quality, incremental reductions in air pollutants locally and assisting the region in meeting clean air goals, and as to climate change, incremental reductions in the State’s contribution to GHG emissions;
- Improved visual character and aesthetics by restoration of the areas of the Oil Use Premises affected by plugging and removal activities to as near a natural state as practicable; and
- Enhanced public health, welfare and safety, and protection of the environment by eliminating and safely removing aged and outdated infrastructure that is vulnerable to failure and poses a threat to public safety and to the environment.

FISCAL ANALYSIS

Implementation of the Oil Termination Ordinance will require oversight and inspections by City staff and the Director’s review of Termination Program and Schedule documents, which are required to be submitted by the Operator(s) by November 24, 2022. As a result, implementation of the Oil Termination Ordinance will require allocation of budget and staff resources to facilitate such review. At the June 17, 2021 meeting, the City Council directed City staff to study and return to City Council with a fee resolution establishing an appropriate “Termination Fee” that reflects the City’s reasonable costs for an expanded staff role under the Oil Termination Ordinance. A fee resolution will be presented to City Council for consideration at a future meeting.

ATTACHMENTS

1. 2021-10-18_ATT 1_Proposed Oil Termination Ordinance
2. 2021-10-18_ATT 2_Baker & O'Brien Memorandum II
3. 2021-10-18_ATT 3_Maps of Oil Well Locations in Culver City
4. 2021-10-18_ATT 4_Health Studies and Reports Considered for Oil Termination Ordinance
5. 2021-10-18_ATT 5_La Cienegas Field Jefferson Drill Site Abandonment Plan
6. 2021-10-18_ATT 6_CEQA Exemption Review and Environmental Checklist

MOTIONS

That the City Council:

1. Reintroduce an Ordinance approving Zoning Code Amendment P2021-0036-ZCA, amending Culver City Municipal Code Title 17: Zoning Code, Section 17,610.010.D - Nonconforming Oil Use, to Terminate Nonconforming Oil and Gas Uses by November 24, 2026; and
2. Provide other direction to the Oil Drilling Subcommittee and City staff, as deemed appropriate.