File #: 16-859, **Version:** 1

CC - (1) Discussion and Consideration of a Temporary Hold on the Inglewood Oil Field Specific Plan Project and Related Environmental Impact Report for the Purpose of Considering a Request from the New Inglewood Oil Field Operator, Sentinel Peak Resources, to Participate in the Specific Plan Process as a Project Applicant; and (2) Direction to City Staff as Deemed Appropriate.

Meeting Date: April 17, 2017

Contact Person/Dept: Heather Baker, Assistant City Attorney; Melanie Doran Traxler, Inglewood Oil Field Specific Plan Project Manager

Phone Number: (310) 253-5660; (818) 248-7158

Fiscal Impact: Yes [] No [X] **General Fund:** Yes [] No [X]

Public Hearing: [] **Action Item:** [X] **Attachments:** []

Commission Action Required: Yes [] No [X]

Public Notification: (E-Mail) Meetings and Agendas - City Council (03/28/17, 04/06/17 and 04/11/17), Culver City News and Events (03/28/17, 04/06/17 and 04/11/17), Stay Informed - Inglewood Oil Field (03/28/17, 04/06/17 and 04/11/17); Stay Informed - Sustainability and Environmental Issues (03/28/17, 04/06/17 and 04/11/17), Sentinel Peak Resources (03/28/17, 04/06/17 and 04/11/17); and (Mail) Inglewood Oil Field Property Owners (03/29/17); (Publication) Culver City News (04/13/17).

Department Approval: Carol Schwab (04/07/17)

RECOMMENDATION

The City Council Oil Drilling Subcommittee, consisting of Mayor Jim Clarke and Council Member Meghan Sahli-Wells ("Subcommittee") and City staff recommend the City Council:

1. Discuss and consider a temporary hold on the Inglewood Oil Field Specific Plan Project and related Environmental Impact Report in order to consider a request from the new Inglewood Oil Field operator, Sentinel Peak Resources, to participate in the Specific Plan process as a project applicant (Attachment 1). (Such discussion includes the evaluation of options related to the processing of the Draft Inglewood Oil Field Specific Plan and related Draft Environmental Impact Report); and
2. Provide direction to City staff as deemed appropriate.

PROCESS

The following suggested process has been provided for City Council's reference and consideration:

1. Opening remarks from Subcommittee;
2. Brief staff report (recommended time allotment - 10 minutes);
3. Brief presentation by SPR (recommended time allotment - 10-15 minutes);
4. Questions to staff and SPR from City Council;
5. Public participation/comments (time allotment to be determined by the Mayor);
6. Final remarks/recommendations from Subcommittee; and
7. City Council discussion and direction to staff.

BACKGROUND

Brief History

The entire surface boundary limits of the Inglewood Oil Field (IOF), including lands within both the City and County, totaled approximately 1,000 acres as of 2008. The portion of the IOF that is solely within the limits of Culver City ("City IOF") totals 77.8-acres. (Surface boundary limit refers to the physical extent of the ground surface for which the Oil Field Operator has access and land owner permission to establish and conduct oil drilling activity. Subsurface and mineral rights limits may have different boundaries than the surface boundary.)

Following a series of accidental gas release and odor events in late 2005 and early 2006, community and City interest in the IOF activities peaked and the County of Los Angeles initiated the process of establishing regulations for oil and gas production activities within the unincorporated County portion of the IOF (the "County IOF"). In October 2008, the Los Angeles County Board of Supervisors adopted the Baldwin Hills Community Standards District (County CSD), which established the oil and gas regulations for approximately 900 acres of the County IOF, and related Environmental Impact Report (CSD EIR). The County CSD regulations were supplemented through a Settlement Agreement resulting from subsequent litigation, challenging the adequacy of the CSD EIR under the California Environmental Quality Act (CEQA), and only are applicable to the County IOF.

Following the County process and litigation settlement, the City of Culver City initiated the process of establishing more robust regulation for oil and gas production activities within the City IOF, with the intent of replacing the existing regulations set forth Chapter 11.12 of the Culver City Municipal Code (under the existing regulations, any new drilling permit is a discretionary action and would require a complete environmental review prior to issuance of a permit). In April 2013, Culver City released to the public the *Discussion Draft Oil Drilling Regulations for the Culver City Portion of the Inglewood Oil Field* (the "Draft Drilling Regulations"). Following an informal public review and comment period, the City Council adopted (in June 2014) a resolution declaring its intention to initiate preparation of the Inglewood Oil Field Specific Plan for the City IOF (the "Draft Specific Plan"). Although the provisions of the Draft Drilling Regulations and Draft Specific Plan are unique to the circumstances of the City IOF, its surrounding community and desired level of City oversight, many of the reporting and monitoring requirements are modeled in part from the County CSD regulations.

Since June 2014, City staff has worked with a team of consultants to prepare the Draft Specific Plan

and related Draft Environmental Impact Report (the "Draft EIR"). Prior to and during that time, the City did outreach to former Oil Operators Plains Exploration and Production Company (PXP) and then Freeport McMoRan Oil and Gas (FMOG) in an effort to coordinate and collaborate on the planning process. This included a request for information in order to understand the existing oil field operations. In the absence of a cooperative interest from either party at that time, the City instead moved forward with the Specific Plan process as a City-initiated effort and had targeted a public release date of March 30, 2017 for both the Draft Specific Plan and Draft EIR.

The IOF has had several Oil Field Operators since its origination in the 1920's. In 2014 FMOG became the Oil Field Operator for the oil and gas facilities throughout the entire IOF after purchasing the rights from PXP. Most recently, in July, 2016, FMOG sold its onshore California oil and gas properties (including the IOF) to Sentinel Peak Resources California LLC (SPR). SPR assumed operation of the IOF, including the City IOF, as of January 1, 2017.

As discussed in more detail below, following SPR's acquisition of the IOF and its efforts to reach out to the City to request an opportunity to discuss the Draft Drilling Regulations, the release date of the Draft Specific Plan and Draft EIR has been postponed in order to conduct this April 17th community meeting. This provides SPR the opportunity to present its request to the City Council as to options for allowing SPR to participate more directly in the regulatory process for the City IOF. It will also give the public an opportunity to comment on SPR's proposed change in process.

The Draft Drilling Regulations and Draft Specific Plan

The Draft Drilling Regulations are a set of regulations designed to protect the public health, safety and welfare, and the environment, in the City of Culver City and surrounding communities, and set forth how future oil and gas drilling and production activities within the City IOF would be conducted, maintained, permitted, reviewed, reported and monitored (if adopted). The Draft Drilling Regulations are organized as 56 sections addressing these categories: Administrative Items; Required Permits and Plans; Oil Field Operations; Supporting Equipment, Facilities and Standards; Environmental Considerations; Reporting Requirements; and Safety. Many of the reporting and procedural requirements included in the Draft Drilling Regulations parallel those required of the Oil Field Operator for the adjacent County IOF, which are regulated under the County CSD.

The Draft Drilling Regulations were used for formulating the Draft Specific Plan. A Specific Plan is a comprehensive planning and zoning document for a defined geographical area. It provides the flexibility to establish site-specific zoning regulations tailored to the type and intensity of uses in a specific location. A Specific Plan for the IOF is particularly suitable because oil field operations require specialized regulations that differ from those applicable to typical commercial and industrial uses. As oil and gas production is such a specialized land use and limited to one geographic location within the City, a Specific Plan is a useful tool to address the special needs for this type of use and the unique conditions of the area surrounding the IOF.

The Draft Specific Plan:

- Updates and supersedes the City's existing oil drilling regulations and is intended to address the changes in the last decade in oil production-related technology, legislation, public concerns and environmental considerations that may not be otherwise evident under the City's existing regulations.
- Includes three key components: 1) a policy section that addresses consistency with the City's

General Plan; 2) a development standards section that incorporates the Drilling Regulations; and 3) an implementation section that sets forth how the Specific Plan will be administered.
- Establishes defined "drilling areas" that distinguish between areas where drilling of new wells could occur and areas where new drilling/redrilling of wells is prohibited or subject to special review/approval.
- Establishes a cap for the maximum number of wells that could be drilled or redrilled.
- Contemplates oil "development" within the City IOF occurring over a period of 15 years, assumed to range from 2018 through 2032. However, once the maximum cap on new wells has been met, no further drilling would be allowed. Under an accelerated drilling schedule, it is possible that the span of development could be as short as 11 years.

The Draft EIR

CEQA requires that any "project" must be reviewed for its potential effects on the physical environment. In order to identify and quantify the physical impacts associated with the Draft Specific Plan, the City's EIR consultant established a set of assumptions to "define" a physical project for analysis under the EIR. Typically, a project is defined by a site plan and information presented by a project applicant. In the absence of specific and detailed information, assumptions may be used to describe reasonable expectations for project development based on other available information (i.e. similar operations in the industry, etc.). The assumed project defined for the Draft EIR addresses a physical project associated with developing all of the allowable activities and components that could be implemented on the Project Site under the Draft Specific Plan. In the absence of specific details from the Oil Field Operator, it was assumed that oil field operations and activities would be similar to those that have been conducted previously within the IOF, while also taking into account adjustments required through new regulatory requirements implemented through the California Division of Oil, Gas and Geothermal Resources (DOGGR).

If the City Council were to adopt the Specific Plan, the following drilling activities would generally be allowed following approval of an application and drilling plan by the Oil Field Operator (these are consistent with the Draft Drilling Regulations released/reviewed by the public in April 2013):
- The Oil Field Operator could establish a 15-year long-range Drilling Plan.
- Up to a maximum of 30 new wells could be drilled (in addition to the existing ±27 active wells) over a 15-year period.
- Up to two new wells may be drilled each year for the first two years; a third well may be added annually subject to approval of the Community Development Director.
- New drilling sites/wells must be set back at least 400 feet from "Developed Areas" (which essentially is the outer edge of the specific plan boundary, except for its southern boundary abutting the County IOF).
- Because of the increased time needed for drilling, new drilling sites/wells that target deeper depths must be set back 800 feet from "Sensitive Developed Areas."
- A provision is available that would allow drilling within the 400-foot set back area only when it can be demonstrated that drilling in that location would not result in any increase in environmental impacts, subject to approval by the City Council.
- Only one well may be drilled at a time.
- Only two wells may be "reworked" at a time.

- Well stimulation treatments, including hydraulic fracturing- City Council would consider whether to allow (subject to regulations) or prohibit this activity during its consideration of the Draft EIR.
- Deep-well injection of wastewater generated through drilling/well stimulation treatments- City Council would consider whether to allow or prohibit this activity during its consideration of the Draft EIR.
- All drilling activity and operations within the Specific Plan area would be regulated and monitored by Culver City to a level and extent that meets or exceeds the requirements covered in the County's CSD.

Recent Outreach by Sentinel Peak Resources

Since assuming ownership of the IOF and role of the Oil Field Operator as of January 1, 2017, representatives from SPR have made introductions and reached out to members of the community (through the Baldwin Hills CSD Community Advisory Panel [CAP]), as well as Culver City staff and officials (including members of the Subcommittee). Early discussions between representatives of Culver City and SPR primarily focused on clarifying the purpose of and expectations from the Draft Specific Plan that is already in progress and near completion.

During subsequent conversations with the Subcommittee Members and staff, the following issues were raised by SPR:

- SPR's concerns that the City's description of the project (i.e. number of wells drilled per year, cap on the total number of new wells drilled, etc.) that would be permitted under the Draft Drilling Regulations/Draft Specific Plan (and is evaluated in the Draft EIR) may be inconsistent with SPR's operational and reporting expectations for a proposed "project" based on the results of the study they are conducting;
- SPR's opinion that the current regulatory document imposes unreasonable restrictions of access to underlying oil reserves that limits productive operational flexibility. SPR noted that seeking to reverse these restrictions after the Draft Specific Plan is processed (if it is approved in the current form), could be costly and result in long delays.
- Potential for an opportunity to jointly coordinate on aspects of the defined "physical project" evaluated under the Draft EIR, terms and conditions for the reporting and monitoring of future operations, and expectations for transitioning future use of the project area.
- SPR provided recent examples of other cooperative and quasi-partnership relationships between oil operators and other local communities, which resulted in what SPR believed to be beneficial elements for the communities, the oil operator and the landowners. (Some examples SPR shared included the establishment of a 260-acre habitat restoration plan area in association with the Montebello Hills Oil Field; a collaborative committee participation for the City of Carson's Oil Code; and other partnership projects affecting the redevelopment of the lands for transitionary uses.)
- SPR provided information that it had initiated a detailed study, relying on advanced technological methods, to evaluate the underlying oil reserves of the Inglewood Oil Field and noted that information gained from that study would be used to formulate SPR's long-range plan for development within the City IOF. The study requires approximately 18 months to complete and is anticipated to be complete by the third quarter of 2018.

Based on this new information, the Subcommittee recommended that a meeting be scheduled so that

the full City Council and the community could be engaged to discuss with SPR the extent to which SPR may be a willing participant in the process and offer constructive input on the project development; and whether there may be opportunity to explore provisions in the broader context of long-range planning that could be beneficial to the Culver City community.

Based on the Subcommittee's desire to seek input from the full City Council and the community regarding this matter, the public release of the Draft Specific Plan and Draft EIR, which were scheduled for release on March 30th, has been postponed until staff receives direction from the City Council as to how to proceed regarding this project.

DISCUSSION

Issues for Consideration

The issues to consider for moving the process forward generally can be characterized as follows and are discussed in more detail below:

- Description of Physical Project - City Assumptions and Operator-Based Input
- Draft Specific Plan - Timing and Process
- Long-Range Planning and Oil Field Objectives
- Working Agreement and Discussion Points
- Interim Conditions and Voluntary Moratorium

1. *Description of Physical Project - City Assumptions and Operator-Based Input*

As discussed above, the Draft EIR evaluates a potential "project" that is based on reasonable assumptions given the City's understanding of previous activity within the IOF and the regulatory constraints that could be imposed per the Draft Specific Plan. Lack of cooperation from previous IOF Operators necessitated that the project be defined in this way in order to complete the environmental review under CEQA. As a new Operator, SPR has approached the City with a request to participate in the definition of the project in order to lend more current information to the project evaluated in the Draft EIR. Because SPR is in the process of completing an advanced technological study that can inform on matters such as, but not limited to, the type of well stimulation that might be used or the extent of available oil and gas reserves, a physical project description that incorporates operator-based input may address SPR's concerns about the reasonableness of identified operations assumed solely by the City's consultants.

Pros**:** Coordination on the project description and anticipated oil/gas drilling and production activities could strengthen the project assumptions made in the Draft EIR and introduce data, which could further inform the City Council's decision at the time action on the Draft Specific Plan and EIR is considered. Further, if reasonable accommodations to the plan and project description can be incorporated at this stage, SPR may consider the provisions to be reasonable to allow adequate flexibility for accommodating its future oil drilling and production needs.

Cons**:** A primary drawback is the added time, delay and cost to the Specific Plan process, which has already been underway for more than three years and at considerable investment by the City. A change in the project description at this time may necessitate revisions to the Draft EIR, which is essentially complete. Further, it is possible that while some project description adjustments can be

powered by Legistar™

accommodated, the City may not be willing to make dramatic changes to the assumed project that would be consistent with the full extent that may be desired by SPR. (If an impasse is reached and consensus on the project description cannot be agreed upon between the City and SPR, the City would retain the option to process regulations under its comprehensive planning process.)

2. *Draft Specific Plan - Timing and Process*

As noted above, SPR's in-progress technical study requires approximately 18 months to complete. Under the City's current timeline for processing and release of the Draft Specific Plan and Draft EIR, there is the potential that the Council's decision affecting the future regulation of the City IOF could be heard and acted upon in advance of the availability of SPR's completed study. The varied timeline tracks of the current Specific Plan process and SPR's study leaves the possibility that the "project" set forth in the Draft Specific Plan and evaluated under the Draft EIR will reflect limited input from SPR, and that SPR can only provide limited or generalized input once more specific details are available through the results of its study. Extending the schedule to allow an opportunity for SPR to contribute to the project description and/or to prepare its own draft plan for the City to consider concurrently, may provide the City and SPR an opportunity to work in a coordinated manner, while also affording adequate time to vet new information to interested stakeholders (including the Culver City community) and determine the most appropriate applicant-participation process.

Pros**:** Extending additional time and flexibility into the planning process would offer an opportunity to work through key issues and explore areas within the plan and project description that could be refined and also would reflect the Oil Field Operators future conditions. The option to work through these issues in a sequential and thorough manner offers an opportunity to reach consensus or mutually-accepted adjustments.

Cons**:** The City has already invested considerable time and funds into development of the Draft Specific Plan and Draft EIR, and the community has anticipated its release for some time now. Suspension of the processing and release of the Draft Specific Plan and Draft EIR so that SPR can complete its study and determine whether or how to participate in the process could delay City action by up to 18 months or more. Further, there is the possibility that even though the process is suspended to allow for coordination, the delay may not result in a plan or process that is materially much different than what is contemplated in the pending Draft Specific Plan and Draft EIR. It should be noted that even if the process were not suspended and the City Council were to take action sooner (rather than later), SPR would still have the option to submit its own plan (and potentially file an application for a Specific Plan Amendment, if appropriate) on its own schedule.

3. *Long-Range Planning and Oil Field Objectives*

As proposed, the Draft Specific Plan would address oil drilling activity for a 15-year time span. The plan currently does not address longer-range use issues within the City IOF or when or how ongoing oil and gas production operations would transition. These issues have been topics discussed by the Subcommittee. SPR has also discussed a range of possible outcomes for longer-range objectives for the IOF and how these might be coordinated to mutually benefit the Culver City community, the Landowners and the Operator. It is also noted that the City is initiating its General Plan update process, for which input on these mutual objectives could be received and potentially incorporated.

Pros**:** A primary benefit for the Culver City community that could be accomplished through

discussion of long-range planning and oil field objectives could be to reduce the degree of uncertainty as to how long oil activity may continue and identify reasonable alternative future uses that could be integrated. Ideally, working with SPR and the Landowners on these issues could establish long-term expectations and transition of uses that could be folded into the body of the Draft Specific Plan, incorporated into the General Plan update and/or documented in a multi-party agreement.

Cons**:** It is possible, even given adequate time and opportunity to dialogue freely, that a mutually agreed upon concept for long-range objectives and transition of uses with the City IOF would not be reached, and that the goals of the operator may not be consistent with the goals of the community that is impacted by the oil operations. As a result, the City would need to address these matters through its own comprehensive planning process.

4. *Working Agreement and Discussion Points*

Should the City Council determine to suspend processing and release of the Draft Specific Plan and Draft EIR and direct staff to coordinate with SPR on aspects for the Specific Plan provisions, process and project description, it is recommended that such action be accompanied by the development of a Working Agreement between the City and SPR. A primary purpose of such agreement would be to establish “guiding principles” for how both parties would approach the coordination process, and would establish measurable milestones and mutually defined discussion points that would demonstrate good faith moving forward. The Working Agreement, if desired, could include a provision that, in the event progress under the guiding principles comes to an impasse or fails to meet the City’s expectations of good-faith effort, the City could immediately move forward with the processing and release of the current Draft Specific Plan and Draft EIR. If such an option is desirable, the City Council may want to consider a shorter-term agreement of approximately 60-90 days in order to get an immediate sense of whether proceeding with SPR as a project applicant will be a workable situation. If the discussions are productive and proceeding in good faith, an extension to such an agreement could be considered.

Pros**:** Integrating a Working Agreement into any arrangement to place a temporary hold on the City’s current Specific Plan process, and developing guiding principles for such agreement, may serve to identify early on in the process whether coming to terms on a mutually acceptable process for establishing a regulatory framework for the IOF is likely.

Cons**:** The City has already invested considerable time and funds into development of the Draft Specific Plan and Draft EIR, and the community has anticipated its release for some time now. Suspension of the processing and release of the Draft Specific Plan and Draft EIR so that SPR can complete its study and determine whether or how to participate in the process could delay City action by up to 18 months or longer. Even with guiding principles and focused discussion points established upfront, the process could still reach an impasse and the delay may not result in a plan or process that is materially much different than what is contemplated in the pending Draft Specific Plan and Draft EIR.

5. *Interim Conditions and Voluntary Moratorium*

Whether or not the City Council takes action to suspend the processing and release of the Draft Specific Plan and Draft EIR, SPR still requires 18 months to complete its advanced technical study of the IOF. SPR has stated publicly, and reaffirmed to the Subcommittee, that it does not anticipate

plans for any new drilling prior to completion of the study. If the Council chooses to suspend the processing and release of the Draft Specific Plan so that SPR may coordinate with the City on the project aspects discussed above, the City Council may want to consider requesting SPR commit to a voluntary moratorium on any new drilling. If the City could not formally adopt a moratorium (due to procedural limitations), an implied "moratorium" incorporated in a mutual-agreement document between parties could be structured. A voluntary moratorium, along with any other voluntary agreement to interim operational conditions, could serve as a demonstration of good-faith by SPR.

FISCAL ANALYSIS

There is no fiscal impact associated with the discussion of these options.

ATTACHMENTS

1. April 6, 2017 letter from Sentinel Peak Resources, LLP

MOTION

That the City Council:

1. Discuss and consider a temporary hold on the Inglewood Oil Field Specific Plan Project and related Environmental Impact Report in order to consider a request from the new Inglewood Oil Field operator, Sentinel Peak Resources, to participate in the Specific Plan process as a project applicant; and

2. Provide direction to City staff as deemed appropriate, which may include, but is not limited to, the following options:

   A. Move forward with processing of the current Draft Specific Plan and Draft Environmental Impact Report for an anticipated release in May 2017. Oil Operator input would be received as public comment during the EIR public review process, and the Oil Operator could submit a future Application in accordance with regulations in place at that time, or could potentially file an application for a Specific Plan Amendment, if appropriate.

   B. Temporarily, for a period of 90 days (or as otherwise determined by the City Council), suspend processing and release of the Draft Specific Plan and Draft Environmental Impact Report and direct Staff to coordinate with the Oil Operator and Landowners on "substantive" details that focus on Operator-based project development assumptions and Operator/Landowner-based long-range planning objectives. Under this option, the Operator and Landowner information may be either incorporated directly into the Draft Specific Plan as a modified physical project or carried forward as an alternative project for evaluation in the Draft Environmental Impact Report.

powered by Legistar™

C. Temporarily suspend processing and release of the Draft Specific Plan and Draft Environmental Impact Report and direct the Subcommittee and City staff to negotiate a Working Agreement, including establishing “guiding principles” as a framework for discussions, outlining expectations and establishing measurable “working milestones”, for the end purpose of determining a process for adopting a regulatory document for the Inglewood Oil Field.

The following additional option could be applied in conjunction with any of the above options:

D. Request Sentinel Peak Resources commit to a voluntary moratorium on specified oil and gas production drilling/production activities until such time that specified events or conditions occur.