



City of Culver City

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Staff Report

File #: -18, **Version:** 1

Item #:

CC - (1) City Council Oil Drilling Subcommittee Report to City Council on Discussions Between the Subcommittee and the Inglewood Oil Field Operator, Sentinel Peak Resources, Regarding the Operator's Request to Participate in the Inglewood Oil Field Specific Plan Process as a Project Applicant; and (2) Direction to City Staff as Deemed Appropriate.

Meeting Date: July 11, 2017

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

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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; Culver City News and Events; Stay Informed - Inglewood Oil Field; Stay Informed - Sustainability and Environmental Issues; and Sentinel Peak Resources (05/11/17, 06/12/17 and 06/30/17); (Mail) Inglewood Oil Field Property Owners (05/11/17 and 06/27/17); (Publication) Culver City News (06/29/17); and City's Social Media Accounts (various dates).

Department Approval: Carol Schwab (06/30/17)

RECOMMENDATION

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

1. Receive a report from the Subcommittee regarding recent discussions (as directed by Council on April 17, 2017) between the Subcommittee and the Inglewood Oil Field operator, Sentinel Peak Resources ("SPR"), concerning the Inglewood Oil Field ("IOF") Specific Plan Project (the "Project") and SPR's request to participate as a Project applicant. (It is SPR's request to apply to the City regarding future oil and gas activities and potentially other future uses at the Project site, based on coordination with landowners and on a geologic study to be completed in Fall 2018); and

2. Discuss and consider whether to release or continue a temporary hold on the IOF Specific Plan Project and related Environmental Impact Report (the “Temporary Project Hold”). Such discussion includes the evaluation of options related to the processing of the Draft IOF Specific Plan and related Draft Environmental Impact Report (“EIR”); and
3. Provide direction to City staff as deemed appropriate.

PROCESS

The following suggested process is provided for City Council’s reference and consideration:

1. Opening remarks from Subcommittee;
2. Brief staff report (recommended time allotment - 5 minutes);
3. Brief remarks by SPR (recommended time allotment - 5 minutes);
4. Questions to staff, Subcommittee and/or SPR from City Council;
5. Public participation/comments (time allotment to be determined by the Mayor);
6. Opportunity for staff, Subcommittee and/or SPR to respond to public comment and additional questions from City Council);
7. Final remarks/recommendations from Subcommittee; and
8. City Council discussion and direction to staff.

BACKGROUND

Brief History

A brief history of issues and actions involving the IOF, including the IOF Specific Plan Project, is included in the staff report for the April 17, 2017 Community Meeting and is attached to this report for reference (Attachment No. 1).

The April 17th staff report also clarifies the components of the IOF Specific Plan Project, which includes a summary description of the 2013 *Discussion Draft Oil Drilling Regulations for the Culver City Portion of the Inglewood Oil Field* (the “Draft Drilling Regulations”), the Draft IOF Specific Plan and the Draft EIR:

- **Draft Drilling Regulations:** 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 (if adopted) set forth how future oil and gas drilling and production activities within the City IOF would be conducted, maintained, permitted, reviewed, reported and monitored.
- **Draft IOF Specific Plan:** The Draft Drilling Regulations were used for formulating the Draft Specific Plan, which in addition to the regulations, would establish policies and guidelines, consistent with the City’s General Plan, for implementation and administration of development within the City IOF area.
- **Draft EIR:** The Draft EIR analyzes the potential physical impacts to the environment due to implementation of the City IOF Specific Plan Project and recommends mitigation measures to

avoid, minimize or reduce those potential impacts.Summary of April 17th Community Meeting

On April 17, 2017, the City Council held a community meeting to discuss and consider options, including a Temporary Project Hold and a request from SPR to participate in the Project process as a project applicant (or quasi-applicant), related to the processing of the Draft IOF Specific Plan and related Draft EIR. Comments during the community meeting also addressed the potential effect of these options to the Project schedule, costs and long-range planning objectives. After hearing from the public and SPR, and thoroughly discussing the matter, the City Council authorized the Subcommittee, in conjunction with City staff and consultants, to enter into discussions with SPR over the next 90 days for the purpose of drafting a potential working agreement between the City and SPR, which (if authorized by the City Council at a future date) should contain certain mutually agreeable guiding principles, action items and other discussion points, including but not limited to:

- Reimbursement of City's costs including, but not limited to, costs to date relating to the preparation of the Draft Specific Plan and Draft EIR, or assistance with funding of other City projects with a connection to the oil field;
- A voluntary commitment that SPR will not submit any applications for any new wells during these discussions, and/or at any time a written agreement is in place;
- Agreement that either party may withdraw from the discussions at any time; and
- SPR's agreement that if the oil field is sold during the term of any written agreement, such purchase agreement would clearly state that the new owner is subject to the terms and conditions of the existing agreement between the City and SPR.

The City Council further directed:

- Prior to the end of the initial 90-day discussion period, the Subcommittee and staff are to return to the full City Council at a community meeting to report on the progress of discussions and make recommendations for a proposed short-term working agreement, setting forth such guiding principles, action items and discussion points, for the City Council's consideration. At such time, the City Council may also consider a process for further time extensions of any approved working agreement.
- If at any time there is an inability to arrive at mutually agreeable guiding principles or action items or a failure of SPR to comply with the terms of any approved working agreement, the Subcommittee is to bring the matter forward to the full City Council to consider whether a further extension of such working agreement is warranted or whether to instead withdraw from discussions and proceed with the City's current Specific Plan process, including the release of the Draft EIR.
- These discussions with SPR shall proceed on a dual track with the existing IOF Specific Plan process, in order to ensure that the Draft Specific Plan and related Draft EIR will be ready for release in the event either party withdraws from discussions.

See Attachment No. 1 for expanded detail regarding the options presented and discussed at the April 17th community meeting.

DISCUSSION

As authorized and directed by the City Council at its April 17, 2017 community meeting, the

Subcommittee, in conjunction with City staff, met with representatives of SPR to discuss a potential working agreement between the City and SPR, which is intended to identify mutually agreeable guiding principles for how the City and SPR could work together in proceeding with the IOF Specific Plan Project, in the event the City Council authorizes SPR to participate as a Project applicant (or quasi-applicant).

Subcommittee Meetings with Sentinel Peak Resources

Status of City Council Directed Items:

The following is a brief summary of the status of these discussions in relation to the specific discussion points directed by the City Council at the April 17th community meeting (further details are discussed later in the report):

- Reimbursement of City's costs (past, present and future): SPR has not yet agreed to reimburse the City for "present" costs incurred during these interim discussions. City costs incurred from April 17th through July 11th as a result of the Temporary Project Hold total approximately \$55,000 (including consultants and in-house staff). SPR has stated it questions the methodology of calculating such costs. With regard to the City's past costs relating to the preparation of the Draft Specific Plan and Draft EIR, discussions are not yet complete. SPR has indicated a willingness to consider reimbursing the City for certain technical studies that potentially could be utilized in the event the City Council authorizes SPR to participate as a Project applicant (or quasi-applicant). City staff approximates the total for past costs related to preparation of the Draft Specific Plan and Draft EIR, and including the cost anticipated to complete documents through the Final EIR, at \$1.2 million. **(The issue of costs is still outstanding.)**
- Voluntary commitment that SPR will not submit any applications for new wells: SPR has agreed, in concept, to this item being included in a potential working agreement. However, there is currently a difference of opinion as to whether "new wells" includes the redrilling of existing wells. Under the City's existing regulations set forth in Culver City Municipal Code (CCMC) Chapter 11.12, a permit is required for the redrilling of an existing well. The Subcommittee recommends that this voluntary commitment to refrain from drilling activity should include both new wells and the redrilling of existing wells. **(This remains an outstanding issue.)**
- Agreement that either party may withdraw from the discussions at any time: SPR has agreed to this term. **(Agreement has been reached on this item.)**
- Agreement Binding on Operator's Successors: SPR agrees that if the IOF is sold during the term of any written agreement, such purchase agreement would clearly state that the new owner is subject to the terms and conditions of the existing agreement between the City and SPR. **(Agreement has been reached on this item.)**
- Potential Working Agreement: As discussed in further detail below, the Subcommittee and SPR have not yet been able to determine whether a potential working agreement between the City and SPR is feasible. **(Discussions on this issue are not yet complete.)**

- Dual Track with Completion of IOF Specific Plan and Draft EIR: City Council directed that these discussions with SPR proceed on a dual track with completion of the Project documents. Staff's progress in this regard is proceeding at a significantly slow pace, given the amount of staff time that has been focused on assisting the Subcommittee with its discussions with SPR. It is estimated that, in the event the City Council releases the Temporary Project Hold and directs staff to complete the Project documents, the Draft EIR could be ready to circulate for public comments within 30-45 days of the City Council authorizing such action. **(Dependent upon further City Council direction.)**

Summary of Subcommittee Meetings with SPR:

- May 9, 2017: A primary objective of this first meeting was to create a framework for a potential working agreement and guiding principles, including considerations related to schedule, identification of milestones, format of an agreement, content and terms of an agreement, potential future discussion topics (if authorized by the City Council) and other housekeeping and coordination items. An additional key objective was to discuss provisional "good-faith" terms for incorporation into a potential working agreement, including how those provisions could be implemented throughout a collaborative application process, if authorized by the City Council at a future public meeting. Good-faith items discussed included terms for reimbursement of past, present and future costs that the City already has or will incur related to the Project; a commitment from SPR as to what City IOF activities might be curtailed while a written agreement is in place; and potential community-based benefits for future City discussion. As both a good-faith provision and a reflection of the City's commitment to retain public transparency throughout the working agreement process, the City and SPR also explored options for sharing of information and opportunities for incorporating both community and landowner participation into a potential revised application process.
- June 6, 2017: At this follow-up second meeting, the Subcommittee, City staff and SPR met to further discuss a potential working agreement between the City and SPR with the objective to focus on key issues to determine whether a cooperative effort between the City and SPR could be achieved with regard to the City's primary goal of establishing adequate regulations of the IOF to protect the public health, safety and welfare, and the environment. The key issues discussed were:
 - Options for moving forward the IOF Specific Plan or similar land use process, taking into consideration the interests, rights and concerns of the various stakeholders, including the community, the IOF landowners, the IOF operator, as well as the City's administrative responsibilities;
 - Options for the role of the landowners and the community, and their respective input during any potential application process;
 - Ideas about long-term land use during and/or after drilling operations have concluded; and
 - Sharing of information with the community during this process, including but not limited to: potential project and technical information that can be prepared and shared by the City; and information sharing by SPR on certain topics in which the community has shown significant interest (i.e. bottom and surface-hole locations, mineral rights/royalties, etc.).

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- Reimbursement of the City's past, present and future costs relating to the IOF Specific Plan Project.

Another point of discussion at the Subcommittee meetings was the City's desire for establishing updated regulations prior to any operator-initiated application.

In order to keep the community and other interested parties informed about these discussions and apprised of the progress of this process, the City and SPR also agreed to publish a summary of each meeting between the Subcommittee and SPR. Meeting summaries reflecting the above were posted to the City's IOF Specific Plan Project webpage on May 11 and June 12, 2017 at www.culvercity.org/how-do-i-/learn/inglewood-oil-field.

A summary of the issues discussed, including potential options and related ideas identified during meetings between the Subcommittee and SPR, are provided in the discussion below.

Key Issues Discussed During Meetings with SPR

The key issues discussed during meetings between the Subcommittee and SPR related to moving the Project process forward and provisional terms for a potential working agreement can be characterized as follows and are discussed in more detail below:

- Format and Management of Potential Application Process
- Interim and Long-Term Land Uses and Objectives
- Potential Role and Input Options for Landowners, Community and Other Stakeholders
- Public Transparency and Coordination/Sharing of Technical Information
- Potential Guiding Principles, Discussion Points and Working Agreement
- Reimbursement Considerations
- Interim Conditions and Voluntary Moratorium

For each of these key issues, the discussion below summarizes the varied perspectives and expectations on the matter, the collective opinions and potential options considered, and status of resolution toward a mutually agreed upon approach.

1. Format and Management of Potential Application Process

In the absence of input from previous IOF operators, the proposed IOF Specific Plan Project has been defined by the City based on reasonable assumptions given its understanding of previous activity within the IOF and the regulatory constraints that could be imposed per a Specific Plan. In fact, the 2013 Draft Drilling Regulations were largely influenced by the Baldwin Hills Community Standards District adopted by the Los Angeles County Board of Supervisors in October 2008 (County CSD), and supplemented through a Settlement Agreement resulting from subsequent litigation challenging the CSD EIR. (See Attachment No. 1, staff report for the April 17th community meeting, for expanded discussion regarding the history of the County CSD and preparation of the Draft Drilling Regulations.) As a new operator, SPR approached the City with a request to participate in the Project process in order to lend more current information and relevance to defining the Project and regulating future activity within the City IOF. 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 could potentially provide information useful to a

comprehensive understanding of potential interim and long-term uses within the City IOF. In addition, as stated by SPR at the April 17, 2017 community meeting, the technological study could provide information as to where oil and gas facilities may be located and whether other areas at the Project site could be utilized for other land uses. Discussions in this regard revealed that there is a broad spectrum of possibilities as to how the IOF Specific Plan or similar land use process application could be formatted and managed.

The initial presumptions and expectations of the Subcommittee and SPR were divergent and seemed mutually exclusive, in part because each concept reflects a very different disposition of the 2013 *Discussion Draft Oil Drilling Regulations for the Culver City Portion of the Inglewood Oil Field* (the "Draft Drilling Regulations"), which are the foundation of the City's IOF Specific Plan Project.

Initially, the Subcommittee's preference was that the City should remain the primary applicant and the current Specific Plan should generally serve as the foundation of or baseline for the application process. Essentially, this initial expectation was that the current IOF Specific Plan Project would move forward mostly intact, but could incorporate refinements based on additional information by SPR about its drilling operations. Conversely, an initial expectation of SPR was that the Temporary Project Hold would apply indefinitely and that in place of the City's current Project, SPR would prepare an alternate project concept, reflective of SPR's and the landowners' interim and long-term needs (as supported by the advanced technological study and certain technical guidance from the City). Suspension of the City's IOF Specific Plan process in deference to SPR's approach would postpone City action by up to 12-15 months or more.

Over the course of joint discussions, the Subcommittee and SPR attempted to find a mutually agreeable path as a potential guiding principle for how an application process could be managed; however it remained important to the Subcommittee that updated regulations be integrated. Ideas were discussed as to how the two approaches might be blended. However, reaching a complete solution has been complicated by a realization that any comprehensive plan and land use process (i.e., one that considers both interim and long-term disposition of the land) would likely require some role, level of input and/or buy-in from the landowners, Culver City community and other stakeholders, in addition to a better understanding of certain technical parameters that were not known or available at the time of discussion.

At this time, the Subcommittee and SPR have not reached any final conclusion for an acceptable approach to blend the two diverse perspectives of the application process. If the City Council determines to authorize the Subcommittee to continue discussions with SPR in order to fully vet a mutually agreeable application process, it would be helpful to receive City Council guidance regarding the City's primary objectives and higher priorities so that these can be incorporated into defining potential options for a process.

2. Interim and Long-Term Uses and Objectives

At the April 17th community meeting, City Council discussion included questions about the intended timeframe for allowing drilling and oil and gas production activity (i.e. the "life of the oil field"), as well as identification of the type of potential long-term uses that might occur following a transition of the oil and gas operation. 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 uses or issues related to an interim or future transition of oil and gas production operations. Although these issues have been

topics of discussion by the Subcommittee and SPR, the City's current Specific Plan process has focused primarily on the regulation of new drilling activity. SPR has discussed a range of possible outcomes of longer-range objectives for the IOF, as well as possible other land uses that could occur (e.g., commercial uses, recreational uses) with a consolidated drilling footprint, and how these might be coordinated to mutually benefit the Culver City community, the landowners and the Operator.

A potential benefit for the Culver City community that could be accomplished through collaborative discussion of the long-range planning and oil field objectives could be a reduction in the degree of uncertainty over the time period that oil activity may occur and a focused plan of reasonable alternative future uses. This topic was tentatively explored during the course of joint discussions between the Subcommittee and SPR. City staff researched comprehensive planning options in order to clarify opportunities for coordinating and integrating long-term land use considerations into the City's broader framework of land use planning and policy making, such as within the pending General Plan update process, for example. In general, the process for coordinating and integrating broader land use planning within the City's framework could be accomplished through a variety of pathways. It was generally acknowledged that a process could be tailored to suit the needs of any future application process.

Beyond clarifying the available pathways for long-term planning, meaningful progress toward identifying specific land use parameters or solid guiding principles was limited. Specifically, two aspects of interim and long-term land uses and planning objectives were identified through joint discussions as needing further resolution under the potential working agreement and guiding principles. One aspect relates to the need for technical information in order to inform and shape decisions on interim and future uses at the City IOF. The other aspect is the need, or at least desire, for input from the landowners, community and other stakeholders.

SPR is in the process of completing an advanced technological study, which they feel is necessary to provide a comprehensive understanding of potential interim and long-term uses within the City IOF. Because this study is expected to be completed in the Fall of 2018, information on which they are relying to define interim and long-term land uses would not be immediately available for discussion/consideration. In addition, it is acknowledged that certain information gleaned from the technical analysis completed to-date for the City's IOF Specific Plan Project process may provide useful information pertaining to the assessment of interim and long-term uses within the City IOF. However, until there is resolution regarding the circumstances under which technical information related to the current Project can be accessed and shared, the usefulness of this data for any immediate discussions between the Subcommittee and SPR remains limited.

Finally, consistent with many long-range planning and visioning processes, engagement of interested community and affected stakeholders during the process is encouraged. Working with SPR, the community, the landowners and other affected stakeholders on these issues could potentially establish viable long-term expectations and transition of uses that could be folded into the City's Project and incorporated into the City's General Plan update. However, until there is resolution regarding the possibilities for and integration of community engagement into the process, the ability to identify and incorporate the stakeholders' expectations into such process, and to develop mutually agreeable guiding principles for a potential working agreement, remains limited.

3. Potential Role and Input Options for Landowners, Community and Other Stakeholders

The potential role of landowners, the community and other stakeholders in the Project process is another area where Subcommittee and SPR opinions varied and for which multiple options are available. The ability to narrow down those options would benefit from an understanding of Project priorities and flexibility in the process (i.e., flexibility of schedule, costs, etc.).

There appears to be general consensus between the Subcommittee and SPR that input from some of the stakeholders identified would be useful. However, there was not uniform agreement about the timing or role for those public parties during the process. SPR pointed out that its ability to have meaningful discussion with the City on interim or long-term land use commitments is constrained without the ability to include the landowners as part of the application discussion. The Subcommittee contends that any process that might include or elevate the landowners to having a role in any potential working agreement discussion and/or application process should also incorporate a similar opportunity for the community and other pertinent stakeholders, particularly with regard to input on future land uses that affect the community.

The role of landowners, community and other stakeholders may vary depending on the land use application process that moves forward. For example, if the City seeks a certain level of commitment regarding longer-term land uses (and/or concurrent land uses) in consideration of potential flexibility for interim land uses, then the landowners may need to be included as a third party under a potential working agreement (or possibly a separate agreement) in order to effectively implement such an agreement. In addition, incorporating the landowners, community and other stakeholders into the discussion of interim and long-term land uses necessitates minimum timeframes to facilitate an adequate public engagement process. These are factors that must be balanced while considering the guiding principles of any potential working agreement.

At this time, the Subcommittee and SPR have not reached any final conclusion for an acceptable approach to incorporate the community, landowners and other stakeholders into a potential application process. If the City Council determines to authorize the Subcommittee to continue discussions with SPR in order to fully vet a mutually agreeable application process, it would be helpful to receive City Council guidance regarding the City's primary objectives and higher priorities concerning public involvement so that these can be incorporated into defining potential options for a process.

4. Public Transparency and Coordination/Sharing of Technical Information

As both a good-faith provision of a potential working agreement and a reflection of the City's commitment to retain public transparency throughout the Subcommittee's current discussions with SPR, or any potential application process, the City and SPR explored options for sharing of information and opportunities for incorporating both the community and landowner participation into a potential revised application process. For example, in order to keep the community and other interested parties informed about the joint discussions and apprised of the progress of the Subcommittee's discussions with SPR, it was agreed to publish a summary of each meeting between the Subcommittee and SPR.

Discussion also reflected the need to coordinate and manage the sharing of technical information between parties should the City Council authorize the Subcommittee to expand the involvement of SPR to include a potential role as applicant (or quasi-applicant) for the Project process. During these meetings, the Subcommittee and SPR discussed the type and format of potentially relevant technical

information that could be obtained and shared.

A clear area of interest expressed by the Culver City community, as well as by SPR, is access to the existing (incomplete) versions of the IOF Specific Plan, the related EIR and technical reports. In order to preserve the integrity of the California Environmental Quality Act (CEQA) process, City staff and legal counsel have advised against releasing certain technical information until such time that either the completed IOF Specific Plan Draft EIR is released and circulated for public review, or until approved guiding principles are in place that address how and in what format the sharing of technical information can be achieved.

Specific terms and conditions for sharing technical information, including studies previously prepared by the City on behalf of the City-initiated Project and/or IOF well data, would need to be defined. Provisions for how any such shared data should be used in the process and circulated in a public forum or other venue, would need to be established under any potential working agreement. Further, the need for viewing data in the context of internal vetting of an application process would need to be balanced with the City's objectives for transparency and public inclusion in the process. However, one option that was discussed in some detail was the potential for compiling limited technical background information and/or providing the Draft Drilling Regulations (as revised to-date) with the intent to make this set of information equally available to all parties as a means of both sharing information and establishing a current status "baseline" as a point of reference. While a complete recommendation between the Subcommittee and SPR was not resolved, the Subcommittee has carried elements of this concept forward under its Subcommittee Recommendation (discussed later in the report).

As noted above, potential increased involvement of the community, landowners and other stakeholders into the application process, including arrangement to incorporate access to technical information, would require additional coordination and management to facilitate an exchange of technical information in advance of the release of the Draft EIR and thus would increase the time needed to complete the current IOF Specific Plan process (or any alternate application process, if so directed). Also, any adjustment or deviation from the City-initiated IOF Specific Plan process, if directed by City Council, would necessitate some degree of information sharing to support City and applicant decision-making under a modified land use application process. Although final recommendations on this topic were not resolved by the Subcommittee and SPR, it seems from the discussions that a mutually agreeable guiding principle regarding this issue could be shaped through further discussion.

5. Potential Guiding Principles, Discussion Points and Working Agreement

As was discussed at the April 17th community meeting, should the City Council determine to continue the Temporary Project Hold and direct staff to coordinate with SPR on aspects of the IOF Specific Plan Project, 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" that: instruct how both parties would approach the coordination process; establish measurable milestones; and, define mutually relevant discussion points, all within a context that would demonstrate good faith moving forward.

During preliminary discussions, the Subcommittee and SPR explored possible content and format for a potential working agreement. Those discussions identified various "must haves" and "must nots" for

inclusion under the guiding principles. Although not finalized, progress was made toward identifying preliminary provisions for a potential working agreement. However, the Subcommittee's and SPR's ability to make further progress was slowed pending clarification on certain key core issues (such as the intended format and management of the potential application process, the coordination and sharing of technical information, etc.). In order for further progress to be made on the terms of a potential working agreement (which agreement would be subject to approval of the City Council at a future date), these core issues would need to be better defined to more closely reflect a mutually agreeable approach.

6. Reimbursement Considerations

Reimbursement considerations for past, present and future work efforts were discussed. In general, no clear agreement was reached on this matter.

Although SPR expressed a commitment, during the April 17th meeting, to reimburse the City for "present" expenses incurred as a result of SPR's request for a Temporary Project Hold and the subsequent discussions between the Subcommittee and SPR, City and SPR have been unable to reach an agreement with regard to the methodology of calculating such costs.

No specific commitment has been acknowledged for cost reimbursement of "future" expenses that would be incurred by the City, should the City Council authorize the continuation of discussions between the Subcommittee and SPR regarding the Project and process. Nonetheless, SPR inferred potential agreement to reciprocate for longer-term costs as appropriate and applicable. A major factor in this decision leads back to SPR's preference to carry its own application process forward (see item no. 1), in which case a majority of the costs would be incurred directly by SPR, as project applicant, rather than reimbursed to the City. A better understanding of what the potential future process might entail is needed before a realistic estimate of potential future costs after July 11th can be estimated.

Another key aspect of reimbursement considerations is the payment for past expenses incurred by the City related to the current Project (including the EIR and technical studies). While estimated costs for these previous efforts has been tallied (i.e., approximately \$1.2 million) and shared during the April 17th community meeting, SPR's preference is that consideration for reimbursement of any past work effort and/or studies be made on a case-by-case basis and subject to SPR's ability to access the previous work and confirm its value relative to SPR's role as applicant. Further, SPR has expressed concern whether the City could impose costs beyond SPR's expectations on SPR or the landowners.

This condition poses concern for the Subcommittee for several reasons. First, the terms and conditions for sharing technical information (including studies previously prepared by the City on behalf of the City-initiated Project) have not been defined. As discussed above (see item no. 4), City staff advises against releasing certain technical information until such time that either the IOF Specific Plan EIR is released/circulated or until approved guiding principles are in place addressing how the sharing of technical information would be coordinated. An additional concern of the Subcommittee is that SPR's valuation of the City's previous work would be subjective and weighed against its perceived relevance to a potentially different project or application process. Further, some of the technical studies are based on time-sensitive data. Extended delay of the application process (i.e., the Temporary Project Hold) to accommodate a Fall 2018 application completion target date that SPR has requested while its advanced technological studies are completed and a project application

is compiled, could potentially result in the need to update or redo certain analyses. The Subcommittee maintains that this situation should not excuse SPR's reimbursement responsibility because any out-of-date data and technical studies would be the result of the time delay generated by SPR's request for a Temporary Project Hold.

The factors affecting SPR's ability or desire to commit to reimbursement to the City for all past and future costs are in part tied to information details that are not yet known. Regardless, the City would still have access to other mechanisms for re-capturing at least some, if not all, of the Project costs through the current IOF Specific Plan process or, an alternate application process, or some equivalent fee program.

7. Interim Conditions and Voluntary Moratorium

Whether or not the City Council takes action to continue the Temporary Project Hold, SPR still requires sufficient time (i.e., estimated through 3rd Quarter of 2018) to complete its advanced technical studies of the IOF and compile a detailed project proposal and/or application. SPR has stated publicly, and reaffirmed to the Subcommittee, that it does not anticipate plans for any new drilling prior to completion of its studies. Similarly, SPR has documented through its Annual Drilling Plan submittals in compliance with the County CSD that no new wells have been drilled within the County IOF since 2014 and no new wells are planned during 2017. (The County IOF/CSD Annual Drilling Plans, as well as other CSD informational documents, can be accessed from this link: <http://planning.lacounty.gov/baldwinhills>.) At the April 17th community meeting, the City Council inquired whether SPR might commit to a voluntary moratorium on any new drilling until such time that a land use application process can be defined and processed in the interim, and SPR stated a willingness to do so.

The details of SPR's stated commitment to not submit any applications for new drilling during the term of any potential working agreement were addressed during the discussions between the Subcommittee and SPR. While SPR has committed to abstaining from the drilling of any new wells during this time period, it indicated that other operations considered routine and necessary for the maintenance of existing wells, including any reworking or redrilling of wells, would continue unimpeded.

This discussion raised a question for the Subcommittee because it highlights a technical issue concerning the difference between the drilling of a new well and the redrilling of an existing well, versus the City Council's intent when requesting a voluntary moratorium on new drilling (including redrilling in this context). The City's existing oil drilling regulations, set forth in CCMC Section 11.12.005, requires a drilling permit for the erection of any derrick, or similar or related structure or equipment, or the drilling, redrilling or deepening of any well hole. SPR believes that its existing vested rights (for existing wells) includes the right to redrill its wells, and thus SPR implied that any voluntary moratorium should exclude SPR's ability to rework or redrill existing wells. However, the City's existing oil drilling regulations establish a procedure requiring a discretionary permit from the City for redrilling and any redrilling initiated without such a permit would be a violation of the CCMC. This issue was not immediately resolved during the Subcommittee's discussions with SPR. If the City Council directs the Subcommittee to continue its discussions with SPR toward a potential working agreement, it will be helpful to receive the City Council's clarification and direction as to whether the City Council's intent was that SPR's voluntary moratorium include the redrilling of existing wells. Such direction could then be included in a potential working agreement.

OPTIONS FOR MOVING FORWARD

1. Release Revised Draft Drilling Regulations for Informal Public Review and Comment: Over the course of the development of the IOF Specific Plan and Draft EIR, revisions are being made to the 2013 Draft Drilling Regulations. These revisions include changes to address public comments to the Draft Drilling Regulations received from the community members and previous IOF operators during the informal public review process conducted in 2013, as well as other changes based on information gathered during the course of the current environmental review process.

In order to provide the various stakeholders (including the community, the IOF landowners and the IOF operator) with preliminary input into the IOF Specific Plan process, and reflect how the Draft Drilling Regulations have evolved since 2013, the City Council could consider directing staff to complete its revisions to the Draft Drilling Regulations and circulate a *2017 Revised Discussion Draft Oil Drilling Regulations for the Culver City Portion of the Inglewood Oil Field* (the "Revised Draft Drilling Regulations"), as part of an informal process to obtain public comment on the Revised Draft Drilling Regulations. The Revised Draft Drilling Regulations would establish a new "baseline" document as a point of reference for the ongoing process, allowing all parties to be equally informed on the status of previous revisions to the 2013 Draft Drilling Regulations. If the City Council is interested in pursuing this option, it is anticipated that staff can have the Revised Draft Drilling Regulations complete and ready for public release within 30-60 days. The benefits to such an approach are to (1) provide transparency and information sharing to address the community's concerns and requests; (2) obtain a better understanding as to whether a cooperative effort with SPR is feasible and further discussion regarding a potential working agreement is warranted; and (3) bring the 2013 Draft Drilling Regulations up to date by incorporating additional provisions based on information gathered during the course of the current environmental review process.

If the City Council were to authorize this option, the Subcommittee has indicated that SPR should (i) reimburse the City for costs incurred; and (ii) commit to information sharing and public transparency by working with the Subcommittee and City staff to resolve perceived inconsistencies with information previously shared, and creating a forum or venue for reaching out to the community on issues publicly raised regarding bottom-hole locations, mineral rights, and other issues.

If the City Council determines to pursue this option, the Subcommittee and staff recommend that discussions with SPR be temporarily suspended in order to allow staff sufficient time to complete the Revised Draft Drilling Regulations within a reasonable period of time.

2. Additional 90-day Temporary Project Hold and Continuation of Discussions between the Subcommittee and SPR: If the City Council determines to continue the Temporary Project Hold and direct the Subcommittee to engage in further discussions to arrive at a potential working agreement for moving the IOF Specific Plan Project (or alternate land use application process) forward, then extending additional time and flexibility into the planning process would offer an opportunity for the Subcommittee and City staff to continue to work through key issues with SPR and explore areas within the plan and project description that could be refined and

potentially reflect the IOF existing operations and 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. However, given the experience of discussions during the previous 90-day period, it is clear that at least another 90 days would be required to systematically address these complex issues. Even with this additional time, there is no certainty that a completely mutually agreeable solution and set of guiding principles could be accomplished.

3. **(SPR'S Request) Authorize SPR to Proceed as Project Applicant:** SPR proposes to present a land use application for future oil and gas activities along with other potential future uses for the site. Under this request, the City's role in the pre-application preparation process would be limited.
4. **Termination of Temporary Project Hold, Discontinue Discussions with SPR and Proceed with Completion and Release of the IOF Specific Plan and Draft EIR:** If the City Council feels that a mutually agreeable working agreement for moving the City-initiated Project (or alternate land use application) forward is not possible at this time, then it could direct the Subcommittee to discontinue its discussions with SPR and authorize City staff to complete the IOF Specific Plan and Draft EIR for release to the public in accordance with the CEQA process. City staff estimates at this time, that the Specific Plan and related Draft EIR can be completed within the next 30-60 days.

FISCAL ANALYSIS

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

ATTACHMENTS

1. April 17, 2017 City Council Staff Report. Regarding Inglewood Oil Field Specific Plan Project (including a copy of SPR'S request to proceed as project applicant).

MOTION

That the City Council:

1. Discuss and provide direction regarding the following options:
 - A. Direct staff to complete its revisions to the Draft Drilling Regulations and circulate a 2017 Revised Discussion Draft Oil Drilling Regulations for the Culver City Portion of the Inglewood Oil Field (the "Revised Draft Drilling Regulations"), as part of an informal process to obtain public comment on the Revised Draft Drilling Regulations. (Under this option, the Oil Drilling Subcommittee's discussions with Sentinel Peak Resources (SPR) would be temporarily suspended in order to allow staff time to complete the 2017 Revised Draft Drilling Regulations for release to the public within a reasonable period of time.); **OR**

B. (i) Extend the Temporary Project Hold for a period of 90 days (or as otherwise determined by the City Council) in order to allow additional opportunity for the Oil Drilling Subcommittee, in conjunction with City staff, to continue meeting with SPR in order to further explore potential options for an application process and refine its recommendations to City Council as to whether to move forward with SPR's request to participate in the Specific Plan process as a project applicant. (Under this option, the Oil Drilling Subcommittee would continue to work with SPR, reflecting a process by which SPR could participate as a Project applicant, or quasi-applicant, for City Council's consideration at a future community meeting. Any potential working agreement would, at a minimum, include the guiding principles; terms for cost reimbursement of past, present and future expenses; a milestone-based performance schedule; and focused discussion points, as recommended by the Oil Drilling Subcommittee or per specific guidance provided by the City Council.); **AND**

(ii) If the City Council determines to authorize the Subcommittee to continued its discussions with SPR, it is recommended the City Council also provide direction/input to the Subcommittee and City staff on various land use process considerations that should be incorporated into the IOF Specific Plan Project (or other land use application process), including: (a) potential role and input options for community, landowners, and other stakeholders; (b) potential interim and long-term land use objectives; and (c) potential coordination and sharing of technical information (In addition, unless otherwise directed by the City Council, City staff would continue to proceed on a dual track of completing the Draft Specific Plan and Draft EIR.); **OR**

C. (SPR's Request): Authorize SPR to Proceed as Project Applicant; **OR**

D. Terminate discussions with SPR, release the Temporary Project Hold and direct staff to move forward with completion of the Draft Specific Plan and Draft EIR for an anticipated release in late August or early September 2017, or appropriate date thereafter as recommended by the Oil Drilling Subcommittee. (Under this option, SPR's input would be received as public comment during the EIR public review process, and SPR could submit a future application in accordance with the regulations set forth in the Specific Plan at that time, or could potentially file an application for a Specific Plan Amendment, if appropriate); **AND/OR**

2. Provide other direction to staff as deemed appropriate.