



City of Culver City

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

Staff Report

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Item #: A-4.

CC - (1) City Council Oil Drilling Subcommittee (“Subcommittee”) and City Staff Update Regarding the Preparation and Future Consideration of a Proposed Amortization Program for the Culver City Portion of the Inglewood Oil Field; (2) Consideration of the Subcommittee’s Recommendation to Adopt a Resolution Declaring the City Council’s Intent to Evaluate the Establishment of an Approximate Five-Year Phase-Out Period for the Amortization and Removal of Nonconforming Oil and Gas Activities within the City; and (3) Direction to the Subcommittee and City Staff as Deemed Appropriate.

Meeting Date: October 26, 2020

Contact Person/Dept: Heather Baker, Assistant City Attorney;
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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 (10/21/2020, 10/21/2020), Culver City News and Events (10/14/2020, 10/21/2020), Stay Informed - Inglewood Oil Field (10/14/2020, 10/21/2020); Stay Informed - Sustainability and Environmental Issues (10/14/2020, 10/21/2020), Sentinel Peak Resources (10/14/2020, 10/21/2020); and (Mail) Inglewood Oil Field Property Owners (10/15/2020).

Department Approval: Carol Schwab (10/19/2020)

RECOMMENDATION

The City Council Oil Drilling Subcommittee, consisting of Vice-Mayor Alex Fisch and Council Member Meghan Sahli-Wells (“Subcommittee”), and City staff recommend the City Council (1) receive a status update from the Subcommittee and City staff regarding the preparation and future consideration of a proposed Amortization Program for the Culver City portion of the Inglewood Oil Field (“City IOF”); (2) consider the Subcommittee’s recommendation to adopt a Resolution declaring the City Council’s intent to evaluate the establishment of an approximate five-year phase-out period for the amortization and removal of nonconforming oil and gas activities within the City IOF; and (3)

provide other direction to the Subcommittee and City staff, as deemed appropriate.

BACKGROUND

At its Special Meeting of August 13, 2020, the City Council received and considered information contained in the Capital Investment Amortization Study for the Culver City Portion of the Inglewood Oil Field ("Amortization Study"), as well as public input concerning the future of the City IOF. The City Council voted unanimously to move forward with further study of the City IOF and authorized the Subcommittee to work directly with staff as it prepares a proposed Amortization Program that resolves the incompatibility of oil and gas uses with the surrounding community and considers options to phase-out the nonconforming oil and gas activities within the City IOF. The City Council requested other factors be studied and considered while drafting an Amortization Program, including, but not limited to:

- *Just transition of workers*
- *Adequate bonding*
- *Adequate plug and abandonment procedures*
- *Complete remediation*
- *Thoughtful implementation plan and schedule*
- *Outreach to clean-energy partners*
- *Cost sharing opportunities*
- *Engagement of stakeholders*

DISCUSSION

Consistent with the City Council's August 13th direction, the Subcommittee and staff have discussed a preliminary framework for the implementation and timeframe for a potential Amortization Program. These discussions included preliminary review, evaluation, and potential feasibility of several of the objectives identified by the City Council, including clarifying expectations for plug and abandonment procedures and remediation, outreach to clean-energy partners, and outlining potential avenues for cost sharing opportunities and engagement of stakeholders.

During this preliminary review, several factors impacting the process for the development of a proposed Amortization Program became apparent:

- The Subcommittee and staff have investigated, at a very preliminary level, various options for several of the factors identified by City Council at its August 13th meeting, and determined there may be opportunities to collaborate or partner on matters related to clean-energy programs, cost sharing, facilitating a just transition for workers, transitioning uses and engaging various stakeholders. Based on this initial evaluation, it appears these objectives are potentially feasible; however, continued study is needed to fully understand how these

opportunities might influence the design and implementation of an Amortization Program and affect the intended phase-out period.

- Developing the parameters for the components of a potential Amortization Program can best be determined and formulated by first having an understanding as to the potential general timeframe during which the City may desire to phase-out nonconforming oil and gas activities. For example, the feasibility of some components may be impacted by an overly shortened or unnecessarily lengthy phase-out period. With a targeted phase-out period, certain programs, such as those related to a “just transition” of workforce, and energy partnerships and land uses, can be tailored appropriately to correspond with a contemplated timeframe for amortization and eventual removal of the nonconforming activity.
- The level of research, evaluation, planning and refinement necessary to prepare a comprehensive and thoughtful implementation plan and appropriate schedule for the Amortization Program likely will not be completed until after installation of the new City Council following the November 3, 2020 General Election. New Council Members will require some time to become oriented and familiarized with the background and complex issues of the City IOF, including understanding the decisions made and direction given by this current City Council. Progress on the Amortization Program will need to account for the time needed to transition under the new City Council.
- Continued study, evaluation, preparation and refinement of a potential Amortization Program will likely transition to a Subcommittee with at least one new member. Following installation of the newly elected City Council, new appointments to the Subcommittee will be made. The Subcommittee will likely require a reasonable transition period so it can continue to study and complete a proposed Amortization Program per previous direction of the current City Council and then bring it to the new City Council.

The Subcommittee and staff contemplated a potential phase-out period that takes into consideration: the logistical issues outlined above; the information already documented by the Amortization Study; insight gained through research already completed by the Subcommittee and staff to date; and the investment of City resources toward the study of defining the process of amortization. It is recommended that an approximate five-year phase-out period to amortize and remove the nonconforming oil and gas activities within the City IOF be evaluated as to its appropriateness to provide for a reasonable transition of oil-related uses and ability to balance with other important objectives.

Based on their preliminary evaluation, the Subcommittee and staff believe that an approximate five-year amortization period, commencing on the effective date of the Amortization Program and ending five years thereafter, would offer a reasonable time period for the IOF Operator to wind down production activities, schedule appropriate resources for the plug and abandonment of nonconforming oil wells and removal of nonconforming production-related equipment, and secure requisite bonding prior to initiating any decommissioning work. A five-year phase-out period also appears to provide for an adequate time period to facilitate a “just transition” (i.e., training of workers and initiation of clean-energy programs), completion of environmental assessment and remediation studies and opportunity to outreach with oil field stakeholders (e.g. land owners and mineral rights holders).

It should be noted that the intent to evaluate a contemplated five-year phase-out period does not negate the conclusions of the Amortization Study, which are still presumed accurate and valid. The Capital Investment Amortization Study evaluated two scenarios and concluded that the original capital investment in the City IOF between 1925 and 2002 was recovered years ago and the acquisition capital investment by Sentinel Peak Resources may have reached or will soon reach the point where capitalized investment has amortized. The economic information provided in the Amortization Study is only one factor of the package of other factors used to suggest a contemplated five-year phase-out period for the nonconforming oil and gas use.

It is anticipated that an approximate five-year phase-out period would allow for a reasonable timeframe during which the logistics necessary to decommission the City IOF (as noted above) in a safe and secure manner can be coordinated and balanced with the urgent concerns and objectives previously outlined through public Subcommittee and City Council meetings, which include:

- Desire to eliminate long-standing nonconforming oil and gas uses;
- Improve land use consistency and compatibility issues between those activities conducted in the City IOF area and other surrounding community uses;
- Eliminate growing concern and lack of continuity resulting from a continuous change of oil field operators, as experienced in recent history, that may have limited interest to invest in maximizing compliance and compatibility with Culver City standards and objectives;
- Desire to replace obsolete industrialized oil-production uses with modern urban uses that are determined by the City to be compatible and more directly beneficial with the current urban context and evolving character of the adjacent community;
- Acknowledge and affirm the role of the City's comprehensive General Plan Update, which is currently underway, and seek to accommodate a shift in policy through reevaluation of long-range objectives for the oil field area;
- Enhance 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 damage to the environment;
- Prioritize the public health, safety and welfare of the community and develop a strategy for end-of-life considerations for the City IOF;
- Embrace State-wide trends 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;
- Minimize inordinate use of City staff and financial resources spent toward enforcement of regulations applicable to the City IOF, which may be unproductive.

Oil Drilling Subcommittee Recommendation

At the direction of City Council, the Subcommittee has worked with City staff to commence the study of several factors to be evaluated during the preparation of a proposed Amortization Program, including the financial analysis, findings and conclusions presented in the Amortization Study; adequate plug and abandonment procedures; coordination with clean-energy partners; a just transition from non-conforming oil and gas activities toward feasible and compatible replacement uses; and an implementation plan and schedule that could be inclusive of all these factors. Due to the upcoming transition of City Council and composition of the Subcommittee, as well as the benefit of establishing a proposed timeframe for the phase-out period, in order to more fully inform

Amortization Program components, the Subcommittee recommends the City Council take steps to reinforce its previous direction.

More specifically, the Subcommittee recommends the City Council adopt the proposed Resolution (1) declaring the City Council's intent to evaluate the establishment of an approximate five-year phase-out period for the amortization and removal of nonconforming oil and gas activities within the City IOF, commencing on the effective date of such Amortization Program and ending five years thereafter; and (2) directing the Subcommittee, under its current and future membership, to continue its work with staff to develop and refine the components of a proposed Amortization Program to bring to the public and new Council. The Program should reflect a thoughtful implementation plan and appropriate timeframe, and to provide for the just and reasonable transition away from nonconforming oil and gas activities in a safe and secure manner, based on a contemplated approximate five-year phase-out period, as may be reasonably adjusted to balance other objectives and to reflect further investigation.

FISCAL ANALYSIS

There is no fiscal impact from the discussion of this matter or the adoption of the proposed Resolution. However, implementation of the City Council's recommendation(s) may result in the need to allocate budget and staff resources, for which staff will develop a proposal and cost estimate and, if needed, return to the City Council to receive budget approval.

ATTACHMENTS

1. 2020-10-26_ATT_Proposed Resolution Declaring City Council's Intent to Evaluate the Establishment of an Approximate Five-Year Phase-Out of Nonconforming Oil and Gas Activities

MOTION

That the City Council:

1. Receive a status update from the Oil Drilling Subcommittee and City staff regarding the preparation and future consideration of a proposed Amortization Program for the Culver City portion of the Inglewood Oil Field; and
2. Adopt a Resolution declaring the City Council's intent to evaluate the establishment of an approximate five-year phase-out period for the amortization and removal of nonconforming oil and gas activities within the City; and
3. Provide other direction to the Oil Drilling Subcommittee and City staff, as deemed appropriate.