



City of Culver City

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

Staff Report

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Item #: PH-1.

CC - PUBLIC HEARING: (1) Consideration of the City Council Oil Drilling Subcommittee's ("Subcommittee") Recommendation to Terminate Nonconforming Oil Uses and Phase the Closure and Removal of Nonconforming Oil Uses over a Five-Year Period ending July 28, 2026; (2) Introduction of an Ordinance Approving Zoning Code Amendment P2021-0036-ZCA, Amending Culver City Municipal Code Title 17: Zoning Code, Section 17.610.010.D - Nonconforming Oil Use, to Terminate Nonconforming Oil and Gas Uses by July 28, 2026; and (2) Direction to the Subcommittee and City Staff as Deemed Appropriate.

Meeting Date: June 17, 2021

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: (Publication) Culver City News (06/03/2021); (E-Mail) Meetings and Agendas - City Council (06/03/2021, 06/10/2021); Notify Me - Culver City News and Events, Public Notifications, General Plan Update (06/03/2021, 06/10/2021); Stay Informed - Inglewood Oil Field, Sustainability and Environmental Issues (06/03/2021, 06/10/2021); Sentinel Peak Resources (06/03/2021, 06/10/2021); and (Mail) Inglewood Oil Field Property Owners (06/02/2021)

Department Approval: Carol Schwab (06/10/2021)

RECOMMENDATION

The City Council Oil Drilling Subcommittee ("Subcommittee"), comprising Mayor Alex Fisch and Vice Mayor Daniel Lee, and City staff recommend the City Council: (1) consider the Subcommittee's recommendation to terminate and phase the closure and removal of nonconforming oil and gas activities within the City over a five-year period; (2) introduce an Ordinance approving Zoning Code Amendment P2021-0036-ZCA, amending Culver City Municipal Code ("CCMC") Title 17: Zoning Code ("Zoning Code"), Section 17.610.010.D, Nonconforming Oil Use, to terminate nonconforming oil and gas uses by July 28, 2026 ("Oil Termination Ordinance" or "Ordinance"); and (3) provide other direction to the Subcommittee and City staff, as deemed appropriate.

PROCEDURE

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

BACKGROUND

Oil drilling within Culver City was first established during the 1920s within the Inglewood Oil Field ("IOF") and, since at least 1925, Culver City has maintained some form of regulation for oil and gas activities, including drilling and operation activities relating to oil derricks and the boring of wells within the City. For at least the last 60 years, oil and gas uses have been prohibited by the CCMC throughout the City except that, in accordance with the current Zoning Code Section 17.610.010.D, land that had been used for oil and gas uses was allowed to continue as a nonconforming use, subject to compliance with all other City regulations, including compliance with CCMC Chapter 11.12 (Oil, Gas and Hydrocarbons).

The continued operation of nonconforming oil uses for at least the last several decades has proven to be to the detriment of the public health, safety and welfare due to operational mishaps within the IOF, including, but not limited to, odorous gas releases, oil spills and fires, and has imposed a continuing burden on the City requiring efforts to attain compliance with its regulations by a succession of IOF Operators, thereby exacerbating risk to the public health, safety and welfare and resulting in reduced protection of the environment.

In 2018, after many decades' culmination of periodic operational issues that affect the Culver City community and residents, the high-turnover of entities that have owned or held rights to use the land surface to extract oil, gas, and other hydrocarbon substances, or use the premises for injection ("Operator") within the IOF and the City's increased difficulty in coordinating with IOF Operators to establish cooperative oversight of facilities within the Culver City portion of the Inglewood Oil Field ("City IOF"), and a lengthy process to study and establish improved regulation of oil and gas production activities within the City IOF (which process was placed on hold), the City Council at its June 20, 2018 Special Meeting, requested staff to proceed with an informational study outlining options for addressing the potential amortization and termination of nonconforming oil-related activities within the City IOF.

Shortly thereafter, on May 28, 2019, the City Council authorized economic consultant Baker & O'Brien to prepare a study of the amortization of original capital investment in oil and gas production facilities, based on income modeling, related to the City IOF.

At its August 13, 2020 meeting, the City Council received and considered information contained in the *Capital Investment Amortization Study for the Culver City Portion of the Inglewood Oil Field* ("ACI Study"), as well as public input concerning the future of the City IOF, and voted unanimously to move

forward with further study of the City IOF with regard to amortization and termination. In addition, the City Council requested other factors be studied and considered under a potential 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*

Resolution of Intention to Evaluate Five-Year Phase Out

At its meeting of October 26, 2020, the City Council adopted Resolution No. 2020-R100 declaring its intent to evaluate the establishment of an approximate five-year phase-out period for the termination of nonconforming oil and gas uses within the City, with emphasis on phase-out of the active oil and gas uses located within the City IOF. This action followed the City Council's prior direction at its August 13, 2020 meeting to move forward with further study of an Amortization Program to resolve incompatible oil and gas uses and consider options to phase-out nonconforming oil and gas activities within the City, including within the City IOF. Such direction was supported, in part, by evidence that amortization of original capital investment in oil uses within the City IOF had been previously achieved.

Based on a preliminary evaluation, the Oil Drilling Subcommittee (formerly comprising then Vice Mayor Fisch and Council Member Sahli-Wells) and staff recommended 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 oil production activities, schedule appropriate resources for the plugging of nonconforming oil wells, remove associated equipment, restore the oil use premises and secure requisite bonding prior to initiating any decommissioning work. A five-year phase-out period also would appear to provide for an adequate time period to facilitate "just transition" measures (i.e., training of workers and initiation of clean-energy programs), complete environmental assessment and remediation studies, and provide an opportunity to outreach to oil field stakeholders (e.g., land owners and mineral rights holders) associated with the transition areas.

More specifically, the Resolution established that an approximate five-year phase-out period would allow for a reasonable timeframe during which the logistics necessary to decommission the City IOF in a safe and secure manner can be coordinated and balanced with the urgent concerns and objectives. Specific objectives discussed by the Subcommittee and City Council during public meetings 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 within 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, safety and welfare, and protection of the environment by eliminating and safely removing aged and outdated infrastructure that is vulnerable to failure and poses a threat to public safety and damage to the environment and by minimizing exposure to risk of upset arising from oil and gas facilities due to seismic events;
- Prioritize the public health, safety and welfare of the community and develop a strategy for the orderly termination of nonconforming oil uses within 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;
- Actively contribute toward goals to manage and reduce global climate change through elimination of oil extraction and production activities that generate greenhouse gas emissions while simultaneously contributing toward a reduction in the carbon footprint by leading a transition away from fossil fuels; and
- Minimize inordinate use of City staff and financial resources spent toward enforcement of regulations applicable to the City IOF, which may be unproductive.

DISCUSSION

Overview of Ordinance to Terminate Nonconforming Oil Uses

Consistent with previous City Council direction and Resolution No. R2020-100, the Oil Termination Ordinance (see ***Attachment 1***) would provide for the termination, discontinuance and removal of nonconforming oil uses throughout the City, with emphasis on activities located within the City IOF, by July 28, 2026. The proposed Ordinance will establish a five-year phase-out period that seeks to reasonably expedite the termination and removal of all nonconforming oil uses while balancing considerations key to the protection of the public health, safety and welfare and the environment, and other stated objectives, and to accommodate important logistical issues that will help to ensure a thoughtful implementation plan. The proposed Ordinance would accomplish this intent by amending Zoning Code Section 17.610.010.D, Nonconforming Oil Use. Components of the proposed Ordinance include:

- ***Prohibit New or Expanded Oil and Gas Activity*** - Effective July 28, 2021, no new drilling, re-drilling or deepening of wells would be permitted.
- ***Terminate and Remove Nonconforming Oil Uses*** - Effective July 28, 2026, all nonconforming oil uses and associated facilities shall be terminated and fully removed, and the premises

restored satisfactorily to its original or natural pre-oil production condition.

- *Establish Program and Schedule Detailing Plan for Removal of Nonconforming Oil Uses* - Require Operator to submit a program and schedule by no later than July 28, 2022, to detail and demonstrate how and when oil and gas facilities will be removed and the premises restored. The plan must demonstrate how compliance will be accomplished by no later than July 28, 2026. The plan must be reviewed and approved by the Community Development Director. Quarterly progress updates must be provided by the Operator to the Director.
- *Performance Secured Through Bonds and Insurance* - Bond requirements will be set to guarantee faithful performance of all components necessary to comply with the termination and restoration requirements under the Ordinance. Insurance requirements will be set to adequately address liability, such as due to potential operational upset during the termination and removal process. Bond and insurance requirements will be established by resolution of the City Council (discussed later in this report).
- *Termination Fee* - A termination fee (per well) will be required to recover the City's reasonable costs associated with review of the program and schedule and subsequent monitoring and inspection of the premises. Fees will be established by resolution of the City Council (discussed later in this report).
- *Continued Oversight of Interim Activities*- Until nonconforming oil uses are completely terminated and fully removed, compliance in accordance with CCMC Chapter 11.12 is required for the operation of oil and gas activities continuing in the interim.
- *Applicable City-Wide*- Ordinance covers all wells city-wide but emphasis is on the City IOF, which is the only known area having active or potentially active wells and continuing nonconforming oil uses.

Oil Operations and Nonconforming Status in Culver City

Historically, oil drilling has occurred throughout Culver City. However, the greatest concentration of oil and gas activity is found within the City IOF and the area immediately surrounding the City IOF. The City IOF refers to an approximate 80-acre area that lies within the city corporate limit and is located easterly of the Jefferson Boulevard and the Culver City Park, southerly of the Blair Hills neighborhood and the Stoneview Nature Center, and west of La Cienega Boulevard. As of May 1, 2021, there were approximately 41 active or potentially active wells and an estimated 28 previously plugged wells located within the City IOF. Sentinel Peak Resources ("SPR") is the Operator for wells located within the City IOF. An additional 70 previously plugged or abandoned wells are located throughout the City area outside of the City IOF. Previously plugged wells located outside of the City IOF are maintained by a variety of Operators. No active or potentially active wells are anticipated to be located outside of the City IOF. However, oil well data available from the California Department of Conservation's Geologic Energy Management Division ("CalGEM," formerly known as DOGGR) public portal as of May 1, 2021 indicates three potential "idle" wells located on properties that are developed with other uses. These three wells, which are non-operational and capped, are likely previously plugged, pending verification from CalGEM. (See **Attachment 2**) The number and status of all existing wells will be confirmed in coordination with CalGEM as an initial step in implementation of the Ordinance.

Per the City's current zoning regulations, oil drilling is not allowed under any zone category. Because

the oil and gas activities occurring today were established prior to the time those activities were prohibited, those facilities are deemed to be nonconforming uses. The City IOF is the only area within the City where nonconforming oil and gas activities have been allowed to continue.

Recommended Follow-Up Items: To ensure the Ordinance is implemented as intended, these follow-up items are recommended:

- Direction to staff to initiate coordination with CalGEM to document baseline conditions, including the number and status of all existing wells, by developing a current and complete list of all nonconforming oil and gas uses within the City, which are subject to termination under the Ordinance.
- Direction to staff to initiate coordination with CalGEM to review safety considerations, assess compliance and arrange to monitor the integrity of plugged wells, including previously and pending future plugged wells, within the City corporate limit and provide recommendations for City Council consideration, as appropriate.

Termination of Nonconforming Use

At its June 20, 2018 meeting, the City Council suggested that it should explore options for oil and gas uses before investing additional City resources toward programs that otherwise would support the long-term continuation of oil-related activities, which have long been identified as nonconforming uses. This direction came about because of escalating concern for the public health, welfare and safety of the community and the issues associated with incompatibility of oil drilling in urban areas. Over the course of several years, the Subcommittee and Staff have evaluated a broad range of key issues to inform discussion about oil and gas activities and to identify a pathway to resolve nonconforming oil uses, which are discussed below.

1. Amortization of Original Capital Investment

One important aspect of the review process was to evaluate when amortization of the original capital investment in existing nonconforming uses was (or would be) achieved. The economic consulting firm of Baker & O'Brien was contracted to prepare an economic income model and study to inform on this issue. The ACI Study completed by Baker & O'Brien, which was presented to Council in August 2020, concluded that a return on the original investment of capital was accomplished years ago. Further, the ACI Study analyzed as a proxy for original capital investment a second scenario for comparison purposes that was based on SPR's investment to acquire the IOF in 2017 and concluded that return on its acquisition investment was achieved within four years, by end of 2020.

The ACI Study was released publicly in May 2020 and presented, reviewed and discussed at public meetings held June 4, 2020 (with the Subcommittee) and August 13, 2020 (with the City Council). More than 100 comments were received from the public, including two comment letters that specifically addressed the technical aspects of the ACI Study.

In follow-up, Baker & O'Brien has prepared a Memorandum to respond to those written technical comments in order to clarify the analysis and conclusions of the ACI Study. (See ***Attachment 3***) In summary, none of the written comments provide evidence or raise issues that change the conclusions of the ACI Study, which remain valid and relevant.

Baker & O'Brien's ACI Study focused solely on investment related to the City IOF. Although approximately 70 wells have been established throughout the City but outside of the City IOF area, these wells have previously been removed from production and plugged. Because of their inactive and closed status, the economic life of those wells are assumed to be previously amortized, as evidenced by their closure, and thus economic analysis for wells located outside the City IOF is not necessary.

Additional public comments raised during the public meetings at which the ACI Study was presented included other questions related to economic aspects of the City IOF. These comments were not specific to the technical aspects of the ACI Study and/or were not relevant in the context of the ACI Study.

The information provided in the ACI Study was only one factor of many that were evaluated by the City while considering options for potential termination or phase-out of nonconforming oil uses. Nonetheless, the ACI Study concluded that amortization of original capital investment had already been achieved.

2. Land Use

Termination of the nonconforming oil uses would affect land use in a beneficial way. The City IOF has operated as a nonconforming use under the City's land use regulations for decades. The Ordinance will modify the provision under the Zoning Code for nonconforming oil use to clearly establish that oil and gas uses are to be phased out and must be fully terminated by July 28, 2026. Resolution of the nonconforming oil use, by termination and removal of all active or potentially active wells, will improve land use consistency and compatibility between the obsolete oil activities conducted in the City IOF area and other surrounding residential and community uses.

The Ordinance will improve the City's ability to implement the goals, objectives, and policies of the General Plan for the affected areas because it will resolve a nonconforming land use that reflects neither the goals, policies and strategies of the General Plan nor the provisions of the underlying zoning categories.

For example, the Ordinance will help further Land Use Element (LUE) Policy 1.B, to "*protect the City's residential neighborhoods from the encroachment of incompatible land uses and environmental hazards which may have negative impacts on the quality of life...*" and LUE Policy 27.B, to "*protect the visible and useable open space resources within Blair Hills by establishing land use definitions for visual resources and natural areas...*" because nonconforming and incompatible oil uses will be terminated and removed, thus reducing the potential for risk of upset and related environmental hazards and establishing a suitable visual and open space buffer between vulnerable residential neighborhoods and other ongoing IOF oil operations just beyond the City's corporate limit. Another added benefit would be improved visual effects and aesthetics by returning the premises of nonconforming oil uses to a pre-oil use condition.

3. Public Safety and Environmental Protection

Termination of the nonconforming oil uses would affect public safety and the environment in a beneficial way that would lead to enhanced protection of the environment and reduced risk to the public health, safety and welfare.

The proposed Ordinance was initiated as result of public concerns that the ongoing nonconforming oil and gas activity is affecting the public health, safety, welfare and quality of life for existing residents and businesses as demonstrated by technical studies and other expanding evidence that highlights concerns due to urban drilling activity located within close proximity to developed communities, particularly in urbanized areas, and the detriment to public health and safety, as well as potential environmental consequences.

In particular, termination of nonconforming oil uses will result in reduced risk of upset and enhanced seismic safety. The public health, safety and welfare, and protection of the environment will be enhanced by eliminating and safely removing aged and outdated infrastructure that is vulnerable to failure and poses a threat to public safety and the environment and by minimizing exposure to risk of upset arising from oil and gas facilities due to seismic events.

Further, elimination of oil uses throughout the City would result in a net reduction in greenhouse gas emissions, benefiting goals to reduce and manage emissions that affect climate change and facilitate the City's compliance with State-mandated Climate Action requirements. Terminating nonconforming oil uses would incrementally reduce the air pollutant burden for local communities proximate to the IOF and reduce the regional contribution of smog-forming emissions as well as the contribution of GHGs and climate change. It would actively contribute toward goals to manage and reduce global climate change through termination of oil extraction and production activities that generate greenhouse gas emissions while simultaneously contributing toward a reduction in the carbon footprint by leading a transition away from fossil fuels. In addition, reducing local dependence on fossil fuels would support City objectives to utilize cleaner, renewable energy sources, which benefit public health and contribute toward goals to manage and reduce global climate change. And termination of oil uses throughout the City would help to embrace State-wide trends and mandates that include plans to transition to clean, renewable energy by 2045 and to reduce reliance on fossil-fuels and vehicles that utilize fossil-fuels by 2035.

Finally, by terminating nonconforming oil uses, the community will realize a State-wide trend and local desire to shift away from fossil-fuels in support of cleaner, renewable energy sources and the removal of aged oil field infrastructure that poses a potential threat to the public health, safety and welfare and protection of the environment, as outdated systems deteriorate and fail.

4. City Resources

Other beneficial considerations for Culver City include the ability for the City to manage its resources more efficiently by minimizing unproductive use of City staff and financial resources spent toward enforcement of regulations applicable to the City IOF and undesirable and nonconforming oil uses. Further, the Ordinance would bring stability to the City's efforts to provide operational oversight and lead to enhanced protection of the environment and reduced risk to the public health, safety and welfare because elimination of the oil uses would address growing concern for the lack of continuity resulting from a successive change of oil field operators, as experienced in recent history, that may

have led to limited interest to invest in operational programs that would achieve compliance with Culver City standards and compatibility with community uses.

Termination Date and Five-Year Phase Out Period

The Ordinance would establish that all nonconforming oil uses, regardless of the applicable zoning district or whether the oil use was previously lawfully established or permitted, shall be discontinued and terminated by July 28, 2026. Further, the Ordinance would establish that no drilling of new wells, redrilling or deepening of existing wells, or the erection of any derrick, structure or equipment related to oil and gas production, except as required to facilitate termination of the nonconforming oil uses, shall be allowed after July 28, 2021.

As previously discussed, at its meeting of October 26, 2020, the City Council adopted Resolution No. 2020-R100 establishing an approximate five-year phase-out period to allow for a reasonable timeframe during which the logistics necessary to terminate and decommission nonconforming oil and gas uses within the City (with emphasis being on those active oil and gas uses located within the City IOF) can be coordinated in a safe and secure manner and balanced with the range of urgent concerns and objectives previously outlined at public meetings.

The Resolution recommending a five-year phase out period was based on evaluation that concluded five years would offer a reasonable time period for the IOF Operator to wind down oil production activities, schedule appropriate resources for the plugging of nonconforming oil wells, removal of associated equipment, and restoration of the premises, and to secure requisite bonding in preparation for the decommissioning work.

The Subcommittee and staff relied on the potential five-year phase out timeframe as a basis for framing the termination process as introduced by the proposed Ordinance. The proposed Ordinance identifies three specific dates and a reporting cycle, each targeting specific expectations for performance, as follows:

- ***July 28, 2021*** - Immediately upon the effective date of the Ordinance, July 28, 2021, any new or expanded oil and gas activity is prohibited. Consequently, no new drilling, re-drilling or deepening of wells would be permitted after that date. This date ensures that the intensity of nonconforming oil uses would not be exacerbated during the termination, plugging, removal, restoration and decommissioning process.
- ***July 28, 2022*** - Within one year from the effective date of the Ordinance, but by no later than July 28, 2022, each Operator of a nonconforming oil use shall submit a Termination Program and Schedule that demonstrates how and when oil and gas facilities will be removed and the premises restored, in compliance with the provisions of the Ordinance. This date provides for a one-year allowance as a reasonable time period for the Operator to develop a thoughtful plan for compliance and initiate steps to attain required funding, permits, equipment, staffing, insurance and bonding.
- ***July 28, 2026*** - Approximately five years from the effective date of the Ordinance, but by no later than July 28, 2026, all nonconforming oil use and associated facilities shall be terminated and fully removed, and the premises restored satisfactorily to its original or natural pre-oil production condition. This date provides an overall five-year period for each Operator to

develop a plan, retain appropriate reviews and approvals, and implement a plan to fully terminate and restore the premises. The five-year phase out period was based on the specific and existing conditions for the City IOF, which has approximately 41 active and potentially active wells, a network of surface infrastructure and at least 28 previously plugged wells. Other premises within the City limit that may be identified as nonconforming oil uses subject to compliance with the Ordinance are expected to involve much more limited operations and facilities, and thus able to comply well within the five-year period.

- *Quarterly Progress Reports* - Following review and approval by the Community Development Director of the Termination Program and Schedule submitted by each Operator, quarterly progress updates shall be provided to the Director by the Operator. The intent of the periodic progress reports is to demonstrate that the approved Termination Program is moving forward at pace that demonstrates the capability to achieve compliance within the required Schedule.

Code Compliance

The proposed Oil Termination Ordinance will incorporate several mechanisms for oversight of activities related to implementation of the Ordinance, closure of the wells and restoration of the premises, including: (1) tiered dates for termination activities; (2) requiring a program and schedule detailing and demonstrating compliance; (3) quarterly updates to be submitted to the City; (4) required compliance with CCMC Chapter 11.12 for the operation of oil and gas activities continuing in the interim; (5) an administrative process for enforcement; and (6) insurance and bonding requirements.

Prior to initiation of any activity detailed in the Termination Program and Schedule, the Operator shall submit to the Director proof of bond and liability insurance related to such activities. The bond and insurance requirements will be established by resolution of the City Council. Bond amounts will be established based on Termination Program details submitted by the Operator. Staff will evaluate and return to City Council at a future meeting, anticipated in late summer, with recommendations for appropriate insurance and bond requirements.

Recommended Follow-Up Items: To ensure the Ordinance is implemented as intended, these follow-up items are recommended:

- Direction to staff to evaluate and return to Council with recommendations for appropriate insurance and bond requirements.
- Direction to staff to address compliance and enforcement for ongoing operations under provisions of Chapter 11.12.

Long-Range Objectives for the Oil Field and Just Transition

The Subcommittee and staff defined an implementation schedule for the Ordinance that would accommodate time to coordinate further as to objectives previously identified by the City Council, including clarifying expectations for well plugging and site remediation, outreach to clean-energy partners, and outlining potential avenues for cost sharing opportunities and engagement of stakeholders.

Recommended Follow-Up Items: To ensure the Ordinance is implemented as intended, these follow-

up items are recommended:

- Direction to Subcommittee and staff to continue research into other “just transition” issues that may complement and facilitate implementation of the Ordinance.
- Direction to staff to seek CalGEM's guidance and assistance to coordinate and facilitate the timely termination of nonconforming oil and gas uses within the City.
- Direction to staff to initiate coordination with CalGEM to review the status of long-term idle wells within the City and prioritize and determine appropriate action as can be facilitated through CalGEM's Idle Well Program (which can be separate and independent from the Ordinance requirements).

ENVIRONMENTAL REVIEW

The adoption of an Ordinance is a discretionary action by the City Council, and therefore, subject to consideration under the California Environmental Quality Act (CEQA). Pursuant to CEQA and the CEQA Guidelines, it has been determined that the Ordinance project is exempt from CEQA, including without limitation, requirements for CEQA review, pursuant to exemptions applicable to the Ordinance project under CEQA Guidelines Section 15061(b), including but not limited to the “common sense” exemption under CEQA Guidelines Section 15061(b)(3) and the following exemption classes under CEQA Guidelines Section 15061(b)(2): Class 1 - Existing Facilities (CEQA Guidelines Section 15301), Class 4 - Alterations to Land (CEQA Guidelines Section 15304) and Class 8 - Actions by Regulatory Agencies for the Protection of the Environment (CEQA Guidelines Section 15308) and that the application of classes of categorical exemptions to the Ordinance project is not barred by any of the exceptions set forth in CEQA Guidelines Section 15300.2.

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

- Improved land use consistency and compatibility between active oil production areas, such as within the City IOF, and other surrounding community uses;
- As to air quality, incremental reductions in air pollutants locally and assisting the region in meeting clean air goals, and as to climate change, incremental reductions in the State's contribution to greenhouse gas emissions;
- Improved visual character and aesthetics by restoration of the premises of nonconforming oil uses to a pre-oil use condition; and
- Enhanced public health, welfare and safety, and protection of the environment by eliminating and safely removing aged and outdated infrastructure that is vulnerable to failure and poses a threat to public safety and to the environment.

OIL DRILLING SUBCOMMITTEE RECOMMENDATION

At the direction of City Council, the Subcommittee has worked with City staff to study factors and options related to the resolution of nonconforming oil uses within the City, with emphasis on the City IOF. A broad range of issues was evaluated, including the economic analysis, findings and conclusions presented in the ACI Study; adequate plugging 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 these elements.

The Subcommittee recommends the City Council adopt the proposed Oil Termination Ordinance, which would: (1) establish a five-year phase out period such that all nonconforming oil uses, regardless of the applicable zoning district or whether the oil use was previously lawfully established or permitted, shall be discontinued and terminated by July 28, 2026; and (2) establish that no drilling of new wells, redrilling or deepening of existing wells, or the erection of any derrick, structure or equipment related to oil and gas production, except as required to facilitate termination of the nonconforming oil uses, shall be allowed after July 28, 2021.

The Subcommittee asserts that adoption of the Ordinance would be a critical step to resolve nonconforming oil uses within the City, and specifically within the City IOF. The Subcommittee further recommends that the City Council direct continued coordination and study on implementation procedures and refinement of the “just transition” issues, and return to Council, as appropriate, for status or action as needed. Recommended items for City Council direction and follow-up include:

- Direction to staff to study and return to City Council with a fee resolution establishing an appropriate “Termination Fee”.
- Direction to staff to evaluate and return to Council with recommendations and a resolution for appropriate insurance and bond requirements.
- Direction to staff to initiate coordination with CalGEM to review the status of long-term idle wells within the City and prioritize and determine appropriate action as can be facilitated through CalGEM’s Idle Well Program (which can be separate and independent from the Ordinance requirements).
- Direction to staff to initiate coordination with CalGEM to document baseline conditions, including the number and status of all existing wells, by developing a current and complete list of all nonconforming oil and gas uses within the City, which are subject to termination under the Ordinance.
- Direction to staff to seek CalGEM’s guidance and assistance to coordinate and facilitate the timely termination of nonconforming oil and gas uses within the City.
- Direction to Subcommittee and staff to continue research into other “just transition” issues that may complement and facilitate implementation of the Ordinance.
- Direction to staff to initiate coordination with CalGEM to review safety considerations, assess compliance and arrange to monitor the integrity of plugged wells, including previously and pending future plugged wells, within the City corporate limit and provide recommendations for City Council consideration, as appropriate.
- Direction to staff to address compliance and enforcement for ongoing operations under provisions of Chapter 11.12.

FISCAL ANALYSIS

There is no direct or immediate fiscal impact from the discussion or the adoption of the proposed Ordinance. However, implementation of the Ordinance will require oversight and inspections by City staff and the Director’s review of Termination Program and Schedule documents, which are required to be submitted by the Operator(s) by July 28, 2022. As a result, implementation of the Oil

Termination Ordinance will require allocation of budget and staff resources to facilitate such review.

The current Planning Division Fee Schedule, last adopted July 15, 2013, includes a fee requirement for well abandonment, which was established based on a fee study completed in 2007. The level of staff involvement assumed for the 2007 fee study was consistent with review requirements established under Chapter 11.12 of the CCMC. The proposed Oil Termination Ordinance would establish new parameters for review and oversight for implementing termination and site restoration activities. This level of review and oversight would be more expansive and staff intensive than the for the well abandonment activities previously assumed for the 2007 fee study.

Proposed amended Section 17.610.010.D.2.d. requires that an appropriate Termination Fee (per well), to be established by resolution of the City Council, shall be paid and submitted along with each Termination Program and Schedule to recover the City's reasonable costs associated with review of the Termination Program and Schedule and related documents and subsequent monitoring and inspection of any oil use premises. It is recommended that City staff conduct a review of anticipated staff resources and associated costs and complete a survey of fees for similar activities at other similar jurisdictions and return to City Council with a recommendation for a Termination Fee that reflects the City's reasonable costs for an expanded staff role under the Oil Termination Ordinance.

In addition, termination of the oil uses within the City, particularly within the City IOF, will result in a nominal reduction of revenue to the City due to cessation of payment of annual well fees as provided under Chapter 11.12 of the CCMC and listed in the City's current adopted fee schedule. However, these fees have not been accepted for the previous three consecutive years due to ongoing disputes with SPR, the current City IOF Operator, relating to the City's actions to enforce and attempt to attain compliance as to fee permit assignment and other provisions set forth in Chapter 11.12.

Recommended Follow-Up Item: To ensure the Ordinance is implemented as intended, this follow-up item is recommended:

- Direct staff to study and return to City Council with a fee resolution establishing an appropriate "Termination Fee".

ATTACHMENTS

1. Proposed Ordinance
2. Maps of Oil Well Locations in Culver City
3. Baker & O'Brien's June 8, 2021 Response to Technical Comments Memorandum.

MOTIONS

That the City Council:

1. Introduce an Ordinance approving Zoning Code Amendment P2021-0036-ZCA, amending Culver City Municipal Code Title 17: Zoning Code, Section 17.610.010.D - Nonconforming Oil Use, to Terminate Nonconforming Oil and Gas Uses by July 28, 2026; and

2. Provide direction to City staff to work with the Subcommittee, as needed, on the following items:
 - a. Study and return to City Council with a fee resolution establishing an appropriate "Termination Fee".
 - b. Evaluate and return to City Council with recommendations and a resolution establishing appropriate insurance and bond requirements.
 - c. Initiate coordination with CalGEM to review the status of long-term idle wells within the City and prioritize and determine appropriate action as can be facilitated through CalGEM's Idle Well Program (which can be separate and independent from the Ordinance requirements).
 - d. Initiate coordination with CalGEM to document baseline conditions, including the number and status of all existing wells, by developing a current and complete list of all nonconforming oil and gas uses within the City, which are subject to termination under the Ordinance.
 - e. Seek CalGEM's guidance and assistance to coordinate and facilitate the timely termination of nonconforming oil and gas uses within the City.
 - f. Continue research into other "just transition" issues that may complement and facilitate implementation of the Ordinance.
 - g. Initiate coordination with CalGEM to review safety considerations, assess compliance and arrange to monitor the integrity of plugged wells, including previously and pending future plugged wells, within the City corporate limit and provide recommendations for City Council consideration, as appropriate.
 - h. Address compliance and enforcement for ongoing operations under provisions of Chapter 11.12.

3. Provide other direction to the Oil Drilling Subcommittee and City staff, as deemed appropriate.