

City of Carson Oil and Gas Code Update

Planning Commission Hearing

April 14, 2015

***Prepared By:
MRS***

***Prepared For:
City of Carson***

Update on Progress Since last Meeting

- Meeting with Planning Commission Working Groups
- Meeting with Community Stake holders
- Meeting with Industry Representatives
- Revisions to the Code

Community Issues

- Slant Drilling allowed
- Fracking ban potential exceptions
- Requirement for ambient air monitors
- Petroleum Administration appeal process
- Abandoned wells within the City
- Existing wells

Industry Issues

- Well stimulation ban and takings issue
- Timing of the code/impetus
- Legal non-conforming uses
- Acidizing definitions/Acid volume thresholds
- Requirement of submersible pumps in industrial zones
- Requirements for pipelines inside oil fields
- Overlap with AQMD (fugitive dust)

How will the Oil and Gas Code Update Affect Existing Oil and Gas Operations?

- Legally operating oil and gas uses already in existence can continue to do a variety of routine matters to continue petroleum operations and would be considered legally non-conforming uses
- Existing operators would be allowed to perform workovers or other maintenance operations between the hours of 7 a.m. and 7 p.m.
- However, certain types of new development (including expansion, modification of uses, or physical site changes) would make the existing operation subject to the new Oil and Gas code
- For example, if the proposed Ordinances are adopted, an existing oil and gas use would be subject to the new permitting and development standard requirements if the operation sought to expand the number of wells on a site

City of Carson Oil and Gas Code Update

EIRs and Impact Distances, with Mitigation, ft

EIR	Aesthetics	Air Quality	Odors	Noise	Safety	Safety - LPG
Baldwin FEIR (2008)	-	300	1,600	<500	900	3,100*
Oxy DEIR (2014)	1,500	150	-	-	800	1,250
Whittier FEIR (2011)	2,000	500	1,000	400	800	-
Hermosa FEIR (2014)	1,000	150	>150	150	750	-
SB4 DEIR (2015)	-	<1,500	1,500	270	-	-
Maximum Mitigated Distance	2,000	500	1,600	500	900	3,100*
Max Unmitigated Distance	2,000	1,500	3,500	2,000	900	3,100*

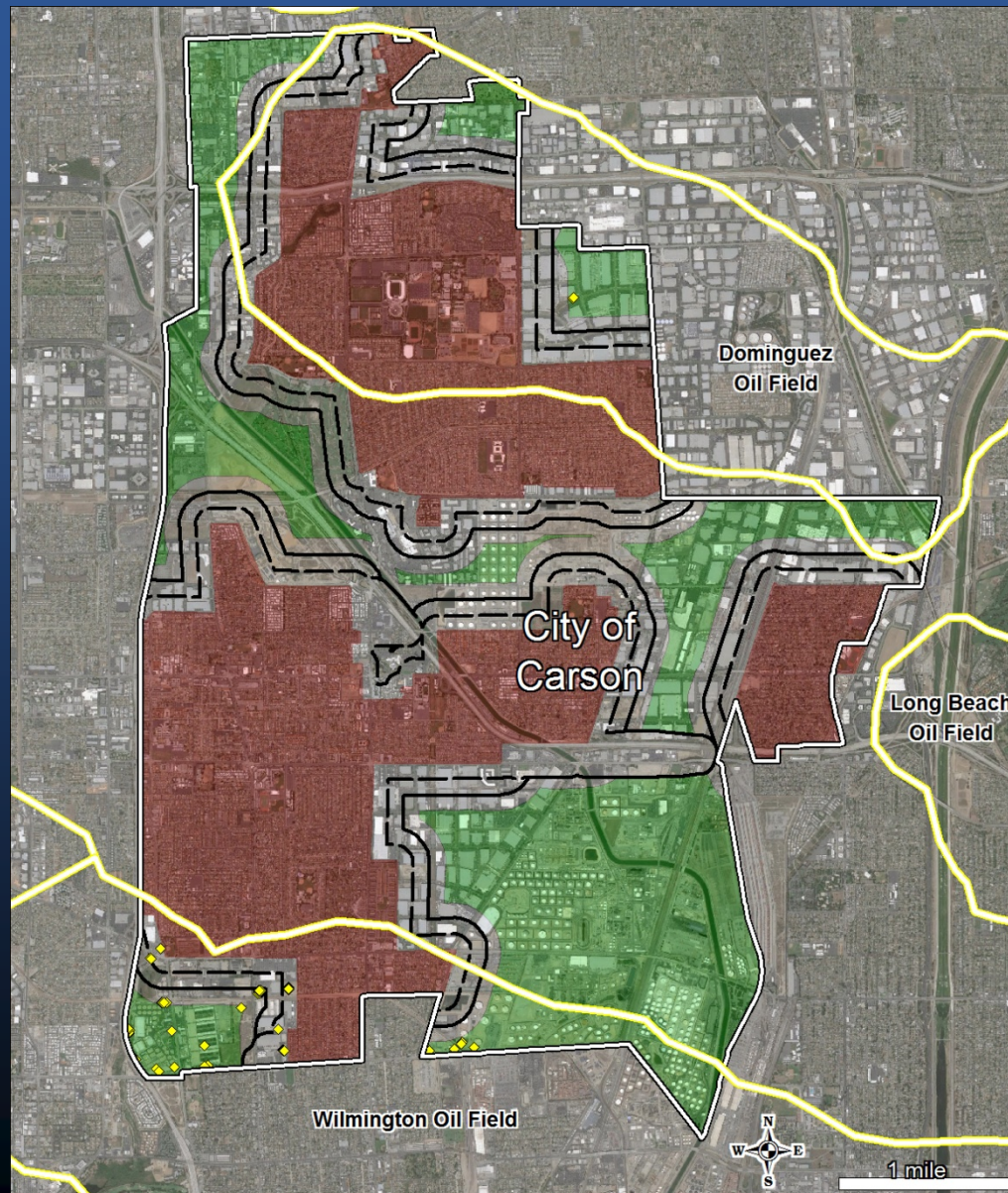
* Mitigation addresses the frequency, not the distance, of impacts

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Setback Options

Setback Distance	Advantages	Disadvantages
1,500 feet residential 1,500 feet schools, etc 500 feet commercial (current draft code update)	Serves to address potential odor concerns for large upset conditions as well as air quality, noise, and safety.	Restrictive on current operators Less legally defensible Few codes are as restrictive
1,000 feet residential 1,000 feet schools, etc 500 feet commercial	Less restrictive for current operators Addresses most public health issues (noise, air quality, most odors and most safety)	Odor issues still a potential concern for upset conditions Would require some added mitigation
500 feet residential 500 feet schools, etc 500 feet commercial	Minimally restrictive for current operators Would address mitigated air quality and noise concerns	Accidents and odor issues a concern for upset conditions Unmitigated noise a concern Unmitigated air quality a concern Would require added mitigation
300 feet residential, schools, etc (current code)	Not restrictive for current operators	Applicable to industrial areas only Accidents, odors, noise, air quality could be a concern Would require added mitigation

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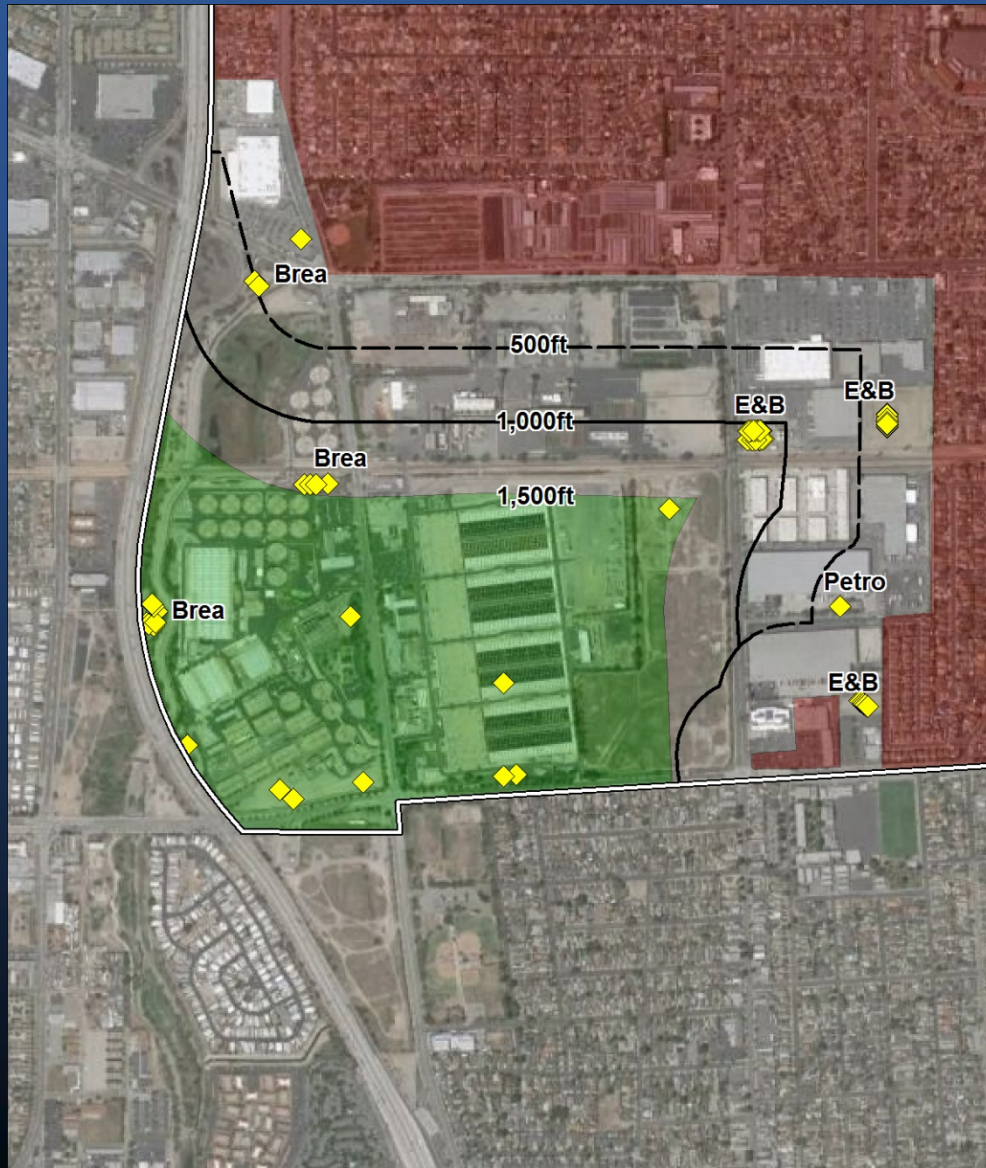


**City of Carson Map of
Zones from which
drilling is permitted
and residential areas:**

**1,500,
1,000 and
500 foot setbacks**

Red = residential areas
Green = allowed drilling areas
with 1,000 foot setback
Solid line = Green areas with
1,000 foot setback
Dashed line = Green areas with
500 foot setback

City of Carson Oil and Gas Code Update



City of Carson Map of
Zones from which
drilling is permitted
and residential areas:

South West Area
Detail

City of Carson Oil and Gas Code Update

Questions

Summary of the proposed oil and gas Code

- General Approach to the Code Update
- The 'Fracking Ban'
- Administrative Procedures
- Development Standards
- Development Standards For Site Abandonment, Site Restoration and Redevelopment

City of Carson Oil and Gas Code Update

General Approach to the Oil and Gas Code Update:

Explaining Why an Update to the Code is Proposed

Existing Oil and Gas Regulation Sections	Sections of the Proposed Oil and Gas Code
<ul style="list-style-type: none">• Section 9128.6 Residential• Section 9138.10 Commercial• Section 9148.2 Industrial	<ul style="list-style-type: none">• Part I. Administrative Procedures• Part II. Development Standards<ul style="list-style-type: none">* Includes 'fracking ban'• Part III. Development Standards For Well(s) or Site Abandonment, Re-abandonment, Site Restoration and Redevelopment

City of Carson Oil and Gas Code Update

The 'Fracking Ban' Ordinance

- Is part of the proposed oil and gas Code but will be passed through a separate ordinance
- Included as Section 9536 and 9536.1 of the proposed oil and gas Code

9536 Prohibited Uses

The owner/operator shall not use or cause to be used hydraulic fracturing, acidizing, or any other well stimulation treatment. However, to the extent that any permittee demonstrates to the Petroleum Administrator, that (1) well stimulation, other than hydraulic fracturing, is necessary to recover the owner/operator's reasonable investment backed expectation established through investment made before the effective date of this ordinance; and (2) that such well stimulation will not create a nuisance due to an adverse impact on persons or property within the City, then the Petroleum Administrator may authorize such well stimulation pursuant to a permit issued pursuant to this ordinance.

9536.1 Violations of Prohibited Uses

Any operator who violates Section 9536 of this code shall be subject to the enforcement proceedings including those found in Sections 9512, 9513, and 9515 in addition to the following specifications:

A. If an operator is found responsible for violation of Section 9537, the operator will be responsible for paying the City fees of \$100,000 or more per day, depending on the severity of the violation at the discretion of the Petroleum Administrator.

B. In addition to fees, the Petroleum Administrator may also require an immediate shutdown of all operations at an oil and gas facility site where violations of Section 9537 have been identified, as long as the shutdown would not otherwise threaten public health, safety concerns or welfare.

Administrative Procedures

- This section of the proposed Oil and Gas Code includes:
- Procedural and permitting requirements for any new oil and gas facilities within the City
 - Financial obligations for oil and gas facility operators to ensure that such sites are operated safely and restored or remediated in a timely manner after operations have ceased
 - Fines and fees for violators of the proposed new oil and gas Code to ensure long term their long term compliance
 - Requirements to ensure that if any new development is proposed at existing oil and gas facilities within the City that those facilities will be required to conform to the proposed oil and gas Code

City of Carson Oil and Gas Code Update

Administrative Procedures

Development Agreement (DA)

- *Required for drilling projects that include 3 or more total wells on an oil and gas facility site
- * Petroleum Administrator reviews the application for completeness; Planning Commission reviews the development agreement application and provides a recommendation to the City Council to approve, approve with modifications, or deny the proposed DA

Conditional Use Permit (CUP)

- *Required for drilling, re-drilling, and all oil and gas facility operations
- *Petroleum Administrator reviews application for completeness; Planning Commission responsible for approval of CUP; Planning Commission decision can be appealed by the City Council

Drilling Permit

- *Required for any drilling of test or production wells
- *Reviewed, processed, and issued by the Petroleum Administrator

City of Carson Oil and Gas Code Update

Administrative Procedures

➤ Highlights from this section of the proposed Code:

- Change of Ownership
- Site or Well Abandonment, Well re-abandonment, Restoration and Redevelopment of the Site Procedures
- High-risk Operations
- Operational Noticing
- Compliance with City Codes and Ordinances
- Monetary compensation/relief for Code violations
- Nuisance Procedures
- Code Compliance Monitoring
- Periodic Review
- Financial Assurances and Operator Responsibilities

City of Carson Oil and Gas Code Update

Administrative Procedures Continued:

Examples of Some Financial Assurances in the Proposed Oil and Gas

Securities and Bonds

In no case can the bond amount that the Operator is required to pay the City be less than \$50,000 per well

Petroleum Administrator can increase this minimum bond amount based on the specifics of the project site and proposed operations

Operator Liability Insurance

Bodily injury and property damage minimum required: 25,000,000 annually

Environmental impairment coverage: minimum coverage of 25,000,000 per occurrence

Commercial automobile insurance: 10,000,000 per occurrence for bodily injury and property damage

Control of Well insurance:
Maximum deductible of \$250,000 per occurrence

Violation Fines

Operator in violation of the Code may be penalized at a rate of \$5,000-\$10,000 per day, per violation until the violation is cured

Violation fee schedule to be developed by the Petroleum Administrator and approved by the City Council

Development Standards

- This section of the proposed Oil and Gas Code includes:
 - Regulations to ensure that oil and gas facilities do not have aesthetic or environmental/public health impacts on the community. This includes air quality and odor monitoring and threshold requirements
 - Specific standards to regulate oil and gas facility pipelines, wells, and drilling operations to ensure public health and safety and environmental compliance
 - Development standards for site abandonment, re-abandonment, site restoration and redevelopment

Development Standards

➤ Highlights from this section of the proposed Code:

- Setback Requirements from Residential, Commercial and Sensitive Use areas within the Community
- Noise Impact Restrictions and Construction Time Limits
- Aesthetics (landscaping, signage, walls, lighting, sanitation, architecture)
- Operator Responsibility for Maintenance and Restoration of Public Roads
- Use of Steaming
- Utilities (including requirements for the use of reclaimed vs. potable water on site)
- General Environmental Program
- Water Quality, Groundwater Quality
- Greenhouse Gas Emissions and Energy Efficiency Measures

Development Standards

➤ Highlights from this section of the proposed Code:

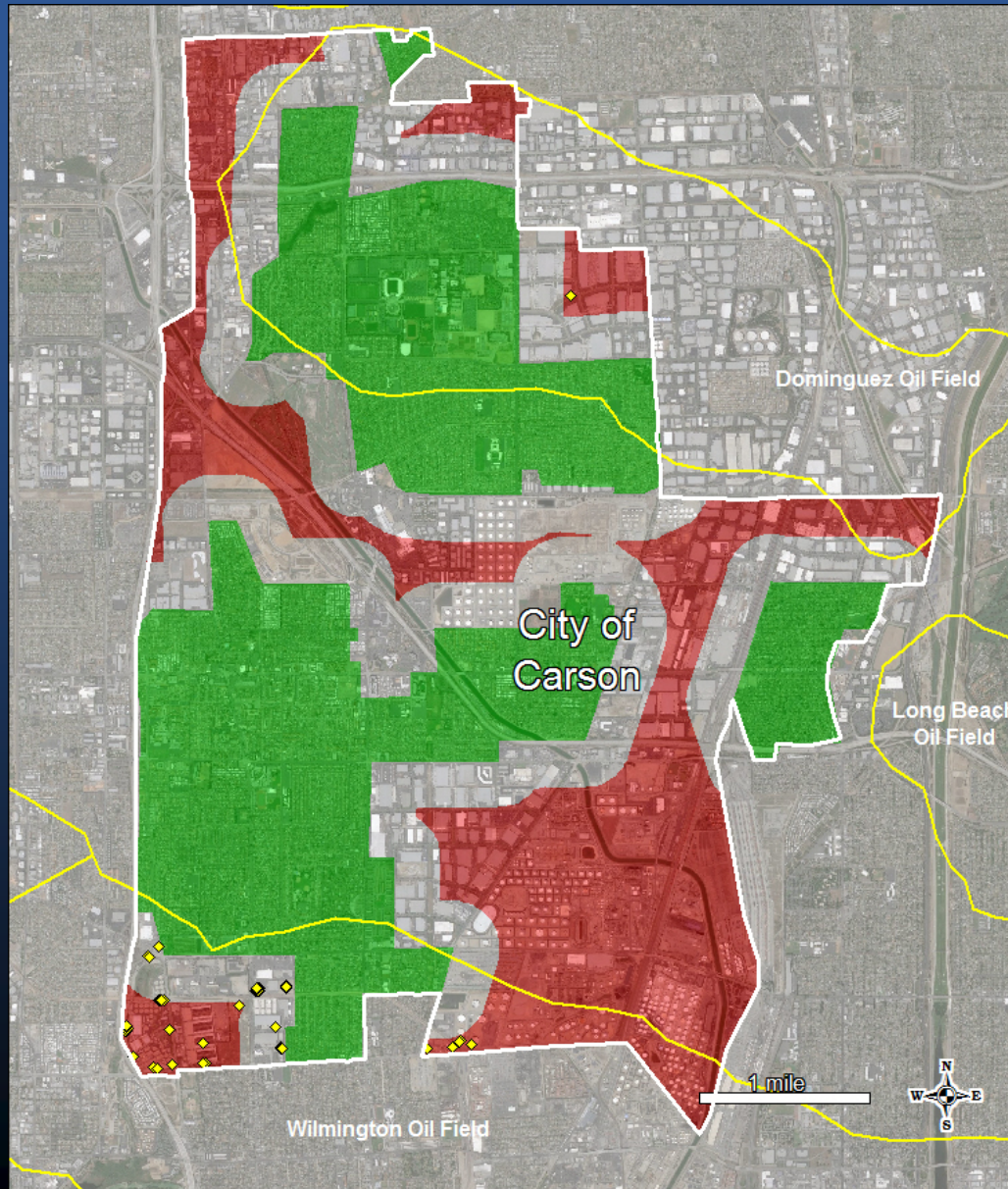
- Safety Assurances, Measures and Emergency/Hazard Management
- Blowout Standards and Testing
- Transportation of Chemicals and Waste On and Off-site and Transportation Risk Management and Prevention Program (TRMPP)
- Leak Detection and Testing Requirements
- General Environmental Program
- Air Quality Monitoring and Testing
- Standards for Wells and Pipelines

Development Standards For Well(s) or Site Abandonment, Re-abandonment, Site Restoration and Redevelopment

➤ **This section of the proposed Oil and Gas Code includes:**

- Regulations to ensure that oil and gas facilities (including all wells) are abandoned, re-abandoned, restored, and redeveloped or remediated pursuant to development standards which ensure public health and safety and environmental compliance
- Appropriate and effective chemical monitoring and leak testing requirements to ensure that any contaminants on site are identified
- Assurances that the permittee, operator/owner shall be responsible for any cost to remediate any contamination on an oil or gas facility site

City of Carson Oil and Gas Code Update

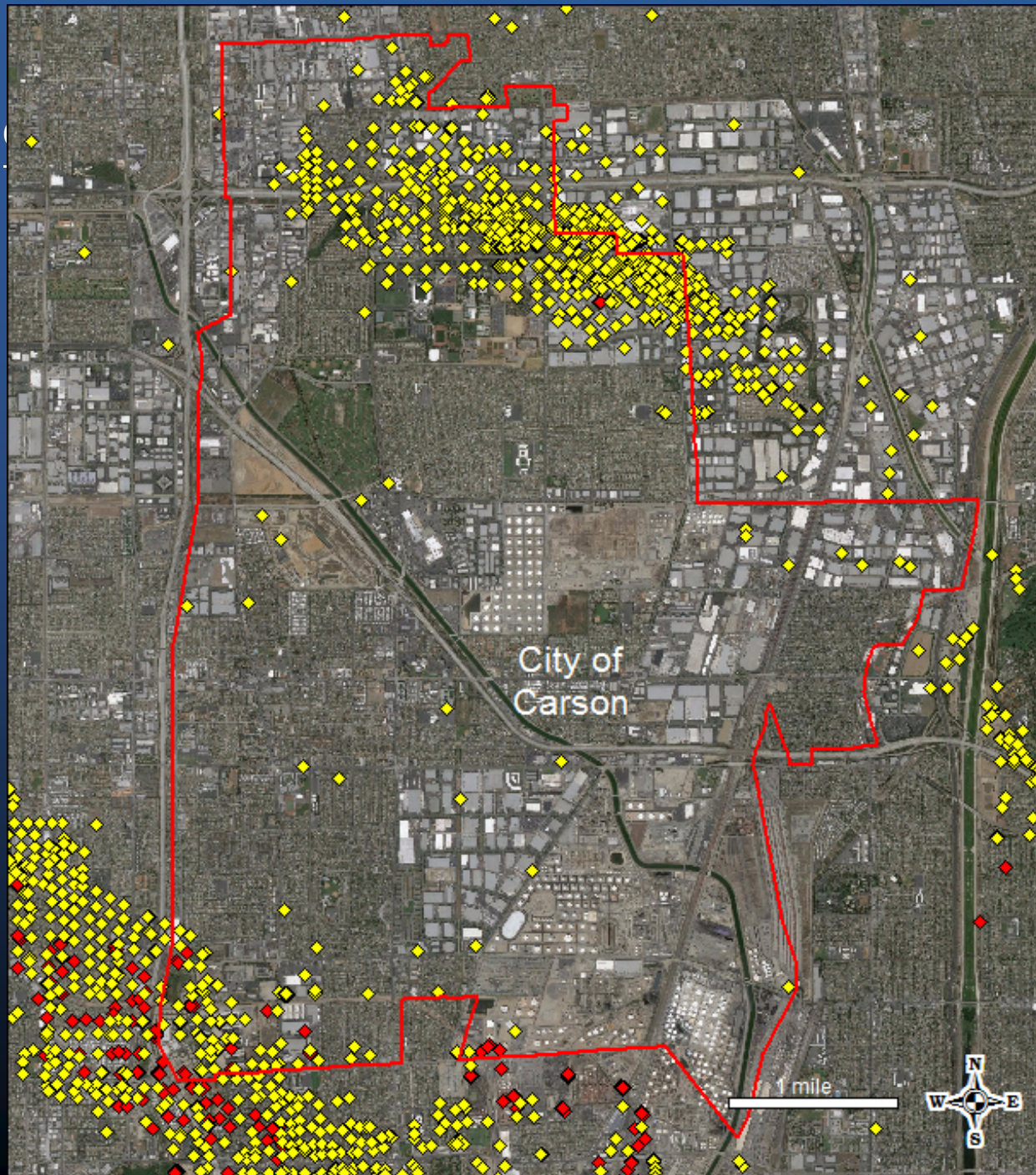


**City of Carson
Map of Zones
from which
drilling is
permitted and
residential
areas**

City of Carson Map of Abandoned and Active Wells

◆ Previously
abandoned wells

◆ Active Wells



Notes on EARTHJUSTICE Letter:

- Code bans all well stimulation as defined by SB4, which includes acidizing and acid matrix.
- Requires a 1500 foot buffer, which is conservative and sufficient based on other EIRs (Baldwin, Whittier, Hermosa) and SCAQMD regulations to reduce impacts of oil and gas activities.
- Drilling facilities would not have hydrofluoric acid in large enough quantities or concentrations to produce impacts of anywhere near 20 miles, or 1500 feet even. Particulate levels and VOC are well regulated by SCAQMD and the requirements to control diesel PM would substantially reduce these zones to less than 1500 feet
- Requiring a City to take action is standard practice for all businesses and regulations. Ability to sue and use of the courts as a resource is not removed.

Notes on MANATT Letter:

- The proposed amendment would allow many uses, including conventional drilling and production of oil and gas, such as the recently withdrawn Oxy project. Only well stimulation is specifically prohibited. The prohibition of acidizing specifically states that "Acidizing does not include standard maintenance work or other routine activities that do not affect the integrity of the well or the natural porosity or permeability of an underground geologic formation" and "Well stimulation treatment does not include routine well cleanout work; routine well maintenance; routine treatment...." which would allow the use of acids for many routine tasks.

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Notes on MANATT Letter:

- Building over abandoned oil wells is often regulated by local building codes. DOGGR requests that builders attempt to maintain access to all abandoned wells, and that builders should not build over or in close proximity to wells. "All wells must be excavated and tested for leakage and some or all of the wells may require additional plugging and venting."
- California law does not preempt local regulations and State Legislature did not intend to preempt local regulation related to surface activities associated with oil and gas.
- Nothing in the code would stop current operations associated with the wells currently producing and active in the City of Carson. In fact, the previously proposed Oxy project could go forward under this code. or in many areas in the south of the City where existing active wells currently are located, within industrial areas and more than 1500 feet from residential zoned parcels. See attached map. Some wells in the south of the City would be legal non-conforming.

City of Carson Oil and Gas Code Update

Key Issues Raised During Public Review of the Code

- Ability of Code to restrict/prohibit certain types of drilling and surficial operations
- History of oil and gas ordinance update
- Fracking ban provision 9536
- Background on development of setbacks
- Takings claims
- Role of Petroleum Administrator
- Pre-emption Issues
- Existing wells and oil and gas facilities within the City i.e. existing non-conforming uses (See next slide)
- Legal ability of City/local governments statewide to regulate downhole setbacks

City of Carson Oil and Gas Code Update

Oil and Gas Site/Operation Regulatory Setback Comparison

JURISDICTION	RESIDENTIAL SETBACK	COMMERCIAL SETBACK	PUBLIC INSTITUTION SETBACK	PUBLIC ROADWAY SETBACKS
Huntington Beach	100ft.	100ft.	300ft.	25ft.
Bakersfield	500-1000 ft. depending on class of permit, with a 100ft. minimum setback from dwelling not incidental to drilling	500-1000 ft. depending on class of permit, with a 100ft. minimum setback from dwelling not incidental to drilling	100ft.	75ft.
Ventura County	500ft. unless waiver issued- 100ft. min	500ft. unless waiver issued- 100ft. min	500ft.	100ft.
Santa Barbara County	500ft. (from residence not zone)	200ft.	200ft.	200ft.
Signal Hill	100ft.	100ft.	300ft.	75ft.
Santa Fe Springs	300ft. except in certain circumstances- 100 ft. minimum	35-300 ft. depending on zoning	—	300ft.
Orange County	150ft.	Varies widely on zoning	300ft.	150-210ft. with provisions for different setbacks based on width of public streets
San Benito County	500ft.	500ft.	500ft.	500ft. (100 ft. from county road or state hwy)