

Frequently Asked Questions for Website:

Note to Readers:

Acting to implement direction from the Ventura County Board of Supervisors provided in November of 2020, the Planning Division first proposed amendments to oil and gas regulations for the unincorporated areas of Ventura County in July 2022. Two Planning Commission hearings were held in the summer of 2022 regarding the proposal. Based on direction provided by the Planning Commission, input received from the oil and gas industry and other community stakeholders, additional staff analysis, and updated information from the California Geologic Energy Management Division (CalGEM), the Planning Division has revised its proposed ordinance amendments. The forthcoming Planning Commission staff report will describe and clarify the differences between the Planning Division's proposed amendments from 2022 compared to the current proposal. The staff report will be available on September 14, 2023, at the following link:

<https://vcrma.org/en/planning-commission>

1. What are the objectives of the proposed ordinances?

In November 2020, the Ventura County Board of Supervisors directed the Resource Management Agency (RMA) to process ordinance amendments to address three topic areas related to oil and gas operations in the unincorporated area: (1) limit new discretionary permits for oil and gas operations to 15 years; (2) increase the amount of compliance and site restoration surety and insurance from what is currently required; and (3) incorporate measures into the ordinance to assure the timely permanent plugging and restoration of oil and gas wells that have been inactive (referred to as "idle wells") for 15 years or more.

2. How many oil and gas wells are there in Ventura County, and how is the number of wells per operator determined?

The State of California, under the direction of CalGEM, is required to track the numbers and type of wells operated by oil and gas companies. The County relies on CalGEM's statewide reporting system, called WellSTAR (Well Statewide Tracking and Reporting system) Data Dashboard to determine wells per operator.

There are several different types of wells, which are defined below. The number of wells shown reflects only those within the unincorporated areas of Ventura County.

- **Active wells** are those that are drilled, completed and in use. The number of active wells: 1,667
- **Deserted wells** have been identified by CalGEM for operator failure to pay required idle wells fees or failure to respond to a plug and abandonment order. The number of deserted wells: 68
- **Orphan wells** have no financially viable operator of record either due to an operator's bankruptcy and/or decision to relinquish a lease without complying with the requirement to properly plug and abandon the well(s). Orphan wells must be formally identified by CalGEM. The number of orphan wells: 298

- **Idle wells** have not produced oil or gas for 24 consecutive months or more. The number of idle wells: 1,853 [This total reflects idle and long-term idle wells.]
- **Long-term idle wells (LTIW)** have been idle for eight years or more. The number of long-term idle wells: 1,114
- **Plugged and Abandoned wells** are those that have been permanently sealed and closed pursuant to regulatory standards. The number of plugged and abandoned wells: 3,766

3. What is the State's role in oil and gas operations versus the County's role?

Generally speaking, CalGEM is mandated to supervise the drilling, operation, maintenance and abandonment of oil, gas and geothermal wells within California. CalGEM has jurisdiction over plugging and abandonment of wells, non-exclusive authority for collecting bonds for oil and gas operations under its state program, maintaining the Idle Well Management Program, issuing plugging and abandonment orders, and ultimately plugging and abandoning orphan wells.

The County Planning Division regulates certain above-ground aspects of this land use through both the Non-Coastal Zoning Ordinance and the Coastal Zoning Ordinance. Both ordinances contain similar permitting requirements and development standards addressing issues such as setbacks, light and dust control, noise, signage, screening and fencing, waste handling, financial assurance and insurance requirements, accident reporting, site maintenance, condition compliance and site restoration.

4. Why is the 15-year permit expiration limit only being applied to new permits and not to existing oil and gas permits?

The term of existing permits is governed by the conditions in each individual permit and was established when the permit was granted by the County. As a general matter, terms of existing permits cannot be changed by the County except under limited circumstances. The 15-year permit expiration limit will therefore apply going forward to new or modified permits. If any operators with existing permits seek renewal or modification that includes a time extension, this 15-year permit expiration limit would apply. The 15-year permit expiration limit is not being changed from the prior version and is therefore not part of the Planning Division's proposed revisions.

5. What amount of bonding and insurance does the County currently require?

Financial sureties help ensure an operator's compliance with existing legal requirements and obligations regarding post-production well abandonment, equipment removal, and site restoration in the event the operator is unable or unwilling to perform them. Currently, the County's ordinances require:

- A bond of no less than \$10,000 for each well that is drilled or will be drilled, or a blanket bond of \$10,000 covering all oil and gas operations in the County of Ventura.
- An insurance policy that covers liability arising from oil and gas operations for personal injury and damage to property. Insurance coverage requirements are

currently set at \$500,000 for one person and \$1,000,000 for all persons and \$2,000,000 for property damage.

The County would release the sureties back to the operator after all regulatory requirements pertaining to proper well abandonment and site restoration have been met.

The County's existing financial surety requirements were established 40 years ago and have not been adjusted since. The proposed ordinance amendments increase both the surety and insurance requirements to better reflect the costs of oil and gas well plugging and abandonment, as well as costs associated with potential environmental damage caused by oil and gas operations.

6. What new sureties is the County proposing?

The 2022 proposals included three different sureties: a Surface Restoration Surety, a Well Abandonment Surety, and a Long-Term Idle Well Abandonment Supplement Surety. Planning Division staff proposes modifying the proposed ordinance amendments in part by combining the Surface Restoration Surety with the Well Abandonment Surety into a single surety, and retaining the Long-Term Idle Well Abandonment Supplement Surety. The proposed sureties, as modified, are described below:

- Surface Restoration and Well Abandonment Surety

The purpose of this surety is to establish funds to plug and abandon wells, decommission attendant production facilities, and complete site remediation if the operator does not fulfill these requirements at the end of operations.

Planning Division staff is proposing that this surety be based on current costs estimates from CalGEM that reflect the "Average Total Liability Per Well." The calculation includes average costs for well plugging and abandonment, decommissioning of attendant production facilities and site remediation, based on what CalGEM has paid contractors for this type of work between 2011 and 2022, adjusted for inflation. The per well amount for the Northern District, which includes Ventura County, is \$171,961. Based on this information, the Planning Division is proposing a single "Surface Restoration and Well Abandonment Surety" based on a percentage of the State's per well cost estimate.

To account for bonds that operators pay the State, the Planning Division is proposing a per well surety of \$43,000, which is 25 percent of the State's estimate of average total liability per well (\$171,961). Staff is also proposing a cap of \$10 million for any individual operator. Requiring a percentage of the total estimated costs avoids duplication of State bonding, while still bolstering total available bonding given that the amount required by the State does not fully cover the estimated average total liability.

- Long-term Idle Well Supplement Surety

The Board of Supervisors directed staff to "incorporate measures [into an ordinance] to assure timely permanent plugging and restoration of oil and gas wells that have been idle for 15 years or more." The 2022 proposals recommended a requirement that operators provide a supplemental bond of \$15,000 for each LTIW well that has been idle for 15 years or more, capped at \$5 million total. Planning Division staff is not proposing any revisions to this surety's requirement of \$15,000 for each idle well that has been idle for 15 years or more. However, staff is proposing to remove the \$5 million cap. Based on current information from the State,

removal of the cap will impact only the County's largest operator, who has over 500 wells that have been idle for at least 15 years. Removal of the cap is intended to provide additional assurance regarding the proper plugging and abandonment of its LTIWs.

7. Why is there a cap on the Surface Restoration and Well Abandonment Surety?

Based on the existing numbers of wells in the County reported by CalGEM, three operators would be required to provide the \$10 million maximum Surface Restoration and Well Abandonment Surety. If no maximum was proposed, the surety obligations for the three largest operators would range from approximately \$23 million to approximately \$66 million. Planning Division staff worked to establish appropriate surety levels that consider the costs of restoration and plugging and abandonment, the risks that idle and orphan wells pose to public health and the environment, the likelihood that LTIWs may become orphaned, and sureties collected by the State, while also recognizing the financial obligations that would be borne by operators as a result of the new surety and insurance requirements. A maximum cap was deemed appropriate given the likely economies of scale that would be realized remediating larger well groupings, thus resulting in lower per well restoration costs.

8. Why is the County requiring surety for Long-Term Idle Wells as opposed to enforcing abandonment?

CalGEM, and not the County, has the authority to regulate the specific timing of well plugging and abandonment. However, operators can apply to plug and abandon their wells at any time.

9. Why does the County propose collecting an additional surety for Long-Term Idle Wells that are idle for 15 years or more when the definition for LTIWs are wells idle for eight years or more?

In its direction to staff, the Board of Supervisors specifically directed staff to evaluate additional regulatory measures for wells that have been idle for 15 years or more, as opposed to any wells that meet the definition of LTIWs. This additional surety accounts for the increased likelihood that these wells will be deserted or orphaned without being properly plugged and abandoned. This increased risk warrants the increased surety amount to help ensure the proper plugging and abandonment of these wells.

10. Doesn't the State already require sureties and insurances from oil and gas operators? Why does the County also require them?

The sureties currently collected by CalGEM represent a fraction of the costs necessary to properly plug and abandon a well and are not sufficient to plug and abandon all wells that may become orphan wells (i.e., those wells that have no financially viable operator). CalGEM does not require that operators procure insurance for oil and gas operations. The County has the authority to require increased insurance and financial surety obligations on new and existing operations to help ensure permit compliance, proper site restoration, and proper plugging and abandonment. Nevertheless, Planning Division staff is proposing modifications that clarify that there is no duplication of State bonding requirements.

11. What new insurance provisions is the County proposing?

The Board directed Planning Division staff to recommend updated insurance requirements. Planning Division staff engaged with the local oil and gas industry and considered input from operator comments made during both the 2022 hearings and the November 2022 public engagement meeting related to the purported difficulty in obtaining insurance coverage in the original amounts specified. As a direct result of this outreach and input provided by local oil and gas operators, Planning Division staff will be recommending the following revised insurance requirements.

General Liability for Oil & Gas Businesses: General Liability, with at least \$2,000,000 each occurrence and \$4,000,000 general aggregate;

Environmental Impairment: Pollution Liability Policy with coverage not less than \$5,000,000. Coverage shall apply to sudden and gradual pollution conditions resulting from the escape or release of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids, or gases, natural gas, waste materials, or other irritants, contaminants, or pollutants (including asbestos) written on an occurrence basis.

Control of Well: (initial drill or well modification) coverage of a minimum of \$5,000,000 per occurrence; it is designed to cover cost of controlling a well that is out of control, drilling or restoration expenses, and seepage and pollution damage.

Excess or Umbrella Liability Insurance: Minimum limit of \$10,000,000 provided excess coverage for each of the perils insured by the preceding insurance policies.