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COUNTY OF SANTA BARBARA

March 8, 2022

Honorable Gustavo Lavayen
Presiding Judge
Santa Barbara Superior Court
312 East Cook Street
Santa Maria, CA 93454

Reference: Response to Santa Barbara Grand Jury report titled, "Idle Oil Wells In Santa Barbara County"
published December 20, 2021.

Judge Lavayen:

Please find attached the Santa Barbara County Board of Supervisors (Board) response to the above referenced Civil Grand Jury Report. As directed by the Grand Jury, all responses are provided in accordance with Section 933.05 of the California Penal Code.

Sincerely,

Joan Hartmann, Chair
Santa Barbara County Board of Supervisors

CC: Santa Barbara County Board of Supervisors
Pamela Olsen, Foreperson, 2021 Santa Barbara Grand Jury

Attachment A

**Santa Barbara County Board of Supervisors
Response to the Santa Barbara County Grand Jury 2021 Report
“Idle Oil Wells In Santa Barbara County”**

Finding 1

Petroleum regulatory agencies within the County of Santa Barbara do not adequately identify and monitor idle oil wells in Santa Barbara County, leaving residents exposed to health and environmental risks.

The Board of Supervisors disagrees wholly with Finding 1.

The petroleum unit staff conducts annual inspections of all active and idle wells. In addition, the County Fire Department and the Air Pollution Control District (APCD) also conduct inspections of oil wells in Santa Barbara County. The purpose of the petroleum unit’s inspections are to protect the health, safety, public welfare, physical environment and natural resources of the county by ensuring that active and idle wells are in conformance with the standards set forth in the Santa Barbara County Code, Chapter 25 (Petroleum Ordinance). If corrective actions are identified during the annual field inspection, staff immediately notifies the operator of the corrective actions and will perform follow-up re-inspections to ensure compliance. Failure of the operator to comply with the corrective actions results in further enforcement action including but not limited to the issuance of Notices of Violation and fines, if necessary. The regulation of oil and gas wells through the annual inspection process minimizes the exposure of county residents to potential health and environmental risks.

Planning and Development (P&D) does not have a mechanism to know when wells become idle. Chapter 25 provides the following definitions for Long-Term Idle Wells (LTIW) and Idle Wells and California Geologic Energy Management Division (CalGem) defines orphaned wells:

- "Idle well" means any well that has not produced oil or natural gas or has not been used for injection for six consecutive months of continuous operation during the last five or more years. An idle well does not include an active observation well.
- "Long-term idle well" means any well that has not produced oil or natural gas or has not been used for injection for six consecutive months of continuous operation during the last ten or more years. A long-term idle well does not include an active observation well.
- “Orphaned well”, according to CalGEM’s definition, is a well that has no party responsible making it the state’s responsibility to plug and abandon it. All orphaned wells are in an idle or long-term idle status, depending on the length of time the well is been non-operational. The County does not have a legal or financial responsibility to address orphaned wells as this liability falls to the state, but the County does inspect these wells on an annual basis.

Chapter 25 does not require the operator to notify the county in advance if an oil and gas well is placed in an idle state. However, the owner/operator must notify the petroleum administrator when an idle well becomes active (Section 25-8(a)).

The Inspection Services Section of the County Fire Department’s Fire Prevention Division regulates onshore oil and gas operations and facilities maintenance by enforcing Chapter 15 of the County Code, the California

Fire Code, and other state laws. County Code Chapter 15 and the California Fire Code provide the Fire Department with inspection and permitting authority for all onshore oil and gas facilities. Each oil and gas facility is inspected annually, with additional inspections performed to ensure compliance. All observed violations are entered into the Fire Department's record management system and an Inspection Report is delivered to the operator to notify them of the Department's findings.

The APCD regulates stationary sources of air pollution within the County, including onshore and offshore oil and gas production sources, under the authority of the federal Clean Air Act and the state Health and Safety Code. The APCD issues permits to oil and gas operators that specify limits on the air pollutants that they may emit, and then performs inspections to ensure operators comply with the specified emission limits. The APCD also issues Notices of Violation for failing to comply with permit conditions, and/or local, state, and federal rules and regulations. If an NOV is not immediately rectified, APCD staff follows up with the source to ensure compliance is achieved. The annual well and facility inspection schedules conducted by P&D, County Fire, and APCD are typically staggered throughout the year which provides constant regulatory oversight and reduces the county's risk of exposure to health and environmental risks.

It should be noted that CalGEM revised its idle well regulations in 2019 to create more stringent requirements on operators to create incentives for operators to manage and eliminate their idle wells by entering into Idle Well Management Plans (IWMPs). The regulations now require idle wells to be tested and, if necessary, repaired, or permanently abandoned. An idle well is defined by CalGEM as a well that for a period of 24 months has not either produced oil or natural gas. In addition to these new requirements, fees from operators are deposited into the Hazardous and Idle-Deserted Well Abatement Fund to help fund the permanent sealing and closure of deserted wells. Under the IWMP, operators are required to describe how idle wells are to be maintained and when they are expected to be plugged and abandoned or returned to service. Operators are encouraged to prioritize the phasing out of their long term idle wells (idle for 8 years or more) either through abandonment or return to service. Further, operators are required to prepare an idle well inventory and evaluation plan that provides CalGEM with all the basic information needed to catalog each operator's idle wells.

Finding 2

The potential fiscal liabilities associated with idle oil wells in Santa Barbara County are not adequately quantified.

The Board of Supervisors disagrees wholly with Finding 2.

Financial assurances for drilling new oil and gas wells or re-working wells are required by CalGEM prior to operation of a well Public Resources Code (PRC) Sections 3204 through 3205.7 and the California Department of Conservation Geologic Energy Management Statutes & Regulations January 2020). Because financial assurances are collected by the state, the county does not require additional financial sureties. The owner/operator(s) of idle and inactive wells are liable for all actual and potential fiscal liabilities should circumstances arise.

Pursuant to PRC Section 3255, if an operator becomes insolvent or deserts their idle wells, responsibility for permanently sealing and closing these wells falls to the state, unless the state can identify a responsible party. Funds used for state abandonments come from assessment fees and idle well fees paid to the state by operators. There are two state funds that are set up to address hazards with wells. The Hazardous and Idle-Deserted Well Abatement Fund (HIDWAF) is funded by idle well fees and continuously appropriated to CalGEM and is used to plug and abandon wells and mitigate a hazardous or potentially hazardous condition. The Oil, Gas, and Geothermal Administrative Fund (OGGA) is primarily funded by operator assessment fees and is used by

CalGEM to mitigate a hazardous or potentially hazardous condition with orphan wells. Where there is a financially solvent, responsible operator, CalGEM will first pursue abandonment at the operator's expense.

CalGEM may determine the status of a well as orphaned based upon specific criteria laid out in PRC Section 3237. Evidence of a well's being deserted under the PRC includes, but is not limited to, failure to pay idle well fees, the operational history of the well or production facility, and the response or lack of response of the operator to inquiries and requests from CalGEM. Pursuant to PRC Section 3237(c)(5), CalGEM may undertake the plugging and abandonment of orphaned wells if they are unable to locate the previous well operator or if the previous operator does not have the financial resources to fully cover the cost to plug and abandon the well. A well that has been identified as orphaned is placed on a list of other orphan wells that are located throughout the state. When orphaned wells are identified as a potential danger to life, health, or natural resources and there is no operator that is responsible for plugging and abandoning them, they are identified as "hazardous wells" and are given a high priority to be plugged and abandoned by CalGEM. It is CalGEM's responsibility to allocate state funding to properly plug and abandon orphaned wells.

Finding 3

Active Santa Barbara County Planning and Development Department, Energy, Minerals and Compliance Division, Petroleum Unit staff are currently too few in number to monitor idle oil wells in the County.

The Board of Supervisors disagrees wholly with Finding 3.

Currently, there are two full-time Petroleum Inspectors and one part-time Supervisor assigned to P&D's Energy Minerals and Compliance Division (EMC) Petroleum Unit and there is overlap among the other departmental staff to perform critical inspection activities as needed. During the pandemic, staffing was impacted, however the department was able to conduct all required well inspections. The level of staffing is sufficient to complete the annual inspection of active and idle wells and their associated facilities, as well as respond to incidents. As noted above, in the event of a long-term absence of an inspector, the half time supervisor and another EMC staff member who have completed the 40-hour Hazwopper certification training program are available to provide additional support to assist with the annual inspections of oil and gas wells.

Finding 4

Santa Barbara County Code provisions regarding removal of drilling equipment and derricks from idle wells within a specified time are not always followed, causing visual blight to some local residents.

The Board of Supervisor disagrees wholly with Finding 4.

Chapter 25, Section 25-32 of the Petroleum Ordinance does not require dismantling of larger assets while the wells are idle, and Chapter 25 does not include a definition of "idle equipment." It does require removal of all drilling equipment and the derrick from the drill site and leased premises within 60 days following *completion or abandonment*, which staff ensures is followed. Chapter 25 requires idle equipment to be maintained in an orderly fashion or moved to a designated storage area on the lease. As discussed in Finding No. 1 above, the Petroleum Unit staff conduct annual inspections of all active and idle wells and associated facilities. The annual well inspection process includes a visual assessment of the active and idle well site(s) and their lease area(s) to ensure that equipment is maintained in a safe and secure environment. The most common assets found on the

lease site during the inspection process are the well pumping unit, storage tanks and pipelines. Smaller oil field equipment such as extra pump valves and piping and small storage vessels that store chemicals for maintaining the wells may be kept on the lease area as long as they are properly stored in designated areas. If any excess equipment is not stored in an orderly fashion, the petroleum inspectors will notify the operator immediately following the inspection of any corrective action items. Failure of the operator to comply with the corrective actions will result in further enforcement action including but not limited to the issuance of a Notice of Violation and fines, if necessary.

This finding refers specifically to the removal of drilling equipment and derricks. Drill rigs/derrick structures are used for petroleum exploration and are removed upon completion of a wellbore and replaced with an oil pumping unit. Section 25-32 of the Petroleum Ordinance requires the removal of all drilling equipment and the derrick from the drill site and leased premises within 60 days following completion or abandonment of the well. Workover oil rigs are utilized to perform normal maintenance on producing, injection, and idle wells in order to maintain the wells' integrity. Due to the expense to rent and operate this equipment, workover rigs are commonly removed from the site once the well work is completed as required by Section 25-32.

Recommendation 1

That the Santa Barbara County Board of Supervisors instruct the Santa Barbara County Planning and Development Department to identify the health and environmental risks of idle oil wells in the County through an annual report to the Santa Barbara County Board of Supervisors.

This recommendation requires further analysis to be completed by June 20, 2022. The annual well and facility inspections conducted by P&D, County Fire and APCD of active and idle wells provide regulatory oversight to minimize the county's risk of exposure to public health and environmental risks. However, in order to provide the public with information regarding annual well inspections, within one-year P&D could develop a public facing web portal that identifies inspection dates and results for each well inspected.

Recommendation 2

That the Santa Barbara County Board of Supervisors instruct the Santa Barbara County Planning and Development Department to determine all actual and potential fiscal liabilities related to idle oil wells through an annual report to the Santa Barbara County Board of Supervisors.

This recommendation requires further analysis to be completed by June 20, 2022. As noted in the response to Finding 2 above, all fiscal liabilities related to idle oil wells are the responsibility of the State or the operator. Information regarding CalGEM's financial assurance requirements (bonding) can be found on their website https://www.conservation.ca.gov/calgem/pubs_stats/Pages/forms.aspx.

Recommendation 3

That the Santa Barbara County Board of Supervisors instruct the Santa Barbara County Planning and Development Department to maintain an adequate number of trained personnel to staff the Petroleum Unit of its Energy, Minerals and Compliance Division.

The recommendation requires further analysis to be completed by June 20, 2022. The existing staff complete the work assigned to the Petroleum Unit under Chapter 25. As discussed above, the part-time supervisor and another EMC staff member are trained and are available to assist with annual inspections of oil and gas facilities when needed. These fully trained staff members help to ensure that there is adequate staffing to monitor active and idle wells in Santa Barbara County under the current code.

Recommendation 4

That the Santa Barbara County Board of Supervisors instruct the Santa Barbara County Planning and Development Department to enforce compliance with the Santa Barbara County Code Chapter 25 (the “Petroleum Code”) provisions governing removal of oil equipment from idle wells.

This recommendation requires further analysis to be completed by June 20, 2022. Storage of idle oil well equipment is regulated by P&D’s Petroleum Unit through the annual well and facilities inspection process. While the Chapter 25 does not require equipment to be removed from idle well locations, it does require the timely removal of equipment from drill sites for new wells and also from the sites of abandoned wells.