

CALENDAR ITEM

67

A Statewide

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CONSIDER SUPPORTING STATE LEGISLATION (SB 44, JACKSON) THAT WOULD CREATE A LEGACY OIL AND GAS WELL AND COASTAL HAZARD REMOVAL AND REMEDIATION PROGRAM IN STATUTE AND PROVIDE FUNDING TO THE COMMISSION TO ADMINISTER IT

SUMMARY:

SB 44 would create a legacy oil and gas well and coastal hazard removal and remediation program (Program) in statute and provide funding to the Commission to administer it. The bill would do all of the following:

- Assess legacy oil and gas wells and coastal hazards along the California coastline, including conducting aerial surveys and dives and determining high priority hazards and legacy wells to remediate.
- Survey, study, and monitor oil seepage in state waters and tidelands to determine seepage locations, rates, and environmental impacts, and partner with experts to commission studies and facilitate innovative solutions.
- In cooperation with the Department of Conservation's Division of Oil, Gas, and Geothermal Resources, begin the process of remediating improperly abandoned legacy wells that have a high risk of leaking oil and are hazardous to public health and safety and the environment.

SB 44 would transfer \$2 million to the Commission's Kapiloff Land Bank Fund to implement the Program. The Bill would also require the Commission to prioritize its Program activities based on available resources, and annually report to the Legislature about its activities and accomplishments.

BACKGROUND AND DISCUSSION:

In the late 1800s, the area offshore of Summerland Beach was a massive jumble of oil wells and associated drilling infrastructure. Today, the coastline area is scattered with the vestiges of that extensive offshore oil production. These are the legacy of the rapid and unregulated offshore oil development along the coastline at Summerland Beach in Santa Barbara County that began before the turn of the twentieth century.

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Most legacy oil and gas wells were abandoned in the early 1900s when there was little or no oversight of the abandonment, and virtually no records exist regarding the drilling and abandonment of these wells. Removal, if any, varied from well to well and involved rudimentary procedures that do not meet current health, safety, and environmental protection requirements. Based on work that Commission staff conducted, there are 198 high priority legacy oil and gas wells (identified as Category 1 wells) located in Santa Barbara and Ventura counties, that could, depending on their condition, leak oil into the surf zone, impacting swimmers, surfers, and other recreational users, and cause environmental degradation and public health hazards. A larger number of wells are categorized as medium (Category 2) and low (Category 3) priority wells because more information is available about the integrity and abandonment of these wells or because a responsible party is still available to address any potential leak that may occur.

California's beaches should be clean and available for public enjoyment. But oil is a perennial presence on Summerland Beach. In August 2015, the Santa Barbara County Department of Public Health closed Summerland Beach to the public to prevent adverse health effects and protect the public's health. The beach was closed because of the volume of oil on the beach and sand, the nature of the oil, and intermittent strong petroleum odors at a level that may cause health effects. Now, the beach has signs posted in three areas that warn the public, particularly children, sensitive individuals, and pets, to avoid the water when oil is visible.

There is a critical need for funding to perform additional review of legacy oil and gas wells and related infrastructure along the California coastline to begin determining how to remove coastal hazards and how to identify exact locations of potentially leaking wells and prioritize remediating leaking legacy oil and gas wells. In 2016, commission staff completed a baseline legacy oil and gas inventory that identifies surface well locations based on a review of historical documents. With funding, the Commission can gather additional data to address the presence of oil on the coastline, including performing aerial surveys and dives with underwater cameras to determine precisely where wells are located and whether old wells are leaking oil, and prioritize remediation to address the highest risk wells first. Funding would also enable the Commission to survey and monitor oil seepage in state waters and on tidelands, and to request studies to determine oil seepage locations, rates, and environmental impacts, and pursue innovative solutions to address natural seeps.

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SB 44 redirects up to \$2 million dollars annually for the remediation of improperly abandoned legacy wells and corresponding coastal hazards, and to study oil seepage rates and environmental impacts. With this funding, the Commission can build out its existing inventory and begin identifying which old wells are leaking oil and prioritize remediation to address the highest risk wells first.

OTHER PERTINENT INFORMATION:

1. The hundreds of oil wells drilled in waters offshore Summerland, Rincon and Ellwood areas in the late 1800s and early twentieth century lacked state authorization and are now known to have involved trespassing on state property. The Commission, though it did not receive any revenue from these wells, has expended significant time and resources to ameliorate coastal hazards that are vestiges of this drilling, such as pier remnants, oil wells and pilings, and old pipelines.
2. SB 900 (Jackson) was introduced in the 2015-16 legislative session and would have transferred \$500,000 from the General Fund to the Commission's Kapiloff Land Bank Fund for coastal hazard removal and remediation purposes. The bill, which the governor vetoed, originally appropriated \$2 million to the Commission, but the Assembly Appropriations Committee reduced the funding to \$500,000. The governor's veto message directs the Department of Conservation to work with the Commission to develop an inventory of legacy oil and gas wells and other hazards along the California coastline to determine the oil seepage locations, rates and environmental impacts. Staff updated the Commission on staff's work to inventory legacy wells at the Commission's December 6, 2016, public meeting.
3. The provisions of SB 44 are consistent with Strategy 1.1 of the Commission's Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation, and responsible economic use of the lands and resources under its jurisdiction. A Key Action of this strategy is to identify and abate hazards and associated liability on sovereign and school lands. Additionally, Strategy 2.3 seeks to align budget and policy initiatives and staff resources with the Commission and State priorities, including securing stable funding sources and resources to fulfill the Commission's mission and vision. A Key Action of this strategy is to explore strategies to fund all Commission priorities, including options for reinvesting revenues from non-renewable sources into programs addressing climate change, sea-level rise, and legacy hazards

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remediation. A Targeted Outcome under this Strategy is to secure funding to remove remnants of industrial infrastructure hazards and improperly abandoned legacy oil wells. By reinvesting revenues from non-renewable sources into legacy hazard remediation, SB 44 would secure funding for this purpose.

STAFF RECOMMENDATION:

Commission staff recommends that the Commission support SB 44 (Jackson), because it secures stable funding to enable the Commission to administer a coastal hazard removal and legacy oil and gas well remediation program to enhance coastal resources and maximize public access to the coastline. SB 44 was introduced on December 5, 2016, and has been referred to the Senate Natural Resources and Water Committee.

EXHIBIT:

- A. Copy of SB 44 (Jackson)

RECOMMENDED ACTION:

It is recommended that the Commission:

Support State legislation (SB 44, Jackson) that would create a legacy oil and gas well and coastal hazard removal and remediation program in statute and provide funding to the Commission to administer it.

Introduced by Senator JacksonDecember 5, 2016

An act to amend Section 6217 of, and to add Section 6212 to, the Public Resources Code, relating to state lands.

LEGISLATIVE COUNSEL'S DIGEST

SB 44, as introduced, Jackson. State lands: coastal hazard and legacy oil and gas well removal and remediation program.

(1) Existing law establishes the State Lands Commission in the Natural Resources Agency and prescribes the functions and duties of the commission. Under existing law, the commission has jurisdiction over various state lands, including coastal lands.

This bill would, upon appropriation of moneys by the Legislature, require the commission to, within 2 years, administer a coastal hazard and legacy oil and gas well removal and remediation program, as specified. The bill would authorize the commission to seek and accept on behalf of the state any gift, bequest, devise, or donation whenever the gift and the terms and conditions thereof will aid in actions undertaken to administer that program. The bill would require the commission to annually report to the Legislature the activities and accomplishments of the program.

(2) Existing law, with specified exceptions, generally requires the State Lands Commission, on and after July 1, 2006, to deposit all revenue, money, and remittances, derived from mineral extraction leases on state tide and submerged lands, including tideland oil revenue, into the General Fund, to be available upon appropriation by the Legislature for specified purposes. Existing law establishes the Land Bank Fund, a continuously appropriated fund, from which the commission may expend moneys for management and improvement of real property held

by the commission, as trustee, to provide open space, habitat for plants and animals, and public access.

This bill would require that, for the 2018–19 fiscal year, out of those funds deposited into the General Fund by the commission, the sum of \$2,000,000 be transferred to the Land Bank Fund and be available, upon appropriation in the annual Budget Act, for the purpose of implementing the coastal hazard and legacy oil and gas well removal and remediation program. The bill would require that, commencing with the 2019–20 fiscal year and each fiscal year thereafter, an amount sufficient to bring the unencumbered balance of the Land Bank Fund available for the purpose of implementing the program to \$2,000,000 be transferred to that fund and be available, upon an appropriation in the annual Budget Act, for the purpose of implementing the program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) Scattered along the California coastline are the remnants of
4 the state’s extensive offshore oil production beginning in the late
5 1800s, including abandoned oil and gas wells, groins, jetties, piers,
6 pilings, oil and gas related infrastructure, and seawalls.

7 (b) These remnants, often covered and uncovered by tides, are
8 the legacy of the rapid and intensive offshore oil development
9 along the coastline, primarily at Summerland Beach in Santa
10 Barbara County, that began just before the turn of the 20th century.

11 (c) Most legacy oil and gas wells were abandoned in the early
12 1900s when there was little or no oversight of the abandonment,
13 and virtually no records exist regarding the drilling and
14 abandonment of these wells. Removal, if any, varied from well to
15 well and involved rudimentary procedure that do not meet current
16 health, safety, and environmental protection requirements.

17 (d) Based on work the State Lands Commission conducted,
18 there are 198 high priority legacy oil and gas wells (identified as
19 Category 1 wells), that could, depending on their condition, leak
20 oil onto the surf zone impacting swimmers, surfers, and other
21 recreational users, and causing environmental degradation and
22 public health hazards. A larger number of wells are categorized

1 as medium (Category 2) to low (Category 3) priority wells because
2 more information is available about the integrity and abandonment
3 of the wells or because a responsible party is still available to
4 address any potential leak that could occur.

5 (e) Residents and beach users in these areas regularly see oil on
6 their beaches, smell the noxious odors associated with oil, and live
7 with the negative impacts to the ocean and coastline.

8 (f) The State Lands Commission has primary jurisdiction over
9 sovereign lands along the California coastline that are held in trust
10 for statewide public purposes, including near shore and offshore
11 areas where oil and gas were produced.

12 (g) The State Lands Commission completed a baseline legacy
13 oil and gas inventory that identifies surface well locations based
14 on a review of historical documents.

15 (h) California’s beaches should be clean and available for public
16 enjoyment.

17 (i) Oil is a constant presence on Summerland Beach, which has
18 resulted in frequent closures to prevent adverse public health
19 effects.

20 (j) There is a critical need for funding to perform additional
21 review of legacy oil and gas wells and related infrastructure along
22 the California coastline in order to begin determining how to
23 remove coastal hazards and how to identify exact locations of
24 potentially leaking wells and prioritize remediating leaking legacy
25 oil and gas wells.

26 (k) With funding, the State Lands Commission can gather
27 additional data necessary to address the presence of oil on the
28 coastline, including performing aerial surveys and dives with
29 underwater cameras to determine precisely where wells are located
30 and whether old wells are leaking oil, and prioritize remediation
31 to address the highest risk wells first. Funding will also enable the
32 State Lands Commission to survey and monitor oil seepage in state
33 waters and on tidelands, and to request studies to determine oil
34 seepage locations, rates, and environmental impacts, as well as
35 pursue innovative solutions to address natural seeps.

36 SEC. 2. Section 6212 is added to the Public Resources Code,
37 to read:

38 6212. (a) Upon appropriation of moneys by the Legislature
39 for the purposes of this section, the commission shall, within two

1 years, administer a coastal hazard and legacy oil and gas well
2 removal and remediation program to do all of the following:

3 (1) Complete an assessment of legacy oil and gas wells and
4 other coastal hazards along the California coastline, including
5 conducting aerial surveys and dives, and determining high-priority
6 hazards and legacy oil and gas wells to remediate.

7 (2) Survey, study, and monitor oil seepage in state waters and
8 tidelands under its jurisdiction to determine oil seepage locations,
9 rates, and environmental impacts, and partner with experts to
10 facilitate innovative solutions.

11 (3) In cooperation with the Division of Oil, Gas, and Geothermal
12 Resources, begin the process of remediating improperly abandoned
13 legacy oil and gas wells that have a high risk of leaking oil and
14 are hazardous to public health and safety and the environment.

15 (b) Notwithstanding Section 11005 of the Government Code
16 and any other law requiring approval by a state officer of gifts,
17 bequests, devises, or donations, the commission may seek and
18 accept on behalf of the state any gift, bequest, devise, or donation
19 whenever the gift and the terms and conditions thereof will aid in
20 actions undertaken pursuant to subdivision (a).

21 (c) The commission shall annually report to the Legislature the
22 activities and accomplishments of the program. The commission
23 may include this information in the annual report it submits
24 pursuant to Section 8618.

25 (d) The commission shall prioritize its activities under this
26 section based on available resources.

27 (e) For purposes of this section the following definitions apply:

28 (1) “Coastal hazards” are legacy oil and gas wells and
29 human-made structures that have been orphaned, including piers,
30 jetties, groins, seawalls, and facilities associated with past oil
31 extraction and other operations, that pose a hazard to the public
32 health and safety. Coastal hazards may include, but are not limited
33 to, wood or steel piles or piling, sheet metal pilings, H piles and
34 H beams, well casings, well caissons, railroad irons, cables, angle
35 bars, pipes, pipelines, rip rap, and wood beams and structures.

36 (2) “Legacy oil and gas wells” are wells drilled before current
37 abandonment standards, where there is little or no information on
38 the well’s abandonment procedure and there is no viable company
39 with the responsibility to reabandon the well should it start leaking
40 or pose a threat to the environment or the public health and safety.

1 SEC. 3. Section 6217 of the Public Resources Code is amended
2 to read:

3 6217. ~~(a)~~—With the exception of revenue derived from state
4 school lands and from sources described in Sections 6217.6,
5 6301.5, 6301.6, 6855, and Sections 8551 to 8558, inclusive, and
6 Section 6404 (insofar as the proceeds are from property that has
7 been distributed or escheated to the state in connection with
8 unclaimed estates of deceased persons), the commission shall
9 deposit all revenue, money, and remittances received by the
10 commission under this division, and under Chapter 138 of the
11 Statutes of 1964, First Extraordinary Session, in the General Fund.
12 Out of those funds deposited in the General Fund, sufficient
13 moneys shall be made available each fiscal year for the following
14 purposes:

15 ~~(1)~~

16 (a) Payment of refunds, authorized by the commission, out of
17 appropriations made for that purpose.

18 ~~(2)~~

19 (b) Payment of expenditures of the commission as provided in
20 the annual Budget Act.

21 ~~(3)~~

22 (c) Payments to cities and counties of the amounts specified in
23 Section 6817 for the purposes specified in that section, out of
24 appropriations made for that purpose.

25 ~~(4)~~

26 (d) Payments to cities and counties of the amounts agreed to
27 pursuant to Section 6875, out of appropriations made for that
28 purpose.

29 (e) (1) *For the 2018–19 fiscal year, the sum of two million*
30 *dollars (\$2,000,000) shall be transferred to the Land Bank Fund*
31 *and, notwithstanding Section 8610, shall be available, upon*
32 *appropriation in the annual Budget Act, for the purpose of*
33 *implementing the commission’s coastal hazard and legacy oil and*
34 *gas well removal and remediation program provided in Section*
35 *6212.*

36 (2) *Commencing with the 2019–20 fiscal year, and each fiscal*
37 *year thereafter, an amount sufficient to bring the unencumbered*
38 *balance of the Land Bank Fund available for the purpose of*
39 *implementing the commission’s coastal hazard and legacy oil and*
40 *gas well removal and remediation program provided in Section*

1 6212 to two million dollars (\$2,000,000) shall be transferred to
2 the Land Bank Fund and, notwithstanding Section 8610, shall be
3 available, upon appropriation in the annual Budget Act, for the
4 purpose of implementing the commission's coastal hazard and
5 legacy oil and gas well removal and remediation program provided
6 in Section 6212.

7 ~~(b) This section shall become operative on July 1, 2006.~~