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May 3, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer 

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REPORT BY THE CHIEF EXECUTIVE OFFICE AND THE DEPARTMENT OF PUBLIC WORKS WITH INFORMATION ABOUT HOW SENATE BILL 4 (PAVLEY) WOULD IMPACT THE OPERATIONS IN THE CITY OF LONG BEACH AND OTHER MUNICIPALITIES IN LOS ANGELES COUNTY (RELATED TO ITEM NO. 55-B ON THE APRIL 2, 2013 SUPPLEMENTAL AGENDA)

On April 2, 2013, the Board adopted a motion by Supervisor Yaroslavsky to support **SB 4 (Pavley)**, legislation which provides a comprehensive statutory framework for fracking regulation in California. At that meeting, Supervisor Antonovich requested that the Chief Executive Office and the Department of Public Works report back with information on how SB 4 would impact the operations in the City of Long Beach and other municipalities in Los Angeles County.

Background

County-supported SB 4 (Pavley), as amended on April 24, 2013, would require an independent scientific study on hydraulic fracturing (or "fracking") treatments by January 1, 2015. The proposed study will evaluate the hazards and risks that hydraulic fracturing treatments may pose to natural resources and public, occupational, and environmental health and safety. The study would also be required to address induced seismicity associated with fracking.

Specifically, SB 4 would prohibit, on or after January 1, 2015, the issuance of hydraulic fracking permits if the required study is not completed. SB 4 would also require the California Division of Oil, Gas and Geothermal Resources (DOGGR), on or before

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January 1, 2015, to adopt rules and regulations specific to hydraulic fracturing that shall include, but are not limited to, revisions to the rules and regulations governing construction of wells and well casings to ensure their integrity, and the geologic and hydrologic isolation of the oil and gas formation during and following hydraulic fracturing. The bill also requires full disclosure of the composition and disposition of hydraulic fracturing fluids and waste hydraulic fracturing fluids.

SB 4 passed Senate Environmental Quality Committee on May 1, 2013 by a vote of 6 to 2 and is currently in the Senate Appropriations Committee awaiting consideration.

Impact of SB 4 to the City of Long Beach and Other Municipalities

The Department of Public Works (DPW) contacted the California Division of Oil, Gas and Geothermal Resources' District Office, which supervises activities related to drilling, operation, maintenance, and abandonment of oil and gas wells, tanks, and facilities in Los Angeles County, to obtain information on fracking activities in the City of Long Beach and other municipalities within Los Angeles County.

According to the California Division of Oil, Gas and Geothermal Resources, they have been notified of three fracked wells in the County, including two in Baldwin Hills (2011 and 2012) and one in Dominguez Hills (2012). The DOGGR's record of the three fracked wells corresponds with information on the FracFocus.org website, which maintains a voluntary database of fracking operations nationwide. The FracFocus.org website also shows fracked wells offshore near the City of Long Beach. However, it is important to note that since reporting of all hydraulic fracking operations in the State is currently not required, DPW and this office have to rely on the DOGGR's data and the voluntary registry to identify additional past, present, and future fracking operations within the County.

The Department of Public Works also contacted the City of Long Beach Oil and Gas Department (LBOGD) to inquire about the potential impact of SB 4 should it be enacted. The LBOGD informed DPW that the City of Long Beach owns land and minerals offshore and has a working interest with oil industries that conduct 5 to 6 hydraulic fracking operations each year. The City of Long Beach receives overhead for managing operations and other net profits from a complex layer of contracts with some of the drilling companies. **The LBOGD stated that moratoriums or regulation of hydraulic fracking, if enacted, would impact the City of Long Beach financially, but by a relatively small amount.**

The City of Long Beach Oil and Gas Department expressed concerns with some of the language included in the various fracking bills pending before the Legislature,

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particularly legislation that would place a moratorium on hydraulic fracturing. However, it is important to note that, as currently drafted, SB 4 would not stop the DOGGR from issuing permits for hydraulic fracking after January 1, 2015 if regulations are not in place. Instead, the bill states that the DOGGR must stop issuing permits on that date only if the scientific study is incomplete. The DOGGR may resume issuing permits once the study is finalized.

This office and the Department of Public Works will continue to monitor SB 4, as well as other fracking-related bills, and will keep the Board apprised of significant developments related to hydraulic fracking legislation.

WTF: RA
MR:AO:ma

c: Executive Office, Board of Supervisors
 County Counsel
 Department of Public Works