

Date: August 23, 2024

To: Thomas B. Modica, City Manager



From: Kevin Riper, Director of Financial Management



For: Budget Oversight Committee Members

Subject: **Response to Questions from the Budget Oversight Committee Meeting on August 20, 2024**

During the Budget Oversight Committee Meeting held on August 20, 2024, City staff provided presentations on the status of oil abandonment and an overview of the Tidelands Operating Fund Group. This memorandum provides responses to questions and/or comments raised by members of the Budget Oversight Committee during that time.

- 1. Please provide an overview of oil well abandonment. In the overview, please confirm the number of wells that are abandoned per year, the cost for different types of wells and other structures (i.e.: above ground structures), and the cost differential for idle wells. Please clarify how much of these costs directly impact the City.**

The average Plug and Abandonment (P&A) cost ranges between \$306,000 per well and \$337,000 per well based on actual costs for the past five years. The cost range depends on various factors, including oil production area, in addition to well depth and complexity, which may result in a 30 percent cost variance (higher or lower) than the average range. The abandonment cost is allocated based on working interest owner agreements which includes the City in certain areas, such as the West Wilmington and Long Beach Unit.

P&A includes permanent well abandonment, as well as partial abandonment, which plugs a well but maintains future potential for reuse. The incremental cost increase to bring a partially abandoned well to a permanently abandoned well is estimated at 10 percent and is included in the above stated cost range. Instances where an active well is abandoned have taken place in the Port of Long Beach area and related to Port projects where wells are replaced in other areas. Over the past three years, in accordance with CalGEM's idle well testing waiver plan that includes an inventory of wells that are planned to be abandoned, an average of 30 wells have been partially abandoned each year in the Long Beach Unit and an average of 16 wells permanently abandoned each year in West Wilmington.

If you have any questions, please contact Budget Manager Rebecca Bernstorff at (562) 570-6408.

Response to Questions from the Budget Oversight Committee Meeting on August 20,
2024

August 23, 2024

Page 2

cc: DAWN MCINTOSH, CITY ATTORNEY
DOUGLAS P. HAUBERT, CITY PROSECUTOR
LAURA L. DOUD, CITY AUDITOR
APRIL WALKER, ASSISTANT CITY MANAGER
TERESA CHANDLER, DEPUTY CITY MANAGER
MEREDITH REYNOLDS, DEPUTY CITY MANAGER
GRACE YOON, DEPUTY CITY MANAGER
TYLER BONANNO-CURLY, DEPUTY CITY MANAGER
KEVIN LEE, CHIEF PUBLIC AFFAIRS OFFICER
MONIQUE DE LA GARZA, CITY CLERK
DEPARTMENT HEADS