

ORDINANCE NO. _____

An ordinance amending Chapter 4 of Division 19 of the Los Angeles Administrative Code, and Article 3 of Chapter I of the Los Angeles Municipal Code to transfer the Petroleum Administrator function from the City Administrative Officer to the Board of Public Works.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Chapter 4 of Division 19 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

CHAPTER 4

PETROLEUM ADMINISTRATION

CHAPTER 4, ARTICLE 1

DUTIES WITH RESPECT TO PETROLEUM ADMINISTRATION

Sec. 19.47. Definitions.

For the purposes of this chapter, the following definitions are adopted:

“**Board**” shall mean the Board of Public Works or its designee.

“**Governing Body**” shall mean the City Council or other board or agency having jurisdiction by Charter or law over the property involved.

“**Petroleum**” shall mean crude oil, natural gas or other hydrocarbon substances.

Sec. 19.48. Management by the Board of Public Works.

In addition to all other duties prescribed by ordinance and the Charter, the Board shall have the following duties with respect to the management of Petroleum matters affecting the City:

(a) To examine and render a report and recommendation concerning matters related directly or indirectly to the exploration for, or production of, Petroleum within the City of Los Angeles, which may be referred to the Board by any department, bureau or office of the City, and obtain requested technical advice;

(b) To report, upon request, to any department, bureau or office of the City concerning creation of "O" Oil Drilling Districts pursuant to the provisions of Section 13.01 of the Los Angeles Municipal Code;

(c) To establish general rules and procedures to be followed with respect to the leasing for Petroleum exploration or production purposes of any City-owned property;

(d) To administer and determine the compliance with all provisions of Petroleum leases and the production thereunder from all City-owned property, the jurisdiction and control of which has not been expressly assigned to any other department or office;

(e) To negotiate with those requesting drilling rights or Petroleum leases on City-owned property, to determine the minimum price of Petroleum at which the operator shall suspend its production, abandonment and other protective provisions to be included in Petroleum leases of City-owned property, and to determine the terms on which competitive bids are to be requested;

(f) To investigate subsidence problems and explore possible protective measures in connection with Petroleum exploration or production;

(g) To recommend proper measures to prevent or eliminate drainage from beneath City-owned property in connection with Petroleum exploration or production;

(h) To investigate and make recommendations concerning existing restrictions on exploration for, and production of, Petroleum in the City;

(i) To coordinate all matters respecting or concerning the exploration for, or production of, Petroleum within the City; and

(j) To perform any other duty respecting petroleum which may be requested of the Board by the Council.

Sec. 19.49. Recommendation by the Board of Public Works.

No final ordinance, order or resolution involving any of the following enumerated matters shall be adopted by the City Council, and no other final action of any kind regarding such matters shall be taken by any department, bureau or office unless and until such ordinance, order, resolution or action shall have been submitted first to the Board for report and recommendation thereon:

(a) The creation of "O" Oil Drilling Districts pursuant to the provisions of Section 13.01 of the Los Angeles Municipal Code;

(b) The issuance of any permit regarding the drilling of, or production from, Petroleum wells; and

(c) The leasing of any City-owned property for exploration for, or production of, Petroleum.

Provided, however, that if said report and recommendation are not returned and filed with the City Council or the department, bureau or office submitting the same within 30 days or such longer time as may be granted by the City Council, such proposed ordinance, order, resolution or action may be adopted without such report or recommendation.

Sec. 19.50. Limitations.

Notwithstanding the provisions of any other ordinance, rule or regulation requiring the City Council, any department, bureau, board, office or agency to perform any act concerning Petroleum within a specified time, said time is hereby extended for the period of time the Board may keep the matter under consideration pursuant to this chapter.

CHAPTER 4, ARTICLE 2

DUTIES WITH RESPECT TO PETROLEUM LEASES

Sec. 19.53. Referral of Application or Offer.

Whenever any offer or application is made to the City, or to any department, bureau or office thereof, to enter into any lease or any operating agreement or other type of agreement respecting any interest in City-owned property for the purpose of exploring for or producing Petroleum, or whenever the City or any department, bureau or office thereof recommends such a lease or agreement, said offer, application or recommendation shall be referred to the Board within five business days after the receipt thereof or recommendation therefor.

Sec. 19.54. Investigation of Offer or Application.

The Board, upon receipt of any such offer, application or recommendation, shall immediately investigate said offer, application or recommendation to ascertain the interests and lands involved, and whether Petroleum exploration or production would substantially interfere with, or cause inconvenience to, the use of the lands for the intended use of the City and, if so, the extent thereof.

Sec. 19.55. Consultation with Experts.

If the Board finds that Petroleum exploration and production would not substantially interfere with, or cause inconvenience to, the use of the lands for the

intended use of the City, it shall consult with technically and professionally qualified persons in the Petroleum industry as to the method of leasing which would be most advantageous to the City.

Sec. 19.56. Recommendation to Governing Body.

If the Board finds that by reason of the location and small size of the land or the nature of the interest of the City therein, competitive bids would not be feasible or practicable in the opinion of the Board, it shall report to the Governing Body its opinion and recommendations as to the advisability of the City entering into a Petroleum lease as a co-lessor in a community Petroleum lease or in a pooling Petroleum lease without competitive bidding.

If the Board finds that by reason of location, size of the land or the nature of the interest of the City therein, competitive bidding would be feasible and practicable, and that Petroleum exploration and production would not substantially interfere with or cause inconvenience to use of the lands for the intended use of the City, it shall report to the Governing Body its opinion and recommendation, and a lease or agreement respecting said lands or interest therein may be offered by means of sealed competitive bids as provided by this chapter.

Sec. 19.57. Resolution by Governing Body.

Subject to the exemptions provided in Sections 7058.5 and 7061 of the California Public Resources Code, as may be amended from time to time, with respect to tide and submerged lands granted in trust to the City by the State, and in Section 19.56 of this article with respect to other City lands, before a lease or any operating agreement or other type of agreement for the production of Petroleum is entered into, the Governing Body shall, in an open meeting, adopt a resolution declaring its intention to take such action. The resolution shall describe the property involved in such a manner as to identify it, specify the minimum rental, royalty or other consideration, and the term of the lease or agreement, the form of the lease or agreement and one variable, biddable factor, on which bids will be received, and fix a time not less than 60 days thereafter and place for a public meeting of the Governing Body at which meeting sealed bids to lease or contract will be received and considered. This section shall not apply to the renewal of a lease, operating agreement or other type of agreement for the production of Petroleum issued for a fixed term.

Sec. 19.58. Publication.

A resolution to be adopted pursuant to Section 19.57 of this Code shall, before the adoption by the Governing Body, be published once a week for four successive weeks in one or more newspapers of general circulation in the City, and an additional notice shall be sent to at least eight Petroleum companies in Los Angeles County inviting bids in response to the resolution.

Sec. 19.59. Lease to Highest Responsible Bidder.

At the time and place for public meeting fixed in the resolution adopted pursuant to Section 19.57 of this Code, all sealed bids which have been received shall in public session be opened, examined and recorded by the Governing Body, and the property shall be leased to, or the agreement shall be made and entered into with, the highest responsive and responsible bidder in the judgment of the Governing Body. The Governing Body may, however, should it deem such action in the best public interest, at any time reject any and all bids and withdraw the property from lease or contract.

Sec. 19.60. Approval by California State Lands Commission.

(a) No resolution shall be adopted by the Governing Body pursuant to Section 19.57 of this Code involving any tide or submerged lands granted in trust to the City by the State unless the City has first petitioned the California State Lands Commission for approval of the proposed resolution and the proposed resolution shall have been approved by the California State Lands Commission, as provided in Section 7060 of the California Public Resources Code, as may be amended from time to time.

(b) No such lease or agreement involving any tide or submerged lands granted in trust to the City by the State shall be modified, amended or renewed without the advance consent of the California State Lands Commission to such modification, amendment or renewed as provided in Sections 7058.5 and 7060 of the California Public Resources Code, as may be amended from time to time.

Sec. 19.61. Specifications in Resolution.

In addition to those matters set forth in Section 19.57 of this Code, a resolution subject to the approval of the California State Lands Commission shall specify:

(a) That in the event that several individuals wish to submit a joint bid for the property, the bid shall contain the names of all such persons, firms or corporations interested in the bid;

(b) That all bidders shall submit a financial statement or other acceptable evidence of financial responsibility;

(c) That all successful bidders shall be required to post a faithful performance bond in an amount determined to be adequate in the opinion of the Governing Body; and

(d) That the Governing Body shall reserve the right to reject any and all bids and the right to waive any informality in the bid when to do so will be to the advantage of the City or its taxpayers.

Sec. 19.62. Time for Opening Bids.

At least 60 days shall be allowed between the time of the publication of the resolution and the submission of bids, provided that if, in the opinion of the Board or the Governing Body, the ultimate hydrocarbon recovery from the lands under consideration might be reduced by reason of production from producing Petroleum wells nearby, then the period may be shortened to not less than 30 days.

Sec. 19.63. Conditions Applicable to Bids.

If the notice inviting bids includes a monetary payment, every bid shall be accompanied by a check certified by a responsible bank in the City of Los Angeles, payable to the order of the City of Los Angeles for an amount not less than 10 percent of the aggregate sum of the bid; or, in lieu thereof, may be accompanied by a satisfactory surety bond in like amount, guaranteeing that the person submitting the bid will enter into the proposed contract if the same be awarded to it.

The bid likewise shall be supported by a non-collusion affidavit, as provided in Charter Section 371. The Governing Body may permit any informality in such affidavit to be remedied, so as to comply with requirements, at any time prior to award of the contract.

After bids have been opened and declared, except with the consent of the Governing Body, no bid shall be withdrawn, but the same shall be subject to acceptance by the Governing Body for a period of three months or such lesser period as prescribed in the resolution inviting bids.

Sec. 19.64. Opening of Bids – Referral to Board.

At the time set for receiving the bids, those presented will be publicly opened and declared by or on behalf of the Governing Body and thereupon shall be referred to the Board for report and recommendation at a specified time, prior to consideration by the Governing Body for award.

Sec. 19.65. Award of Lease or Agreements.

At the time specified for opening said bids, or at any time to which the matter thereafter may be continued, the lease or agreement shall be awarded to the highest and best regular responsible bidder furnishing satisfactory security for its performance, or all bids may be rejected by the Governing Body as provided in Section 19.59 of this article. The bid of any bidder previously delinquent or unfaithful in the performance of any former contract with the City shall be rejected.

Sec. 19.66. Execution of Lease – Posting of Bonds.

Within ten days after the contract is awarded to the successful bidder, said bidder shall execute the lease or agreement and post the faithful performance bond. If the property involved is located in a zone in which drilling for Petroleum is not then permitted under the provisions of the Comprehensive Zoning Plan of the City of Los Angeles, the successful bidder, within 20 days after such award, shall make application for an "O" Oil Drilling Districts and comply with the requirements of Section 13.01 of this Code; provided, however, that in the event that said application is made within the 20-day period provided therefor and is denied, said lease or agreement shall be of no force or effect and any consideration paid to the City therefor shall be returned.

Sec. 19.67. Sureties.

The bid bond or faithful performance bond, when a certified check payable to the City is not furnished in lieu thereof, shall be executed by the bidder and by a responsible corporate surety company; or two or more individual sureties if and when approved by the bidding authority.

In the discretion of the Governing Body, deposit of cash by way of bond may be authorized to be deposited with the City Treasurer under such procedure as may be approved by the City Treasurer and the City Controller.

Sec. 19.68. Forfeitures.

If the successful bidder fails to enter into the contract awarded it or to supply the necessary faithful performance bond within ten days after the award, then the sum deposited in cash or by certified check or guaranteed by the bid bond is forfeited to the City. Such forfeiture shall not preclude recovery of any sum over and above the amount posted or guaranteed to which the City sustains damage by reason of such default or failure to contract.

In the event of the bidder's default, any cash deposit shall be paid to the City; or the certified check shall be presented for payment and collected; or the surety bondsmen shall be required to pay the amount of their bond, and the City Attorney may take appropriate action to collect the same if such bondsmen fail to pay the obligation of their bond within fifteen days after demand. Upon payment or collection, the amount shall be paid into the general fund or to the bond fund from which the contract is to be met or, in the case of contracts made by departments having control of their own funds, into the appropriate fund of such department as designated by such department.

Sec. 19.69. Reservations.

In addition to such other rights to be determined by the Governing Body, the City shall, subject to the approval of the State Lands Commission of the State of California

as to leases and agreements involving tide or submerged lands granted in trust to the City by the State, reserve the following rights:

- (a) To prohibit or require approval of any transfer or assignment of such lease or agreement, or of any interest therein;
- (b) To approve any pooling arrangement;
- (c) To permit subsurface encroachment required to drill to the subsurface of adjoining lands;
- (d) To reasonably limit production;
- (e) To restrict, prohibit, require or regulate oil, gas or water injection into subsurface formations;
- (f) To reserve such surface use as will not unreasonably interfere with operations under the lease or agreement;
- (g) To designate drill sites;
- (h) To regulate the installation of all surface equipment and facilities;
- (i) To require the operator to furnish copies of all records, including, but not limited to, electric logs, core analyses, reservoir data and directional surveys of all wells; said records shall be confidential and shall not be open to inspection by the public without the consent of the lessee or operator or as required by law; and
- (j) That if the property involved is located in a zone in which drilling for Petroleum is not then permitted under the provisions of the Comprehensive Zoning Plan of the City of Los Angeles, to require the successful bidder to make application for an "O" Oil Drilling District and comply with the requirements of Section 13.01 of this Code; provided, however, that in the event that said application is made within the time provided and is denied, said lease or agreement shall be of no force or effect and any consideration paid to the City therefor shall be returned.

Sec. 19.70. The Board of Public Works to Act for the City.

Except as otherwise provided by Charter, the Board shall have the duty and responsibility to exercise on behalf of the City all rights and powers retained by the City under the terms of any and all Petroleum leases or agreements hereafter entered into by the City.

Sec. 2. Section 13.01(D)(2)(b)(1) of the Los Angeles Municipal Code is amended to read as follows:

(1) A summary of the provisions of the Los Angeles Municipal Code, as amended, which are applicable to the district, prepared or approved by the Board of Public Works or its designee;

Sec. 3. Section 13.01(E)(2)(h) of the Los Angeles Municipal Code is amended to read as follows:

(h) If a Zoning Administrator determines, after first receiving a report and recommendation from the Board of Public Works or its designee, that oil drilling and production activities within the district have caused or may cause subsidence in the elevation of the ground within the district or in the immediate vicinity, then after consulting with recognized experts in connection with that problem and with those producing hydrocarbons from the affected area, he or she shall have the authority to require the involved oil producer or producers to take corrective action, including re-pressurizing the oil producing structure or cessation of oil drilling and production.

Sec. 4. Section 13.01(E)(4)(i) of the Los Angeles Municipal Code is amended to read as follows:

(i) If a Zoning Administrator determined after first receiving a report and recommendation from the Board of Public Works or its designee that oil drilling and production activities within the district have caused or may cause subsidence in the elevation of the ground within the district or in the immediate vicinity, he or she shall have the authority, after consulting with recognized experts in connection with the problem and with those persons producing hydrocarbons from the affected area, to require the involved oil producer or producers to take corrective action, including re-pressurizing the oil producing structure or cessation of oil drilling and production.

Sec. 5. Section 13.01(H)(2) of the Los Angeles Municipal Code is amended to read as follows:

(2) an agreement to abide by the determination of the Board of Public Works or its designee if any dispute arises as to the reasonableness of those terms after first having an opportunity to be heard. Where the district is in a nonurbanized area, in the Los Angeles City Oil Field Area, or in those cases where a Zoning Administrator

approves an application in an urbanized or off-shore area, a Zoning Administrator shall determine and prescribe additional conditions or limitations, not in conflict with those specified in the ordinance establishing the district, which he or she deems appropriate in order to give effect to the provisions of this section and to other provisions of this chapter relating to zoning. Where the proposed operation is in the M3 Zone and is within 500 feet of a more restrictive zone, a Zoning Administrator shall prescribe conditions and limitations, if any, as he or she deems appropriate to regulate activity which may be materially detrimental to property in the more restrictive zone. All conditions previously imposed by a Zoning Administrator in accordance with the provisions of this chapter are continued in full force and effect.

Sec. 6. The first two paragraphs of Section 13.01(J) of the Los Angeles Municipal Code are amended to read as follows:

J. Termination of District. Any ordinance establishing the districts described in this section shall become null and void one year after the effective date thereof unless oil drilling operations are commenced and diligently prosecuted within such one-year period; provided, however, a Zoning Administrator, upon recommendation of the Board of Public Works or its designee, may extend the termination date for four consecutive additional periods not to exceed one year each, prior to the termination date of each period, if written request is filed therefor with the office of the Zoning Administration setting forth the reasons for said request and a Zoning Administrator determines that good and reasonable cause exists therefor.

Similarly, a Zoning Administrator, upon recommendation of the Board of Public Works or its designee, may extend the termination date for three consecutive additional periods not to exceed one year each, prior to the termination date of each period, for those districts which are part of a group undergoing development from one or more common controlled drilling sites, provided that written request is filed, which sets forth the reasons for the request therefor and the Zoning Administrator determines that good and reasonable cause exists therefor, and providing further that drilling operations have been diligently prosecuted from the common controlled drilling site during the previous extension period. Additional one-year extensions may be made by a Zoning Administrator subject to the approval of the City Planning Commission.

Sec. 7. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

HOLLY L. WOLCOTT, City Clerk

By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By  _____

EDWARD M. JORDAN
Assistant City Attorney

Date 5-24-2017

File No. 15-0387