



*California Independent
Petroleum Association*
California's Small, Homegrown Oil Producers



The Case Against **SENATE BILL 1137**

The Bill Was Falsely Sold as Only Preventing New Wells, Not Affecting Existing Production

SB 1137 was gutted and amended in the last five days of the legislative session in August 2022. The legislature had earlier in the year rejected a 2,500-foot setback. In the frantic final days of session, supporters of SB 1137 characterized the bill as only banning NEW wells within the setback zone and not affecting current production. In the only committee hearing on Senate Bill 1137, the author, Lena Gonzalez, said the bill does not kill jobs or impact existing production (1:38:42). In the same hearing, Assembly Member Cristina Garcia reiterated a similar talking point, saying that it doesn't shut down production; they will continue to operate (1:53:14). (Hearing link: <https://www.assembly.ca.gov/media/assembly-natural-resources-committee-20220829>)



The bill passed by the bare minimum votes in the Senate after being on call for nearly 9 hours. The bill does not just prevent new wells within the setback zone, but prevents the state from approving any application for work on an existing well except to plug it. In the extraction business, routine maintenance is needed on wells in order to maintain its production. Often, the well work or upgrading attendant equipment is needed for safety reasons or to comply with ever-changing air rules.

SB 1137 Will Lead to a Growing Reliance on Imported Foreign Oil

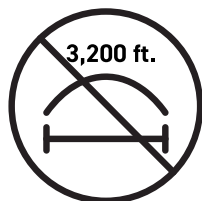
Californians consume 1.8 million barrels of oil every single day. Demand has not fallen, even as the state aggressively incentivizes alternative energy. Every barrel that is not produced locally by California-based workers must be tankered in from a foreign country. The leading sources of foreign oil are Saudi Arabia, Iraq, and oil produced from tearing down the Amazon Rainforest (NBC news article link: <https://www.nbcnews.com/investigations/crude-reality-one-us-state-consumes-half-oil-amazon-rainforest-rcna7284>). In-state production has fallen by 25% in the last four years. California must now import 75% of the oil it consumes. These foreign imports are completely exempt from California's strict environmental rules and regulations, including its greenhouse gas cap and trade program.



SB 1137's prohibition against any new wells or maintenance on existing wells will inevitably lead to less in-state production and increased tanker traffic bringing foreign imports into our crowded ports.

Science Does Not Support a 3,200-Foot Setback

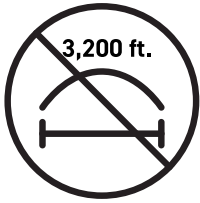
Proponents of the bill claimed there was scientific consensus on the effects caused by living within 3,200 feet of a well. Nothing could be further from the truth. Not only is the 3,200-foot setback distance completely arbitrary and not advocated by any peer-reviewed scientific study, but claims of health impacts relied not on scientific studies, but on a survey of reports, many by advocacy groups that had no scientific basis nor relation to California production practices. Of the 69 studies "surveyed," 45 were conducted on production operations in states other than California. Many of these operations involved natural gas, not oil production, as well as techniques not used in California such as multi-stage, lateral, high water volume hydraulic fracturing. Of the remaining, only one analyzed actual emissions data, and the results presented non-statistically significant correlation and no causation.



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Science Does Not Support a 3,200-Foot Setback (Cont'd)

The survey of studies used by the state to justify SB 1137 also conveniently ignored several substantial California-specific studies that comprehensively evaluated in-state oil production and found it can be done safely, even in urban areas. For example, the County of Kern has published a 30,000-page Environmental Impact Report on its new oil and gas ordinance that shows all impacts can be mitigated. 75% of California's oil production occurs in Kern County.



California, through its Air Resources Board and numerous Air Quality Management Districts, already imposes the world's most stringent air emissions regulations. California has also implemented cap-and-trade mechanisms for greenhouse gas emissions, Underground Injection Control (UIC) regulations, pipeline regulations, and Air District rules. In addition, the State Fire Code, Section 5706, already specifies a required 300-foot setback between new oil and gas wells and residences, schools and hospitals.

These factors collectively contribute to a unique regulatory environment, emphasizing the need for a tailored and California-specific approach to address the complexities of oil and gas production in our state.

State at Risk of Large Illegal Takings Judgements

By enacting SB 1137, the state is eliminating the value of private property without any compensation, including duly permitted operations that are completely CEQA compliant and where all environmental impacts have been mitigated. This is a violation of the United States Constitution's Fifth Amendment prohibition against taking property without compensation. While the state has police powers to protect public health, the state would have to demonstrate a real, scientifically demonstrated threat. As shown above, the state's scientific standing on this issue is very weak. This makes the state susceptible to very large illegal takings judgements by operators, mineral owners, local governments, and other affected parties.

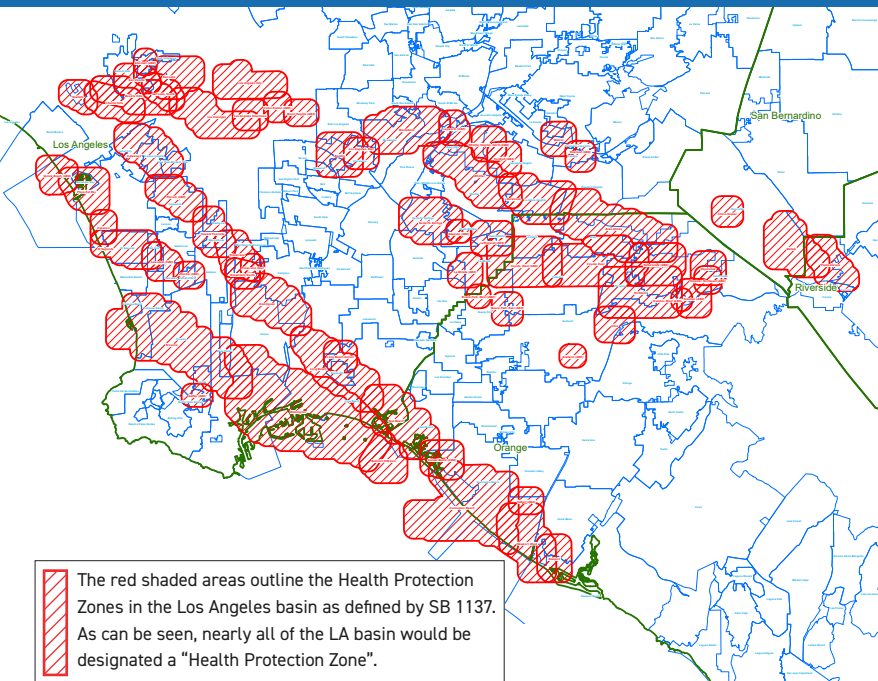


Setbacks Work Both Ways—Could Shut Down New Housing and Affect Home Values

Since a new development of any kind within 3,200 feet of an existing oil facility would prevent that operator from drilling new wells or maintaining their existing ones, that operator would have to object to the new project and possibly take legal action since approval would constitute a taking of their property rights. As a result, much-needed housing projects in southern California and throughout the state could be curtailed.



Furthermore, if the state declares all these areas as "Health Protection Zones," that could negatively affect home values within those zones, which would be particularly troubling since the science does not justify such a setback.



The State's Own Review Does Not Justify a 3,200-Foot Setback and Warns the Setback Could Curtail New Housing

The state commissioned its own review of scientific studies, hiring PSE Healthy Energy, a group affiliated with UC Berkeley, which issued a memorandum titled: ***"Response to CalGEM Questions for the California Oil and Gas Public Health Rulemaking Scientific Advisory Panel."*** The memo makes some interesting statements and conclusions:

1

"We have focused our review on 'epidemiological studies...'" (see page 1). Epidemiological studies are database reviews and do not measure or monitor the air. The Advisory Panel did not review or include any environmental or occupational studies. Environmental and occupational studies actually measure and monitor for air toxics.

2

"Existing epidemiological studies were not designed to test and establish a specific "safe" buffer distance between OGD sites and sensitive receptors..." (see page 12). This is a curious conclusion given the memo is the sole referenced document to justify 3,200-foot "health protection zones."

3

"Finally, we note that while outside of CalGEM's jurisdiction, setbacks for new construction of housing or schools at a certain distance from existing or permitted OGD (oil and gas development) sites (commonly referred to as reverse setbacks), should be considered." (see page 13). This review was never conducted by the legislature nor the state.

The undeniable conclusion is that new real estate development may not be approved within SB 1137 Health Protection Zones. This would greatly curtail the state's housing goals. There is also the risk of real estate values within the Health Protection Zones plummeting since the state is saying unequivocally there are health ramifications to living in those zones even though the science does not support such a conclusion.