



OPERATIONS COMMITTEE

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Agenda Report

File #: 2021-1588

Agenda Date: 4/28/2021

Agenda Item No: 7.

FROM: James D. Herberg, General Manager
Originator: Kathy Millea, Director of Engineering

SUBJECT:

ASSIGNMENT, WELL TRANSFER, AND OPERATORSHIP AGREEMENT WITH CHEVRON U.S.A. INC.

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Approve the Assignment, Well Transfer, and Operatorship Agreement between the Orange County Sanitation District and Chevron U.S.A. Inc. to accept the assignment of the NC-79 well located at Plant No. 2, API # 05921580, along with the related rights and obligations.

BACKGROUND

In the past, the current site of Plant No. 2 in the city of Huntington Beach was used for oil wells. A-Side Primary Clarifiers Replacement at Plant No. 2, Project No. P2-98A, will be constructed on top of an old oil well. In order to properly abandon the oil well and build a new structure above it, the Orange County Sanitation District (OC San) must be registered as both the owner and operator.

RELEVANT STANDARDS

- Maintain collaborative and cooperative relationships with regulators, stakeholders, and neighboring communities
- Protect OC San assets

PROBLEM

Records indicate that an oil well, designated as NC-79, is located under the Project P2-98A construction site. Per state records, Chevron U.S.A. Inc. has operatorship rights of NC-79, even though OC San owns this oil well. The state will not issue OC San a permit until it is registered as both the owner and operator of the well.

PROPOSED SOLUTION

Approve the Assignment, Well Transfer, and Operatorship agreement with Chevron U.S.A. Inc. along with the related rights and obligations. This agreement requires no payment by either party.

TIMING CONCERNS

A-Side Primary Clarifiers Replacement at Plant No. 2, Project No. P2-98A construction is anticipated to begin in June 2021. Construction of the clarifiers could be delayed if an oil well abandonment permit is not obtained.

RAMIFICATIONS OF NOT TAKING ACTION

Without approval of this agreement, the required permit cannot be obtained, and one of the clarifiers would not be constructed.

PRIOR COMMITTEE/BOARD ACTIONS

N/A

ADDITIONAL INFORMATION

A-Side Primary Clarifiers Replacement at Plant No. 2, Project No. P2-98A, will construct four new primary clarifiers, a new odor control and chemical facility, a new electrical distribution center building, and ancillary facilities and utilities, as well as demolish four existing primary clarifiers, a power building, and an air treatment facility. The construction contract documents include abandonment of oil well NC-79. The estimated construction cost of the entire project is \$129 million, and construction will last approximately five years.

CEQA

This project is exempt from CEQA under the Class 2 categorical exemptions set forth in California Code of Regulations sections 15302 because the project involves replacement or reconstruction of existing structures and facilities where the new structure replaced will have substantially the same purpose and capacity as the structure replaced. A Notice of Exemption was filed with the Orange County Clerk-Recorder on April 26, 2018.

FINANCIAL CONSIDERATIONS

N/A

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Assignment, Well Transfer, and Operatorship Agreement

SN:dm