JAN ... OF CALIFORNIA
FINANCE LETTER - COVER SHEET
FOR FISCAL YEAR 2010/11
DF-46 (WORD Version)(REV 07/06)
Please report dollars in thousands.

Department of Finance
915 L Street
Sacramento, CA 95814
IMS Mail Code: A-15

	PRIORITY NO.	ORG. CODE	DEPARTMENT
	17	3480	Conservation
PROGRAM 20 – Oil, Gas and Geothermal Resources	ELEMENT 10- Regulation of Oil & Gas Operations	COMPONENT	

TITLE OF PROPOSED CHANGE
Underground Injection Control and Enhanced Oil Recovery

SUMMARY OF PROPOSED CHANGES
The Department of Conservation's Division of Oil, Gas, and Geothermal Resources (DOGGR) requests 17 positions and a baseline appropriation of $3,179,000 ($2,712,000 on-going) from the Oil, Gas, and Geothermal Administrative Fund to enhance the regulatory programs of DOGGR to deal with Underground Injection Control (UIC), which includes Enhanced Oil Recovery (EOR). The resources are needed to strengthen regulatory oversight for all UIC programs, including the EOR projects designed to inject carbon dioxide (CO_2). As such, there is a need to strengthen the protection of California citizens and resources.

There is no impact to the General Fund.

REQUIRES LEGISLATION	CODE SECTION(S) TO BE AMENDED/ADDED	BUDGET IMPACT—PROVIDE LIST AND MARK IF APPLICABLE
☐ YES ☒ NO		☐ ONE-TIME COST ☐ FUTURE SAVINGS ☐ FULL-YEAR COSTS ☐ REVENUE ☐ FACILITIES/CAPITAL COSTS

PREPARED BY	DATE	REVIEWED BY	DATE
Robert S Hurel	5/12/2010	Ken Alm	5/12/10
DEPARTMENT DIRECTOR	DATE	AGENCY SECRETARY	DATE
[signature]	5/13/10	[signature]	5/15/10

DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS? YES ☐ OR NO ☒
IF YES, DEPARTMENT CHIEF INFORMATION OFFICER SIGNATURE DATE

FOR IT REQUESTS, SPECIFY THE DATE SPECIAL PROJECT REPORT (SPR) OR FEASIBILITY STUDY REPORT (FSR) WAS APPROVED BY THE DEPARTMENT OF FINANCE.

DATE PROJECT # FSR ☐ OR SPR ☐

IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL?

☐ YES ☐ NO ATTACH COMMENTS OF AFFECTED DEPARTMENT, SIGNED AND DATED BY THE DEPARTMENT DIRECTOR OR DESIGNEE.

DEPARTMENT OF FINANCE ANALYST USE
(ADDITIONAL REVIEW)

CAPITAL OUTLAY ☐ OTROS ☐ FSCU ☐ OSAE ☐ CALSTARS ☐

DATE SUBMITTED TO THE LEGISLATURE: PPBA

STATE OF CALIFORNIA
FINANCE LETTER—FISCAL DETAIL
STATE OPERATIONS
DF-46 (REV 07/06)
Please report dollars in thousands.

Department of Finance
915 L Street
Sacramento, CA 95814
IMS Mail Code A-15

BCP #	DATE	TITLE OF PROPOSED CHANGE
17	5/10/10	UIC & EOR
PROGRAM	ELEMENT	COMPONENT
20	10	

	PERSONNEL YEARS					
	CY	BY	BY + 1	CY	BY	BY + 1
TOTAL SALARIES AND WAGES [1]		17.0	17.0		$1,655	$1,655
SALARY SAVINGS	-	-1.7	-1.7		-166	-$166
NET TOTAL SALARIES AND WAGES		15.3	15.3	$0	$1,489	$1,489
STAFF BENEFITS [2]					521	521
TOTAL PERSONAL SERVICES		15.3	15.3	$0	$2,010	$2,010
OPERATING EXPENSES AND EQUIPMENT [3]						
GENERAL EXPENSE					208	53
PRINTING					6	6
COMMUNICATIONS					20	20
POSTAGE					6	6
TRAVEL—IN STATE					23	23
TRAVEL—OUT OF STATE						
TRAINING					34	34
FACILITIES OPERATIONS					224	224
UTILITIES						
CONSULTING & PROFESSIONAL SERVICES: Interdepartmental [3]						
CONSULTING & PROFESSIONAL SERVICES: External [3]						
DEPT OF TECHNOLOGY SERVICES CONSOLIDATED DATA CENTER						
DATA PROCESSING					377	293
EQUIPMENT [3]					228	
DEBT SERVICE						
OTHER ITEMS OF EXPENSE: (specify below)						
Vehicle operations					43	43
TOTAL OPERATING EXPENSES AND EQUIPMENT				$		
SPECIAL ITEMS OF EXPENSE [4]				$	$	$
TOTAL STATE OPERATIONS EXPENDITURES				$	$1,169	$702

SOURCE OF FUNDS	APPROPRIATION NO.					
	ORG	REF	FUND			
GENERAL FUND				$	$	$
SPECIAL FUNDS	3480	001	3046	$	$ 3,179	$ 2,712
FEDERAL FUNDS				$	$	$
OTHER FUNDS (SPECIFY)				$	$	$
REIMBURSEMENTS				$	$	$

[1] ITEMIZED DETAIL ON PAGE I-3 BY CLASSIFICATION AS IN SALARIES AND WAGES SUPPLEMENT.
[2] PROVIDE DETAIL ON PAGE I-3.
[3] PROVIDE LIST ON PAGE I-4.
[4] SPECIAL ITEMS OF EXPENSE MUST BE TITLED. PLEASE REFER TO THE UNIFORM CODES MANUAL FOR A LIST OF THE STANDARDIZED SPECIAL ITEMS OF EXPENSE OBJECT WHICH MAY BE USED.

Fiscal Detail Continued

LOCAL ASSISTANCE AND DETAIL OF STAFF BENEFITS AND PERSONAL SERVICES

LOCAL ASSISTANCE				$( )	$( )	$( )
SOURCE OF FUNDS	APPROPRIATION NO.					
	ORG	REF	FUND			
GENERAL FUND				$	$	$
SPECIAL FUNDS				$	$	$
SPECIAL FUNDS				$	$	$
OTHER FUNDS (SPECIFY)				$	$	$
REIMBURSEMENTS				$	$	$

CLASSIFICATION [1]	POSITIONS CY	POSITIONS BY	POSITIONS BY + 1	SALARY/RANGE (WHOLE DOLLARS)	AMOUNT CY	AMOUNT BY	AMOUNT BY + 1
Sr Oil & Gas Engineer		2.0	2.0	$9,350-11,367		248,604	248,604
Staff Counsel IV		1.0	1.0	8,486 – 10,477		113,778	113,778
Assoc Oil & Gas Engineer		8.0	8.0	8,115 – 9,859		862,752	862,752
Energy & Min Res Engin		4.0	4.0	4,729 – 7,413		291,408	291,408
Staff Services Manager I		1.0	1.0	5,079 – 6,127		67,236	67,236
Environmental Scientist		1.0	1.0	3,077 – 5,711		52,728	52,728
Overtime						19,000	19,000
TOTAL SALARIES AND WAGES [2]		17.0	17.0		$	$1,655,508	$1,655,508

STAFF BENEFITS DETAIL	CY	BY (WHOLE DOLLARS)	BY + 1
OASDI	$	$14,900	$14,900
HEALTH INSURANCE		92,675	92,675
RETIREMENT [3]		252,056	252,056
WORKERS' COMPENSATION		16,836	16,836
INDUSTRIAL DISABILITY LEAVE			
NON-INDUSTRIAL DISABILITY LEAVE			
UNEMPLOYMENT INSURANCE			
OTHER		145,017	145,017
TOTAL [2]	$	$521,484	$521,484

[1] USE STANDARD ABBREVIATIONS PER THE SALARY AND WAGES SUPPLEMENT. USE FOOTNOTES TO REFLECT ANY EFFECTIVE DATE OR LIMITED TERM IF POSITION IS NOT PROPOSED FOR A FULL YEAR.
NOTE: INFORMATION PROVIDED SHOULD APPEAR IN THE SAME FORMAT AS IT WOULD APPEAR ON THE SCHEDULE 2 (CHANGES IN AUTHORIZED POSITIONS).

[2] TOTALS MUST BE ROUNDED TO THE NEAREST THOUSAND DOLLARS BEFORE POSTING TO PAGE I-2.

[3] LIST TYPE OF RETIREMENT, I.E., MISCELLANEOUS, SAFETY, INDUSTRIAL, ETC.

SUPPLEMENTAL INFORMATION
Please report dollars in thousands.

DEPARTMENT	FL#	FISCAL YEAR
Conservation	17	2010/11

IDENTIFY ALL PROPOSED ITEMS WHICH FIT INTO THE CATEGORIES LISTED BELOW. SEE INSTRUCTIONS ON PAGES I-7 AND I-8.

	CURRENT YEAR	BUDGET YEAR	BUDGET YEAR + ONE
PROPOSED EQUIPMENT			
Vehicles		228	
TOTAL	$	$228	$
PROPOSED CONTRACTS			
TOTAL	$	$	$
ONE-TIME COSTS (LIST BY ITEM)			
Office cubicles		155	
Data processing: computer, scanner, software		71	
Vehicles		228	
Hydrogen sulfide detectors		13	
TOTAL	$	$467	$
FUTURE SAVINGS			
TOTAL	$	$	$
FULL-YEAR COST ADJUSTMENTS			
TOTAL	$	$	$
FACILITIES/CAPITAL COSTS *			
TOTAL	$	$	$
* Indicate one-time or ongoing. TOTAL	$	$	$

DEPARTMENT OF CONSERVATION
FINANCE LETTER
FISCAL YEAR 2010-11

Date: May 10, 2010

Priority No.: 17

TITLE: Underground Injection Control and Enhanced Oil Recovery

A. NATURE OF REQUEST:

The Department of Conservation's (DOC) Division of Oil, Gas, and Geothermal Resources (DOGGR) requests 17 positions and a baseline appropriation of $3,179,000 ($2,712,000 on-going) from the Oil, Gas, and Geothermal Administrative Fund to enhance the regulatory programs of DOGGR to deal with Underground Injection Control (UIC), which includes Enhanced Oil Recovery (EOR). The resources are needed to strengthen regulatory oversight for all UIC programs, including the EOR projects designed to inject carbon dioxide (CO_2). As such, there is a need to strengthen the protection of California citizens and resources.

This program would enhance the State's regulatory program over the use of carbon dioxide in the EOR process and lead to the State requesting primacy from the U.S. Environmental Protection Agency (USEPA) for Class VI (CO_2) injection wells, similar to the way the State has primacy over Class II injection wells.

In short, since 1983, DOGGR has been the regulatory agency overseeing the State's UIC program for Class II injection wells. In the past 27 years, DOGGR has never submitted a Budget Change Proposal (BCP) to adequately address the changing technical, regulatory, and demographic landscape associated with enhanced oil recovery. We are requesting the necessary resources to solidify a program that protects public health and safety, while meeting our State's energy needs.

This proposal has no impact on the General Fund.

B. BACKGROUND/HISTORY:

As specified in Chapters 1 and 4, Division 3 of the Public Resources Code (PRC), DOGGR regulates oil, gas, and geothermal well operations throughout the State by enforcing laws for the conservation of petroleum and geothermal resources. DOGGR's mission is to prevent damage to life, health, property, and natural resources by ensuring that wells are properly drilled, operated for production and injection purposes, repaired, and plugged and abandoned. Furthermore, DOGGR enforces oilfield environmental regulations to protect life, health, public safety, property, and the environment.

The UIC program is responsible for preventing as far as possible damage to waters of the state and the natural resources, which includes the hydrocarbon resources. Subsurface injection occurs in two ways:

1. Enhanced Oil Recovery (EOR) - fluids have been injected into depleted oil and gas reservoirs in other locations throughout the country for the purpose of improving oil recovery. Like water flood, steam flood, natural gas injection, and CO_2 injection, all of these methods are industry-standard forms of enhanced oil recovery.
2. Water disposal – produced water associated to the production of oil and gas can be injected into subsurface saline aquifers, or depleted oil and gas zones, via injection wells to dispose of the vast quantities of water produced associated to the production of oil and gas.

Currently, DOGGR has primary authority over USEPA Class II injection wells. These are injection wells that are associated with oil and gas production operations. As such, DOGGR already has authority over CO_2 injection wells related to EOR. An expansion of the existing regulations are needed to clearly outline the regulatory frame work over all injection wells under DOGGR's current authority, this includes shallow thermal diatomite injection wells, hydraulic fracturing, steam injection, and CO_2 EOR injection wells.

C. STATE LEVEL CONSIDERATIONS:

Oil and gas production in California is a $34 billion annual industry, employing more than 25,000 people with an annual payroll of over $1.5 billion. California is the fourth largest oil-producing State in the nation, producing about 625,000 barrels per day. Property and other tax payments to the State and local governments from the industry amount to about $800 million annually. There are approximately 90,000 active or idle production and injection wells in the state.

If California wants to move forward to meet the changing needs and technology associated to oil and gas production, California needs to establish a program to oversee the injection and monitoring of new technology not covered by existing regulations. This proposal does just that. It proposes to strengthen our current UIC program within the Department of Conservation's Division of Oil, Gas, and Geothermal Resources. Since DOGGR already has authority over all methods of increasing the recovery of oil and gas under State mandates, it makes sense to extend that regulatory authority to cover all new technologies for EOR, including shallow thermal injection diatomite, hydraulic fracturing, and CO_2 injection wells.

The injection for EOR in California, using these new technologies has already occurred in projects in a few oil and gas fields. These have not been expanded due to various reasons, even though there is a need to increase oil and gas production to decrease the need for foreign oil. No other state agency has the expertise over subsurface injection as does DOGGR. It will be critical in this type of injection to ensure the competency of the reservoir, and the integrity of the injection wells. Californians would not want to see injection of fluids associated with oil and gas production migrating beyond the area of where it is intended to be.

ENVIRONMENTAL PROTECTION INDICATORS FOR CALIFORNIA (EPIC):
This proposal does have an effect on an Environmental Indicator. Carbon dioxide emissions are a Type I indicator in the Trans-boundary Indicators category.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

No additional facilities are being requested in this proposal.

E. JUSTIFICATION:

Since 1983, DOGGR has been the regulatory agency overseeing the State's UIC program for Class II injection wells. Class II injection wells includes CO_2 injection wells for EOR. An expansion of this existing regulatory program is needed to include shallow thermal diatomite wells and hydraulic fracturing. It makes more sense to expand an existing program rather than try to establish a brand new program in a different state agency.

Underground Injection Control (UIC) Details
Injection wells have been an integral part of California's oil and gas operations for over 50 years. Currently, over 25,000 oilfield injection wells are operating in the state. Injection wells are used to increase oil recovery and to safely dispose of the salt and fresh water produced with oil and natural gas. About 72 percent of California's oil production is the result of enhanced oil recovery methods such as steam flood, water flood, and natural gas injection.

In California, all Class II injection wells are regulated by DOGGR, under provisions of the State Public Resources Code and the Federal Safe Drinking Water Act. Class II injection wells fall under the DOGGR's UIC program, which is monitored and audited by the U.S. Environmental Protection Agency. In 1983, the DOGGR received USEPA primary authority, *primacy*, to regulate Class II wells. The main features of the UIC program include permitting, inspection, enforcement, mechanical integrity testing, plugging and abandonment oversight, data management, and public outreach.

Injection wells are monitored by DOGGR engineers to ensure the wells are operated properly and have mechanical integrity. Monitoring includes reviewing operational data and running tests like Mechanical Integrity Tests (i.e., spinner, temperature, pressure tests, and tracer surveys). In addition, there is a goal to inspect injection wells annually by DOGGR engineers.

Operators of Class II injection wells must file for a permit with DOGGR. Before a permit is issued, the proposed injection project is studied by DOGGR engineers and reviewed by the appropriate Regional Water Quality Control Board. DOGGR engineers evaluate the geologic and engineering information, solicit public comments, and hold a public hearing, if necessary. Injection project permits include many conditions, such as approved injection zones, allowable injection pressures, and testing requirements.

Most of the oil and gas fields in the state are old and are in a tertiary, enhanced oil recovery phase. This means more attention is being placed on UIC to deal with the enhanced recovery of the resource, which also includes new methods and techniques to produce the oil and gas. The increased use of injection also presents new public health and safety risks, especially in fields with older oil and gas wells. These risks include groundwater contamination, reservoir fluids leaking to the surface, and fires and blowouts caused by the migration of oil and gas.

Proposed UIC Staff

The Department proposes to staff its support services and DOGGR's staff to ensure appropriate implementation of the UIC program with an additional 17 positions, as follows:

Proposed Classification	Number of Positions
Senior Oil and Gas Engineer	2.0
Associate Oil and Gas Engineer	8.0
Energy and Mineral Resources Engineer	4.0
Environmental Scientist	1.0
Staff Counsel IV	1.0
Staff Services Manager I	1.0

Two Senior Oil and Gas Engineer positions. One UIC program Supervisor, at a Senior Oil and Gas Engineers classification experienced in injection well and project permitting will be needed in the Cypress District office to oversee and manage this program. This work includes the following:

40% Plans, directs, and controls the Underground Injection Control (UIC) and enhanced recovery programs. Issue permits to drill, rework, and abandon UIC wells and supervises the inspection of all UIC well operations to prevent blowouts, oil spills, and other damage or injury occurring from UIC activities including operations handling volatile materials and high pressure. Reviews and evaluates injection operations to ensure protection of groundwater and prevent damage to all underground fresh water and hydrocarbon reservoirs.

30% Plans, directs, and controls geologic, reservoir engineering, and computer technology programs associated with the UIC program. Prepares engineering analyses and reports on oil and gas resources; directs oil and gas reserves and forecasts; reviews and analyzes computer technology programs; and represents the Division at meetings with industry and the public.

10% Acts as Deputy Supervisor, responsible for all district operations, in the absence of the Deputy Supervisor and Operations Unit Supervisor. Assist in formulating policies and programs.

10% Issues orders and responds to complaints. Prepares material for hearings and assists in the preparation of legal actions.

5% Consults with operators regarding pool performance and makes subsurface studies for protection of fresh water, and oil and gas deposits.

An additional Senior Oil and Gas Engineer position will be needed to supervise the Compliance and Monitoring Unit, designed to ensure the UIC program follows the statutes and regulations. This work includes the following:

30% Design and assist with the assessment of the UIC program state-wide to determine if the program is operating according to the laws and regulations.

30% Provide support to bring the UIC program up to standards outlined in a Division-wide assessment. This includes conducting AOR evaluations, annual project reviews, overseeing the scheduling of MIT surveys, and assisting with the reporting and documenting activities to US EPA.

30% Create and implement a monitoring program designed to ensure the Division's UIC program continues to operate as designed. This includes regulate visits to the field offices for periodic reviews of UIC activity and enforcement actions to ensure compliance, assist with annual project reviews, and evaluation of documented oversight of the MIT surveys.

10% Update and monitor compliance with the Division's Manual of Instruction.

Eight Associate Oil and Gas Engineer positions. Two of these engineers would be within the Compliance and Monitoring Unit and the other six would be permitting engineers for DOGGR, two each the Cypress and Bakersfield field offices, one in Santa Maria, and one in the Sacramento field office. The engineers in the Compliance and Monitoring Unit would be performing the following:

30% Assist with the design and implementation of the assessment of the UIC program state-wide to determine if the program is operating according to the laws and regulations.

30% Provide the resource support to bring the UIC program up to standards outlined in a Division-wide assessment. This includes assisting with conducting AOR evaluations, annual project reviews, overseeing the scheduling of MIT surveys, and assisting with the reporting and documenting activities to US EPA.

30% Assist with the creation and implementation of a monitoring program designed to ensure the Division's UIC program continues to operate as designed. This includes regulate visits to the field offices for periodic reviews of UIC activity

and enforcement actions to ensure compliance, assist with annual project reviews, and evaluation of documented oversight of the MIT surveys.

10% Update and monitor compliance with the Division's Manual of Instruction.

The permitting engineers in the various districts would perform the following:

30% Conduct injection project review of new applications. Insures applications compliance with Division and federal project requirements. Recommends approval or denial of such applications to Unit Supervisor. Maintains computer and hard copy file of injection project data.

25% Review individual injection well applications for completeness and integrity. Recommends approval or denial of such applications to Unit Supervisor depending upon compliance with State laws and regulations.

15% Review applications for aquifer exemptions under federal UIC program to insure completeness. Posts public notification of completed applications. Forwards applications to headquarters and other responsible agencies for comment.

10% Act as supplemental technical support, as work load conditions dictate, in all district programs. May include writing permits; conducting field inspections and testing, writing permits to drill, rework, and abandon; and other technical and regulatory actions.

5% Prepare the district's report to the Environmental Protection Agency (EPA).

5% Prepare the injection project and well data statistics for the quarterly and annual reports.

5% Represent the district on the Division's Injection Surveillance Committee.

Four Energy and Mineral Resources Engineer positions. These positions will perform the field inspections necessary to ensure compliance and to provide adequate oversight for required well testing. These positions will be split between the Cypress and Bakersfield offices. The responsibilities associated to these positions are as follows:

35% Ensure compliance with Division UIC requirements and adherence to good operating practices. Travel to oilfields to make inspections of injection wells and facilities. Witness injection well surveys and other tests for demonstrating mechanical integrity. Exercises independent judgment regarding compliance with Division statutes, regulations and policies and directs operators to perform remedial or corrective action when necessary.

Utilizes maps, GPS units, H_2S monitors, computers, and other equipment to safely conduct well inspections and locate wells and associated facilities. Communicate with supervisor and other field engineers as needed for ensuring consistency in enforcement. Works with fellow employees, the public, and operator personnel in a manner that effectively helps administer the Division's UIC and other programs. Review current laws, regulations, and Division policies to maintain proficiency in this position.

30% Maintain the UIC computer database and well file information. Enters updates in the database and well files as needed. Performs queries to determine upcoming required tests and provides this information to operators and approved contractors on a monthly basis. Conduct area of review studies for new and expanded injection projects. Scans old logs and archives them and electrically submitted logs into electronic folders per Division standards of nomenclature.

20% Review field test results and prepares approval/deficiency notices and reports. Complete other reports as needed.

5% Maintain State vehicle by scheduling routine maintenance as well as arranging for any emergency repairs, with supervisory approval as needed. Maintains the vehicle log book, including mileage entries, collection of gas and other receipts, and delivers this information to the Lead Associate (Operations Unit) for monthly reporting.

5% Help compile EPA statistics and investigates complaints regarding injection operations. Send notification to operators of any wells for which approval to inject have been rescinded. Prepare Notices of Violations and/or other pertinent documents concerning this position.

<u>One Environmental Scientist.</u> This position will provide the support to help create rule making files, suggest new legislation, and perform the necessary work to ensure the Division's responsibilities regarding CEQA ,as it relates to underground injection control, is in compliance with the law. This position will be located in the Sacramento headquarters office.

<u>One Staff Counsel IV position</u>. Legal support is needed for the enhanced regulatory programs of DOGGR necessary to deal with Underground Injection Control (UIC) and Enhanced Oil Recovery (EOR). Because California will establish a program to oversee the injection and the monitoring of new injection technology not covered by existing regulations, DOGGR anticipates significant increases in the volume of identified noncompliance and enforcement actions under the UIC Program. Many new requirements and standards will be adopted under new rulemaking effort and strengthened practices. The UIC Program is already the subject of some litigation and these changes will likely result in a volume of new litigation. Increased legal support will

also be needed for each of the core UIC program functions, which include permitting, inspection, enforcement, mechanical integrity testing, plugging and abandonment oversight, data management, and public outreach.

The proposed Staff Counsel IV position will function as the UIC legal expert for DOGGR in the Department's legal office. The position will be responsible for advising DOGGR management, as well as Department executives, on the most complex matters arising in the course of DOGGR's administration of the UIC program and ongoing administration of a generally enhanced regulatory program. Much of this will be associated specifically with the following:

- The scope and legal implications of issues attendant to associated rulemaking.
- Administrative enforcement actions requiring operators to bring injection operations into compliance with the UIC program.
- Complex, multi-party litigation that will potentially arise from industry's unwillingness to bring operations into compliance with the UIC program.
- The scope and legal implications of DOGGR's regulation of emerging carbon capture and sequestration practices.
- Environmental and other legal issues associated industry practice of injection over fracture pressure, including rulemaking establishing a regulatory framework for the practice.
- Applicability of CEQA to the UIC program and review of CEQA documents.
- Legislation potentially impacting or influencing DOGGR's regulation of injection associated with oil and gas production.
- Environmental, jurisdictional and other legal issues and questions arising under federal and State law, local zoning requirements and intergovernmental cooperative agreements.
- Complex litigation-related matters such as subpoena response, deposition support, evidence preservation and review.
- Complex public records requests associated with significant controversies or threatened or actual litigation.
- Sensitive matters involving inquiries from legislators, members of the public and local officials.
- Legal implications of internal policies and revisions of same.

The position also will carry out duties associated with contemplated or pending administrative enforcement actions and appeals including, but not limited to, drafting formal orders, advising Department hearing officers when appropriate and negotiating resolution of cases with opposing counsel. Finally, the Staff Counsel IV will play a key role in resolving complex intergovernmental conflicts and disputes.

The Department presently has three attorney positions funded through DOGGR. In estimating the nature of the tasks and amount of work to be associated with the Staff Counsel IV, one can use the workload associated with the existing Staff Counsel IV position as an analogue, to a large extent. That attorney's time is spent on the following

types of activities, largely associated with DOGGR's regulation of oil and gas wells and largely involving pending disputes, litigation or administrative cases:

- Researching case law, internal policies, legal articles and practice books, statutes, regulations and local ordinances [600 hours];
- Drafting and Review of legal documents, legislation, regulations, policy memoranda, hearing decisions and written communications [500 hours];
- Interacting with external parties including public officials, private parties, attorneys and legislators and their staff [400 hours];
- Internal communications, including administrative meetings and communications to advise clients [500 hours].

Department legal staff supporting DOGGR already consistently work more than 40 hours a week and cannot absorb UIC-related workload without diverting effort away from other legal services. Diverting effort away from other legal services is not without risk and, in many instances, would be impracticable, if not altogether impossible, given competing demands for legal services from other divisions of the Department. Demands for legal services from other parts of the Department are frequently urgent in nature and cannot be delayed to accommodate the needs of a program that does not even fund those positions. Further, providing legal services to DOGGR requires a high degree of specialized, program-specific knowledge, making the use of other Department legal staff inefficient and impracticable.

One Staff Services Manager I position. This position is needed by the Office of Governmental and Environmental Relations to assist the Assistant Director with complex and sensitive program development, DOGGR rulemaking, policy and regulatory development and analysis, coordination of the Department's CEQA responsibilities, and to represent the Department in testimony before legislative committees when the Assistant Director is unavailable. This position is the first line supervisor of three professional staff analysts who are responsible for the preparation of analyses, legislative proposals, and reports for the Director and Governor's office.

F. OUTCOMES AND ACCOUNTABILITY:

The Department will initiate the hiring process for the new positions immediately upon approval of this augmentation. The current hiring process will be used to fill these positions. Appropriated funds will be subject to budgetary and fiscal controls such as appropriation limits, expenditure authority, and expenditure tracking reports.

The new positions would be incorporated into the existing organizational structure of the DOGGR and DOC.

G. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1. Continue the status quo: DOGGR and DOC would maintain the current staff levels and continue to fail to meet its statutory and regulatory responsibilities.

Pros:

- There would be no increase in the size of the State government.

Cons:

- DOGGR would not be able to adequately perform regulatory oversight of its UIC program nor be able to upgrade its program management capabilities.
- This alternative results in no improvement in program management or regulatory enforcement.
- This alternative continues to leave a void in State agency responsibility over new and emerging EOR technologies.

Alternative 2. Augment DOGGR's UIC program: This alternative would provide the necessary resources to enhance the oversight of new and emerging technologies associated with EOR.

Pros:

- This alternative would provide necessary staffing and resources to facilitate new regulations and program oversight to address activities that are currently unregulated.

Cons:

- This alternative would require an increase in the size of State government in California.
- There would be a fiscal impact to the Oil, Gas, and Geothermal Administrative Fund.

Alternative 3. Defer to Federal Government: This alternative would let the federal EPA establish requirements and develop their own regulatory oversight of emerging technologies.

Pros:

- There would be no cost to the State. All costs would be paid for by the federal government for their program.

Cons:

- This alternative would let the U.S. EPA provide oversight of some injection wells in California.
- California would forgo regulatory oversight for the injection of new emerging technologies to the federal government.

H. TIMETABLE:

The DOC requests the establishment of these positions on July 1, 2010, or upon passage of the 2010-11 Budget Act.

I. RECOMMENDATION:

The DOC recommends Alternative 2.