

MAR 14, 2010

Regulators accused of lax oversight at LA oilfield

BY NOAKI SCHWARTZ

ASSOCIATED PRESS WRITER

LOS ANGELES (AP) -- This sprawling metropolis is built atop one of the richest oil basins in the world. Wells dot the city landscape, some hidden behind hollow building facades much like a Hollywood movie set, or, in the case of Beverly Hills High School, encased in a tower painted with flowers.

For decades it had been assumed that one oil field, the historic Inglewood, just minutes from the downtown skyline, would eventually play out, that the nodding pumpjacks would give way to an elaborately planned, two square-mile park.

But in 2004 Houston-based Plains Exploration & Production Co., which had acquired the drilling rights from Chevron, used new technology to discover that only 35 percent of the reserves had been pumped out and began to drill the first of what would eventually become 600 new wells over the next 20 years. This renewed push for oil was helped along by county and state regulators who determined that the additional wells didn't require any environmental review.

One state engineer charged with granting new permits apparently saw himself as more of a cheerleader for Plains than an impartial regulator, according to e-mails acquired by the Associated Press and an investigation by the state auditor. Not only did he own stock in the company whose wells he was approving, he solicited donations from the oil companies he regulated for his wife's nonprofit.

"Just keep up the good work," state regulator Floyd Leeson wrote to a high-ranking Plains' official in March, 2005, "and I will TRY to keep (my boss) from hitting you guys with any more retarded fines ... Remember, I'm on YOUR side ... go PXP!"

The lack of oversight is now at the center of a lawsuit filed by several environmental and community groups who want stronger environmental standards applied to the Inglewood field. This includes a comprehensive health study, decreasing the number of wells the company can drill per year and requiring the company to drill farther away from residential areas.

The park plan, with voters long ago approving \$50 million in bond money to snap up half the land, has been delayed.

"No one at (the state) was asking questions and no one at the county was asking questions," said Damon Nagami, an attorney for one of the litigants, the Natural Resources Defense Council. "There's no other place in the country where you have so many people living this close to an active oil field."

Recent years with the price of oil reaching record highs, companies such as Plains have used technological advancements to access the oil abandoned by bigger drillers. In the case of the Inglewood field, residents say the renewed assault on the land is polluting the air and causing their homes to crack.

"It's like a loud consistent hum under your feet," said resident Fran Baker, who blames myriad health problems, including cancer, on the oil field. She said she can feel the ground shiver in the middle of the night.

Crude was discovered here in 1924, a time when the area was just empty fields and environmental regulations were decades from being enacted. Production peaked a year later when 176 new wells were drilled, but by the 1990s an average of less than four new wells were drilled per year.

As the decades passed, residents began to settle near the Inglewood field. Baldwin Hills, one such community, was nicknamed the "black Beverly Hills" where the likes of Ray Charles and Tina Turner once lived. Now, ranch style homes and palatial mansions oversee swaths of dirt and scrub where oil pumps bob behind chain link fences.

After estimating an end date for drilling sometime this decade, a park plan was drawn up and voters approved funding to create the largest new urban park in the country.

"Everybody assumed the oil was a diminishing resource, that the owner at the time was in good conscience saying 'We're almost done here' and here's the unfortunate part - nobody gets it in writing," said David McNeill, the head of the Baldwin Hills Conservancy, created years after then producer Chevron sold the oilfield.

It wasn't until 2006, when noxious fumes leaked out and forced home evacuations that many residents discovered the drilling wasn't going to end anytime soon. Many were unaware that Plains, using 3-D imaging to discover where the crude remained, had ramped up drilling in 2004.

In addition to drilling as deep as 10,000 feet, the company also applied a technique where water is injected into ground under high pressure to push the oil to an area where it can be pumped out. The first of the new wells averaged 800 barrels of crude daily.

Expediting Plains' permits at the time was Leeson, an engineer with the state Division of Oil, Gas & Geothermal Resources. Following the gas leak, Leeson privately warned Plains officials that his department was about to place a hold on permits so they should submit their requests soon, according to a state auditor's investigation.

In other exchanges with one of Plains' vice presidents, Steve Rusch, Leeson complimented himself about the way he handled a homeowner complaint.

"I told her you guys are permitted and allowed to operate and will be drilling into the future as long as the price of oil stays up," he wrote in a July 2005 e-mail. "I'm a good 'shill' if I say so myself."

Before the county issued a temporary moratorium on new drilling in June 2006, Leeson approved 24 new wells in three days, a process that at the time could take take weeks. That year Plains tried to get more wells permitted than any other year in the oil field's history, according to the lawsuit.

In an interview with the Associated Press, Rusch said the exchanges with Leeson were in the past and the company "wants to move forward," and has gone to great lengths to be transparent with the community. He said that he had no knowledge of any Plains officials donating to the nonprofit where Leeson's wife works.

Rusch said the three day permit approvals turned around by Leeson were not unreasonable because similar wells had been drilled at the site for years.

The lawsuit claims the state is required by law to do an environmental review each time a new permit was issued.

Donald Drysdale, a spokesman for DOGGR, said that the permits did not require any special review because the oil field was established decades earlier and operations have not substantially changed.

Iraj Ershaghi, director of Petroleum Engineering Program at the University of Southern California, disagreed. Each time a well is approved, the regulator is supposed to make sure the drilling is safe and won't contaminate the surface or groundwater. "Usually the supervisors don't approve something unless staff recommends it," he said.

Leeson was later investigated by the state auditor, which found that the regulator misused his position and should have been protecting the state's interests. Drysdale would not comment on Leeson, but referenced a subsequent report, which noted that DOGGR had pursued "adverse action" against Leeson, who resigned.

Leeson, who did not respond to emailed questions from the Associated Press or to phone messages left with his wife, Ivy. But he told investigators that he encouraged the expedited permit requests because Plains "provides jobs and capital investment to an economically depressed location," according to the report.

In 2007 the county held hearings and eventually created a special set of regulations governing drilling in Inglewood. Drilling was capped at 600 wells.

Rusch said that the company voluntarily funded an environmental review and agreed to adopt more regulations because they felt it was the best way to address community concerns. The new standards include more restrictions on noise, a cap on the number of wells Plains can drill before triggering additional reviews and a third party environmental coordinator to ensure that the company is in compliance.

Rusch said that, as a result, Inglewood is the heaviest regulated onshore oilfield in the state if not the country. Last year, the company paid \$10.2 million in taxes to the county.

"We're not willing to leave so this can be turned into a park," said Rusch. "There's a lot of speculation about the inadequacies of the (new environmental regulations). Let's test them."

The community and environmental groups were in no such mood. By the end of 2008, they had filed four separate lawsuits. A judge consolidated the suits into one, which is expected to go to trial in April.

The suit, in addition to its lack of oversight allegations, also contains claims of environmental racism. It says that the Inglewood field has not been cleaned up or disguised as oil fields have been in wealthy white sections of Los Angeles.

Deputy County Counsel Elaine M. Lemke rebutted the claims in the lawsuit by pointing to 100 pages of new environmental standards that govern the oil field.

Michael Bauer, president of the nearby Culver Crest Neighborhood Association, has said their "worst fears were confirmed" by the exchanges between the state regulator and Plains officials.

"These revelations shock our faith in the integrity of the oversight process for oil drilling in our community," he wrote. "Both the regulators and the oil company acted irresponsibly ... This is a classic case of the fox guarding the hen house, where we are the defenseless chickens."

© 2010 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed. Learn more about our [Privacy Policy](#).