

The amortization study determines the time required for oil revenues to offset oil drilling and production expenses, including a return on investment. The results of the study will be used to inform future policy.

Los Angeles Department of City Planning (DCP) drafted citywide Ordinance No. 187709 (August 9, 2022), adopted December 2, 2022, that prohibits new oil and gas extraction and makes existing extraction activities a nonconforming use in all zones.

[The DCP webpage](#) will serve as a resource on the ordinance for community stakeholders and interested parties, and will be updated as draft regulations are proposed or new information is released. The ordinance, a summary and background, as well as **how to stay informed and submit comments** can be found on the [fact sheet/hoja informativo](#). To ask questions or submit comments and feedback about the ordinance, please contact the Oil Regulation Code Amendment Unit at [planning.oildrilling@lacity.org](mailto:planning.oildrilling@lacity.org) or (213) 978-3094.

### Health Studies

On July 29, 2019, the City's OPNGAS released a groundbreaking [Oil and Gas Health Report](#) that studied the health effects of oil wells on sensitive receptors such as schools, residential areas, and care facilities. The report analyzed existing oil and gas infrastructure in Los Angeles and existing health literature, and determined that there were numerous negative health risks associated with proximity to oil and gas operations. Additional studies by other researchers have subsequently confirmed, and continue to confirm these findings. The present Amortization study examines only investments and market return involved in amortization and is not intended to conduct further health research.

### Oil and Gas Drilling Ordinance

On December 2, 2022, the Los Angeles City Council adopted an ordinance prohibiting all new oil drilling operations and authorized an amortization study to determine when individual wells have recovered their investment. The [Oil and Gas Drilling Ordinance #187709](#) prohibits new oil and gas extraction and makes existing extraction activities a non-conforming land use. After an amortization period of up to 20 years, oil wells will be phased out altogether. Depending on the results of the Amortization study, there may be future code amendments requiring individual wells to shut down sooner if amortization occurs before 20 years, as stipulated in this ordinance. OPNGAS and DCP will work together with other agencies to ensure proper plugging and abandonment of the wells.

### Amortization Study

Amortization occurs when income from an investment offsets capital expenditures and provides a market return. In the case of oil and gas wells, income is derived from the sale of oil and gas, and is used to determine the number of years required to amortize the investment. In this study, the capital expenditures and periodic income of oil and gas are used to calculate the amortization period.

Amortization is a standard accounting practice used in both public and private sectors, including in the oil industry. The City has retained three contractors specialized in oil industry valuations to undertake this study. Each contractor has a unique approach to amortization and their results will inform future policy decisions by OPNGAS and DCP, subject to approval by City Council. The benefit of having three contractors is that this approach enables the City to view the solution from multiple lenses. The combined findings, conclusions and recommendations will offer a comprehensive perspective for the development of future policy. The full report is expected to be published in late 2024.

For questions specific to the Amortization Study, please email [bpw\\_petroleum@lacity.org](mailto:bpw_petroleum@lacity.org).