

## The Amortization Study

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.

### Amortization

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.

There have been numerous Energy and Environment Committee presentations throughout the study providing background. The link to the Council File that holds these presentations can be found at 17-0447-S3 ([CF 17-0447-S3](#)). The full studies are now completed. (See...)

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

### 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 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.

## AMORTIZATION STUDY RELEASE

The Oil Well Amortization Studies have been completed and will be presented by the three contractors at a **Community Zoom Webinar** on **Wednesday, May 14, 2025 from 10AM to 11:30AM**. To register for the Zoom webinar, please click [here](#).

Links to each contractor's study report(s) and webinar slide deck are found here:

[Alvarez & Marsal, LLC Study](#)

[Baker & O'Brien, Inc. Study](#)

[CJM Petroleum Consulting, Inc. Study](#)

**Questions on the Amortization Studies** may be submitted prior to and during the webinar via a Google Form [here](#). Common questions among those received will be answered during the webinar. Other questions will be answered later in an [FAQ](#). The Google Form will remain available for questions after the webinar through June 13, 2025 and the FAQ will be updated.

After the Community Webinar a link to the Zoom recording will be posted [here](#).