July 6, 2026 SENT VIA EMAIL TO: sbcob@countyofsb.org

Chair Nelson and Members of the Santa Barbara County Board of Supervisors
Santa Barbara County Board of Supervisors
105 E. Anapamu Street
Santa Barbara, CA 93101

Re: ***Opposition to Santa Barbara County Oil & Gas Phase-Out Ordinance, and legal opinion on Amortization of Mineral & Royalty Rights, and Constitutionality of AB 3233***

Dear Chair Nelson and Members of the Santa Barbara County Board of Supervisors:

The California Chapter of the National Association of Royalty Owners (NARO-CA) advocates for and defends the rights of the estimated 500,000 oil and gas royalty owners in California, and even more mineral owners, including those in Santa Barbara County. We strongly oppose any efforts by Santa Barbara County to phaseout oil and gas operations or to prohibit new drilling or to further constrain existing oil production. In addition, we oppose any attempt to amortize mineral and royalty rights.

At our request, the constitutionality of AB 3233 and the amortization element of the proposed Oil and Gas Phaseout Ordinance have been reviewed by our General Counsel, Edward S. Renwick of Hanna & Morton, LLP. His response is attached hereto.

We believe that oil and gas mineral and royalty rights cannot be amortized as they are depleting assets that cannot be relocated. They can only be produced, and the value only be realized if they are produced in the location where they were deposited by nature millions of years ago. The mineral and royalty owners' assets will have no value if they are no longer able to produce oil from them. Their assets will have been taken from them by the County. They will be forced to take legal action to protect those assets.

Your proposed oil and gas phaseout ordinance relies upon the authority purported to be given to you to do so under the terms of AB 3233. As noted in Mr. Renwick's letter, we believe that AB 3233 is in violation of the California Constitution and should not be relied upon by any California county or municipality to justify any further actions regulating oil production. We anticipate litigating this issue in the Los Angeles County Superior Court in the very near future. Therefore, we believe that it would be most prudent and in the best interest of the citizens of Santa Barbara County for you to forgo taking any further actions to restrict or phase out oil and gas production until the question of the constitutionality of AB 3233 is fully adjudicated in Los Angeles.

If forced to take legal action, NARO-CA will stand with the royalty and mineral owners of Santa Barbara County just as we have previously done successfully in Monterey County, Ventura County and in the City of Los Angeles.

With regards to the potential for substantial "takings" claims that might result from your contemplated actions, we draw your attention to the Judge's Intended Decision in the Monterey County Measure Z case. In it he stated that ***"Consequently, should it take effect, Measure Z would effect a facial regulatory taking of CRC's and some members of NARO's property."*** He went on to state that ***"…the remaining Petitioners would have the option of proceeding with as-applied takings claims."*** However, since the court overturned Measure Z this issue was rendered moot. Remember, this judge's final decision was ultimately upheld by unanimous decisions by both the Appellate Court and the California State Supreme Court. It is now solid case law.

At this time, it would be in the best interest of the taxpayers and citizens of Santa Barbara County that you refrain from proceeding with any efforts to pursue an oil and gas phaseout and/or any further restrictions on oil production. Continuing with such actions could result in substantial expenses and liability for the County of Santa Barbara.

Sincerely,

Edward S.Hazard
President

Cc:Edward S. Renwick, Esq., NARO-CA General Counsel, Hanna and Morton LLP
Charles L. Murray, Esq., Hanna & Morton LLP
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VIA Email

June 26, 2026

National Association of
Royalty Owners of California-Inc.
Attn: Edward Hazard
Email: Ehazard@57@yahoo.com

Re: NARO-CA COMMENTS ON AMORTIZING OIL AND GAS OPERATIONS

Dear Ed,

Both the City of Los Angeles and the County of Santa Barbara are currently considering ordinances prohibiting oil and gas development, which will, among other things, classify as preexisting nonconforming uses all existing oil and gas operations within their borders. As part of this, both the City of Los Angeles and the County of Santa Barbara are also considering enacting amortization provisions which would prematurely terminate those preexisting, nonconforming uses.

In connection with NARO-CA's opposition to these two oil and gas ordinances, you have asked me to summarize NARO-CA's comments on amortization, as a technique for prematurely terminating preexisting nonconforming uses. I do so below.

Amortization, as a technique for prematurely terminating preexisting nonconforming uses, may work for some uses, such as commercial buildings which find themselves stranded on land no longer zoned for the uses to which they have been put. However, amortization does not work when applied to oil and gas operations. Consider the following facts:

1. The concept of amortization is based on fairness and reasonableness. Take for example, the common example of an area which previously permitted commercial businesses but is now zoned exclusively for single-family homes. Assume a hardware store which caters to homeowners in the area. It may be fair to assign that store a useful remaining life of, say 20 years, after which it must relocate to a new location a mile or so away. First, the hypothetical hardware store may well have a monopoly for the 20 years during which it may have a competitive advantage. During that 20-year period, it ought to be able to create a fund that will allow it to

move its location down the street to a shopping center where it can continue business as usual, or so the theory goes.

2. Oil and gas operators, on the other hand, cannot move their operations to new areas. You can't pick up an oil field and move it. Moreover, mineral owners who have granted oil and gas leases to oil and gas operators and thus have become royalty owners have even less ability to shut down and move on. Most of them do not have mineral interests in multiple locations. Therefore, because of this lack of mobility, the rationale behind amortization has no application to oil and gas operators or mineral/royalty owners.

3. Oil and gas interests are depleting assets. In other words, as they are produced or mined, they are used up. Zoning laws apply differently to depleting assets than they do to assets which do not deplete. Take the decision of the California Supreme Court in *Hanson Brothers Enterprises v. Board of Supervisors of Nevada County (1996) 12 Cal 4th 533*. There, the Court held that Hansen Brothers, which operated a rock quarry, had a vested right to continue mining rock to the borders of its property even though general law and the zoning ordinance that made quarrying a preexisting non-conforming use also purported to prohibit any expansion of its operation. It seems to me that just as Hanson Brothers had a vested right to mine rock to the boundary of its property, most oil and gas operators have a similar right to produce oil and gas for the life of their leases, and certainly their lessors, as royalty owners, have a similar right to receive their royalties. If so, amortization should not apply to oil and gas producing operators or their royalty owners, given the depleting nature of their assets.

4. CalGEM is required to attempt to reduce greenhouse gas emissions but to balance this reduction against the need for adequate energy sources. Indeed, Public Resources Code Section 3106, along with other Public Resources Code sections, gives CalGEM the task of doing the necessary balancing. It becomes impossible for CalGEM to perform this task if every local government in the state which produces oil or gas undertakes to regulate the production of oil and gas itself. If nothing else, the specter of eight-dollar-a-gallon gasoline, which accompanied the recent loss of approximately 20% of our refining capacity, demonstrates the need for adequate energy. That is a matter of statewide concern. Article XI, Sections 5 and 7 of the California Constitution, only give local governments the power to regulate local matters. Local governments do not have the power to regulate in such a way that they interfere with state regulation of matters of statewide concern. Accordingly, without AB-3233, Santa Barbara County, and the City of Los Angeles could not even contemplate adopting ordinances shutting down existing oil and gas production in the county. However, AB-3233 cannot give cities and counties that power. This is because AB-3233 itself violates Article XI Sections 5 and 7 when it purports to give local governments the power to violate Article XI Sections 5 and 7 of the California Constitution. Accordingly, AB-3233 is unconstitutional. It is very risky for local

government to rely on AB-3233. If they do so, they may find themselves on the short end of expensive inverse condemnation claims.

5. In the rush to use amortization as a device to shut down oil operators, no one is thinking about mineral interest owners. Most oil operators operate under oil and gas leases. A mineral owner (who also may be the surface owner if minerals have not been severed from the land) owns the exclusive right to produce oil from the land being leased. An oil and gas producer typically obtains an oil and gas lease from the mineral owner. The lease typically provides that the lease remains in force for a period of years (generally two to five years) and "so long thereafter as oil or gas is produced in paying quantities." That language gives both lessors and lessees a reasonable expectation that their agreement will be inviolate for so long as the property produces oil or gas in paying quantities. How long will that be? We don't know. It can be for a long time. The wells known as Pinal No. 2 and Pinal No. 3, located on Orcutt Hill in Santa Barbara County were both drilled in 1903. Here it is 2026, and they are still both producing 123 years later. Admittedly, this may be an unusual case. Very few wells go that long, 30 to 40 years, and with good maintenance, 50 years is more common. Even then, if they develop unrepairable mechanical problems, they will be redrilled, or if the plan of development requires wells in a new location, they may be replaced. In modern oil and gas fields, particularly ones in which enhanced oil recovery methods such as water-floods or steam-floods are in progress, new wells must periodically be drilled in carefully selected new locations. Also, production wells are sometimes converted to injection wells. In the old days it was common to simply drill wells in a one well for every ten-acre pattern. Today the timing, the pattern, and the purpose of wells (e.g., production or injection) are much more sophisticated. Indeed, the timing, the pattern, and the location of wells have become methods and practices used by petroleum engineers to maximize ultimate recovery and not waste oil. It is important for cities and counties to remember that shutting down one oil and gas operator may well impact multiple oil and gas mineral/royalty owners. I know of one property in the City of Los Angeles in which shutting down one oil and gas operator affected approximately 1,500 royalty/mineral owners.

6. Eventually, the leased property will reach the point where the costs of production meet the value of the oil and gas produced. At this point, the lease terminates and the mineral rights (i.e., the exclusive right to drill for and produce oil and gas), which had been leased to the operator, revert to the mineral owners. That does not necessarily mean that the life of the field is over. What often happens is new production techniques are developed and/or oil prices go up, a new producer comes along, leases the property, and using new techniques, puts the property back on production. Because none of us can see the future with certainty, we simply cannot foresee when an old oil and gas field will ultimately draw its last breath. In short, our oil fields will

> never run completely out of oil and gas. At most, it will simply cost too much to produce what is left. That is probably why most oil and gas leases do not provide for a fixed term of years, but instead remain in force for so long as oil and gas are produced in paying quantities.

In conclusion, as the foregoing shows, there is no fair and reasonable way to amortize for zoning purposes either a royalty/mineral owner's property interest or an oil and gas operator's property interest. A petroleum engineer can certainly estimate how long it will take to recover the cost of drilling and completing a particular oil and gas well, just as a CPA can probably calculate what sort of return a hardware store owner needs in order to create a sinking fund so that he can move his hardware store to another location. But what does that have to do with what is fair and reasonable for a royalty/mineral owner who cannot pick up his mineral rights and move them to a new location. If a local government, primarily motivated by climate change, wants to shut down the oil and gas field in which the royalty/mineral owner has a property interest, it should be paying for it, not pretending to "regulate."

Very truly yours,

EDWARD S. RENWICK