

FROM THE CALIFORNIA REAL ESTATE JOURNAL:

BLACK GOLD FOR NEW DEVELOPMENT

L.A. Firm Revitalizes Active and Former Oil Fields as a Source of Land for a Variety of Urban Infill Projects

SANTA FE SPRINGS - Ward Realty Advisors, a Los Angeles based real estate advice service, recently announced completion of a unique Industrial Space development in Santa Fe Springs. At first glance, Heritage Crossing Industrial Park, a 22-acre parcel entitled for 400,000-sq. ft. of industrial development occupied by seven sub-divided buildings, looks like a normal light industrial site. However, this development is far from average. Heritage Crossing shares space with an *active* oil well.

Heritage Crossing is leading a revolution in redevelopment. It's no secret that sprawl and rapid, low-density growth have beset the Los Angeles metropolitan region for many years. And as the availability of urban infill land dramatically dwindles, it requires both creative thinking and procedure to take advantage of what remains. Ward Realty's revival of the Santa Fe Springs parcel is an example of both.

Working communities above and near active oil and gas wells have existed for many years. Yet, recent accusations and personal-injury claims against Beverly Hills High School have raised questions regarding the safety of shared developments. The law firm of Masry and Vititoe (made famous in the film *Erin Brockovich*) has made the disputed claim that the school, which has bordered oil and gas drilling sites since its opening in 1928, is the site of a "cancer cluster" caused by oil operations. The claims originally blamed current oil production for health problems, but have since changed its focus to 25 abandoned wells that they say were inadequately sealed.

If the issues at Beverly Hills High School trumpet the perceived risks of shared developments, then the exhaustive process Ward Realty took to remediate and develop Heritage Crossing clarifies certain misperceptions over the safety of these sites.

Many oil and gas producing sites have been around since the turn of the century. Along with a web of piping, pumps, and electrical lines, there are numbers of abandoned wells on these properties. In developing Heritage Crossing, Ward Realty first had to identify both the active and abandoned wells. Then, under the strict supervision of the California Department of Conservation's Oil and Gas Division, it had to be determined whether the abandoned wells had been appropriately capped.

"The oversight the state provides offers a maximum level of protection," says John Jepson, an Enhanced Recovery Engineer at the Oil and Gas Division. "And nearly every five years, our well abandonment standards improve," he adds.

Because the oil fields in the Santa Fe Springs area are relatively old, many of the abandoned wells were capped before the current, and more stringent, regulations were in place. If the Oil and Gas Division does in fact determine that a well must be recapped, the process of re-abandonment can cost, at a minimum, \$40 to \$80 thousand per well. The oil-drilling infrastructure must also be relocated in a way that is compatible to development, often requiring the realignment of all the gas, electrical, and pump lines on the property.

More than any of these logistical procedures, the remediation of the land and groundwater is of greatest importance. Part of the remediation of an oil and gas site consists of cleaning concentrations of hydrocarbons in the soil either through complex regeneration or complete removal, depending on the level of contamination. In dealing with groundwater remediation, the process of developing an oil and gas site is similar to any other brownfield – namely, proving to the Los Angeles Regional Water Quality Control Board that your property, past or present, did nothing to contribute to pollution.

Economics has played no small part in inspiring developments like Heritage Crossing. The real estate market has finally reached a point where the cost to develop these areas now matched the benefit.

"With a dwindling supply of urban infill properties, the market has reached the point where the value of the land is worth enough to go through the process of developing

above, and maintaining below," says Dave Wald, founder and president of Wald Realty Advisors. "Heritage Crossing is proof that, through skilled planning and remediation, quality development can coexist with active oil and gas operations."

The potential for development of oil and gas fields cannot be understated. According to the California Department of Conservation's Oil and Gas Division, there are over 3500 active and non-operating land based oil and gas sites in the Los Angeles basin alone. And as oil production ebbs, there will be no shortage of dormant oil sites ripe for development as well.

"The ability to develop above and below the surface of the land, as opposed to abandoning one in place of the other, is truly the best of both worlds," says Ward.