

BizFed Bounce Back



BizFed members share stories of resilience.

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In the face of COVID19, BizFed members bounce back with perseverance, creativity and resourcefulness.

KERN BLACK GOLD LOOKS FOR SILVER LINING

It's a tough time for independent oil producers. COVID-19 has killed demand and California regulators have put oil in directly in their scope.

But Les Clark, founder of the Independent Oil Producers Association, has been through tough times before.

In the early 80's, he came aboard IOPA's predecessor, the Independent Oil Producers Agency, which started in 1904 to ensure independent producers had a market. But two and a half years ago, he started the new IOPA after the original dissolved, and now focuses on helping independent producers navigate the regulatory morass imposed by the state.

According to Clark, the new IOPA has anywhere between 15 and 20 members of "mom and pop" shops.

Up until COVID-19, Clark was focused on the state's lofty and impractical goal to phase out oil by 2045 and to rely on renewables.

"But we all know that's not going to happen," Clark said.

Death By Regulation

A few years back, Clark studied just how comprehensive oil regulation was in California. By his count, there were more than 100 substantial regulations facing oil, administered

by approximately 30 government agencies, which includes local governments.

Many of the regulations are tedious and unnecessary--"busy work," as Clark described it. Others are focused on emissions, which are "insignificant" with small, mom-and-pop operators.

"They want us to measure just to measure," Clark said, adding that the biggest concern among his members is the inconsistent and conflicting interpretations of regulations among government agencies.

Price War And COVID-19 Killed Demand

The Saudis and Russians were engaged in a price war just as COVID-19 hit. The price war was a race to the bottom, meaning foreign oil was undercutting domestic producers.

And then coronavirus killed demand because people are not driving or flying much and other users of oil are shut down, leaving producers with surplus oil.

"But if you don't have a place to put your oil because all the tanks are full, producers are forced to shut down operations," Clark said.

Silver Lining

If there is any hope, it's that some flexibility in bonding regulations might give independent producers some breathing room.

In the past, independent producers paid into a fund, but are now required to purchase expensive bonds when drilling new wells, pricing out smaller producers.

"You have to put up bonds in case something bad happens; it's like an insurance policy. Clark said. "But there's a little bit of flexibility in the regulation, so that could be a silver lining."



*Les Clark, IOPA Founder
Photo Credit: Los Angeles Times*



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