

Kern County, California | Case Studies

Kern County is situated in the southernmost region of the San Joaquin Valley, in California's interior. While Kern County has significant deposits of many resources — including natural gas, geothermal steam, wind, gold, and other minerals — oil in particular has shaped Kern County's local economy for over a century.

Geology and history

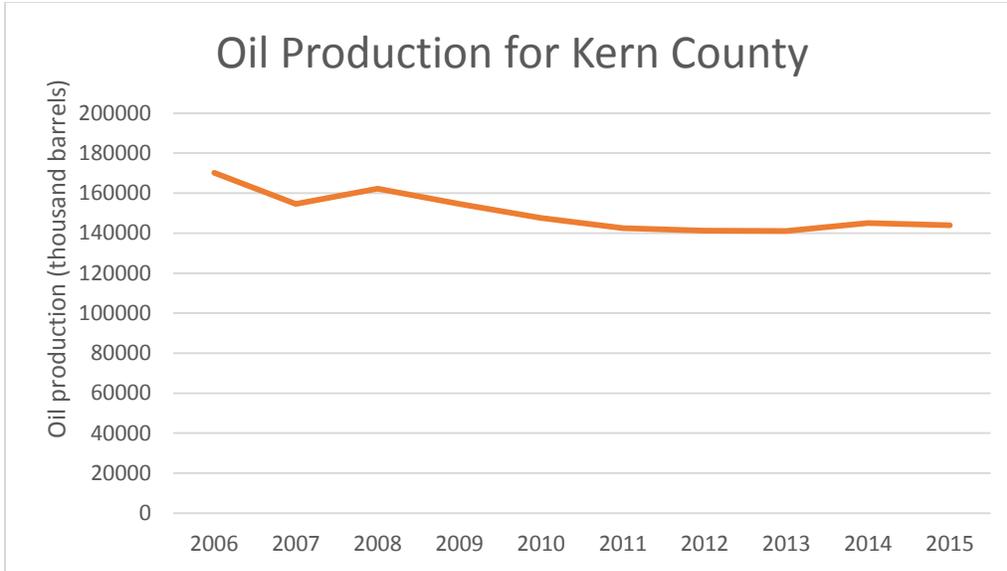
Companies began extracting oil at a commercial level in California in the 1850s, inspired by the oil rush in Pennsylvania and a growing market for oil-fueled lighting. In the 1860s, production began in Kern County, where extractors dug holes into oil seeps to remove the fuel. Near the turn of the century, extraction in the county shifted toward commercial drilling, in part because of the 1890 discovery of the Midway-Sunset field, which is still the largest-producing oil field in California today.ⁱ

During the beginning of the twentieth century, many other large oil discoveries occurred in Kern County, and continued at a lesser pace through the 1970s. As discoveries of new fields ended in the 1970s, refined steam-injection techniques helped producers extract the substantial heavy oil — a more difficult and costly type of oil to extract and transport — from known Kern County fields.ⁱⁱ

Production

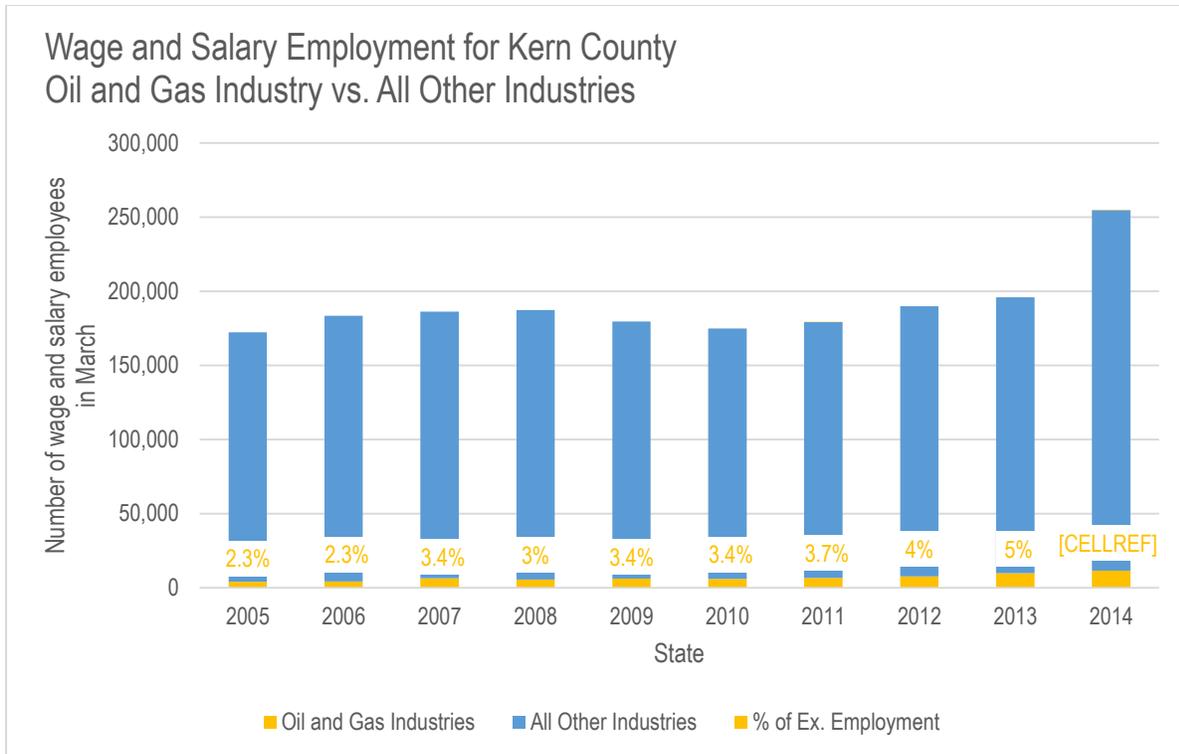
In terms of oil production, Kern County continues to be a leader both nationally and within California. California remains one of the top oil producing states in the U.S., producing more than 6% of total production in 2014.ⁱⁱⁱ The largest-producing region in California is the San Joaquin basin, which includes Kern County.^{iv} Since peaking in 1985, California's oil production has trended downward; Kern County is no exception to this trend. However, production has rebounded slightly over the past several years increasing from roughly 141 million bbls in 2013 to 144 million bbls in 2015.^v

In 2013, the largest field in California in terms of proven reserves was Belridge South Field in Kern County, with estimated 2013 production of 23.7 million bbls.^{vi} Belridge South ranked ninth out of the top 100 oil fields in the U.S.^{vii} Furthermore, four of the top five largest oil fields in California are found in Kern County, including Belridge South Field, Midway-Sunset Field, Kern River Field, and Elk Hills Field.^{viii}



Employment

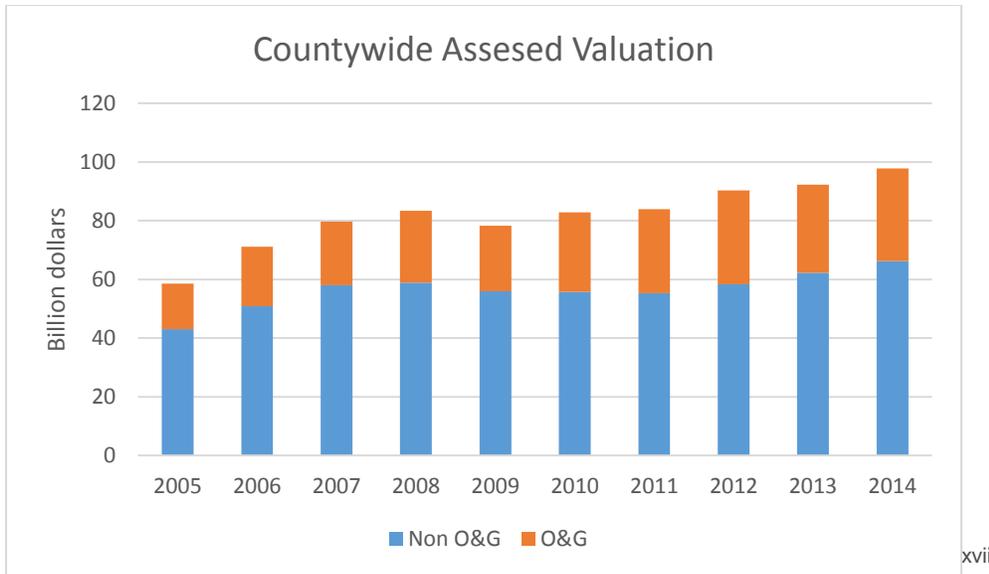
In 2014, oil and gas extraction employed over 11,500 of Kern County's 874,589 residents, up from just over 10,000 in 2013.^{ix} This is close to 1.3% of the population and 4.5% of total employment.^{xi} In particular, 3,243 people were employed in oil and gas extraction, and 8,321 in support activities (1,863 in drilling for oil and gas, and 6,485 in support activities for oil and gas operations).^{xii} This represents a slight dip in extraction and a minor increase in support activities from 2013.



Revenue

California does not levy a statewide severance tax on oil and gas production, but counties in the state collect ad valorem or property taxes on oil and gas resources and equipment owned in their jurisdictions. The state does levy an annual assessment on oil and gas production to fund the Department of Conservation’s Oil, Gas, and Geothermal Resources Division. The division oversees the drilling, operation, maintenance, and plugging and abandonment of oil, natural gas, and geothermal wells.^{xiv}

Like other counties in the state, Kern County collects property taxes for oil and gas properties, the total amount of which fluctuates with changes in the price of these resources over time. From the 2012-2015 period, the assessed property value of Oil & Gas properties has decreased from 35.4% to 32.2% of countywide assessed property values.^{xv} Property tax revenues from oil and gas properties were approximately \$60 million, or 15% of the county’s discretionary revenue in 2014.^{xvi}



Kern County also collects oil and gas royalties. Compared to property tax revenue, however, oil and gas royalties comprise a small portion of County funds. Oil and gas royalty revenues have increased steadily from \$123,211 in FY2009-2010 to \$628,381 in FY2013-2014.^{xviii xix}

According to the Kern County Treasurer-Tax Collector, the [top two payers](#) of property taxes in the county in FY 2015–2016 were Chevron Corporation and California Resources Elk Hills LLC.^{xx} The companies received bills for over 10.8% of the total property taxes due to the county. All of the top ten property tax payers were once again associated with either the extractive or energy sectors, and received combined bills for over \$209 million, or 23.28% of total property taxes due to the county.^{xxi}

Costs

A number of resources shed light on Kern County’s transportation systems, water infrastructure, **reclamation** procedures, and emergency services. However, these government publications do not explicitly discuss the fiscal costs of oil extraction to the Kern County government.

- [County of Kern Adopted Budget, 2014-2105 \(PDF\)](#)
- [Kern Council of Governments, 2014 Regional Transportation Plan/Sustainable Communities Strategy](#)
- [Kern County EPA Clean-up Sites](#)
- [Kern County Policy and Administrative Procedures Manual: Emergency Preparedness \(PDF\)](#)

Data availability

The table below highlights the data sources used to compile this narrative, as well as any gaps in publicly available data.

Measure	Data availability	Data gaps
Production	The California Department of Conservation publishes annual oil-production data at the county level.	
Employment	U.S. Census Bureau Censtats data on County Business Patterns provides annual county-level employment data for the following industries (NAICS codes): 211, 213111, and 213112.	Censtats employment data is collected in March each year, and therefore does not take seasonal employment trends into account. Also, the data does not separate employment related to oil extraction from the broader oil and gas sector.
Revenue	Kern County budget documents and the Kern County treasurer provide annual revenue information.	Publicly available government data on how sales and use taxes relate to extractive activities was not found.
Costs	The County of Kern Environmental Services Health Department and the state controller publish general information on county activities and expenditures.	Publicly available government data on how public expenditures for water infrastructure, transportation, emergency services, or reclamation are tied to extractive industries was not found.

Notes

ⁱ [Oil and Gas Production, History in California \(PDF\)](#)

ⁱⁱ Ibid.

ⁱⁱⁱ U.S. Energy Information Administration, [California State Profile and Energy Estimates](#)

^{iv} Ibid.

^v California Department of Conservation, [Online Production and Injection Data](#)

^{vi} U.S. Energy Information Administration, [Top 100 U.S. Oil and Gas Fields \(PDF\)](#), 2015

^{vii} Ibid.

^{viii} Ibid.

^{ix} Bureau of Labor Statistics, [Quarterly Census of Employment and Wages, All Counties in a State, One Industry](#)

^x U.S. Census Bureau, [Quick Facts, Kern County, California](#)

^{xi} Ibid.

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- ^{xii} Bureau of Labor Statistics, [Quarterly Census of Employment and Wages, All Counties in a State, One Industry](#)
- ^{xiii} Bureau of Labor Statistics, [Quarterly Census of Employment and Wages, All Counties in a State, One Industry](#)
- ^{xiv} California Department of Conservation, [Division of Oil, Gas, and Geothermal Resources](#)
- ^{xv} [County of Kern Recommended Budget, 2014-2015 \(PDF\)](#)
- ^{xvi} Ibid.
- ^{xvii} <http://www.co.kern.ca.us/cao/budget/fy1415/rec/RecommendedBudgetFinal.pdf>
- ^{xviii} [County of Kern Adopted Budget, 2010-2011 \(PDF\)](#)
- ^{xix} [County of Kern Adopted Budget, 2014-2015 \(PDF\)](#)
- ^{xx} Kern County Treasurer, [Top 10 Secured Billing Taxpayers \(PDF\)](#)
- ^{xxi} Ibid.