SSDA News

Service Station Dealers of America and Allied Trades

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INSIDE THIS ISSUE:

Legislative Update

By Roy Littlefield

In 2022,

●SSDA-AT played a significant role, individually and as a member of a number of coalitions, to ensure that small businesses and trade associations got the resources and support that they needed through the COVID-19 pandemic, including promoting and strengthening the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program.

●SSDA-AT fought to keep the estate and gift tax exemption at its current level rather than the significantly reduced level proposed this year which would have cost successful small business and privately owned business owners and their key employees millions of dollars in taxes. Reducing the estate tax exemption would cause the owners of many privately held and small businesses to be unable to pass the business on to another generation and/or would cause a significant monetary drain to pay for estate planning lawyers, accountants and the purchase of insurance to mitigate the impact of this reduction. SSDA will be fighting in 2023 to make the current estate tax exemption permanent so that it doesn't automatically get cut in half as of January 1, 2026.

● SSDA-AT led the charge to fight the proposed elimination of the step-up in basis for assets going through an estate. This single proposal would have resulted in major new income taxes for the heirs of the owners of small and privately owned businesses. SSDA educated other groups that did not understand the nuances of estate tax law and got them involved in the fight. We were able to help a number of key Congressional members understand that the impact of this bill would fall on millions of Americans – many of them middle or upper middle income taxpayers and certainly not only the very rich.

●SSDA-AT took part in a coalition which successfully opposed a proposal in the Senate to reduce the important 199A deduction. Under this proposal, if the owner's income exceeded a certain amount, the deduction would be reduced or eliminated in its entirety. This deduction was designed to provide some semblance of parity between the tax rates for C corporations and those for pass through entities, (Sub-S, LLCs, partnerships and sole proprietorships). Our position was that the income of the owners should be irrelevant as to whether the deduction is available.

● SSDA-AT continued (and continues) to work hard to ensure that the 199A deduction for pass through entities is made permanent or extended. This deduction is currently set to expire on December 31, 2025. We are educating members of Congress as well as other associations about ways to improve the existing 199A deduction so that it is easier for pass-through entities to use and to extend its reach so that it is irrelevant what type of business the pass-through is doing. We will continue to work on this priority next year.

●SSDA-AT called attention to the last minute proposal advanced to tax all income in a pass-through entity not subject to payroll taxes, with a new 3.8% Net Investment Income Tax (NIIT). Bringing together a strong coalition, SSDA-AT played an important role in this new tax being excluded from the Inflation Reduction Act of 2022.

●SSDA-AT educated the Department of Labor (DOL) on how its proposed rules, most recently the various iterations of the overtime rules and independent contractor rules, would impact small and privately-owned businesses, and successfully opposed proposals that would have been unduly burdensome or unwieldy for small businesses.

Building a Successful Website

By: McKensie Curnow of Net Driven

Building your own website has become increasingly simple and inexpensive in recent years. Though easy and accessible, DIY websites do not guarantee a website that works well or leaves a lasting impression for your business and your audience.

Your website is a reflection of you and your business, so you're obviously going to want to build a strong, professional, and positive presence to attract customers. Taking the risk of building a website on your own is taking the risk of losing potential leads and damaging your business's reputation – we never get a second chance to make a first impression!

When you invest in a professional web design team, such as our team here at Net Driven, you're not only investing in the visual appearance and accessibility of your website, you also invest in expert advice, techniques, and best practices to create the best possible user experience. Spending less money and trying to do it on your own may seem like the easy way out, but let's dive into why it's important to give your business the professional auto service website design it deserves.

COMMON MISTAKES MADE BY INEXPERIENCED DESIGNERS

Poor Structure & Navigation

A website should be attractive, accessible, and easy to navigate; all in all, user-friendliness is vital. A site's content should be understandable and full of useful information without being cluttered. In today's day and age, people like quick and simple. If they can't find what they need without gaining a headache, they're going to leave your site and find a frustration-free one instead. At Net Driven, we know how to organize automotive websites in a way that makes sense for both the business owner and their potential customers.

Lack of SEO

If no one can find your website, what's the point in making the effort of creating one? Many rookie designers forget the importance of SEO, or Search Engine Optimization.

As a certified Google Partner, our team highly knowledgeable of automotive SEO and works hard to make sure your site gets found.

Missing CTA

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NET DRIVEN

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Your website is one of the most powerful marketing tools for your business.

Not only does your website have the power to bring in new customers, it also helps current customers remain loyal if they find what they're looking for with minimal frustrations.

One of the main components of a great website is a clear CTA, or call-to-action.

A CTA is what converts website visitors into customers by driving them to purchase your good or service. If your website is missing a clear CTA, you'll lose sales and customers.

At Net Driven, our team ensures that every website offers conversion-focused responsive web design.

Using Free or Low-Cost Templates

Rookie designers are likely to use a free or low-cost template for their website.

While this may seem like an easy solution, it will make your website look generic and unconnected to your brand.

Your business is unique, your website should be, too. Our designers take the time to ensure each one of our automotive websites are exclusive to the

client and capture the individuality of their business. As with any service or good, you get what you pay for.

Your money buys value, which in turn, will actually build your business's bank account in the long run.

Your company's website is no exception. If you want to leave a lasting, positive impression of your brand, leave website design to the professionals.

Still not convinced?

Check out our portfolio of the finest responsive web design in the automotive industry.

For further details, visit our solutions and packages pages.

Treasury, IRS Issue Interim Guidance on New Corporate Alternative Minimum Tax

The Treasury Department and the Internal Revenue Service issued Notice 2023-7, which provides interim guidance regarding the application of the new corporate alternative minimum tax (CAMT) until the issuance of proposed regulations.

The Inflation Reduction Act created the CAMT, which imposes a 15% minimum tax on the adjusted financial statement income of large corporations for taxable years beginning after December 31, 2022. The CAMT generally applies to large corporations with average annual financial statement income exceeding $1 billion. The Treasury Department and the IRS have issued Notice 2023-7 to provide certainty to taxpayers in advance of the CAMT effective date.

In particular, Notice 2023-7 clarifies which corporations the CAMT applies to and how the alternative minimum tax is calculated. It also provides taxpayers with answers to basic questions about how certain transactions may be treated and certain adjustments that may be taken into account for purposes of the alternative minimum tax, including adjustments for depreciation and certain tax credits. Critically, it also gives smaller corporations an easy method for determining that the new alternative minimum tax does not apply to them.

Notice 2023-7 also solicits comments on the rules contained in the notice and certain other issues under consideration. The Treasury Department and the IRS recommend that such comments be submitted within 60 days after the date on which Notice 2023-7 is published in the Internal Revenue Bulletin.

IRS

Department of the Treasury
Internal Revenue Service

U.S. Sets up Office to Oversee Abandoned Oil Well Cleanup

U.S. Secretary of the Interior Deb Haaland issued an order to establish an office to ensure efficient use of the Biden administration's $4.7 billion investment in the cleanup of abandoned oil and gas wells.

The Orphaned Wells Program Office will be led by Kimbra Davis, who has worked at the Interior Department since 2009. Orphaned oil and gas wells are those that generally have been abandoned and are no longer producing.

"The Department is standing up a new office to support states, tribes and federal land managers as they close and remediate orphaned oil and gas wells that pose environmental hazards to communities across the country," Haaland said in a statement.

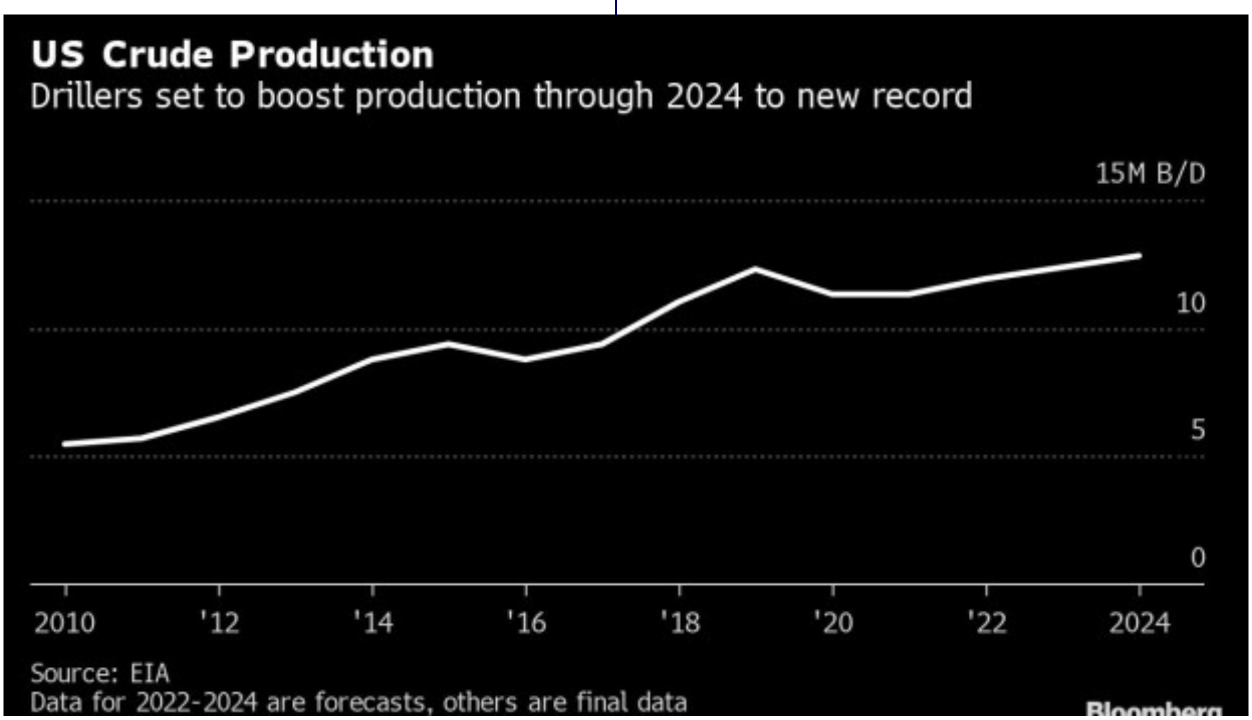
Record US Oil Output Seen Leading Non-OPEC Growth Next Year, BNN

The US is expected to account for the lion's share of non-OPEC oil growth next year as American drillers pump a record amount of crude.

Production is seen reaching 12.8 million barrels a day in 2024, surpassing the current annual high of 12.3 million set in 2019, according to the Energy Information Administration's monthly Short-Term Energy Outlook. If materialized, next year's figure would exceed 2023's projected output of 12.4 million barrels.

The record forecast underscores the increasingly vital role the US plays in the global market, especially as sanctions have crippled exports from major producers including Russia. While capital discipline and poor demand induced US drillers to limit production growth last year, a stronger GDP in 2024 and rising oil consumption may spur more drilling. Global oil demand is expected to grow by more than 1 million barrels a day in 2023, and by another 1.7 million barrels a day in 2024, according to the EIA.

Still, the agency warned that rapidly growing production could result in a surplus that weighs on prices next year. The US and other producers outside the Organization of Petroleum Exporting Countries — and excluding Russia — are expected to add 2.4 million barrels a day of output in 2023 and an additional 1.1 million barrels in 2024, the EIA said. The US would contribute 60% of the non-OPEC growth next year.



North Dakota Sues to End Freeze on Federal Oil Lease Sales that Costs State Millions in Lost Revenue, Inforum

North Dakota is suing the federal government over millions of dollars of royalties the state is losing because the Biden administration has frozen oil lease sales on federal lands.

The state is losing an estimated $9 million monthly from canceled quarterly oil and gas lease sales on federal land in North Dakota — a loss state officials estimate will exceed $1 billion over 10 years, according to a lawsuit filed in U.S. District Court in Bismarck.

North Dakota argues the federal petroleum lease sale moratorium that took effect from an executive order President Joe Biden signed Jan. 27, 2021, is "arbitrary and unlawful" and will "have and continue to cause irreparable harm to North Dakota," the lawsuit filed on Jan. 5 said.

Oil and gas production are central to North Dakota's economic health, responsible for 54% of the value of the state's economy and creating about 66,000 well-paying jobs, according to the lawsuit filed by North Dakota Attorney General Drew Wrigley.

Federal oil and gas leases generate about $167.4 million in royalties to the state every year, helping the state support public schools, highways, local governments and budget reserves.

But the financial impact of the canceled federal leases extends far beyond the loss of state revenue, because in North Dakota state and private interests are closely entwined. As a result of the a spillover effect, private oil development is stymied, magnifying the losses, the lawsuit said.

"The illegality of these actions is compounded in North Dakota by the split estate framework and resulting checkerboard nature of federal oil and gas interests which act as a 'force multiplier' to also block the development of poled State and private mineral interests," the state's lawsuit said.

The lawsuit seeks a court review of seven federal oil and gas lease sales in North Dakota that the Bureau of Land Management canceled in 2021 and 2022.

Canceling the lease sales violated the federal Mineral Leasing Act, which provides that lease sales "shall be held for each State where eligible lands are available at least quarterly," the lawsuit argues.

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North Dakota Sues to End Freeze on Federal Oil Lease Sales that Costs State Millions in Lost Revenue, Inforum

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The Bureau of Land Management lacks the discretionary authority to suspend the regular quarterly lease sales required by law without first complying with a notice and rule-making process spelled out in law, the lawsuit said.

North Dakota has calculated that the government's cancellation of lease sales will result in delaying the development of 26,690 federal, 4,580 state and 21,880 private mineral acres — including several parcels the state has identified as critical to North Dakota's 2022 and 2023 petroleum development plan.

Of the $9 million in lost monthly revenue, about 30% is earmarked for education, 10% for water projects, 10% for health and human services, 7% for counties, 7% for cities, 30% for the Legacy Fund, 5% to statewide infrastructure and 1% for other uses.

North Dakota can't seek monetary damages in the case; therefore, economic damages are "not recoverable and are irreparable," the lawsuit said. The state is seeking a preliminary injunction to halt the lease sale moratorium.

North Dakota's U.S. senators applauded the state's lawsuit.

"We support Attorney General Wrigley's decision to file this lawsuit to hold the executive branch accountable for these policies, which ignored federal law and undermined both private property rights as well as states' rights," Sen. John Hoeven, R-N.D., said in a statement. "At the same time, we will continue pushing the Biden administration to take the handcuffs off our energy producers and unlock our nation's abundant energy resources, including our oil, gas and coal reserves, to strengthen America's economic and national security."

"The President's executive orders and political whims on climate change do not trump the Bureau of Land Management's statutory duties, especially when their hindrance equates to a regulatory taking from the State of North Dakota," Sen. Kevin Cramer, R-N.D., said in a statement. "The Administration's actions push production overseas, which impedes our state and local budgets, U.S. global competitiveness and national security, and environmental efforts."

NGI: Proposed Federal Water Rule 'Complicates Already Burdensome' Natural Gas, Oil Permitting, Says API

The U.S. Environmental Protection Agency (EPA) and Department of the Army have issued a proposed redefinition of the Waters of the United States (WOTUS) under Section 401 of the Clean Water Act (CWA) in a move that has the potential to affect natural gas infrastructure projects.

Before closing off 2022, the EPA and Army in the Federal Register issued a preliminary "durable definition" of WOTUS "to reduce uncertainty from changing regulatory definitions," the EPA said.

The final rule would expand the EPA and Army's regulatory oversight to include traditionally navigable waters, territorial seas, interstate waters and, notably, "upstream water resources that significantly affect those waters," according to the EPA.

"When Congress passed the Clean Water Act 50 years ago, it recognized that protecting our waters is essential to ensuring healthy communities and a thriving economy," said EPA Administrator Michael Regan. "Following extensive stakeholder engagement, and building on what we've learned from previous rules, EPA is working to deliver a durable definition of WOTUS that safeguards our nation's waters, strengthens economic opportunity and protects people's health while providing greater certainty for farmers, ranchers and landowners."

The Legislative Trail

The updated definition comes after years of regulatory back-and-forth on the federal CWA.

In 2015, the Obama administration supplied a definitional amendment to "provide critical context and guidance in determining the appropriate scope" of WOTUS that is covered by the CWA.

The definition expanded EPA and Army regulatory reach to cover streams and wetlands in accordance with "peer-reviewed science and practical experience" demonstrating "upstream waters…significantly affect the chemical, physical and biological integrity of downstream waters," the ruling reads.

In April 2019, former President Trump targeted the definition with Executive Order (EO) 13868, which took aim at state authority over water quality certifications to gain approvals for natural gas infrastructure. The EO in 2020 was further ensconced following a rulemaking by the EPA under the Trump administration, known as the Navigable Waters Protection Rule (NWPR).

Oil and gas organizations at the time voiced their support for the NWPR after years of complaints that state governments opposed to energy infrastructure improperly relied on the scope of the CWA to obstruct the pipeline permitting process.

Following the steps of his predecessor, President Biden on his first day in office signed EO 13990, aka Protecting Public Health and the Environment and Restoring Science to

NGI: Proposed Federal Water Rule 'Complicates Already Burdensome' Natural Gas, Oil Permitting, Says API

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Tackle the Climate Crisis, granting the EPA and Army the authority to once again review and rescind the NWPR.

The EPA last June began the rulemaking process on updating the definition. A final decision from the EPA is expected in June, with the Army's decision on issuance of Nationwide Permit (NWP) 12 under Section 404 of the CWA expected this August.

Initial Feedback

In a note to clients, ClearView Energy Partners LLC said the Army and EPA's changes "underpin many of the pipelines" and are "a key element in state permits for linear infrastructure."

Sen. Shelley Moore Capito (R-WV), called the EPA's ruling "the latest round of regulatory overreach…"

Moore, Sen. Joe Manchin's (D-WV) Republican counterpart, has also pushed to reform the permitting process to expedite the long-delayed Mountain Valley Pipeline.

"Reform is badly needed for infrastructure, transportation and energy projects of all kinds to move forward. Unfortunately, this rule would move us backwards by making more projects subject to federal permitting requirements and adding more bureaucratic red tape," Capito said.

The American Petroleum Institute (API) also reacted to the rule.

In a note to NGI, API's Cole Ramsey, vice president of Upstream Policy, said, "The U.S. natural gas and oil industry is committed to protecting the environment through the responsible development of our natural resources, but the politicization of this rule and continuous shift in policy from administration to administration only increases uncertainty for project developers.

"This lack of clarity is a hindrance to environmental protection efforts and further complicates the already burdensome federal permitting process for critical infrastructure projects, including much-needed energy infrastructure development."

Meanwhile, Clean Water Action, a campaign organization launched in 1972 to promote the CWA, applauded the Biden administration's efforts to repeal "the Trump administration's 'Dirty Water Rule.'" National Water Programs Director Jennifer Peters noted the NWPR "decimated water quality protections for most wetlands and streams, including those that feed vital drinking water sources."

The preliminary ruling is available for public comment until Feb. 7. The proposal, once approved, would come into effect 60 days following its publication in the Federal Register.

U.S. Department of Energy Rejects Initial Bids to Resupply Oil Stockpile, Reuters

The U.S. Department of Energy has rejected the first batch of bids from oil companies to resupply a small amount of oil to the nation's emergency crude oil stockpile in February, according to a DOE spokesperson.

The DOE last month had said it would purchase up to 3 million barrels for delivery to the Strategic Petroleum Reserve in February, the first buy since last year's record 180-million-barrel release to tame U.S. pump prices.

"Following review of the initial submission, DOE will not be making any award selections for the February delivery window," the spokesperson said in an emailed statement.

"DOE will only select bids that meet the required crude specifications and that are at a price that is a good deal for taxpayers," the spokesperson said.

Details about the submissions were not available.

President Joe Biden had announced the 180 million barrel sale in late March to combat surging gasoline prices after the February invasion of Ukraine by Russia, the world's largest exporter of fossil fuel.

That sale shrunk levels in the SPR to the lowest since 1984.

The administration has said it wants to repurchase the oil at around $70 a barrel.

EPA Unveils $100M for Environmental Justice, E&E

EPA Administrator Michael Regan unveiled $100 million in grants for environmental justice.

The announcement furthers the Biden administration's push to infuse federal dollars from the Inflation Reduction Act into long-neglected communities. In all, the law contains $3 billion in funding for environmental justice grants.

"This is a great shot in the arm," Regan told reporters. "We all know communities know their problems better than the federal government does. … We know we are going to see different types of grants from all over the country."

The agency will offer the grants in two categories. The first will provide $30 million directly to community-based nonprofits through its Environmental Justice Collaborative Problem-Solving Program.

The program will back nonprofits, with $5 million going to small organizations with five or fewer full-time employees. The agency plans to fund about 50 awards of $500,000 and 30 awards of $150,000.

The second grant category will give $70 million to state, local and tribal governments that work with nonprofits. The "government-to-government" money will support about 70 projects of up to $1 million each for a three-year period.

EPA said projects that address climate change or disaster resiliency, conduct health impact assessments, or are located in rural areas would be given special consideration.

EPA will host workshops to help facilitate the submission process, Regan said. Applications are due in April, and he said projects should start in October.

For years, the agency has faced resource and staff challenges, with years of funding cuts from Congress and high employee departures during the Trump administration.

Last fall EPA stood up a new national Environmental Justice and External Civil Rights Office that has been staffed with 200 people. Half of the personnel is spread at the 10 regional offices throughout the country.

"They will be the eyes, the ears, the brains" behind spending the $3 billion in total grants, Regan said. Democratic lawmakers, who passed the Inflation Reduction Act without any Republican support, were quick Tuesday to hail the news.

Sen. Tom Carper (D-Del.), chair of the Environment and Public Works Committee, said he urged his colleagues to "embrace the golden rule and support robust clean air and climate investments for disadvantaged communities."

"Thanks to our legislative success, the tireless work of stakeholders and the commitment of the Biden-Harris administration, we are now seeing the single-largest investment ever from EPA to advance environmental justice," he said.

Sen. Tammy Duckworth (D-Ill.) and Rep. Raúl Grijalva (D-Ariz.), ranking member of the House Natural Resources Committee, joined the call with Regan today and lauded the effort to improve health, safety and systemic racism. Both lawmakers are supporters of broad environmental justice legislation.

Duckworth said, "I'm hopeful that today, we're making important advances toward ending this crisis." Regan said he would unveil even larger funding opportunities in the coming months.

"Stay tuned," he said.

EOG Eyes Flat Permian Activity, Tighter Global Oil Supply in 2023, Reuters

U.S. shale producer EOG Resources Inc (EOG.N) said it anticipates its activity in the Permian Basin to be flat this year, as supplies and equipment remain expensive and as it focuses on shareholder returns.

Global oil supply will likely tighten this year, Chief Executive Ezra Jacob said at a Goldman Sachs conference in Miami, Florida, but he cautioned the demand outlook is currently more "difficult to see."

Oil prices started the year off with the biggest two-day fall in three decades amid growing concerns of a global recession, while natural gas prices slid 18% the first week of January as warmer-than-usual temperatures in the United States and Europe cut demand.

Jacob said he was constructive on natural gas prices for 2023 and bullish on U.S. gas prices from 2025 and beyond as liquefied natural gas demand ramps up. EOG has been developing the vast Dorado natural gas play in south Texas, and currently has exposure to some 140 million cubic feet per day (mmcfd) of gas demand as LNG.

When Cheniere Energy (LNG.A) kicks off Stage 3 of its Corpus Christi LNG plant in 2025 in Texas, EOG will have exposure to 720 mmcfd of natural gas, 420 mmcfd of which is linked to international pricing.

Moody's: US LNG Growth Trajectory Depends on Pipeline Additions, O&J Journal

Rising global demand for natural gas is a growth opportunity for US LNG producers but delivering on the opportunity will depend on timely construction of natural gas pipeline infrastructure to support new US LNG supplies, and on continued availability of long-term offtake commitments to back financing for LNG infrastructure, Moody's said in a research note.

Europe's energy crisis should keep the LNG market tight until 2025-26, supporting cash flow generation for US LNG producers. Europe's 2022 LNG imports increased by 50 billion cu m (bcm) from 75 bcm in 2021, according to the International Energy Agency (IEA), as Russia's piped natural gas exports to the EU shut down.

Meanwhile, China's reduced domestic demand in 2022 allowed Chinese importers to redirect their contracted LNG volumes to the high-priced European spot market and help Europe to avoid major shortages.

A potential recovery in Chinese domestic demand in 2023 will bring back the risk of natural gas supply in Europe, especially after the EU in December 2022 capped regional market prices, Moody's said.

"European demand might accelerate LNG capacity expansion in the US, but that would require long-term offtake commitments from European buyers, even as they are working to reconcile new energy security needs and Europe's commitments to accelerating its carbon-transition efforts," said Amol Joshi, a senior credit officer at Moody's.

Most of the announced US LNG growth projects through 2025-26 have long-term commitments from Asian buyers, the original source of the US LNG boom since the mid-2010s, and international commodity traders stepped up their LNG purchases in 2022.

But LNG producers require long-term offtake commitments to underpin financing of new LNG infrastructure projects. LNG projects should in turn spur further capital allocation for constructing new pipeline capacity to connect the largest US gas producing regions and new export infrastructure.

These new pipeline projects will need to win permitting approvals from the US Federal Energy Regulatory Commission (FERC), and overcome likely court challenges. Today's peak nameplate capacity of nearly 14 bcfd reflects only about one-quarter of the capacity of all announced LNG projects, including several with partial or full FERC approval and 10 bcfd under construction.

Appalachia's Marcellus and Utica basins together contribute roughly one-third of US dry gas production, but limited takeaway capacity has constrained growth for those regions.

In fourth-quarter 2022, US dry natural gas production stood at 100 bcfd exceeding year-earlier production by 3%, largely due to increased drilling and pipeline expansions in the Haynesville region and rising volumes of associated natural gas delivered by oil producers in the Permian region, Moody's said.

Public Shale Drillers Oust Private Rivals in Race to Deploy Rigs, BNN

Publicly traded oil explorers such as Occidental Petroleum Corp. and EOG Resources Inc. have taken the lead in expanding shale drilling, displacing private companies that dominated the space for more than a year.

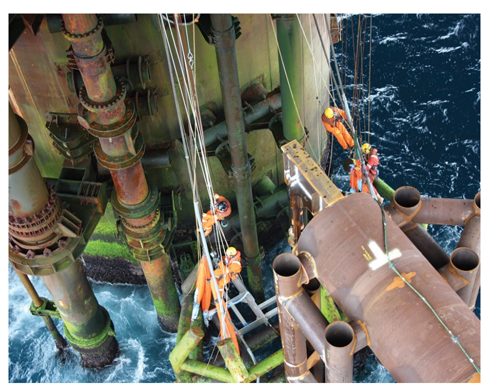
Public drillers added 18 rigs during the final three months of 2022, while their private rivals idled 11, Arun Jayaram, an analyst at JPMorgan Chase & Co., wrote in a note to investors.

Overall, the fleet of rigs operating in the contiguous US expanded by three from the end of September to Dec. 31, according to the Jan. 11 note.

JPMorgan's analysis separated the very largest operators such as Exxon Mobil Corp. and Chevron Corp. into their own category.

Oil explorers have been contending with higher production costs, a tightening labor market, supply-chain snarls and a dwindling supply of top-tier drilling locations.

Closely held companies that accounted for most of the post-pandemic drilling expansion more recently have been husbanding drilling portfolios with an eye on future monetization, Chase Mulvehill, an analyst at Bank of America, said in October.



Oil Companies Sue Los Angeles Over Ban On Oil and Gas Drilling, CNBC

An oil company with a drilling operation in the Wilmington neighborhood of Los Angeles has filed a lawsuit against the city over its law to ban new wells and phase out all drilling within city limits.

Warren Resources, which operates the 10-acre, oil-extraction site, filed a lawsuit on Tuesday in LA Superior Court seeking to stop the ordinance from taking effect.

The company argued the city failed to conduct an adequate environmental review of the potential impacts of halting extraction.

The lawsuit also argued the ordinance constitutes a violation of the California Environmental Quality Act, the city's General Plan and the state and federal constitutions. Warren said the law would force the shutdown of its operations, which are located solely within the LA area.

The city in December voted to immediately ban new extraction and shut down existing operations within 20 years, marking one of the strongest environmental policies ever enacted in the state of California.

There are 26 oil and gas fields and more than 5,000 active and idle wells in LA, in areas like Wilmington, Harbor Gateway, downtown, West LA, South LA and the northwest San Fernando Valley.

"The City has failed to ask the necessary questions and obtain the required evidence at every turn, has rushed every legally required process along the way, and as a result has based its approval and adoption of the Ordinance on a woefully deficient environmental document," attorneys for Warren wrote in the lawsuit.

Ian Thompson, a spokesperson for the LA City Attorney's office, declined to comment on the lawsuit. Attorneys for Warren didn't immediately respond to CNBC's request for comment.

The ordinance has been praised by residents who have complained for

Oil Companies Sue Los Angeles Over Ban On Oil and Gas Drilling, CNBC

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years that pollution from nearby drilling has harmed their health. The oil industry has largely condemned the city's ban and argued that phasing out production would hike gas prices and make LA dependent on foreign energy.

Wilmington is a predominantly working-class and Latino community of more than 50,000 people and is surrounded by oil refineries and contains pumpjacks among its public parks and schoolyards.

The community has some of the highest rates of asthma and cancer in the state, according to a report by the nonprofit Communities for a Better Environment.

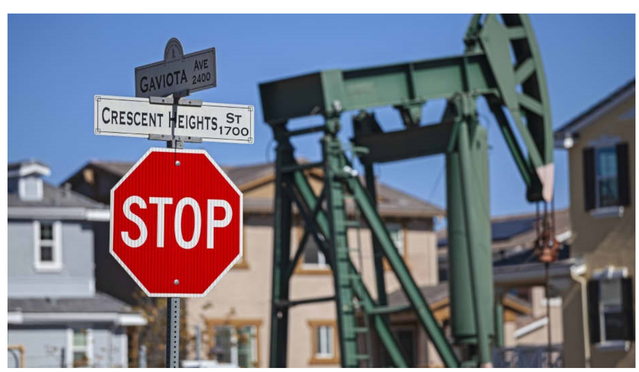
More than half a million people in LA live within a quarter-mile of active oil wells, which produce hazardous air pollutants such as benzene, hydrogen sulfide, particulate matter and formaldehyde.

Nearly one-third of the wells in LA are located outside of drill sites between parks, schools and houses.

Residents near drilling sites are at greater risk of preterm births, asthma, respiratory disease and cancer, research shows, and drilling has disproportionately harmed Black and Latino residents.

Several other oil entities, including E&B Natural Resources Management Corp and Hillcrest Beverly Oil Corp., also filed a separate lawsuit against the city over the ordinance.

Last year, California lawmakers voted to ban new oil wells within 3,200 feet of homes, schools and other populated areas after years of complaints by residents and activist groups.



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