

ATTACHMENT A.4

Transcript of Planning Commission Hearing of April 21, 2008

SANTA BARBARA COUNTY

PLANNING COMMISSION

Special Hearing of April 21, 2008

Tranquillon Ridge Oil and Gas Project

**Betteravia Government Center
511 East Lakeside Parkway, Santa Maria, California
Board Hearing Room**

SANTA BARBARA COUNTY PLANNING COMMISSION

Special Hearing

PXP Tranquillon Ridge Oil and Gas Project

April 21, 2008

9:00 a.m.

Planning Commissioners: Chairman C.J. Jackson, Third District
C. Michael Cooney, First District
Cecilia Brown, Second District
Joe H. Valencia, Fourth District
Daniel Blough, Fifth District

Staff: David Villalobos, Board Assistant Supervisor, P&D Administration Division
Dianne Meester Black, Director, P&D Development Services
William Dillon, Deputy County Counsel
Douglas Anthony, Deputy Director, P&D Energy Division
Kevin Drude, Energy Specialist, P&D Energy Division
Nancy Minick, Planner, P&D Energy Division

Consultants to County: Jay Sheth, Robert Brown Engineers
Vida Strong, Aspen Environmental Group

Applicant: Steve Rusch, PXP Vice President
Steve Kirby, Counsel for PXP

Speakers: Ed Feragen, ExxonMobil Corporation
James Anderson, ConocoPhillips
Jerry Conner, Sierra Club and SBCAN
Kathy Staples, Business Community Advocate
Ken Palley, Surfrider Foundation, Santa Barbara Chapter
Gregory W. Sanders, Nossaman, Guthner, Knox & Elliott for Vaquero Energy, Inc.
Linda Krop, EDC Chief Counsel for Get Oil Out and Citizens Planning Association
Hannah Eckberg, Vice President, Get Oil Out
Mary Ellen Brooks, Resident
Mike Lundsford, President, Gaviota Coast Conservancy
Jean Holmes, Santa Barbara League of Women Voters
Richard Nash, Resident
Carol Nash, Resident
Bob Nunn, President, Sunset Exploration
Andy Caldwell, COLAB

1 CHAIR C. J. JACKSON: We will begin the April 21st Special Meeting of the
2 Planning Commission. If you'd like to stand and join me with the Pledge of Allegiance.

3 <Pledge of Allegiance recitation>

4 Okay, Mr. Villalobos, can you give the TV coverage announcement,
5 please?

6 MR. DAVID VILLALOBOS: Thank you, Mr. Chair. A special hearing of
7 April 21st, 2008 will be televised live on County of Santa Barbara Television (CSBTv) Channel
8 20 at 9:00 a.m. in the South Coast, Lompoc, Santa Ynez Valley, Santa Maria and Orcutt areas.
9 Rebroadcast of this special hearing will be on January 23rd – I'm sorry, April 23rd, April 26th
10 and April 27th at 5:00 p.m. on CSBTv Channel 20.

11 CHAIR: Thank you very much, and if you will also help us with Roll Call?

12 MR. VILLALOBOS: Commissioner Brown?

13 COMMISSIONER BROWN: Here.

14 MR. VILLALOBOS: Commissioner Blough?

15 COMMISSIONER BLOUGH: Here.

16 MR. VILLALOBOS: Commissioner Cooney?

17 COMMISSIONER COONEY: Here.

18 MR. VILLALOBOS: Commissioner Valencia?

19 COMMISSIONER VALENCIA: Here.

20 MR. VILLALOBOS: And Commissioner Jackson?

21 COMMISSIONER JACKSON, CHAIR: Here.

22 MR. VILLALOBOS: All Commissioners present. Thank you.

1 CHAIR: Thank you very much.

2 At this point, I'm going to ask in the public if there are – this is the time
3 for public comment on items not pertaining today's, to today's agenda. If you have an interest
4 in speaking to something that we are not discussing on our agenda today, you need to fill out a
5 speaker slip and hand it to Commissioner Brown, but you could also give me a signal if there is
6 someone who is interested in pursuing that at this time. And Commissioner Brown, do we have
7 any in there for that? Okay. At this point, unless I see a hand for someone wanting to
8 participate in Public Comment, not on our agenda – not seeing any hands for that, I'm going to
9 close the Public Comment period. Okay. And, we will now move - Ms. Black, do you have
10 any announcements or items at this time that you wish to share with us before we move into our
11 standard agenda?

12 MS. DIANNE BLACK: Mr. Chair, I think I just want to make a comment about
13 the only item that we will be hearing today, once that item's read into the record, but nothing –

14 CHAIR: Okay.

15 MS. BLACK: – nothing in addition to that.

16 CHAIR: Alright. Well, then at this juncture, it's time to have the item read into
17 the record. Mr. Villalobos, good morning and welcome, and would you provide that for us?

18 MR. VILLALOBOS: Thank you. Good morning, Mr. Chair. The following is
19 a hearing on the request of Plains Exploration and Production Company (PXP) to consider Case
20 No. 06RVP-1, application filed on September 30, 2004, for approval of a revised Development
21 Plan and to certify the Environmental Impact Report 06EIR-5, pursuant to the State Guidelines
22 for Implementation of the California Environmental Quality Act.

23 CHAIR: Thank you very much. Ms. Black?

1 MS. BLACK: Mr. Chair, before you receive the Staff presentation on this item, I
2 just wanted to make a couple of comments. This is probably one of the most highly-discussed
3 cases this Planning Commission has seen in advance of actually hearing it in awhile and I just
4 wanted to, to make clear, a section in your Staff Report, under Issue Summary, regarding the
5 PXP - environmental group outreach component, and that is that there's a lot of information in
6 the public record, public newspapers, radios, etc., about an agreement that has been reached and I
7 just caution the Planning Commission that the terms of that agreement are only valid for your
8 consideration if they're incorporated into the analysis and permit conditions that are before you
9 today. So while I certainly don't want to discount the importance of this agreement, it's a pretty
10 monumental achievement, I think the Commission really does need to focus on the materials
11 before you in the findings and conditions of approval. That being said, I think there are two
12 components of the project that are incorporated into the agreement that are perhaps going to be
13 significant in your decision-making process today and one is regarding the life of the PXP
14 project, and the second is the agreement to certain terms and conditions regarding greenhouse
15 gases. It's my understanding that the applicant is going to be incorporating those into the
16 project description today and so those are important considerations for your Commission, but
17 there are other terms of the agreement that are not incorporated into the permit conditions that
18 Staff just cautions the Commission in reviewing the project.

19 CHAIR: Thank you, I see we have a, at least for me, a new face from County
20 Counsel. My question would be, is there anything to that admonition that you would like to
21 supplement for, for our use today?

22 MR. BILL DILLON: Chairman Jackson, thank you. Bill Dillon with County
23 Counsel's Office. I used to appear before the Planning Commission a little more often, but

1 haven't been here in a little bit of time, but thank you. There's a brief explanation of County
2 Counsel's advice in the Staff Report. I think it's fairly early, on page 6 and, essentially, there's
3 two points. One is that, if you're going to make findings of overriding consideration, you need
4 evidence in the record to support such findings. I'm basically giving more reasons why Ms.
5 Meester just said what she said, so I'm not really saying anything different here in terms of the
6 bottom line. But that's a basic requirement of CEQA. There's case law that supports it.
7 Additionally, if you make, if you were to make a finding of overriding consideration on evidence
8 that wasn't sufficient, that could, in itself, be grounds to attack a permit, and there's one case on
9 record which is cited in the Staff Report where that did happen. The Court basically, basically
10 rationalized that when you're weighing the various issues of overriding consideration, how can
11 you fairly weigh the different benefits and, and, and dis-benefits to a project if one of the things
12 you're weighing isn't supported by evidence. The other point I would make, which is not in the
13 write-up, is the other thing about the agreement is, it's not a public agreement. We don't have
14 it. CEQA, of course, is a public process. Not only would you as decision-makers be obligated
15 to do your job and weigh the evidence and look at the agreement, but also when you make
16 agreements like that and want to rely on that for findings by a public agency, CEQA requires that
17 the public also be given an opportunity to look at and comment on key evidence and the public
18 also has not been given an opportunity to look at that agreement and, again, no disrespect to the
19 side agreement worked out between the applicant and EDC. It is a, you know, a land-breaking,
20 landmark agreement and, you know, people should be rightly credited with, with what they have
21 achieved. And, having said that, I do have a couple of other issues, but nothing that needs to be
22 heard right now. Thank you, sir.

1 CHAIR: Okay. At this juncture, I would like to invite, from my colleagues,
2 their, any ex parte or site visit disclosures, at this time. Commissioner Brown?

3 COMMISSIONER BROWN: Thank you, Mr. Chair. Last year I had the
4 opportunity to go out to Platform Irene and spend most of the day and get an understanding of
5 the project and some of the issues, and get some of my questions answered concerning some of
6 the issues about the project. But I've had no other ex parte. Thank you.

7 CHAIR: Thank you. Commissioner Blough?

8 COMMISSIONER BLOUGH: Yes. It was a week or so ago I took, was, had
9 the treat of flying in a helicopter to the platform and spending the day and having lunch and it
10 was great with Mr. Bray and his group. I've also had a meeting with Mr. Plough from, who is a
11 consultant for ExxonMobil Corporation, and a number of other phone calls with PXP.

12 CHAIR: Commissioner Valencia?

13 COMMISSIONER VALENCIA: Thank you, Mr. Chair. I had a meeting,
14 extensive meeting with Supervisor Gray and Mr. Plough and I had an extensive conversation
15 with PXP, Mr. Bray, and Mr. Rusch, and I also had a discussion on the project with
16 Commissioner Blough.

17 CHAIR: Thank you very much. Mr. Cooney?

18 COMMISSIONER COONEY: Thank you, Mr. Chair. I think it was more than
19 a year that I also toured the platform and received an orientation on the PXP operation off
20 Vandenberg Air Force Base. Just recently, I've had two conversations very briefly with Mr.
21 Tobe Plough who, subsequently, delivered some materials for my review. I believe all of the
22 materials have been either related to or will come out today as being part of the presentation and

1 I also received a long voicemail message from Ken Hunter. I did not have an actual
2 conversation with Mr. Hunter. That's the extent of my ex parte communications.

3 CHAIR: Thank you. For myself, I joined Commissioner Blough on a trip out to
4 Platform Irene. Got a tour of the facility and a breakdown of the project from Mr. Bray and his
5 team. Subsequently, I, too, met with Mr. Plough and Mr. Plough presented information on the
6 Vahevala project. I believe that the data and information provided by Mr. Plough will be, is
7 consistent with what's in the Staff Report and it's likely whatever above that would be provided
8 through testimony or through evidence today. If not, I will be happy to bring it forward, but I
9 think it will be covered. That being the case, we are prepared for our Staff presentation.

10 MR. DOUG ANTHONY: Chairman Jackson, and members of the Commission.
11 Before you today, for your consideration, is a proposal from Plains Exploration and Production
12 to use its existing infrastructure to extract oil and gas from an unleased area in the State tidelands
13 off the County's west coast. This is known as the Tranquillon Ridge Field. To do so, it would
14 use its Platform Irene, which I think, I believe you all indicated you had had an opportunity to
15 visit, and it would bring that production onshore to its Lompoc Oil and Gas Processing facility.
16 To date, the evolution of this proposal and surrounding circumstances has been interesting, to say
17 the least. Recall that another former offshore producer, Nuevo Energy, had proposed a similar
18 approach to develop the Tranquillon Ridge Field, but was denied by the County earlier in this
19 decade. Plains subsequently acquired Nuevo Energy, including its Platform Irene. The EIR for
20 Nuevo's original proposal dismissed looking at assessing an alternative onshore, which would be
21 the Air Force Base because, at that time, the Air Force had no interest in their entertaining a
22 production site onshore. However, a couple of years back, Sunset Exploration approached the
23 Air Force and, though initially saying no, the Air Force subsequently said they would consider

1 entertaining an option to look at production of the Tranquillon Ridge Field from an onshore
2 producing field. Their first step in this process, as you'll learn in more detail, was basically to
3 do a long analysis to determine if this would interfere with Base missions. We are still waiting
4 to hear from the Air Force as they go through their deliberations on whether or not an onshore
5 production site would, in fact, interfere with Base missions, or not. We did look at a conceptual
6 onshore alternative in the EIR, as you're very well aware of. So what you have here before you
7 today will be one oil company proposing to develop a resource in State tidelands from an
8 offshore platform in Federal waters with another oil company who's now joined by ExxonMobil
9 to develop the same resource from an, as of yet, undeveloped production site onshore.

10 CHAIR: Excuse me. Mr. Anthony, if I might just interject a moment. Can
11 everybody see it, or would we be enhanced by dimming the lights? Is it clear enough, the
12 presentation? Okay. You can continue. Thank you.

13 MR. ANTHONY: And as the surrounding circumstances continue to evolve, we
14 all read in the papers, I think a little over a week ago, about an agreement between certain local
15 environmental groups and Plains that, among other things, altered the schedule of the proposed
16 project before you. They now propose to end that project on December 31st, 2022, which would
17 be a baseline, that is, the high end of the schedule currently that is projected for Plains to end
18 operations if they did not go after Tranquillon Ridge Field. Of course, there are other parts of
19 the agreement and we've been reminded not to take those into consideration, not being part of
20 the public record and, of course, the County not being a part of that agreement. But before we
21 proceed further with our recommendation, I would like to introduce the staff members from the
22 Energy Division. On my right, is Kevin Drude who's the Energy Specialist on this project, and
23 on my left is Ms. Nancy Minick who's the Contract Planner who has worked long and hard on

1 this project and through the many evolutionary stages. In back on the left over here, we're
2 joined by Ms. Vida Strong who works for Aspen Environmental, and she has been the Project
3 Manager for the development of the EIR. We have also received frequent technical counseling
4 from our Engineering Consultant, Jay Sheth, and I just wanted to recognize those staff people
5 because they have worked very long and hard on this project and have done a very good job,
6 particularly dealing with the curves of this project as they've come up. So without any further
7 ado, I'd like to turn it over to Mr. Drude for his presentation.

8 MR. KEVIN DRUDE: Good morning, Mr. Chair, members of the Commission.

9 You should have in your packet an errata sheet. It's one page, two-sided. I'm not going to go
10 over any of those changes. Ninety-nine percent are with the Staff Report, one with the EIR.

11 They're relatively minor and I'll just move on beyond these, unless you have any questions about
12 that. And I'd like to have you focus – excuse me – focus your attention again on the screen.

13 Talk a little bit more about the existing baseline Point Pedernales project. This project has been

14 in operation since 1987. The oil and gas is extracted from Federal leases from Platform Irene

15 which is about 4.7 miles off the shore. It's connected to the Lompoc Oil and Gas processing

16 facility by three pipelines. There's a 20-inch oil emulsion pipeline, there's an 8-inch sour gas

17 pipeline and there's an 8-inch produced water return line where, once the water is extracted from

18 the emulsion onshore, it's sent back out off to Platform Irene for disposal. The Lompoc Oil and

19 Gas Plant is located on Harris Grade Road about 2.7 miles north of the City of Lompoc and the

20 whole project site onshore occupies about 22 acres of approximately 2300 acres in total. I'll

21 now provide a summary of the proposed project which is, that is which staff is recommending

22 today for conditional approval. At the end of my presentation, I'll then present our formal

1 recommendations to you. Okay. And full details about the projects can be found in Sections
2 5.2 through 5.4 of your Staff Report.

3 PXP, the applicant, intends to directionally drill from Platform Irene in
4 Federal waters into a State lease. Some of those wells would be as long as 25,000 feet and
5 extend 3 to 5,000 feet below the sea surface. PXP is proposing 17 new wells. They're going to
6 use existing unused well slots on Platform Irene; of those 17 wells, 14 would be for production at
7 this point, and 3 would be for re-injection of wastes. They anticipate to drill those wells, 5 to 6
8 years. After they bring the production onto the platform, they would meter it and then that
9 production would be commingled and sent to shore with the existing Federal production where it
10 would be processed at the Lompoc Oil and Gas facility. At the processing facility, it's separated
11 into oil, into gas and the produced water and, again, the produced water comes back offshore, the
12 natural gas is sold to the utility and the oil is sent in a pipeline north to northern area refineries
13 outside of the State – excuse me – outside of the County. Production estimates, when this thing
14 comes fully online, is about 30,000 barrels per day and about 15 million standard cubic feet of
15 gas. The current limitations, onshore right now, oil is 36,000 barrels a day of dry oil at the
16 Lompoc facility, and that's going to stay the same, as well as the gas, 15 million standard cubic
17 feet. The applicant has not asked that the County consider amendments to those throughput
18 limitations onshore. Again, the processed oil, once it's finished being treated at the Lompoc
19 facility, will be put into the ConocoPhillips Line 300 system and sent north. Produced natural
20 gas liquids, which are the lighter ends along with the propane, butane, the NGLs, will be put into
21 the oil to the maximum extent feasible, safest way to ship it, whatever is left, whatever they can't
22 get into the oil, because of technical constraints or volumes, will be placed in trucks, as it
23 currently is, and shipped from the site to refinery destinations.

1 What's important to point out, there are no major modifications proposed
2 to what you see on the ground today; only minor modifications. They are going to be bringing
3 back into service some of the processing equipment that's currently idle at the Lompoc gas
4 processing facility, and they are also going to possibly need to upgrade some pumps and install
5 some pumps at Pump Station 2 which is located on Vandenberg Air Force Base. This, if they
6 did this, if they put the pumps in, they would have to run a new electrical line to that pump
7 station and possibly put in a new small electrical substation to service it. One significant change
8 to the project that's before you today that was not originally proposed, it's not a physical change,
9 it's a change in the end date. PXP has requested that their project description include an
10 absolute end date of December 31, 2022. At that point, the platform, the pipelines and the
11 Lompoc processing facility would all shut down.

12 Now your Staff Report has an Issue Summary, and I'd like to briefly
13 discuss four of those issues with your Commission today, and those are the extension of life;
14 what Mr. Anthony referred to as the Vahevala or the onshore competing proposal; the major
15 issue with the project, as with all oil and gas transportation projects; pipeline integrity, it's the
16 lifeline between the offshore component and the onshore, and then I'll summarize the
17 environmental impacts that were discussed in the EIR.

18 As I noted before, just earlier, that the original proposal by PXP was for an
19 approximate 30-year project. Now I say "approximate" because, when they came in, they had
20 estimated, based on the reserves that they believe are out there, that it would take about 30 years
21 to extract them. That's not a positive end date. It all depends on economics and other technical
22 considerations, whether or not you could actually extend the life out 30 years and how much oil
23 you could get out of the ground. PXP is now proposing a project that has a time-certain date –

1 December 31, 2022 – which is about 14 years out there. This is the first time that an energy
2 project has ever proposed to have a specific end date, in our County. Now that end date
3 happens to coincide with PXP’s projected economic end date for the ongoing baseline Point
4 Pedernales project. Now that’s an important point because, if you consider that the project
5 would end in 2022 and that the proposed project would also end on that date, that would
6 eliminate the extension of life impacts that were analyzed in this rather large document. What
7 you will see though, you’ll see impacts that might increase somewhat, which I’ll go over a little
8 bit later, during that 14 years, but they’re not going to go out beyond the baseline project.

9 Now there’s a competing onshore proposal that was submitted to the
10 County and there’s also one that we analyze in the EIR and I’ll try to make the distinction
11 between the two. ExxonMobil and Sunset Exploration submitted an application to the County
12 in early 2006 for what they have entitled the “Vahevala Project.” Now as proposed, that project
13 would include an onshore drilling and production site on Vandenberg Air Force Base, southern
14 Vandenberg Air Force Base. They would process the oil that they extract at the Base and they
15 would transport it via a new pipeline – see if we can see it up there – there’s the drilling and
16 production site, proposed. Then there’s the red line which would lead up to the Lompoc Oil and
17 Gas Processing plant, same plant where Point Ped. production goes. However, the difference
18 here is that that pipeline proposed by the Sunset Vahevala project is that they would produce
19 the oil at the site and ship dry oil. When it would get to the Lompoc facility, it wouldn’t need to
20 be processed. It would go essentially to the back door of the Lompoc Oil and Gas Plant, join in
21 with the ConocoPhillips pipeline system and then be sent north to refinery destinations. The gas
22 processing would occur at the LOGP, they would run a parallel gas, sour gas line that would go
23 into the Lompoc Oil and Gas Plant where it would be processed along with any production that’s

1 currently going there. This large oblong pink structure that you see offshore, if I can get this
2 thing to work, bad aim, I think. There it is. That is the offshore structure, Tranquillon Ridge
3 Field, that both Sunset Vahevala and the proposed project today are proposing to go to. Okay?
4 Now the application to the County by ExxonMobil and Sunset was found incomplete. They
5 have the technical information about oil and gas drilling and production to us, that we asked for,
6 but one thing that is outstanding is a landowner consent letter from Vandenberg Air Force Base.
7 The reason that is so important to us is that, if the County is going to embark upon a permit
8 review, and environmental review, we would want to do it either with a concurrent document or
9 a joint document with the Air Force because the majority of this project would occur on
10 Vandenberg Air Force Base. So we don't want to get out ahead of anybody because, at this
11 point, to begin the process, we don't even know what kind of project Vandenberg would even
12 consider looking at. So we need those both to come together so we can do it at the same time.

13 Now the issue of pipeline integrity. When the Tranquillon Ridge
14 proposal was first considered by the County back in 2002, a primary concern at that time was
15 pipeline integrity, and that concern stems mainly from the 1997 oil emulsion pipeline spill from
16 the Point Pedernales project which resulted in extensive offshore damage to marine resources,
17 and that spill was the result of construction defects, defective pipeline flanges and operator error.
18 Immediate actions were taken by the then-operator, Torch, to remedy the problems which
19 included derating the pipeline pressure, the oil emulsion pipeline pressure, replacing the
20 defective offshore flanges and increased inspection and corrosion control monitoring. Now
21 when PXP took over the Point Ped. operations, they took over and then significantly enhanced
22 the pipeline integrity maintenance and inspection programs of their predecessor. If you care to
23 learn more about this pipeline inspection integrity program, we've gone through it extensively in

1 the EIR and those sections are listed up there on the slide. Now the County coordinates very
2 closely with the Federal Minerals Management Service in reviewing this pipeline inspection and
3 maintenance program and PXP has a broad array of technical options from which to choose to
4 carry out their program, and I'd like to give you an example of some of the things that they do
5 with that pipeline and some of the instrumentation that they use. It's quite unique. I think
6 you'll find this interesting. One of the most helpful and interesting tools that they use to inspect
7 the pipeline and do maintenance on them are what we call "Pipeline Pigs." This is an example
8 of one. That's what we call, or industry calls a "Smart Pig." Now each type of pig plays a role
9 in the inspection and maintenance of the problem – of the pipeline. All of these pigs are
10 launched from a pipeline pig launcher at the platform, then either the gas, the water – excuse me
11 – the gas or the oil emulsion pushes these pigs through the pipeline to shore where they're
12 captured in a pig receiver. Now with a smart pig, it takes electronic readings on the inside walls
13 of the pipeline and it reports defects such as corrosion pits. The results of the smart pig surveys
14 are then reviewed by the MMS and the County's System Safety Reliability Review Committee
15 and what we do is we track corrosion growth and existing pits as well as discover new corrosion
16 patterns or other internal anomalies such as dents and dings. Another kind of pig they use for
17 maintenance is called a "Scraper Pig." Now a pig like this has an abrasive bumpy surface and
18 these are used to remove scale, paraffin and other debris from the inside of the pipeline walls,
19 again, the same way, put in at the platforms and it shoots through the pipeline, comes out at
20 shore. Now what a Scraper Pig will do is expose a fresh surface on the inside of the pipeline,
21 exposing the bare metal as best it can, upon which a corrosion inhibitor can be applied. Okay?
22 Now this is a Brush Pig. Now this is a little bit more aggressive than the previous Scraper Pig.
23 This has brushes that will spin as it goes through. What's good about this type of a pig,

1 especially with a pipeline that might have corrosion pits in it is that these brushes can get down
2 by twirling, get down into those pits, remove any scale and corrosion that's forming in them to
3 allow corrosion inhibitor to get down into those pits to keep it from going any further. And now
4 this last slide you see up there, the final one that goes through, it's a Corrosion Inhibitor Pig.
5 That goes through and applies some type of chemical corrosion on the inside of the pipeline
6 walls. Now the Smart Pigs, they might do those once, maybe twice a year. The rest of the
7 pigging is a regular routine. They run these monthly and this is just part of their program, and
8 they have other methods for doing corrosion control and monitoring, but this is the one that's
9 really most interesting and the most dynamic and gives us the best results in terms of data
10 collection, especially the Smart Pig.

11 Moving on to the Environmental Impact Report for this project. The EIR
12 that we prepared identified eleven Class I impacts associated with the reduced project that is
13 before you today, the 2022 Project. Ten of those impacts are related to marine oil spills and the
14 one is related to that transportation of natural gas liquids that I talked about earlier. That's road
15 transportation and trucks. Now Table 3 on page 22 of your Staff Report, has a full listing and
16 description of these impacts. The EIR has also identified 15 Class II impacts, and you can find
17 those on Table 4 which is page 30 of your Staff Report. Now, a significant difference between
18 the originally proposed estimated 30-year project and the one before you today is that now there
19 would be no extension of life beyond what the baseline project impacts are. There would be a
20 positive end date of December 31, 2022. Again, like I said before though, some of the project
21 impacts would increase in severity and that would primarily be because right now you're doing
22 about 8,000 barrels of oil today; with Tranquillon Ridge it would go up to about 30,000 barrels.
23 So if you would, for instance, have a marine impact release, a marine release, the impacts would

1 be greater because the oil concentration in that release would be higher than what it is today. So
2 the impacts from the spill and the clean-up would be much more significant.

3 Now there are two Class I visual impacts that would not be extended if the
4 project ends at 2022 and that would be the onshore glare that is emitted from the Lompoc Oil and
5 Gas Plant as well from Platform Irene and the visual impact of the Surf Electrical Substation
6 which services this project.

7 Staff has been asked numerous times, “What approvals are necessary after
8 the County’s decision-making process?” And this process is discussed in Section 5.3 of your
9 Staff Report, but I’ll summarize it briefly now. Essentially, after the County acts, there are three
10 more agencies that have to act. That’s the State Lands Commission, the California Coastal
11 Commission, and the Minerals Management Service. Should the County approve this request,
12 PXP’s next move would be to the State Lands Commission where they would need to obtain a
13 new State lease. Now in order for the State Lands Commission to issue such a lease, they would
14 have to make a finding that the Federal production is draining, causing drainage from State
15 resources. There are other issues, but that’s the one I believe PXP would take to the State Lands
16 Commission because one of their wells earlier was determined to be draining the State reserves.
17 If the lease would be granted by the State Lands Commission, the Minerals Management Service
18 would then act and they could issue an intent to approve what’s called a DPP revision. That’s a
19 Development and Production Plan revision, and that’s for the operations of the platform. That
20 would go to the California Coastal Commission, in its preliminary form. Now the California
21 Coastal Commission retains its permit jurisdiction for coastal development permits on the Base.
22 So that means that they would have to issue a permit for the operation of the pipelines all the
23 way through Vandenberg Air Force Base and out to the mean high tide line or, I believe, perhaps

1 to the three-mile mark. I can find that out, if it's necessary. They would also issue what's
2 called a Consistency Determination on the MMS's approval and the California Coastal Act.
3 Once the CDP is issued and the Coastal Commission makes its consistency determination, then
4 the MMS is able to act on its final approval of the development plan revision on its platform.
5 So that's the series of events. So that wraps up my formal project presentation for today.

6 At this time, I'd like to present Staff's formal recommendations and, after
7 I do that, I'd be glad to try to answer questions your Commission might have. This motion can
8 be found on Page 2 of your Staff Report, so first I recommend that your Commission adopt the
9 Findings for Approval which are included as Attachment A of your Staff Report; second, I'd like
10 to ask that your Commission certify the EIR before you and adopt the Mitigation Monitoring
11 Program and, finally, I recommend that your Commission approve and revise the Final
12 Development Plan before you today, subject to the Conditions which are included as Attachment
13 B of your Staff Report. And, of course, your action should include the items that I provided
14 earlier in this errata sheet. Thank you.

15 CHAIR: Thank you very much. Do we have any Commissioner questions for
16 the Staff Report, at this time? At this juncture, I don't see any –

17 MR. DILLON: Mr. Chair?

18 CHAIR: Yes?

19 MR. DILLON: If it's appropriate, I'd like to offer one new condition for the
20 project, at this time.

21 CHAIR: Thank you, and I think that would be.

22 MR. DILLON: Normally, Mr. Chair, it's a standard condition included on these
23 permits where the applicant provides a written letter accepting the permit, and I've written such a

1 condition, shown it to the attorney for PXP, Mr. Kirby, and it reflects actually a proposal made
2 by PXP, in terms of a waiver of any rights they might have to object to the permit under two
3 Federal statutes. So that condition should now be in front of you. There's a, I'll read it out
4 loud for the benefit of the public:

5 "PXP shall submit a letter to County accepting the terms and
6 conditions of this permit as modified on April 21, 2008. Such
7 letter shall reflect PXP's proposal as part of PXP's application for
8 this project to waive any right PXP or any successor in interest
9 may have to object to or contest the terms and conditions of this
10 permit based on claims of preemption under any Federal law,
11 including, but not limited to, the Federal Pipeline Safety Act and
12 the Outer Continental Shelf Lands Act. PXP shall obtain County
13 Counsel approval of this letter prior to issuance of the Land Use
14 Permit."

15 And then, just to give you an idea of what we're expecting in a letter, Mr. Kirby did draft
16 something. It needs to be, I think, reviewed a bit more and make sure all the references are
17 correct, but let me give you an idea of what that letter will sound like, and it will be, the final
18 letter will be almost verbatim of what I'm about to read into the record. It'll be addressed to
19 Ms. Black, as a representative for the County:

20 "This letter constitutes PXP's acceptance of the Revised
21 Development Plan for the referenced project –
22 – with the appropriate number to be indicated for the DP Plan –

1 “ – including without limitation all of the pipeline safety conditions
2 and Outer Continental Shelf conditions contained therein. This
3 acceptance also constitutes PXP’s waiver of any and all objections
4 to the foregoing, however, PXP reserves the right to challenge
5 County’s interpretation or application thereof. PXP understands
6 that the County of Santa Barbara is relying on this letter as a
7 substantial factor in its decision to issue the Revised DP. PXP
8 agrees –

9 – and this next part, you know, gets into a little bit of history of the project because we had
10 litigation on this case in 2002 with a published decision, which Mr. Kirby and I have first-hand
11 knowledge about –

12 “ -- PXP agrees that the doctrine of judicial estoppel, res judicata
13 and collateral estoppel, with respect to the Court of Appeals
14 decision in *People v. Torch Energy Services (2002) (109,*
15 *CalApp4d 181)* shall apply to the subject matter hereof, thus PXP
16 is precluded by application of these doctrines from asserting that
17 any of the measures contained in the Development Plan as
18 modified, are preempted by the Federal Pipeline Safety Act or
19 Outer Continental Shelf Lands Act, or the enforceability of these
20 measures by the County may be subject to Federal preemption.
21 PXP is precluded from raising such issues in any permit
22 enforcement proceeding in which the County is a party because

1 PXP is in privity with, and is successor in interest to the prior
2 owner-operator of the project.

3 That's an important thing to note, that they were actually successor to Nuevo.

4 "PXP further agrees that, if at any time, PXP or any of its
5 successors in interest challenges any of the measures in the
6 Development Plan as modified on the ground of Federal
7 preemption in any permit enforcement proceeding in which the
8 County is a party, the Development Plan and the operations
9 conducted pursuant thereto shall be suspended while such
10 challenge is pending in any State or Federal Court.

11 Sincerely,"

12 and then appropriate signature to be provided.

13 That's the letter, the numbers will be filled in, but that's, that's what
14 County Counsel will be looking for prior to land use clearance. Thank you, Mr. Chair, unless
15 there's any questions, that concludes my report.

16 CHAIR: Thank you, are there any Commissioner questions for legal staff at this
17 moment? Okay. Ms. Black.

18 MS. BLACK: Mr. Chair, while we're cleaning up conditions so the public has a
19 full opportunity to comment, Condition A-27 also needs a slight modification, and that's on page
20 B-9.

21 CHAIR: E-9, or D-9?

22 MS. BLACK: B-9. So Attachment B, page 9. And it's Condition A-27. This
23 is a fairly standard condition and, at the end of the first sentence, I think we just need to add an

1 additional phrase. The condition would read “Approval of the revised Development Plan shall
2 expire five years after approval by the Planning Commission unless, prior to the expiration date,
3 substantial physical construction has been completed on the development or a time extension has
4 been applied for by the applicant and approved by the County” is the insertion. So I don’t
5 believe, in this particular case, if the Commission were to approve the project, we would be
6 faced with execution of this condition. I don’t think it’s in anybody’s interest to wait five years,
7 but just so the record is clear.

8 CHAIR: Okay. Thank you very much. Okay, at this time, it would be
9 customary for our applicant to make its presentation. So I’d like to welcome and can you give
10 us a bit of an idea of your time frame and who all will be speaking?

11 MR. STEVE RUSCH: About 15 minutes, if there’s

12 CHAIR: Okay, just yourself? And can you introduce yourself to –

13 MR. RUSCH: – follow-up questions I have some people who can answer them.

14 CHAIR: Okay. Welcome.

15 MR. RUSCH: Thank you. Good morning, Mr. Chair and Commissioners. I’m
16 very happy that you took the time out on this Special Hearing day to, to hear about PXP’s
17 project. My name is Steve Rusch, I’m Vice President of Environmental Health and Safety and
18 Government Affairs. As a matter of introduction, I’m originally from California and have lived
19 in the Tri-County area now for 28 years. My son goes to school in Santa Barbara and my
20 daughter just decided to go to Cal Poly, so we’re kind of in the area. And I’m also proud to be a
21 part of a company that takes on seemingly impossible challenges and finds unique solutions –
22 win-win solutions, we believe – and it’s kind of what PXP’s all about. My goal this morning is
23 to seek your Commission’s approval of the Tranquillon Ridge Project, or T-Ridge Project as we

1 call it, and certification of the Environmental Impact Report, or EIR. Regarding the EIR, your
2 staff is to be commended on compiling an extremely comprehensive document and I'd like to
3 thank Doug, Bill, Kevin, Nancy, Vida and the other consultants that were involved, and
4 concerning the project before asking for your approval, I'd like to briefly share with you kind of
5 my personal thoughts and insights about the course we followed to get here today. It was by no
6 means straightforward. It was short – it was not short – it wasn't conventional. It did foster
7 innovative and creative solutions. It did break old paradigms and it did culminate in an historic
8 and unprecedented agreement between otherwise diametrically opposed parties in their
9 viewpoints, and really puts ourselves in a position that we're not used to in actually having the
10 support of the environmental community on an oil project that we're bringing for you today. I'll
11 conclude with an overview of the benefits that our project brings to the County almost
12 immediately – next year. So, what happened? First, I'd like to say that when we first
13 submitted the permit application in October 2004, we fully expected that our 30-year project and
14 plan to drill and produce T-Ridge from an existing platform, using existing pipelines, existing
15 onshore facilities, certainly seemed like a desirable and permissible project. No new impacts, no
16 new construction, no coastal zone impacts, fully mitigated air emissions, et cetera. In fact, our
17 local County intel seemed to indicate so. Accordingly, we plowed ahead under the old
18 paradigm that we could persuade all decision makers in the County, the State, Coastal
19 Commission, the MMS that our oil production, our offshore oil production, despite being located
20 in an existing marine sanctuary, which is under a leasing moratorium, could and should be
21 allowed even if no leases have been awarded in over 40 years. Certainly we thought that
22 everybody should see it our way. Well, we took our project on the road show through Santa
23 Barbara, up the halls of Sacramento and San Francisco and, not surprisingly, we soon learned

1 that our old paradigm of thoughtful, rational persuasion was dead on arrival. This time our intel
2 told us that, in order to navigate the permitting mine field for an oil project they required a new
3 State lease. We needed to craft a politically-acceptable solution for what, ultimately, is a
4 political decision by the State Lands Commission and the Coastal Commission and, in order to
5 issue a lease in the sanctuary, the State Lands lease – and we heard part of it today -- among
6 other things, has to find it's in the best interest of the State, that there's drainage, because it is a
7 sanctuary and it is under moratorium. Well, at this point, PXP decided that we need to pursue a
8 global solution, one that could transcend all the agencies, rather than just one of the major four
9 that I just mentioned. In the case of the County, for instance, it would be a disservice to both of
10 us, both the County and PXP, to bring forward a project with promises that couldn't and
11 wouldn't be fulfilled. Our challenge was to find a solution that was economic for PXP and the
12 agencies, yet balanced environmentally, found acceptable by the environmental community and
13 politically accepted by the elected officials. In early '07, we took the initiative and -- we, PXP
14 -- took the initiative, and met with the Environmental Defense Center, GOO, and Citizens
15 Planning Association and others to review the then 30-year project and gain some level of
16 understanding of their issues. We'd never done that before. We received a cool reception and
17 they weren't really enamored with our project. They really didn't want to talk to us but,
18 fortunately, they didn't slam the door on our heels as we went out. They left the door open,
19 which I commend them for doing so and, undeterred, we took the next step which was to design
20 a creative and innovative proposal, including shortening of the T-Ridge project to actually 2017,
21 which was ten years, at that time, and donation of about 3,000 acres of lands that PXP owns and
22 controls. Simultaneously, we made the rounds, again locally and in Sacramento and, after
23 fine-tuning our proposal, including adding additional coastal properties along Gaviota Coast, that

1 you may have heard about in the news, we requested a second meeting and, ultimately, entered
2 into serious and confidential negotiations. Those negotiations resulted in concessions on both
3 sides, including PXP's agreement to remove the Purisima Hills housing project and EDC clients
4 agreeing to extend the life of 10 years to 15 years; 5 additional years. The end result was the,
5 obviously, the historical and unprecedented press conference on April 10th where we secured the
6 endorsement and the actual active encouragement of PXP's T-Ridge Project. The most
7 significant aspects -- and these are the aspects that we requested the County to include in the
8 project description in Condition A-6 -- are both the end date, December 31, 2022 and one-to-one
9 offset of greenhouse gas emissions. Those are the two single-most important and applicable
10 portions of the agreement and those will become part of the project. The project, as now
11 proposed, represents that global solution that we were looking for. We wanted, you know, we
12 wanted a 30-year project. We wanted to do a normal oil project. You can't do a normal oil
13 project in Santa Barbara County. We had to find a global solution, one that was going to make
14 it all the way through to the end so that the project you approve here today is one that will be
15 delivered at the end and provide you with the benefits. Those benefits, we can start turning the
16 drill bit at the end of this year, because we're drilling from existing facilities. So what are those
17 benefits? Why don't you go ahead and -- yes, thanks.

18 First and foremost, the project uses existing infrastructure that's permitted,
19 built and ready to go. I can imagine, we can get going right away. Almost immediate infusion
20 of tax dollars to the County starting the first tax year, 2009. And depending on how you value
21 the project, you're talking 5, 10 and upwards, of millions of dollars a year, starting now. That's
22 just based on the Assessor's 1.04 percent of the share, of the fair-market value of the reserves
23 and the project. Additionally, there's revenue sharing. Under this project, that's 1 percent,

1 which is going to average about 1 or 2 million dollars a year, depending on oil prices and all the
2 other factors that go into it. So there's, there's the monetary benefits that would be coming,
3 coming towards the County and we can, we've brought you a project that's as close to a
4 guarantee as we can bring forward to see those types of benefits come back at you. It's not
5 speculative, it's not something that may happen. It's here, it's now, we're ready to go. PXP is
6 ready to start writing the checks. Let's go to the next one.

7 As you've heard, it includes the end date, December 31, 2022, which will
8 prohibit the extension of the life of the existing operations and it's the environmentally superior
9 project, as presented in the EIR, it's presented in the Staff Report. As I mentioned, we asked
10 that the, that our condition be included in Condition A-6. The greenhouse gas emissions from
11 the project will be fully offset resulting in carbon neutrality and we also believe, if you think
12 through, with California importing 65 percent of its crude oil, it comes in, that marginal crude oil
13 comes in by foreign, mostly by foreign-flagged tankers, so we've estimated that's a reduction of
14 about 400 trips a year and a resulting reduction of greenhouse gas emissions by producing
15 domestic crude oil for consumption in California.

16 Additionally, we've agreed to donate \$1.5 million to reduce greenhouse
17 gas and toxic air emissions in the County, that will be going to the APCD to look for projects in
18 the local area, and we've talked about hybrid buses and things like that with Terry Dressler with
19 the APCD. We convey up to 200 acres on the Gaviota Coast across the highway, north of the
20 highway from the old Gaviota Marine Terminal, and about 3900 acres total, 3700 of those
21 adjacent to the Burton Mesa Chaparral, which is where our Lompoc Oil and Gas facility is in the
22 Lompoc Oil Fields. So the Lompoc Oil Field would also terminate in 2022. And lastly, PXP's
23 agreement with the environmental community was negotiated to facilitate a political solution and

1 to make this project actually come to be. If we don't get commercial oil, the deal is off. So we
2 have to be able to produce oil. There's no guarantee that there's oil out there. Of course, we
3 think there is and that's why we're moving forward with this project and can do it right now and
4 there could be a larger projections, or there could be smaller projections as to how much is in the
5 ground, but we want to go find it now. But if we can't produce commercial oil, then it reverts
6 back to status quo.

7 In conclusion, I ask the Commission approve the T-Ridge Project before
8 you today and to certify the EIR. Our project's real. It's not speculative, as I've already
9 mentioned. It's teed up for approval and has the support of the environmental community, first
10 time ever. First time ever in GOO's 39-year existence, and we can be drilling by the 4th quarter
11 of this year. We're ready to order the equipment to do so and have an immediate impact on the
12 County, in terms of revenue intake into this County, starting in 2009 tax year. Any delays
13 today, you know, you can crunch the numbers. We're talking, every month delay is probably
14 \$800 thousand or a million dollars a month. What your approval does do is move forward a real
15 ready-to-go project with real environmental benefits and real revenue opportunity now. So I
16 thank you for your time and I'll be available for questions and I'd like to reserve time after
17 public comment also, if I may.

18 CHAIR: Okay. Commissioner Valencia has a question, I believe.

19 COMMISSIONER VALENCIA: Thank you Mr. Chair. Yes, Mr. Rusch, I want
20 to know the difference between the taxes and the revenue sharing. You said that immediately, if
21 you start drilling within, say, three to six months, the County would be eligible for revenue
22 sharing of one to two million, depending on –

23 MR. RUSCH: Right.

1 COMMISSIONER VALENCIA: – what you find.

2 MR. RUSCH: Right.

3 COMMISSIONER VALENCIA: How about the taxes? The difference between
4 what the taxes are now and what the new taxes would be if you start drilling, what would be the
5 difference of the taxes?

6 MR. RUSCH: Well, the ad valorem, or the property tax, is based on fair-market
7 value of the project. So when we start drilling and proven out what we call the reserves or the
8 oil that's in the ground, then the County assesses 1.04 percent of that value. And of course that
9 value changes as you drill more wells, as the, as the –

10 COMMISSIONER VALENCIA: Take the theoretical approach of the norm, not
11 the extreme on either side, less or more. Just a norm, theoretical approach. What would, what
12 would you suspect that would be, roughly? And it's a guess, I realize it's a guess.
13 Theoretically.

14 MR. RUSCH: The 10 bill-, the 10 million dollar number for the property tax –

15 COMMISSIONER VALENCIA: Uh huh.

16 MR. RUSCH: – and then you mentioned the other piece was the royalty sharing
17 which, under State law, it's a two-part, and the part that we're paying under is 1 percent of the
18 State royalty goes to the County, so that's what the 1 or 2 million dollars incremental is based on
19 that.

20 COMMISSIONER VALENCIA: Alright, thank you.

21 MR. RUSCH: Uh huh.

22 CHAIR: Commissioner Cooney.

1 COMMISSIONER COONEY: Thank you, Mr. Chair. Mr. Rusch, just to be
2 clear about the condition, the project we're asked to approve today has a limitation on the use of
3 the platform and the use of the onshore facility. Neither of those is affected by the production in
4 the Tranquillon Ridge. Is that correct?

5 MR. RUSCH: I'm sorry, I didn't understand the question.

6 COMMISSIONER COONEY: In other words, you suggested that unless we
7 produce commercial oil out of Tranquillon Ridge, the deal's off. You were talking about the
8 contract with external parties.

9 MR. RUSCH: Uh huh.

10 COMMISSIONER COONEY: But the County's permit here doesn't have that
11 condition. It basically says that your current operations before you stick one straw into the new
12 field, is going to terminate in 2022. That's how I understand it. Am I wrong about that?

13 MR. RUSCH: Yeah. Actually if, as I understand it, as we crafted it as if
14 Tranquillon Ridge doesn't go forward, it reverts back to the current Point Ped. permit. So if the
15 project doesn't go, then we're back to the current Point Ped. Development Plan.

16 COMMISSIONER COONEY: Okay, I misread that. So that would be true
17 then, too, of the carbon offset commitment that is attached to this permit. It would only relate to
18 this, so the relevance of those conditions is dependent on you actually succeeding in producing
19 commercial oil.

20 MR. RUSCH: Correct. The greenhouse gas offset was for the 15, roughly
21 15,000 tons a year of direct greenhouse gas emissions from the T-Ridge, the increment that
22 T-Ridge brought forward. So if that project doesn't go, those emissions won't occur and those
23 offsets go away. Now that, yeah.

1 COMMISSIONER COONEY: Do we have a definition of producing
2 commercial oil?

3 MR. RUSCH: Not in the document. It's, it's thirty, thirty days of continuous
4 production, commercial production.

5 COMMISSIONER COONEY: Thirty days of continuous production. That's
6 the definition of commercial oil. Okay. Thank you.

7 CHAIR: Any other Commissioner questions at this time, Commissioners? I
8 had one, maybe I'm, and I think you probably pretty much answered this with Commissioner
9 Cooney's question. Help me a little back with "reverts back to the status quo."

10 MR. RUSCH: Uh huh.

11 CHAIR: Just a little more –

12 MR. RUSCH: Well, currently we're not producing Tranquillon Ridge. We're
13 producing Point Ped. at Platform Irene and shipping it to shore. So if Tranquillon Ridge doesn't
14 come to pass, we're back to what we're doing today which is producing Point Ped.

15 CHAIR: Okay. Ms. Black, did you want to –

16 MS. BLACK: Mr. Chair, just to answer your question in a very simple way. If
17 you go to the Conditions of Approval in, Attachment B?

18 CHAIR: Uh huh.

19 MS. BLACK: What "reverting back" means is all the red goes away.

20 CHAIR: All the red goes away.

21 MS. BLACK: And purple.

22 CHAIR: That's pretty direct.

1 MS. BLACK: It's essentially the permit is as it exists today before your
2 Commission takes action.

3 CHAIR: Okay. One more question, with regard to the royalty revenue sharing
4 --

5 MR. RUSCH: Uh huh.

6 CHAIR: -- the formula that is presently in place.

7 MR. RUSCH: Uh huh.

8 CHAIR: Is that final, or is that presently under modification negotiation or
9 restructuring? Are you aware of --?

10 MR. RUSCH: I defer to Counsel, but the Section 6817, I think, of the PRC,
11 there's two parts. There's the 1 percent and then there's a second, 20 percent if the project was
12 deemed complete prior to some month in 2001. So that was called the Maddy Bill and that
13 sunsetted in 2001.

14 CHAIR: Okay, one other question I had is the, the premise of this Tranquillon
15 Ridge Project is the, the theory that there is somewhere between --

16 MR. RUSCH: Uh huh.

17 CHAIR: -- 150 million and 300 million --

18 MR. RUSCH: Right.

19 CHAIR: -- something barrels of oil.

20 MR. RUSCH: Uh huh.

21 CHAIR: Essentially, you're going to test to find that out or one would think you
22 have a pretty strong feeling that it's there.

1 MR. RUSCH: I guess I'd answer it this way - PXP had high expectations for a
2 project we called Rocky Point which was an extended reach project from our existing Point A
3 platforms. It was a disappointment. Molino Oil, I think, drilled a dry hole from onshore to
4 offshore. So for every story for the upper end, there's one for the lower end and that's the risk
5 in our business. So we're willing to take this risk forward in hopes, yes, I mean, we, we believe
6 there is a significant amount of oil out there, but we won't -- kind of what I like to say is we're
7 only as good as the last hole we drill, so until we drill more wells and prove it out, this gets back
8 to the tax question also, we don't know what's there now. If there's a larger amount of oil, you
9 know, this project, if you all take an action on this project, doesn't prevent something else from
10 happening if that other project or idea can get permitted. We don't think they can. That's why
11 we brought you this solution. But you know what, if somebody wants to, if somebody really
12 thinks there's more oil there, or it's proved out, have at it. So your action today is, I don't
13 believe your action today would preclude you from, or preclude another applicant from bringing
14 another project forward. But we think that the project we have proposed is the best and is the
15 most, and is approvable not only with your Commission, but also with State Lands, Coastal
16 Commission and MMS. So it's the whole package, because it wouldn't do you any good to
17 approve a project for 30 years today, because I'd like to have a 30 year project, to be honest, but
18 it wouldn't go all the way through.

19 CHAIR: So potentially, if you're right on the high end of your projection, you
20 have a projected a rate at which you can pull it out of the ground which is finite. It's
21 theoretically you would be, you could be leaving something on the table.

22 MR. RUSCH: Absolutely.

23 CHAIR: And –

1 MR. RUSCH: And we don't deny that, and my response to that would be right
2 now we're producing zero barrels of oil out of Tranquillon Ridge and the project was first
3 proposed by a company we've since merged with in 1999 and it was denied by the County. So,
4 yes, we can speculate about a 300-million barrel reservoir that somehow may be permitted in the
5 future, but a five-year delay times \$5 million a year, that's a \$25 million bet you're making to
6 knock the floor down. That's, you know, you're hedging it, but if you want to hedge your bet,
7 or cover the hand, call the hand, and then if somebody wants to come in later, perfectly willing
8 to.

9 CHAIR: Oh, okay. Thank you, Commissioner Brown?

10 COMMISSIONER BROWN: Yeah, thank you. Mr. Rusch, the notion of 30
11 days of continuous production, I think, does that just mean, can you just explain exactly what
12 that means? That means if this project goes forward and you're allowed to drill –

13 MR. RUSCH: Okay, this is a for instance. You know, the cost to drill wells is
14 in the tens of millions of dollars, right? So there's a, there's a certain flow, what we call
15 flow-rate of the well, production rate that's going to be required to pay that back and make it an
16 economical well. Well, if it's, it's going to be pretty – and that's why it's only 30 days -- it's
17 going to be pretty evident that if it's only producing 200 barrels a day on wells that we're
18 expecting to produce 4,000 barrels a day that we may not have what we think and we may want
19 to drill another well to a different location to get our 30 days production so we may have missed
20 the reservoir in the first one. We think we have a pretty good idea of where we want to drill that
21 first well, in the middle of what we call "the structure," but, yeah, that's why we have that in
22 there.

1 CHAIR: Okay, are there any additional questions by Commissioners at this
2 point? Okay, not seeing some, we will, we have the option to go to public comment at this
3 point, right away or to take a break if any of my commissioners would like to take a short break.
4 We would like to take a 5-minute break if that is alright and then we will begin public comment
5 at that time. So be it.

6 <Off the record.>

7 <Back on the record.>

8 CHAIR: Okay, if you will please take your seats, we will begin. Okay, we are
9 coming back on the record for this April 21st hearing of the Santa Barbara County Planning
10 Commission. I have a little housekeeping to do. Ladies and Gentlemen of the audience, if you
11 possess cell phones, might I ask that you either place them on vibrate mode or turn them off at
12 this time as they can provide kind of a distraction.

13 Number 2, and this is for fellow Commissioners. We received a letter,
14 and I am apprised it arrived after our deadline, from Nossaman, Guthner, Knox & Elliott which
15 would normally, as per our normal policy, would not be made a part of today's information. If
16 there is a motion to include it, I'll entertain it at this time, otherwise, we will not make it a part of
17 this, of today's process. Do I have a motion for that? Commissioner Valencia?

18 COMMISSIONER VALENCIA: Mr. Chair, this is a Fourth District item, and
19 normally I would ask that to be included, but because sometimes when somebody sends
20 somebody late, it's a two-pager, and we can quickly glance through it. But this has so much
21 information and so much technical material, that I think it's unfair to put it in the record when
22 nobody has had a chance or, I'm sorry, anybody has had a chance to read this document. So I
23 would not be proposing to bring that into the record.

1 CHAIR: Okay, thank you very much for that. Alright. We are about to begin
2 public comment. The first speaker on this has asked to include slides. Mr. Edward, and I hope
3 I've got this right, Feragen. And I believe, and I, that Mr. Feragen's slides are included. I have
4 somewhere in the vicinity of about 12 speakers. I'm going to hope that we can stay within the
5 three-minute time frame. Mr. Feragen, will that work for your presentation?

6 MR. FERAGEN: Yes, it will.

7 CHAIR: Okay, I, then welcome and we're prepared to begin.

8 MR. FERAGEN: Thank you, Mr. Chairman and Commissioners. Again, my
9 name is Ed Feragen. I am a Project Leader for ExxonMobil on the Vahevala Project and we
10 would like to take a few moments to discuss our ExxonMobil and Sunset comments which were
11 submitted to the Planning Commissioners in writing, and I'll augment our written comments
12 with a couple of slides and to begin, of course ExxonMobil is an operator here in Santa Barbara
13 County of three platforms offshore and the Las Flores Canyon Facility. So we're an active
14 member of the community here through a variety of business and community involvement
15 programs and just for reference, I grew up here in Santa Maria, so it's good to be back in town.
16 I have a lot of family here in town. To begin, as you are likely aware, and as has been discussed
17 here, ExxonMobil Sunset have submitted a detailed Vahevala prospect application to Santa
18 Barbara County and the California State Lands Commission proposing an onshore-based
19 development of the same State Tidelands oil and gas resources targeted by the offshore-based
20 Tranquillon Ridge proposal. And one point of clarification and we've spoken, as well, with the
21 representatives of State Lands Commission on this, the resources in State Tidelands that have
22 been applied for here, those leases will go to one party. They cannot be reapplied for by another
23 party, subsequently. So it is important that the decision be taken with that consideration. It

1 cannot be reapplied for the same area, the same leases by a subsequent applicant if they are
2 leased out, once that decision is made, and leased out by California State Lands Commission.
3 The proposed Vahevala onshore drilling and production site is located on Vandenberg Air Force
4 Base and this particular application was deemed complete for the purposes of processing by State
5 Lands and that application, as has been discussed, was sufficient in terms of technical detail for
6 the County and so really where we are at and, in terms of processing of the Vahevala application
7 for an EIR review is awaiting the response from the Air Force and I'd like to comment on that.
8 Basically, we have, our partner, Sunset Exploration, has been working with the Air Force on the
9 Vahevala Project since 2005 time frame. ExxonMobil has been in the project since 2006. We
10 have been working very closely with Vandenberg starting at Vandenberg Air Force Base with a
11 extensive site survey process. That set of discussions progressed through discussions with
12 Space Command in Colorado Springs and we have progressed those discussions to the Pentagon
13 Air Force representatives. We have had numerous meetings with the Air Force Pentagon
14 representatives, including a recent workshop on our ExxonMobil safety, health, and environment
15 approach and, at this time, we remain in close communication with the Air Force and, based on
16 recent conversations with contacts at the Pentagon, we are hopeful that Santa Barbara County
17 will receive, in the near term, a letter regarding the NEPA analysis of the Vahevala Project.
18 And so with that perspective in mind, I'd like to make a couple of further comments. We
19 basically, our evaluation of the Final EIR for Tranquillon Ridge and the associated Staff Report,
20 indicates that, as was the case with the Draft EIR, we believe that the Vahevala, the Vandenberg
21 Onshore Alternative, as described in the EIR, does not accurately represent the actual onshore
22 alternative, which is the ExxonMobil Sunset Vahevala Project. The Vandenberg Onshore
23 Alternative, as described in the Final EIR, lacks several optimizations that are incorporated in the

1 proposed Vahevala Project, and these optimizations reduce potential environmental impacts.

2 With that, if I could have the first slide, please.

3 One of the things, just as an example, it's very important in terms of
4 assessing the environmental impact of the onshore-based project, is the pipeline routing. The
5 Onshore Alternative, as characterized in the Final EIR, uses a pipeline routing which is shown
6 here in red and, let's see if we can get the, it's like this is not, not working. Do we have another
7 pointer I can borrow? Thank you very much. So shown in red is the, is the pipeline routing
8 characterized in the EIR which has a, standard pipeline construction method of crossing the Bear
9 Creek area, for example, and then it has a path which goes rather close to the estuarine area of
10 the Santa Ynez River mouth.

11 As we go to the next slide, the Vahevala Project, as proposed, which I
12 believe the audience saw this slide earlier, it shows our site here on South Base. We actually are
13 proposing a horizontal directional drill beneath the Bear Creek drainage area and that was
14 evaluated carefully by engineers who work with that and, essentially, we can drill down beneath
15 the drainage area about 50 feet below that so that there is no standard pipeline crossing of this
16 sensitive environment. Likewise, we have an alternate pipeline route which has a cross-country
17 route much further away from the estuarine environment of the Santa Ynez River mouth. And
18 an important note here is this pipeline route, which we describe here, this was worked carefully
19 in a team fashion with the Vandenberg environmental staff. Vandenberg Air Force Base
20 consultation weighed heavily on this selection of the pipeline route as, as an example. The other
21 comment I'll make is that visual impacts, as described in the onshore alternative evaluation, we
22 believe are likely over-estimated and an example of that is electrical substation that was noted in
23 the onshore alternative is close to the existing Surf Substation and ours would, as we propose

1 and, once again, worked with Vandenberg, would be set back further inland and would be out of
2 the view shed from the County park, and so there's optimization such as that regarding the visual
3 side which we believe are important. Another aspect is safety risk. We, ExxonMobil is the
4 operator of this project in the same way that we've received numerous awards in our operations
5 for the three platforms and Las Flores Canyon, our approach to operations would be utilized here
6 on Vandenberg and, hence, the engineering design and the operations approach for this project
7 would incorporate state-of-the-art techniques to limit risk such as automated shut-down systems
8 and state-of-the-art pipeline leak detection systems, all of which would limit risk for personnel,
9 both on and off site. We think that, as we look carefully at really what needs to be done, we
10 think that in really comparing the environmental impacts of the offshore-based proposal, the
11 Tranquillon Ridge proposal, with the onshore-based Vahevala project, this must be completed
12 first, including, you know, key project aspects such as a detailed comparison of impacts related
13 to a marine oil spill versus an onshore spill. To do this comparison, we need to have a full
14 CEQA EIR and NEPA EIS evaluation of Vahevala to really make those comparisons. This –

15 CHAIR: Okay, I do need to, I hope you're coming close to, to winding down.

16 MR. FERAGEN: Yeah. Basically, we agree with the position that was stated in
17 the Staff recommendations that the EIR did not reach a conclusion as to how the conceptual
18 alternative compares to the overall Tranquillon Ridge Project because the projects cannot be
19 examined to the same level of detail and, hence, we believe it's premature at this point to then
20 conclude in the same finding that the reduced life Tranquillon Ridge Project will result in fewer
21 impacts. One final, if we can advance to the next slide, one final point that we think is really
22 important for the Commissioners' consideration is the amount of recoverable oil and, hence, the
23 financial benefits. Our project, we believe, could recover up to 250 million barrels and one

1 thing that we see is from the data submitted on the PXP T-Ridge proposal, is that per the '08
2 data, they're looking at approximately 135 million barrels recovery in 15 years, drawing back
3 actually to the '04 forecast. It would be about 113. So somewhere between 113 to 135 million
4 barrels. That compares to – next slide – a 250 million-barrel potential recovery from Vahevala.
5 That, as the property taxation benefits to the County are related directly to the value of that
6 assessed field and a produced value of those oil revenues, that is going to have a proportional
7 impact on, in terms of the overall benefits that come to the County, so we would basically, at this
8 point, ExxonMobil/Sunset would request that the Commission deny, without prejudice, the
9 permit application at this time until such time as the EIR/EIS of the Vahevala true onshore
10 alternative, can be evaluated and compared and then you'll have the benefit of all the data to
11 make the best decision. Thank you very much for your time.

12 CHAIR: Okay, thank you. Commissioner Valencia, do you have a question for
13 this speaker, and –

14 COMMISSIONER VALENCIA: Yes, I do. Mr. Feragen, you said you've been
15 negotiating with the Air Force since 2005. Why would you think that now you're on the verge
16 of getting an agreement from them? If you've been dealing with them that long, now, in the last
17 couple of weeks, you'll be able to get an agreement from them?

18 MR. FERAGEN: We, we have, as one can imagine, with agencies such as the
19 Air Force, we have progressed carefully through various levels, from staff levels at the Base,
20 through Space Command leadership in Colorado Springs, up through the Pentagon, and the
21 decision making is held very high within the Air Force. So, basically, the time frame is driven
22 in large part by that decision making being held at the Office of the Secretary of the Air Force
23 and, based upon a lot of recent discussions with the Air Force, that leads us to our, our hope that,

1 near term, there will be a letter and we have been told recently by Air Force Pentagon
2 representatives that a letter regarding the NEPA analysis of the Vahevala Project is forthcoming
3 to the County, near term.

4 COMMISSIONER VALENCIA: Would you –

5 MR. FERAGEN: That's our hope that –

6 COMMISSIONER VALENCIA: – would you be operating –

7 MR. FERAGEN: – that that will be the case.

8 COMMISSIONER VALENCIA: – would you be operating 24/7 if you get this
9 permit?

10 MR. FERAGEN: What we, we would have, like any oilfield, yes, 24/7
11 operations. One thing we would do, very closely is, is working with Vandenberg to make sure
12 there's no impacts on their mission out there. We would have a whole set of arrangements with
13 them regarding evacuation of our site during launches for example –

14 COMMISSIONER VALENCIA: That's what –

15 MR. FERAGEN: That's a key, key part of maintaining an operating mode that
16 does not impact their mission and we've spoken with them about that.

17 COMMISSIONER VALENCIA: Since you started talking to them in 2005, the
18 mission has changed considerably and, where there used to be one vehicle, a Titan 4, now there's
19 two large vehicles, an Atlas 5 and a Delta 4 –

20 MR. FERAGEN: Right.

21 COMMISSIONER VALENCIA: – and now the mission has changed and
22 there, you would have to evacuate for a long time because these are very sensitive payloads.
23 They're NRO payloads, National Reconnaissance --

1 MR. FERAGEN: Right, right.

2 COMMISSIONER VALENCIA: – Office, at the highest level, so you might be
3 out of there for two or three days and –

4 MR. FERAGEN: Yeah, and we're fully ready to accommodate that and work
5 within that type of operation. An evacuation of folks on Base that are non-military is a standard
6 part of all launch operations of many other commercial entities supporting our space operations
7 on Base, so that's –

8 COMMISSIONER VALENCIA: Right. You realize that there's holds on
9 launches and that you would –

10 MR. FERAGEN: Right.

11 COMMISSIONER VALENCIA: – you might be out for two or three days,
12 sometimes longer.

13 MR FERAGEN: Correct.

14 COMMISSIONER VALENCIA: Right.

15 MR. FERAGEN: Yes.

16 COMMISSIONER VALENCIA: Thank you.

17 MR. FERAGEN: Thank you.

18 CHAIR: Commissioner Brown, you have a question for this speaker?

19 COMMISSIONER BROWN: Yes, I have several. Thank you. On the second
20 slide that you showed, which is the project location, I just have a question about the area that's
21 described as "lease option agreements." –

22 MR. FERAGEN: Yes, is the areas in green?

1 COMMISSIONER BROWN: Right, so that seems like that's a considerable
2 amount of area and the question is, is this pipeline route that's indicated here, that's just a
3 proposal. I mean it may –

4 MR. FERAGEN: Correct.

5 COMMISSIONER BROWN: – it may, it may change. You may have to put it
6 some place else within the green area. Is that correct?

7 MR. FERAGEN: First, let me clarify. It's about, ExxonMobil/Sunset have
8 exclusive lease option rights on about 7800 acres on South Base and the pipeline route that
9 we've selected, we worked again very carefully with Vandenberg staff to have that with the least
10 environmental cultural and operational impacts. So we took into account, we had some earlier
11 proposals which were different routes and this route really was optimized with their input.

12 COMMISSIONER BROWN: So why, why would you need such a huge area?

13 MR. FERAGEN: This, this, that's actually a very good point. These leases are
14 standard oil and gas lease option rights which allow for exploration and development of oil and
15 gas resources across those areas and our project, the Vahevala Project, though we're proposing to
16 use only a 25-acre site on this one single lease to develop this and so the intent with this project
17 is to not burden the Base with multiple different oil and gas projects across all of this area. The
18 intent is to limit our activities to a very concentrated 25-acre site and a pipeline route to handle
19 the fluids transfer.

20 COMMISSIONER BROWN: So you would still need to have the lease option
21 agreements for these additional areas. I guess they're by sections. How do you determine
22 what, what the areas are?

1 MR. FERAGEN: Those are privately held lease rights which we have secured
2 and those were, are held by mineral owners that basically had those oil and gas leases prior to the
3 expansion of Vandenberg Air Force Base onto South Base in this area.

4 COMMISSIONER BROWN: Okay.

5 MR. FERAGEN: They pre-date that.

6 COMMISSIONER BROWN: Thank you.

7 MR. FERAGEN: Thank you.

8 COMMISSIONER BROWN: And on your last slide which I, perhaps the second
9 to last slide which is estimated oil forecast?

10 MR. FERAGEN: Yes.

11 COMMISSIONER BROWN: It would appear here that you're, this is suggesting
12 that your project would go 36, who knows how long? What would, what is the estimated life of
13 that, of your –

14 MR. FERAGEN: 35 years

15 COMMISSIONER BROWN: 35 years?

16 MR. FERAGEN: It would be in the success case with our current forecast of
17 volumes up to 250 million barrels, we see a scenario where it would be up to about a 35-year
18 field life which, for the Monterey formation, the oilfield such as this in the region here, that is
19 very typical for field lives in the Monterey formation to have recovery and what we would say is,
20 as a project like this and another Staff conclusion was that providing, at this time, sources of
21 local, produced oil for local consumption, in this intervening period as California figures out
22 new, non-fossil fuel energy sources for the future, that that's one benefit of this project, and we
23 would likewise say that, if you're going to do that, then instead of leaving large significant

1 portions of those oil resources behind, undrained, if you're going to install those wells, spend the
2 capital to install those wells and have that project, it makes the most benefit for everyone
3 involved, including the County and the State, to fully develop those resources, and we would, we
4 would believe that actually, you know, folks such as the State Lands Commission would also be
5 very concerned about the proper full development of those resources.

6 COMMISSIONER BROWN: Two more questions to follow on. As a scenario,
7 let's say that the Commission moves forward with your, with considering the ExxonMobil
8 project and which I'm not sure what, how that would play out for PXP, but can you explain
9 where your oil would go? Would you be using the Lompoc Oil and Gas facility, or would your
10 oil be bypassing that and, if it goes there and PXP says, "Well, we're through because we didn't
11 get" –

12 MR. FERAGEN: Uh huh, right.

13 COMMISSIONER BROWN: Do you buy that, do you buy that plant? Do they,
14 do you decommission it? How does, how does that work?

15 MR. FERAGEN: Let me take that in a couple of steps. One, we, in our current
16 project proposal, we process the oil to sales quality ready on our site because of concerns about
17 water handling capacity at Lompoc Oil and Gas Plant. So the gas, however, the associated,
18 which is just associated gas. It's larger than an oil reservoir, but the associated gas which does
19 have H₂S, that gas would be processed in our proposal at Lompoc Oil and Gas Plant which is
20 already equipped to handle that sour gas, what we would anticipate is because Condition Q-9 of
21 the operating permit for Lompoc Oil and Gas Plant requires that it be a consolidated use facility
22 open to others for oil and gas processing. What we would anticipate is that we would have
23 access to that plant for processing of the gas, in this case. I won't speculate, depending on, I'm

1 not going to speculate on future scenarios depending on what occurred. We would have to see
2 and down the road.

3 COMMISSIONER BROWN: Okay. And one last question. When the oil goes
4 to refineries in the Bay Area, any idea about where the oil actually ends up? Does it leave
5 California, is it, does it solely remain in California for the California market?

6 MR. FERAGEN: We've, we've done some looking at that with our downstream
7 folks and, and what we see is under normal conditions, the oil that's produced here in California
8 in the Central Coast area, will be processed into refined products here in the State. For example,
9 we operate Torrance Refinery down south. Those products are refined and used here in the
10 State and, and we, we thought that was an excellent point, brought up earlier that California is
11 currently importing some, over 50 percent of their crude oil to keep the refineries filled and, as
12 California production drops down, local production, and as Alaska production drops down, that
13 wedge of imported, tankered oil is rapidly increasing. So we think it's, it's very beneficial for
14 the State to have additional local sources in the interim.

15 COMMISSIONER BROWN: Okay, thank you.

16 CHAIR: Okay, thank you very much.

17 MR. FERAGEN: Thank you.

18 CHAIR: I can see that my meeting management skills are going to have to
19 continue to be enhanced for the three to five minute, so I'm going to ask other speakers, and I'm
20 probably going to be more heavy-handed, to stay within the three-minute time frame. I have
21 Mr. Anderson, James Anderson, followed by Mr. Jerry Conner.

22 MR. JAMES ANDERSON: Good morning, Mr. Chairman and members of the
23 Planning Commission. I am James Anderson. I'm with the ConocoPhillips refinery up on the

1 Nipomo Mesa, just north of here. There we employ over 160 employees and contractors,
2 approximately one-half of whom reside in Santa Barbara County. The Tranquillon Ridge
3 Project will help to assure a consistent supply of raw material for our facility, as we do not
4 receive crude oil from outside California. Our operations contribute millions of dollars to the
5 economy in Southern San Luis Obispo and Northern Santa Barbara Counties, and we use the raw
6 material from Platform Irene to manufacture some of the highest quality, cleanest burning fuels
7 in the world for the California market and we urge you to approve this Development Plan and
8 certify the EIR. I thank you for your time and, if you have any questions, I'll be glad to try to
9 answer those.

10 CHAIR: Thank you very much.

11 MR. ANDERSON: Thank you.

12 CHAIR: Mr. Conner, followed by Kathy Staples.

13 MR. JERRY CONNER: I wish to thank the Planning Commission for this
14 opportunity. I'm Jerry Conner. I reside at 612 Maple Court, Santa Maria and I'm representing
15 the Sierra Club and the Santa Barbara County Action Network, or SBCAN. Both the Sierra
16 Club and SBCAN fully approve of the PXP agreement with the Environmental Defense Center,
17 Get Oil Out, and the Citizens Planning Association that was dated 9 April 2008. We are in
18 agreement with the concepts expressed in the following letters to the SBCPC, if you excuse my
19 liking to use acronyms. The one, the first one's EDC's letter, 17 April. We also support the
20 specific recommendations for actions made by SBCPC. That is, they want certain actions. I
21 won't spell them out. The second was rather detailed. The PXP letter, 17 April, which is a
22 global solution and it was just explaining excellent economic benefits to the County which start
23 with their flow and, of course, as a resident of the County, I'm sort of happy to see that. I don't

1 just have an environmental identity. I'm also a resident of Santa Barbara County. And also the
2 letter by the Community Environmental Council on the 18th of April. We support all of these.
3 We note that PXP will go forward essentially with existing facilities and thereby avoid the
4 alternative online facilities proposed by the ExxonMobil Exploration, which was just explained.
5 We feel that the PXP Project, in accord with the agreement above, is in environmentally superior
6 to any alternative, including a no-project possibility. We realize there are risks, that they must
7 produce commercially or all bets are off, but it seems to be a reasonable risk versus the benefits.
8 We are also pleased that the end dates have been agreed upon for several projects, including
9 Tranquillon Ridge, Point Pedernales and Point Arguello, and the generous land conveyances
10 from PXP to the public domain are especially praiseworthy and supports the goals of the Sierra
11 Club and SBCAN rather well in preventing urban leap-frogging sprawl along with the
12 preservation of some fine areas on the Gaviota Coast. Since there may be developer pressures
13 in the future after all of this to modify or even negate these land protections in the public domain,
14 we in the environmental community will need to be alert to these kinds of proposals towards
15 unwise land use changes for many years to come. So, if they come before the Planning
16 Commission, I guess some of us will be back to ask more questions. And, with that, I thank you
17 for this opportunity and thinking back to the project just briefed, I guess I can't comment on it,
18 my time is up. Okay, thank you.

19 CHAIR: Thank you very much. Okay, Kathy Staples, followed by Ken Palley
20 in Santa Barbara.

21 MS. KATHY STAPLES: Good morning Commissioners, Madam, Gentlemen.
22 My name is Kathy Staples, I am today before you as a business community advocate and I would
23 like to address some things that I, I would like to put a picture together and connect the dots for

1 you on how important the oil industry is in Santa Barbara County. I serve here in Santa Maria.
2 I am on the Restorative Justice Task Force for youth, that's an intervention program, and I work
3 always and often with our Board of Supervisors and every agency that has to do with public
4 funding, including the District Attorney, the Public Defender, Probation, the Sheriff's
5 Department as well as all Police Departments. And, as you know, this County has taken a
6 tremendous hit for revenues and finances. We have a \$46 million shortfall and there are many
7 jobs that are being lost in this County as a result of a loss of money. So I would put before you
8 that there is a global picture as well as a picture that's impacting Santa Barbara County right in
9 front of you today. This nation is under dire duress and being held hostage by foreign oil
10 cartels, for the lack of oil that is available here in the United States of America because, number
11 one, we have put a clamp down on the production of oil, we have made good profitable sound
12 companies like those in the room here today. We have made it very difficult to do business in
13 the Santa Barbara County for them. We have driven out Union Oil, Nueva, Torch, Marino.
14 We have put clamps down on constant and other oil producing companies. Now why is that
15 important? Because those companies allow us to have excellent paying jobs for the community
16 of the business community, as well as the average guy who needs to take home dollars and cents
17 to keep his, his family alive. The United States of America is being held hostage and we are
18 being held hostage because we are not advocating for the kinds of businesses that can bring
19 revenues and finances into this community to make it strong and viably, economically good. So
20 when you have companies such as, and I just applaud you, PXP, you have been diligent. You
21 have been careful and direct. You have gone through the hoops and rings. You have, as your
22 term was, "cool reception." Not only has it been a cool reception for the oil drilling industry in
23 this community, we have practically strangled them and we're talking about millions of dollars

1 of revenue. So I would put these dots together for you today. If you allow and encourage the
2 oil industry back into Santa Barbara County, one, you will help the national dilemma that we are
3 in now, with over \$4.00 a gallon for gasoline. Over the last 20 years, we have reduced more
4 than almost 60 percent of our factories and plants to actually crack crude and making it available
5 in the United States of America. We've killed that. And then we have these kinds of levels of
6 high levels of business people wanting to do business in this County, and not giving them an
7 opportunity to do what they do best in a safe and environmentally correct way, then you don't
8 have those finances in the coffers to make things happen and effectuate change which is trickling
9 down to our citizens. Commissioners, the decisions you make today are going to be impacting
10 many families that would have excellent jobs in the oil industry –

11 CHAIR: Okay, if you could –

12 MS. STAPLES: – that if you do not support that and help it happen, and you
13 know, we have no place else to go. I will, thank you, Chairman. The begging to your feet is
14 this today. You are in a position to make those decisions. The Board of Supervisors' hands are
15 tied if you make decisions and then don't send it to them and say, "Look, we think this is really a
16 great opportunity to put money back in the coffers." If I may, Mr. Rusch, what did your
17 company this last year –

18 CHAIR: Okay, I do kind of have a big --

19 MS. STAPLES: Oh, just the last –

20 CHAIR: -- Kathy, you have to go. Sorry.

21 MS. STAPLES: – that will be my last question, Mr. Jackson, 'cause it's
22 important. It's important that you know the money. Mr. Rusch, what did you offer this County

1 this last year in the way of personal property taxes and revenues on your stream of income? Just
2 about, the millions.

3 MR. RUSCH: Property tax is \$600,000.

4 MS. STAPLES: Okay, and revenue stream?

5 MR. RUSCH: <Inaudible>

6 MS. STAPLES: Okay, so you're talking well, it was millions of dollars. It's
7 millions of dollars and we're talking about \$5 million that is a possibility. Does that make
8 sense?

9 CHAIR: Yep, yep. Thank you very much.

10 MR. STAPLES: Alrighty. Thank you.

11 CHAIR: Mr. Palley in Santa Barbara, to be followed by Mr. Sanders.

12 MR. KEN PALLEY: Thank you, members of the Commission. My name's
13 Ken Palley. I'm on the Executive Committee of Surfrider Foundation, the Santa Barbara
14 Chapter, and I am representing them today. I support this project. Hope you approve it today.
15 I'll try to keep it to three minutes, thereby setting a new record for today. Number 1, this issue
16 brings, it brings closure. There's just too many pressing issues that are facing both our chapter
17 and Santa Barbara as an environmental community. We need to resolve these so we can
18 concentrate on so many others. Number 2, I think this historic agreement will ultimately hand
19 over to this community 3900 acres of future open space or parks, particularly important to
20 Surfriders the 200-acre parcel on the Gaviota Coast. I'm sure I don't need to remind most of
21 you how long and how hard our chapter has worked and continues to work to preserve and
22 protect the Gaviota Coast. As a corollary to point two, this project will result in the withdrawal
23 of the application for 800 homes near or adjacent to the Burton Mesa. Number 4, one and a half

1 million dollars donated to the County for greenhouse gas reduction is not enough to solve the
2 problem, but it's not chump change either. Number 5, as you can probably tell by what I'm
3 wearing, I came down here by bicycle today. I try to do everything I can to decrease my
4 consumption of oil, gas, electricity, but I do drive a car and with gasoline close to 4 bucks a
5 gallon, things are tight and short. We do need to find ways to greatly reduce or decrease oil
6 consumption and dependence on foreign oil. It will be difficult and it won't happen soon, but
7 this is a step in the right direction. Lastly, I do want to say that despite Surfrider Foundation,
8 Santa Barbara Chapter supporting this agreement, or project. Surfrider remains extremely
9 concerned about long-term enforcement and compliance if this project is approved. I urge the
10 County to ensure iron clad enforcement and monitoring rules and benchmarks. I assume, again,
11 you know, the devil's in the details on all of these projects. I, I assume that, that GOO and CPA
12 and EDC will do whatever they can to ensure compliance, but Surfrider will be monitoring it and
13 I hope the County does that also. Thank you very much.

14 CHAIR: Thank you very much. Mr. Sanders, followed by Linda Krop.

15 MR. GREGORY W. SANDERS: Good morning, Mr. Chairman and
16 Commissioners, my name is Gregory W. Sanders and I am with the law firm of Nossaman,
17 Guthner, Knox and Elliott and the author of the letter that you considered for introduction into
18 your record this morning. First of all, you'll have to excuse me. I, I think I'm suffering from
19 some sort of an allergy, so if I have stop occasionally, it's because of that. Let me, instead of
20 my prepared comments which kind of dovetailed with the letter, let me try and convince you that
21 introduction of the letter is not only necessary and proper, but actually required by constitutional
22 law. The County sent out two notices with respect to this hearing. One related to the
23 Environmental Impact Report, the other related to the project. There is nothing in the notice

1 regarding the Environmental Impact Report about any deadline for submission of written
2 material and the letter, in the main, concentrates on the Environmental Impact Report. So just
3 from a, a due process standpoint, we believe that we are entitled to submit the letter because no
4 deadline for comments on the EIR was announced in the letter, in your, in your notice. Beyond
5 that, there are some very fundamentally important legal considerations with respect to the
6 inadequacy of the Environmental Impact Report that you have before you that you need to take
7 into consideration before you make a decision to certify it. And, most importantly, the project
8 description, by virtue of the deal that PXP has struck with the environmental groups, has
9 changed significantly. Your staff has recognized that change because, in effect, this morning
10 during the staff presentation, the staff acknowledged that, as a part of the project description, the
11 Lompoc Oil and Gas facility and other facilities are going to close in 2022. That part of the
12 project is not in the project description that was in the EIR that was circulated to the public for
13 review and comment. Now I got the notice with regard to this hearing and the certification of
14 the EIR about Tuesday or Wednesday of last week. It's impossible, I submit, to go through a
15 huge Environmental Impact Report and a very, very long Staff Report, cull out all of the
16 important information, distill it into a letter, and get it to you in any kind of timely fashion. It's
17 virtually impossible. So on that basis, we would recommend that you reconsider your decision
18 to not include our letter in the record and vote to include it.

19 CHAIR: Commissioner Blough, you have a question?

20 COMMISSIONER BLOUGH: I guess a comment and a request of the Chair.

21 I'd like our speaker to know that the reason we don't accept those letters is that we do allow the
22 letter up until 12 o'clock the day before the hearing and the reason is, is that it's impossible for
23 us to sit up here and listen to everybody talk at the same time read a six-page letter. So what I'd

1 like to do is I suggest to the Chair, with another couple of minutes for this gentleman, he could
2 go ahead and give us the benefit of the letter so that we have the information we need.
3 Understand, we can't, we just simply can't read six-page letters -- and sometimes we have these
4 that come twenty pages -- at the hearing, it's impossible to do that. So I'd like to suggest we
5 give just a couple of minutes to go over that information in the letter, but the letter itself just
6 won't be a part of the record, but certainly the information you provide would be.

7 CHAIR: Okay.

8 MR. SANDERS: I, I can do that, Mr. Chairman, but I submit I can't do it within
9 the three-minute time limit.

10 CHAIR: Okay, well one, one moment, because were you here at the initiation of
11 this hearing?

12 MR. SANDERS: This morning?

13 CHAIR: This morning.

14 MR. SANDERS: Yes, I was.

15 CHAIR: Okay, because you raise a point about issues that I believe were
16 suggested in Mrs. Black's presentation about what the admonition to this Board of what we can
17 and cannot consider. I'm not sure what you're referring to, but it seemed to me that there are
18 components to the agreement are not part of --

19 VOICE: <Inaudible>

20 CHAIR: Oh, he's not? Okay. Well, I will, if my colleagues will -- how long
21 would it take for you to present that?

22 MR. SANDERS: I'll try and get it done within three minutes, Mr. Chairman.

23 I'll talk fast and, and try and be as brief as possible, but I can't guarantee that I, I can do it.

1 CHAIR: Mr., Commissioner Valencia, since this is in your District –

2 COMMISSIONER VALENCIA: Yes, Mr. Chair, that would be fine with me,
3 but I'd like him to come up front and tell us who he represents.

4 MR. SANDERS: Yes, I, I will do that right now. I represent Vaquero Energy
5 Company which is a small California independent oil and gas producer. Vaquero Energy
6 Company has a well in production that is close to the Lompoc Oil and Gas facility and, in
7 violation of Condition Q-9, which was mentioned by the speaker from ExxonMobil, Vaquero
8 Energy has been denied commercially reasonable access to that oil and gas facility to process the
9 natural gas off of that well. Mr. Chairman, members of the Commission, that relates very
10 directly to the inadequacy of the Environmental Impact Report. CEQA requires that there be a,
11 an adequate project description so that the public knows what is contemplated in terms of a
12 project going forward and, from that project description, an analysis is done of all of the potential
13 environmental impacts associated with the project. What has happened since the Environmental
14 Impact Report was circulated for public comment, is that PXP has gone out and made a deal and
15 it may be a very beneficial deal, in terms of the environment. We don't know for sure because
16 we haven't seen it. Nobody has seen it. You haven't seen it and you're the decision makers.
17 It may be a very beneficial deal, but there are certain environmental impacts that may flow from
18 that deal that have to be considered in the context of your decision with respect to this project.
19 By closing the Lompoc Oil and Gas facility in 2022, access to that facility will be foreclosed for
20 other producers in the area and Condition Q-9 that we referred to makes that facility a
21 consolidated facility and for very good reasons. It's a consolidated facility because when the
22 decision was made to approve that facility, the decision makers did not want to have a
23 proliferation of those kinds of facilities in the area. So you close that facility, other producers

1 continue to produce oil and gas, they don't have access to the facility because it's gone, so that's
2 going to result in proliferation of facilities and the environmental impacts associated with that
3 have to be assessed, have to be considered in the context of this project. And because the
4 project description does not include the closure of these facilities, the Environmental Impact
5 Report is inadequate. And that, that's it in a nutshell.

6 CHAIR: Okay.

7 MR. SANDERS: I'd be happy to answer any questions.

8 CHAIR: I don't see any questions at this time, but I, I thank you. I think I
9 understand your point, and I appreciate it and we'll move to –

10 COMMISSIONER BROWN: Mr. Chair, I just wonder while the speaker is up
11 here, I would like to get a clarification because I, I did ask a similar question about the closure of
12 the LOGP and it was my understanding that it, regardless of what PXP may do, that the LOGP
13 isn't going to close. If, if they, if PXP takes out Platform Irene, the LOGP remains and other oil
14 -- I need some clarification on this from Staff, please.

15 MR. DRUDE: Mr. Chair, Commissioner Brown, the baseline project that we
16 evaluated looks at that facility, the current operations going on to 2022, nonetheless. And that
17 would, I mean, it's at their discretion when to close down anyway if, for some reason, they don't
18 have commercially available or commercially obtainable resources, they'll close down when
19 they think they need to do so. But right now, their economic forecast is that they'll be able to
20 stay in operations 'til 2022 and that was the basis of our identifying in this document what, how
21 long that project would go on. So –

1 COMMISSIONER BROWN: And, if they, let's say they did decide to close
2 down at 2022. The LOGP goes away, or does it remain for other oil companies to use if, if there
3 are other folks in the area who are drilling and would have need for that.

4 MR. DRUDE: It's a good question. If there are other users in the facility at that
5 time, perhaps they would negotiate an operating deal or a sale with that, with that user, but if
6 PXP is the only operator, they would need to come into the County and get an abandonment plan
7 from us.

8 COMMISSIONER BROWN: Okay, so if, if they're the only ones using it, then
9 they could abandon it.

10 MR. DRUDE: That's correct.

11 COMMISSIONER BROWN: But if there are others in the area who've done
12 some sort of agreement with PXP, then it would remain.

13 MR. DRUDE: Possibly.

14 COMMISSIONER BROWN: Okay, thank you.

15 MR. SANDERS: Mr. Chairman, may I respond to, to that?

16 MR. COONEY: Mr. Chairman, I have a point of order here.

17 CHAIR: Yes, Commissioner Cooney.

18 MR. COONEY: My concern is that if, if every speaker that comes up here,
19 presents an interesting point and the Commissioners start inquiring of that speaker, certainly the
20 speaker would have an opportunity to respond and the whole concept of Public Comment and
21 hearing from the entire group gets lost. I, I would entreat my fellow Commissioners to hold
22 their questions for Staff, particularly, until we finish with the public comment. It's just
23 impossible otherwise to control the flow of the meeting.

1 CHAIR: Thank you for that, and I concur. I would like to move on with, at this
2 juncture. Thank you.

3 Linda Krop, followed by Hannah Eckberg?

4 MS. LINDA KROP: Thank you, Chairman Jackson, members of the
5 Commission. It's my pleasure to be here today. My name is Linda Krop, I am Chief Counsel
6 with the Environmental Defense Center and we represent Get Oil Out and Citizens Planning
7 Association of Santa Barbara County on this issue and negotiated the agreement with PXP. By
8 way of background, we also represented these groups many years ago in opposition to the Nuevo
9 Energy Company's proposed Tranquillon Ridge Project. That project was denied by this
10 County in 2002 when PXP came forward as the new applicant. We raised similar concerns
11 about the extended life of existing operations and facilities in the area, and PXP responded to our
12 comments on the Draft Environmental Impact Report, and offered to come address our concerns.
13 And, as you've heard, that led to a landmark agreement last week. The, the agreement that was
14 reached by the environmental parties and PXP has two primary components that are integral to
15 the Tranquillon Ridge Project, and those will be included as Conditions on the project: the end
16 date and the greenhouse gas emission mitigation and offset program. Those are very important,
17 so they are not only enforceable by the environment groups, but they will be enforceable by the
18 County and included in your monitoring program. The agreement also addresses the fact that
19 State law requires the issuance of these leases be in the best interests of the State, and that's why
20 our agreement goes above and beyond just mitigation measures, but actually benefits to the
21 community and to the State. And you've heard what those are today, as well. The end date not
22 just for Tranquillon Ridge, but also for the Point Pedernales Project, the Point Arguello Project,
23 the onshore facilities, the conveyance of land, the extra million and a half dollars for local

1 greenhouse gas emission reductions. All of that provides what we believe is a significant
2 benefit to this community and to the State and would support the issuance of the leases at the
3 State level. I do want to comment real briefly on the Onshore Alternative, make two points.
4 First of all, the EIR does address an Onshore Alternative and although there may be some minor
5 tweaking in terms of the location of some of the facilities, essentially, the information is before
6 you in the EIR. It is not lacking. Second point is that no matter how much you tweak the
7 location of the substation or the pipelines, the fact remains that the PXP proposal would still be
8 environmentally superior because of the end date, because you've mitigated all of the impacts
9 associated with the extended life and you have these other benefits. You have the greenhouse gas
10 emission reductions that you don't have for the Onshore Alternative. So, even if you were to a
11 wait for more information, the end result would not be the same, and so there's no need to wait
12 for that. Our recommendation is that you do certify the EIR, that it has adequate and complete
13 information and that you do approve the revised Final Development Plan with the conditions
14 added pursuant to the agreement regarding the end date and the greenhouse gas emission
15 reductions and offsets. In closing, I would like to address the issue of the Lompoc Oil and Gas
16 Plant, and County Counsel and County Staff may want to chime in as well, but while that plant is
17 operating, it is required to operate as a consolidated facility. The operator can terminate the
18 facility anytime. So I do want to clarify that one point. Thank you very much for your time.

19 CHAIR: Thank you very much. Hannah Eckberg, followed by Mary Ellen
20 Brooks.

21 MS. HANNAH ECKBERG: Good morning. Thank you, Commission, for
22 hosting this important meeting today. I am Hannah Eckberg, Vice President of Get Oil Out and
23 I'm happy to be representing GOO today and to express our support for the Tranquillon Ridge

1 Project. These written comments were submitted in a letter you received from the
2 Environmental Defense Center on behalf of GOO and the Citizens Planning Association. I
3 would like to emphasize a few points from this letter. The most critical reason that this project
4 should be approved is that this is the first time ever that an oil company has agreed to support a
5 project with spe-, excuse me, suspes-, with certain end dates. We believe that this is a
6 reasonable date and one that will allow PXP to reach its goals and to develop and produce the
7 Tranquillon Ridge field, and this is a hard and fast, set date. The bottom line is that these
8 Conditions placed on the permit in the Staff Report, that those contained in the PXP's letter of
9 April 17th. This agreement we signed with PXP on April 9th, and this project is environmentally
10 superior to any alternatives, including, ironically, no project at all. There will be no new
11 platforms, pipelines or processing facilities being proposed and this will allow the project to
12 move forward quickly. The project will also be carbon neutral which, according to our
13 knowledge, is the first oil project in the US to make such efforts. PXP has agreed to incorporate
14 into its permit substantial mitigations and offsets, as has been mentioned, the additional million
15 and a half dollars to, for hybrid buses that will benefit the County both financially as well as
16 environmentally. As you know, last week GOO and CPA signed this agreement with PXP and
17 it is a precedent-setting agreement that we bring before you which, has opposed any and all oil
18 development proposals in Santa Barbara County. This is the first time in GOO's 39 history that
19 we have gone into such an agreement. We understand that not all of the public benefits
20 contained in our agreement, such as the end date of Point Arguello and the, the eventual donation
21 of the 39,000 acres. We understand that all of this is not before you today, however, it is
22 important to keep in mind. We believe that the approval of this project will set an important
23 precedent, not only for other companies wishing to do oil development in Santa Barbara County,

1 but as well as the rest of the nation. In conclusion, Get Oil Out believes that the Tranquillon
2 Project will benefit the residents and County of Santa Barbara, as well as the State of California,
3 and we urge you to certify the Final EIR today. Thank you very much.

4 CHAIR: Thank you very much. Mary Ellen Brooks, followed by Mike
5 Lundsford in Santa Barbara. I counsel to please try not to repeat things that have been said.
6 Thank you. Welcome.

7 MS. MARY ELLEN BROOKS: Good morning, Planning Commissioners and
8 Staff. My name is Mary Ellen Brooks, I live at 718 San Andrews Way in Vandenberg Village.
9 The Citizens Planning Association was established in 1970 to protect the unmatched natural
10 assets of Santa Barbara County and to cooperate with private groups and public offices in
11 designing sound planning goals. The crux of CPA's support, per the agreement with PXP, is the
12 end dates for the various oil projects, especially those associated with the Lompoc Oil and Gas
13 Plant. Lompoc Upland residents have long been concerned about this facility, especially given
14 its proximity to our neighborhoods. The fact that we now have a date certain when the LOGP
15 will be shut down and dismantled, will be well received not only in the Lompoc Upland
16 community, but the greater Santa Barbara County community, as well. That being said, I also
17 want to comment on the significant lands that will be donated in the Lompoc Valley Uplands
18 because of the benefit of that donation is twofold. First of all, 3,000 acres of mostly chaparral
19 located immediately adjacent to the existent Burton Mesa ecological reserve will be saved in
20 perpetuity. That alone is incredible. However, this donation will also result in the withdrawal
21 of a proposal for hundreds of residential units which, had they been approved, would have
22 resulted in urban sprawl in the Lompoc Valley. I quietly applaud PXP for approaching the
23 environmental community, working in a collaborative effort to reach this agreement. I hope that

1 this serves as a model for compromise and for cooperation between disparate groups in the
2 future. The community will continue to have concerns about the safety of the plant and its
3 pipelines. However, Citizens Planning is confident that the County and other regulatory
4 agencies will closely monitor the PXP production infrastructure to assure that the operation
5 never poses a threat to the nearby residents, and also I will continue to ask that those bright lights
6 in the evening be capped so we no longer have to see that orange glow. I live one mile from the
7 LOGP. I believe on January 1, 2023, maybe by then I'll have some grandchildren and I look
8 forward to the day when I can take those grandchildren for a little mile walk and we no longer
9 have to see the plant, and I no longer have to worry about those H₂S pipelines. Thank you very
10 much.

11 CHAIR: Thank you very much. Mike Lundsford in Santa Barbara, followed by
12 Jean Holmes in Santa Barbara.

13 MR. MIKE LUNDSFORD: Thank you, Mr. Chair, members of the Commission.
14 My name is Mike Lundsford. I'm the President of the Gaviota Coast Conservancy, and with
15 this project, as with all oil and gas extraction projects, there's always risk. We recognize that.
16 I think everyone recognizes even this project has its risks. However, due to the good
17 cooperation of PXP, the reduced lifetime equating to a reduced risk of environmental impacts
18 and I would point out that the significant Class I impacts are mitigated by that reduced lifetime
19 and the emissions, reduction in emissions, and I think, importantly, the amount of conditions on
20 this project that the County can enforce are significant and, of course, we're very interested in
21 the dedication of significant lands to the public with this project. So we can support this project,
22 but point out that the alternative proposed by Exxon would proliferate industrial impacts on our
23 coastline unnecessarily and bring more impacts to onshore biological resources. And I would

1 remind you that Exxon is the same company who sued the County to prevent its regulation of air
2 quality impacts with the project before they went into Las Flores Canyon, and this is also the
3 company which refuses to recognize the reality of global warming, let alone its contribution to
4 this profound threat to society. The benefit to California clearly lies in this project with PXP.
5 Thank you very much.

6 CHAIR: Thank you very much. Jean Holmes followed by Richard Nash.

7 MS. JEAN HOLMES: I'm Jean Holmes of the Santa Barbara League of Women
8 Voters. We urge the Planning Commission to adopt the recommendation of Staff to
9 conditionally approve the Tranquillon Ridge Project. The League has a long history of
10 advocating for public safety and protection of the environment when offshore oil projects are
11 under consideration, including, I might note, the previous proposal for developing this field.
12 Today we are balancing the Class I impacts of increased production on Platform Irene sent
13 ashore through a pipeline of dubious history against two new elements: the precedent-setting
14 fixed end date, and the zero net greenhouse gas emission condition. Although not under
15 consideration by you today for us on the South Coast, the definition termination of the Point
16 Arguello Project, which accompanies the Tranquillon Ridge Proposal, is another positive. The
17 League believes a definite end date is a Condition that could well be considered for other
18 offshore oil projects, as well. The zero net greenhouse gas emissions condition is also
19 important. We are all aware of the dangers of climate change and the need to take preventive
20 action. We do not have to wait for regulations from the State or even longer from the Federal
21 Government. Here is an opportunity for Santa Barbara to again be in the forefront of
22 environmental protection. Finally, the League would like to recognize the expertise and
23 diligence that the County's Energy Division brings to its oversight of oil projects. We feel

1 certain that its monitoring and mitigation activities will reduce risks to the lowest possible level.

2 Thank you.

3 CHAIR: Thank you very much. Richard Nash, followed by Carol Nash.

4 MR. RICHARD NASH: Good morning, Chairman Jackson and members of the
5 Planning Commission. I am Richard Nash and I live in Vandenberg Village. I support PXP's
6 project and I have one comment related to the current County policy on multi-company use of
7 PXP's facilities. Based on what we've heard this morning, and I, being a resident of
8 Vandenberg Village, recommend that the multi-company use of these oil and gas transportation
9 and processing facilities no longer be the County policy and this is particularly important
10 because if we continue to have multi-companies during this, say, interim period, it's simply
11 going to much, make the end date much more complicated because if the end date does occur,
12 obviously new facilities would be required, and then they can be properly sited rather than the
13 haphazard ad hoc approach that was taken specifically to the Lompoc Oil and Gas processing
14 plant. There was no planning at all, it just was make it up as we go. Thank you.

15 CHAIR: Thank you very much. Carol Nash, followed by Bob Nunn.

16 MS. CAROL NASH: Good morning, Chairman, Chairman Jackson and
17 Planning Commissioners. We appreciate being able to be here today. I, too, live in
18 Vandenberg Village, with Richard, for 47 years and which preceded this plant and all of the
19 infrastructure that went into the plant. So we were involved and especially I was involved in the
20 early hearings before the plant came online, and I'm a long term member, too, and Board
21 member of Citizens Planning Association. Appreciate planning. Been on the Planning
22 Commission and on the Advisory Committee for the 4th District. The only one that ever existed
23 way back when. So I appreciate planning. And I think that having, I couldn't believe, frankly,

1 that we were going to put a plant of this nature on top of a hill, on top of residential communities
2 of Vandenberg Village and then Mission Hills, and now Mesa Oaks is another. So this has
3 been a problem with me for a long time. When these hearings occurred, the industry flanked the
4 walls with all their proposals and why nothing, there was going to be no problem with, with
5 having a plant there 'cause it was never going to be anything more than a separation plant
6 because all of the, the gas processing was going to go over to Battles and so we never had to
7 worry about that and so as things evolved, there were problems along the way, as you know.
8 There were a number of companies that, that ran through there. There were amendments to the,
9 to the EIR, there were Director's Approvals to certain aspects of it, and all this other thing and
10 then eventually when Battles came down, we were processing gas up here on the hill and we now
11 have an end products rolling through our neighborhoods. So I'm very concerned, so what PXP
12 brings to the table today, I think is very important. Besides all the great economic benefits and
13 the right now stuff in a time when we need it, I think they bring to the table this 2022 which cuts
14 off a lot of years of this plant. We also have in your archives, you know, an alternative,
15 something for an alternative site for a plant should the other, other oil interest of the industry
16 being interested in, in, in continuing something beyond 2022. That's an option that maybe they
17 should consider, 'cause this plant will be getting old and remember Battles. Battles was not a
18 happy event and I think that we don't want it on top of our houses. We're very, very close to
19 where we, to where we live. So thank you very much, and I hope you will approve the project
20 today. Thank you.

21 CHAIR: Thank you very much. Mr. Nunn followed by Mr. Caldwell.

22 MR. BOB NUNN: Good morning Mr. Chair, Commissioners. My name is Bob
23 Nunn. I'm the President of Sunset Exploration which is a co-applicant of the competing

1 proposal and its Vahevala Project. And I'd like to share a few comments with you, I'll try not to
2 be repetitive, but in some of the commentary made by Staff here, apparently based on the
3 baselines that are present under the existing operating facility at Platform Irene, this proposal
4 has no extension of life for that facility. But I don't think anyone can question that there is a
5 significant expansion of risk here. I've been in the oil business 30 years and I find an 11
6 percent risk of an offshore spill unacceptable, and I'm in this business. I'm a bit surprised by
7 the level of support from some of the other groups in the Santa Barbara basin, but I also
8 commend them on having an open mind and discussing these things that have been more
9 difficult to discuss in the past. Originally, when our project came forward, we basically had an
10 economic baseline between our two projects that were neutral. Both projects had the ability to
11 fully develop the offshore resource. We still believe that we have, by far, the environmentally
12 superior project. We're onshore. The fact that an offshore facility with these levels of offshore
13 risks can somehow have an environmental equivalency above ours is kind of hard for me to get
14 my arms around, but without a EIR in front of you for you to utilize document to document and
15 apples to apples, it's difficult for me to make that, that case in the proper setting. Today with
16 the new 2022 time line, we no longer have an economic baseline that's equal between the two
17 projects. Theirs is approximately 50 percent economically viable for the County and the State,
18 from a revenue standpoint due to restrictions of those time lines placed on them and their ability
19 to properly drain the entirety of the asset. We think that's fairly significant. As you know,
20 we've been working with the Air Force, I started before ExxonMobil came on board, and it has
21 been a painful process, to say the least. We are making process, progress on this process, and
22 we have been assured more than once from the Air Force, from the Pentagon, that the letter
23 needed by the County is forthcoming. We urge you to delay any action here today until you

1 have the ability to have a project by project comparison where we can clearly show you the
2 environmental and economic benefits that this project, that we call Vahevala, can provide you.
3 A couple of comments that other speakers made that I feel compelled to comment on. I'm kind
4 of shocked that somehow this is the first oil and gas end date proposal. I've done three or four
5 of them in the Sacramento Valley. As recently as January, I had approval for an oil and gas
6 project in the town of Antioch that gives me a limited timeline. It was the third or fourth one
7 that I'd done so, although this is unusual from an offshore standpoint and with the collected
8 groups involved, it isn't precedent setting. A small company like mine has done it several
9 times. Also, in regard to the EIR, there is an inadequacy that I, along with the earlier speaker,
10 feel compelled to bring it up again under Measure A and the consolidation policies that were
11 passed by the voters here in Santa Barbara. There is clearly going to be an environmental
12 impact with this agreement that isn't a transparent agreement. I don't have it. I have a
13 summary of what the impacts or what the issues are that were agreed upon, but I don't have it to
14 look through. And the closure in 2022 of Lompoc is not, they don't get to just leave and close
15 the gate. It's a very complicated process to close that facility, even if they have a mind to close
16 it. And rest assured that there will be environmental impacts if there isn't a processing facility
17 in North County for the other oil that is there and will be there for decades, but this document
18 doesn't account for that. And that's a very significant –

19 CHAIR: I need you to wrap it up --

20 MR. NUNN: – so, again, thank you for your time and I look forward to your
21 decision.

22 CHAIR: Okay. Mr. Caldwell is our last speaker. Good morning.

1 MR. ANDY CALDWELL: Good morning, Chairman Jackson, members of the
2 Board, Commission. I'm Andy Caldwell representing COLAB. The first thing I want to say is
3 we fully and completely respect Plains, PXP's private property rights. We support their project.
4 If Exxon had a project before you, I don't know how we would decide between the two. One of
5 the things we were waiting to decide is who gave the best deal to, to the taxpayers, in terms of
6 royalty sharing both at the State and local level. Having said that, if PXP wanted to shut down
7 their project today and give all their property away, we would have to respect their right to do it.
8 But that doesn't mean we would like it. And as a Planning Commission, we have to ask you
9 whether or not the sidebar agreement with EDC is a de facto mitigation plan. And if it is a de
10 facto mitigation plan, what repercussions are there, in terms of planning and the economy and oil
11 resources off of our coast and onshore? For instance, we've always looked at that Gaviota site
12 as a consolidated site that the voters when they approved Measure A were told there was going
13 to be two of them and now is one going away via de facto sidebar agreement, and the County has
14 no say? We also looked at that overpass that that should be a visitor serving place and a new
15 entrance to Gaviota State Park. Will you ever have that choice, or is that done by a sidebar
16 agreement that you were not privy to? We actually liked the Harris Grade housing project
17 because it took pressure off the Valley floor and ag land, plus it was bordered by a major arterial,
18 and talk about urban sprawl, Lompoc's already gone up that hill anyway. We thought it was a
19 good place for housing. Then finally this issue of whether there's going to be oil left in the
20 ground. You know, if, if, the bottom line is we need the money, we need the oil, we need the
21 jobs, and we need the tax base. And so we're not interested in a premature decommissioning of
22 these leases because, in essence, those leases, in part, belong to the people. Companies bid on
23 the right to extract the oil and then they pay the people a percentage. So the people should be

1 part of this. We completely resent the Environmental Defense Center and the other
2 environmental organizations acting as a de facto Planning Commission, Board of Supervisor and
3 Coastal Commission. Now the problem that PXP and Exxon and every other company has, is
4 that they are the de facto Coastal Commission and therein lies a huge problem. The Coastal Act
5 is supposed to support coastal dependent industries which the oil industry is one of them. That
6 everybody expected these projects to get shot down when they got there. Hence, in our opinion,
7 the sidebar agreement. We can't blame PXP for reaching it, but we don't have to like it, but we
8 certainly think the public, because it is a de facto mitigation measure, the public has a right to
9 know the details. Because it's not going to just affect this company. It's going to affect
10 housing. It's going to affect recreation. It's going to affect tourism. It's going to affect beach
11 access. There's a whole lot of things come in to play with the sidebar agreement. The actual
12 project we can support. Thank you.

13 CHAIR: Thank you very much. Okay, that was our final public speaker. Can
14 we just make sure we don't have anybody in Santa Barbara still sitting there, just to make sure it
15 didn't get faxed? Okay. Alright. Then I will bring it back to the Commission at this time. I
16 thank those who participated and for their effort. I would, before I bring it back to the
17 Commission, I would like to provide the applicant an opportunity to respond to, or rebut, if that
18 is the case, but I'm going to be, I'm in touch with my inner cop, so I'm –

19 MR. RUSCH: I'll keep it short, Mr. Chair, and I'll have my counsel address a
20 couple of questions. I guess it, it really comes back to a project. And I appreciate Andy's
21 comments. I always like to hear Andy tell us what he thinks because he doesn't hold back, but
22 you know this is our project. This is, these are our lands. These are, you know, we chose to do
23 this and we worked a solution and the solution's before you. And we believe the timing is now.

1 That other idea out there that isn't a project yet, 2005 there was supposed to be a letter and it's
2 2008 and it could be 2000 – who knows when – when a letter might show up, which only starts a
3 process. And so really, just to summarize, we ask, PXP asks that you actually make a decision
4 today on the project and vote to certify the EIR, and with that, I'll turn it over to my attorney for
5 just a quick comment.

6 CHAIR: Okay.

7 MR. STEVE KIRBY: I will be brief, Mr. Chairman. I'm Steve Kirby. I'm
8 Counsel for PXP. In the 25 years or so that I've been working offshore oil issues in this region,
9 the greatest volume of voices and perhaps the loudest voices have been about not getting the oil,
10 not producing the oil and there is some concern expressed today about leaving too much of it in
11 the ground. It's, it's very ironic for me to hear that in this context, but it is Santa Barbara
12 County. I do want to amplify and explain something that Steve Rusch mentioned initially in his
13 presentation. And that is, if you decide today to advance the ball, and move this to the State of
14 California so they can decide whether they think a lease is in the best interest of the State of
15 California. If you decide to do that, you're not closing the door on your options. That's my
16 point. Another competing company, whether it's Exxon or someone else can pursue its project
17 if you decide to grant your approval and the State decides to issue a lease, that's the province of
18 the agencies with jurisdiction. The more likely scenario, though, is this. If after PXP begins its
19 drilling operations, and starts to understand the realities and produce-ability of this reservoir and
20 the volumes that are existing in this reservoir, if it turns out that there's a lot more than what
21 people expect or perhaps as much as some anticipate, there's nothing to stop another party from
22 coming in and asking the State for a lease that would take effect when PXP's operations
23 conclude in 2022. Exxon could come back with an onshore proposal that would say, "We think

1 there are resources left that deserve to be produced.” They could go through the process and, if
2 it was approved, that oil could be produced. But that’s, the time for that is later. It doesn’t
3 need to happen now. There’s no, no earthly reason for it. You have a project that’s permitted,
4 it’s built, and it’s ready to go, and I suggest that you would hope you won’t be seduced by blue
5 sky. The concept I’m talking about is as old as the oil industry itself. It’s called a top lease and
6 it’s a lease that’s issued by the land owner. That takes effect when an existing lease expires and
7 there’s nothing in your action today, if you choose to advance this project, that would preclude
8 that. That’s all I have. Thank you.

9 CHAIR: Thank you very much. Now I will bring it back to the Commission.
10 It is customary at this point for Commissioner questions. I’m looking to see if we have any
11 questions at this time to begin this portion of the process. Commissioner Brown, you’re up
12 first?

13 COMMISSIONER BROWN: Yes, thank you. One of the speakers mentioned
14 Measure A and I guess it’s got something to do about consolidation of oil facilities. Could you
15 explain that and I think there’s some, still some information about LOGP and perhaps you, that
16 can you wrap that into it.

17 MR. ANTHONY: Measure A is a voter initiative adopted in 1996 and it applied
18 to the County South Coast. At the time, the County had policies that designated two sites on our
19 South Coast within our South Coast consolidated planning area that’s between the City of Santa
20 Barbara and Point Arguello as consolidated processing sites. Those were Gaviota and
21 ExxonMobil Las Flores Canyon. What the proposition essentially said is that any approval to
22 put an offshore oil and gas related facility in a location other than those two consolidated sites
23 would require also an approval by the voters. So Measure A, itself, doesn’t apply to the

1 Lompoc facility. I think the speaker was referencing it because we have heard anecdotally that
2 the deal talks about an early end date for the Gaviota facility, as well.

3 CHAIR: Okay, any other Commissioner questions at this point? Commissioner
4 Blough.

5 COMMISSIONER BLOUGH: I'd like to follow up on that question. I believe
6 it's County policy to have consolidated sites whether or not Measure A applies or not and I guess
7 what concerns me a little bit is, and I don't want to be misled here, but if we approve the project
8 for us today then the Lompoc site does go away by this apparent private agreement between
9 EDC and PXP and so that if there, even if there was somebody that wanted to use the facility
10 after the year 2022, they would be prevented from doing that because the facility would not be
11 there. The property would actually belong to the conservancy. Did I get that correct, or did I
12 make a mistake?

13 MR. ANTHONY: Chairman Jackson, Commissioner Blough. You're correct.
14 A couple of distinctions here just for your consideration. On the South Coast, the County
15 actually went through a process of designating consolidated sites. They did that with an
16 environmental review. They looked at that as far as all the potential production in the area that
17 could come to those sites, analyzed the environmental impacts of that and made a decision to
18 designate those as consolidated sites. We did not do that in the North County. Rather in the
19 North County, though the Lompoc processing facility was approved, and there was a Condition
20 Q-9 that was placed on that that said this operator had an obligation to make its facility available
21 on a non-discriminatory basis to other producers in the area, it doesn't direct those producers to
22 go just to that site and in fact we've done two siting studies since that time, and came to the
23 conclusion that it's not necessarily a good idea to have Lompoc be the sole consolidated site in

1 that area. One of the largest concerns, given the geographic configuration of all the production
2 areas from up north, Casmalia, over Cat Canyon and, of course, all those offshore leases, would
3 be several miles of onshore sour gas pipeline that could pose a risk for the public. So you're
4 right in your understanding, Commissioner Blough, that if that site goes away, then there would
5 need to be some other site to handle that production. My understanding right now is no one else
6 takes their production to the Lompoc facility. Though, of course, with rising prices, there could
7 be a demand to do that in the future and we have certainly seen a desire expressed most recently
8 by Vaquero to use the site.

9 CHAIR: Commissioner Cooney.

10 COMMISSIONER COONEY: Thank you, Mr. Chair. Mr. Dillon, this question
11 is for you. I know it's one you've been waiting for. A number of the speakers, particularly the
12 attorneys, have indicated that the Environmental Impact Report is not complete as a result of the
13 changes made to the project in the last couple of weeks. Maybe it was even earlier than that, but
14 it wasn't long ago and yet Staff is recommending today that we certify the EIR today. And my
15 concern is, given the vulnerability of all projects to CEQA attack in the courts, is it your opinion,
16 the opinion of County Counsel, that the Environmental Impact Report that we've had for several
17 weeks is adequate in its present form to take into account the environmental impacts of the
18 project that's now before us.

19 MR. DILLON: Mr. Chair and members of the Commission, Commissioner
20 Cooney, I think that's a possible conclusion although I would encourage Staff to comment a little
21 more on the substance of the objection raised which is that, if the plant shuts down in 2022, will
22 that potentially cause impacts not foreseen. Mr. Anthony just made a very interesting comment
23 which is that the County has no policy in North County requiring consolidation of processing.

1 So it's by no means a given that under the current policies that production had to go to that
2 facility. So that was never envisioned by the County. In fact, Mr. Anthony has indicated,
3 based on the North County Siting Study, that the County actually came to a contrary conclusion
4 and decided that it was not necessarily a good idea to consolidate at LOGP because of potential
5 hazards associated with H₂S gas pipelines. But beyond that, I think there's also possibly an
6 issue here of whether or not this is a speculative impact. You know, I don't know that there's
7 any other offshore projects likely to come online. Additionally, the onshore production it's, it's
8 been there for years and has not tried to use the, the LOGP facilities. That may change for the
9 economic issues, but I think on this particular issue, Mr. Cooney, I would suggest perhaps Staff
10 should weigh in a little bit more on the evidence and how they see this working out and whether
11 or not they think the EIR is adequate, but I think we need a little more response from your Staff
12 on the substantive point if that's appropriate. And then I think the finding is possible that you
13 could conclude that it's, the EIR is adequate, if you are satisfied with the Staff response.

14 MR. COONEY: Thank you.

15 MR. DILLON: And I gave some of the Staff response, I guess, there, but –

16 CHAIR: Okay. Thank you. I have a question, oh, Commissioner Blough.

17 COMMISSIONER BLOUGH: Well, I was just going to follow up with
18 Commissioner Cooney's comments and I think they also brought the issue of inadequacy of the
19 alternative site on the onshore. I mean, I must comment that when I went through the EIR and it
20 talked about, I didn't see much analysis done on the alternative site. It was like because there
21 was no Air Force letter, it kind of appeared to me like they didn't really evaluate the two
22 together. So I'd like to hear comments on both the issue of the proc-, the processing points and
23 then, you know, the lack of alternative site.

1 MR. DILLON: Under CEQA, there's a duty of the agency to do a reasonable
2 analysis of possible alternatives to the project. Those alternatives do not need to be analyzed to
3 a project level of detail. So given what information was available, actually, I think the
4 consultant working with your staff actually did a fairly detailed job for alternative analysis which
5 I think is adequate. We went over that in some detail, the site was identified, pipeline routes
6 were identified. It may well be that the pipeline would change, but I don't think CEQA requires
7 you to predict the exact final location of a pipeline route on a project that doesn't even have an
8 application on file and may never come forward. It may come forward, but I think Staff and the
9 consultant did their best job in trying to identify what would be likely reasonable routes and then
10 analyzed that and came up with, I think, a fairly good summary of the potential impacts of that
11 onshore alternative and then, as I'm sure you noticed, they concluded in the end, it was kind of
12 comparing apples and oranges to try to decide which one was exactly the preferred alternative so,
13 for various policy reasons, you have a recommendation in front of you today to approve the
14 offshore alternative. And, but I think the, the alternative analysis is adequate for CEQA
15 purposes.

16 CHAIR: Okay, Mr. Anthony, I have a question. In following the Class I
17 impacts, we identified eleven Class I impacts, as I understand it. Ten of those eleven, dealt with
18 the undesirable intrusion in the marine area of water from the pipeline. There was a discussion
19 that the precursor entity that applied – I think it was back in '98 – had two issues of concern that
20 they were not willing to put on the table. One, acceptance of County jurisdiction, and the
21 second, I guess, was the maintenance expectations. You've documented several of the key
22 equipment purchase, or equipment that will be utilized that are proposed by the applicant. In
23 the, since the County didn't have, as I understand it, preceding jurisdiction, part of the case that's

1 being made is that there is an enhanced maintenance program that is underway and that the
2 de-rating, which I believe is the term, which was a concern about the impact from its inception to
3 now of rust and other problems in there. Has there been, or is there a consistent evaluation of
4 the current condition of the pipeline that, that would, and then could you talk a little bit more
5 about the, the difference between the precursor presentation as to maintenance, and the current
6 applicant presentation?

7 MR. DRUDE: Mr. Chair, certainly. On your first point about the ten new
8 impacts and offshore and the one onshore, the reason that they're, we identified those new
9 impacts, even within the baseline project, through 2022, it's because of the enhanced production.
10 They're going from about 8,000 barrels of dry oil a day, up to about 30. So if you would have
11 an accident offshore, which is where the ten impacts would occur, then you would have more oil
12 in the water. Less water, less produced water. Right now, the water cut is pretty high in that
13 oil because the reservoir's been produced for so long, but when you bring on the new wells,
14 you're going to hopefully, economically, get more oil. So you would have that much more oil
15 to do deal with, that much more in the water, that much more to clean up and, if it hits the shore
16 or affects other marine resources, the impact would be more significant. So there was an
17 increase because of that. With the natural gas liquid transportation, they're shipping, I believe,
18 one more truck per week of natural gas liquids on the road than they currently would be doing.
19 That would increase that existing significant Class I impact. Okay. Having to do with the
20 pipeline integrity, the previous operator, when the pipeline was first installed, they had
21 significant problems shortly thereafter because of the operator. There was immediately
22 corrosion set upon the inside of the pipeline. Very poor maintenance. When Torch Nuevo took
23 over, they enhanced the maintenance of that, the operation, doing more thing like the pipeline

1 pigging, corrosion control and inhibiting, scraping, monitoring, things like corrosion coupons
2 they would put into the pipe to check the rate of corrosion on metals so they became very much
3 more concerned with that operation of that pipeline. The de-rating of the pipeline was a
4 mandatory requirement through the County and the Minerals Management Service which states
5 that if you have a problem in the pipeline and it still safe and operational, but you want to
6 maintain it within safe operating parameter, what, one of the options you have is you can reduce
7 the pressure and what you do is, you base how much corrosion that you would have in the
8 pipeline and other problems and you de-rate the pressure of the, the operating pressure of the
9 pipeline which corresponds with any problems that you know are going on. So it's tit for tat.
10 So you lower the pressure to address the problems. The current program that we're working on
11 with PXP, they have hired a corrosion consultant that works very closely with them and shares
12 all of their information and reports with the County's System Safety, Reliability Review
13 Committee, as well as the Minerals Management Service. We meet with them on a regular
14 basis, go over all their corrosion control monitoring and corrosion inhibiting programs. They
15 share all of the smart pig reports with us. We have our consultant from Building and Safety go
16 through every page, work closely with our consultants, question every finding that we have and
17 we have that embodied in our own permit Conditions, in the Condition P-2. It's called the
18 Safety, Inspection, Maintenance, Quality Assurance Program, which requires by permit
19 Condition that they provide those reports to us. So they have been nothing but cooperative with
20 us and sharing all that information, giving us a better understanding of what they're doing, and
21 anytime that we feel that there's an enhancement in what they're doing, we build it into our plans
22 and require it of them, in a cooperative nature. So we're on it constantly.

1 CHAIR: Following up on it, because there was a 11 percent risk factor that was
2 presented by one of the speakers. There's also been a discussion from the alternative of more
3 modern technology. It would seem that the argument being a new pipe has more cutting edge
4 stuff. Is, is the 11 percent factored on or studied on the basis that the differential between the
5 existing with its current modifications and a new pipeline are that dramatically different or are
6 we talking about a more narrow range of risk associated with the failure of the, of the pipeline?

7 MR. DRUDE: Uh huh. If we're going to get into the percentages, I would like
8 to call my consultant to the table who could address that, I think, more accurately than I could.
9 Mr. Sheth, I –

10 COMMISSIONER BLOUGH: Could I add to your question?

11 MR. DRUDE: Okay, go ahead.

12 COMMISSIONER BLOUGH: I read the EIR last weekend. It was very
13 painful, and if I could remember this one section that struck me. I think I read something about
14 a, you know, one or two percent chance of failure through 2022 and if we extended the life for
15 30 years, there was a 16 percent failure. Did I read that correctly or did I miss something? I
16 can't remember.

17 MR. SHETH: Honorable Commissioners, I'm Jay Sheth, Consultant to Building
18 and Safety. The 11 percent failure rate is based upon the historical values and if you had placed
19 the existing pipeline with a new pipeline, it will reduce it by 10 percent. So it will go from 11
20 percent to 10 percent.

21 CHAIR: Okay, help me out. Could you say that again. I –

22 MR. SHETH: The 11 percent failure rate is based upon the historical values of
23 the, all the pipelines, and based upon that they came of the 11 percent failure rate. If you

1 replace the existing pipeline with a new pipeline, it will improve 10 percent, so it will go from 11
2 percent to 10 percent failure rate.

3 CHAIR: Roughly, okay.

4 MR. SHETH: That was your question, what would happen with, depending on
5 the existing pipeline and new pipeline.

6 CHAIR: Okay. Okay, did that –

7 COMMISSIONER BLOUGH: Not really, but it's alright.

8 CHAIR: Okay. Do my fellow Commissioners have any more questions at this
9 time? I just wanted to –

10 MR. ANTHONY: Mr. Chair?

11 CHAIR: Yes?

12 MR. ANTHONY: Just to follow up on one question from Commissioner
13 Cooney, if I may have just one minute, on the adequacy of the EIR, given the proposed changes
14 to the project. We have two proposed changes to the project description from the applicant.
15 The first one is that it would take measures to reduce and/or offset greenhouse gas emissions and
16 we, though we report in the EIR today, we divulge what the greenhouse gas emissions are, we
17 have not gotten to the point to where we have thresholds and that we're classifying them, but
18 obviously, we all know that this is a worldwide issue and any attempt to reduce greenhouse
19 emissions in the, a project, we seem them only as beneficial and not necessarily a reason to
20 re-circulate. I think the question that's probably more apropos is the reduced life of the project,
21 but the reduced life of the project coincides with what is baseline. That is, if you decided not to
22 approve this project today, the projected, in the EIR, the projected life of this project at its high
23 end, at its far end, is 2022. Mid-range was 2017, and its early rate was 2012. Now I think you

1 all understand, that's going to be based on a number of factors that, right now, would be very
2 speculative to go into any more detail. It's going to depend on price, it's going to depend on
3 what, how much oil they're getting and how it pencils out for them, production-wise. Also
4 speculative would be to try to consider who would be coming into that facility in a period of
5 2022 and beyond, or who would come in earlier, but would still be wanting to use that facility
6 and, again, where they're coming from and, again, whether or not that would be the best site for
7 them to come to that. And, as I said, we have done siting studies. We have established siting
8 criteria, accordingly. So that when such projects come in at that time when we have more facts
9 to bring to bear on the decision making, we could do that. So right now, we suggest that it'd be
10 speculative to try to ascertain what would be demand for production, or I mean for processing
11 capacity at Lompoc or some other site beyond 2022, at this time.

12 CHAIR: Okay, thank you. County Counsel had said that we had wanted to hear
13 some additional Staff input as to the viability or efficacy of this, of the Environmental Impact
14 Report. Do any of my colleagues, or do County Counsel want to build upon this issue at this
15 time? It doesn't appear to look that way.

16 COMMISSIONER COONEY: Well, Mr. Chair, I think that was what Mr.
17 Anthony was just doing.

18 CHAIR: Okay.

19 COMMISSIONER COONEY: He pointed out that the proposal has made these
20 two changes and why they are analyzed in the report. But in either case, it's Staff's view and,
21 Mr. Anthony, please correct me, that the EIR we have before us today for approval is adequate.

22 MR. ANTHONY: Chairman Jackson, Commissioner Cooney, that's correct.

23 CHAIR: Okay. Commissioner Brown.

1 COMMISSIONER BROWN: Thank you. A speaker suggested, and I, I want to
2 make sure that I have clarity on this, that – let me ask it this other way. Is it the State’s policy
3 that there is only one operator per lease? In other words, if you had a field that had a huge
4 potential and the op-, and there was this agreement in place for PXP to end in ’22 and they
5 couldn’t extract it all, I mean, could another operator go and say, “Gee, there’s gazillion barrels
6 of oil in there and we want to go in and see if we can’t get this gazillion oils, barrels out.” Is
7 that something the State would do? I mean –

8 MR. ANTHONY: Chairman Jackson and Commissioner Brown. I don’t fully
9 know the answer to your question, and I know there are members here from State Lands
10 Commission staff. I’m not sure if they’re comfortable answering that question or not, but –

11 CHAIR: Commissioner Blough.

12 COMMISSIONER BLOUGH: As part of our ex parte discussions, I asked that
13 question of both ExxonMobil and of PXP and both of them told me that the State would not issue
14 a lease for half of the site, so, I mean, it’s just one of those things that you, I just wanted to make
15 sure you all heard what I heard.

16 CHAIR: Okay. I don’t see any lights lit for any other Commissioner questions.
17 I just have a couple. With regard to our responsibilities today, we need to come to a group of
18 Findings and I just want to understand the full significance of whether or not we have answered
19 these question, at least. The first one is that we come to a Finding that the continued use of the
20 LOGP until the project end date as conditionally approved is preferable to constructing and
21 operating a new oil and gas processing plant and associated pipelines. That is part of what we
22 are expected to find as, as a part of this decision. The thrust of this project is, is essentially
23 leading, it looks like, to a draw down and phase out. I guess we are also acknowledging that

1 there are enhanced safeguards in this process that are, that mitigate or militate in favor of our
2 ultimate findings and that an emulsion pipeline replacement alternative is not preferable to the
3 Tranquillon Ridge Project as conditionally approved. These are the Findings that we are
4 concluding, as, if we go forward with this. That being the case, are there any other questions at
5 this time? Commissioner Valencia, do you have a question, or –

6 COMMISSIONER VALENCIA: Oh no.

7 CHAIR: Okay, I believe at this point in our normal agenda, this is a 4th District
8 project and I will ask the Commissioner from that District to take the lead here at this point.

9 COMMISSIONER VALENCIA: Thank you very much, Mr. Chairman and my
10 fellow Commissioners. I never thought I'd see the day when the environmental groups would
11 come together with people from oil. It's just unbelievable. I really couldn't believe it and I
12 was prepared to go forward with this project today, except that I had been talking to members of
13 PXP over the weekend, reviewing all the documentation and everything seemed pretty forward
14 and then Saturday afternoon I received this PXP agreement which the environmental groups had
15 prepared with PXP. Now, according to the others there's a statement here in our document that
16 says that in accordance with an agreement executed on April 9th 2008 between PXP and the
17 Citizens Planning Association, CPA and Get Oil Out, and PXP will discontinue operations at its
18 existing platform, pipelines in the Lompoc Gas Plant by December 31st. And, well, I guess
19 somebody's doing our job. And then on page 6 and page 4 of the report, it said, "County
20 Counsel has advised that the Planning Commission may not rely on the announced terms of the
21 PXP agreement as a basis for issuance of any permit to PXP. So here this environmental group
22 has gone through, spent a lot of time making this agreement which has a lot of good benefits for
23 the community in the 4th District, but it's not a, it's not a, it's not something that we can depend

1 on and possibly that's because the community, there wasn't any transparency, the community
2 didn't get a chance to speak on this. It was only the environmental groups and, and I get the
3 agreement and the agreement is in general terms. It doesn't speak in specifics of when these
4 things are going to occur, who is going to do what, and so on. So it seems to me that those
5 agreements are not complete, not by the County's understanding anyway. And then there are
6 some issues by Mobil/Exxon. I had a meeting with these people and they brought up a lot of
7 good points and I'm wondering why isn't this information available at the same time so that we
8 can make the decision when we're deciding here on this document? Why isn't everything here
9 at the same time? And there's another possibility here of these agreements with Vandenberg,
10 Sunset Mobil Exxon says within a few weeks or within a couple of weeks, we're ready to get an
11 agreement from Vandenberg. Well, we should, probably should have had documentation on
12 that. And on the taxes and the royalties. That isn't any of our business. That's, as far as I'm
13 concerned, that's the Board of Supervisors. But we are interested in it as to whom is going to
14 get, if the County is going to get, more under one project or the other. But those decisions are
15 handled normally by the Board of Supervisors. Another spur comes up. Vaquero is very
16 concerned whether they're going to be shut or not. Probably there should have been a response
17 by, they should have made an inquiry to the staff and the staff should have had a response on
18 that, of what was going to happen on that. And then it seems that in the national interest, oil is
19 \$4.00, I mean gasoline is \$4.00 a gallon today. Tomorrow it's going to be \$5.00 and it seems
20 silly that, if there's oil there after 14 years, why are we going to shut that off after 14 years and
21 build a brand new facility onshore to take that oil out? Why wouldn't you continue taking it
22 out? So, in that respect, I would have had problems with the PXP agreement with the
23 environmental group. The environmental, the PXP agreement with the environmental group has

1 good things. It gives us back that land on Harris Grade, it takes away the possibility of the
2 development, but it still doesn't leave the question fully answered as to the rest of the oil which
3 is the thrust of this project of getting oil out for the national interest. So I don't know if we need
4 a continuance for 30, 60 days to get all these answers done, or we need to go forward today, but
5 I'd certainly like my fellow Commissioners to think about these things that I brought up and
6 possibly discuss this during deliberations or at this time, Mr. Chair, and give some input to, so I
7 can make a motion that would meet the needs of this Planning Commission on behalf of the
8 citizens of Santa Barbara County.

9 CHAIR: Okay, I'm trying to retain our interest in protocol. It sounds like you
10 have, from your chair, or from your position, have indicated that it is time to begin deliberations.

11 COMMISSIONER VALENCIA: Yes, Mr. Chair.

12 CHAIR: Okay. It is noon. I will look to my colleagues if they are prepared to
13 continue and to see this through, or whether a break is necessary. Otherwise, I believe, I would
14 ask my colleagues are you prepared to begin deliberations at this time? And Commissioner
15 Blough, your light is lit.

16 COMMISSIONER BLOUGH: Okay, I'm going to agree with our 4th District
17 Commissioner. I have a real problem not having our staff, especially our legal staff, have
18 privilege to the agreement with EDC. I have also, I was real curious as to why the dates 2017
19 for some of the leases and 2022 for others. I now understand the reason for 2022, it's the
20 termination of the existing lease. One of the things that really did bother me is taking a look at
21 the graph, it was even, it was provided by PXP and it looked to me like in the year 2022, we're
22 still at part of our peak production, and I'm not sure that that's exactly the right year to pick. I
23 wish the County had been involved in that discussion, talking about the termination of the lease.

1 I don't have a problem with the termination date, I'm just not sure it's the right termination date.
2 The one thing I don't see in the Staff Report that really bothers me, considering the numbers that
3 have been thrown around these, on these various projects, is the financial impact to the County.
4 I agree with Mr. Caldwell and I think that analysis needs to be done. I don't agree with
5 Commissioner Valencia that it's not our purview to look at that. I think it is our purview to look
6 at that. The reality is that this Commission, today's decision, unless it's appealed, is the final
7 decision, and this, and, and the project can go forward. And I'm concerned that we may be
8 missing hundreds of millions of dollars of revenue by terminating this thing on this artificial
9 date, and I see no analysis. It also bothers me that we, I see no analysis as to what the tax effect
10 of giving up 4,000 acres off the tax roll on two projects that may be highly taxed now. And I
11 think the issue here is not so much that that's, I'm not so sure I'm disagreeing with that. I mean,
12 I like open space, private land. But I think the taxpayers have the right to know what it's
13 costing to do that. I mean, if we're giving up hundreds of millions of dollars, if that's the case,
14 is that what the taxpayer wants to do? Give up a hundred million dollars to have these, these –
15 COMMISSIONER BLOUGH: I don't think it is, and I don't know, but it should
16 be, it should be analyzed by Staff. It should be brought to us and, and so that we know what it
17 is. Eight hundred homes in Lompoc. Within the next week or two, we have RHNA that we
18 have to deal with. And the State's telling us that we have to have a certain number of new
19 housing units within the County, or we subject ourselves to having State control of our Planning
20 Commission, and I'm concerned about that. So I need to know that effect. I'm a little
21 concerned about the processing plants. We do have a policy of a consolidated plant. I think
22 that there should have been a little more information about that. So I'm kind of with
23 Commissioner Valencia. I'd like to see us continue this. What I would suggest is a 60-day

1 continuance. However, if the Staff is able to answer those questions, provide the financial
2 analysis earlier than that, I don't want to hold up anybody any more than we have to. So if
3 that's ready in a shorter period of time, they can re-agendize this and it won't take us long to
4 make the decision. I just want to make sure that we have the, the ability to look at the numbers
5 so that we know what, as a County and a taxpayer, what we're giving up to get the open space
6 and I would like a little more analysis by, by our financial people who could tell me that, in
7 particular, you know, if it's 2022, what our loss is, if it's 2024, or 2026, I mean, it might be just a
8 couple of years makes a big difference since we're somewhat near the end of the production
9 cycle, but I think it's responsible to get those numbers before we make a decision. So I'm going
10 to support a continuance, if you make the motion.

11 CHAIR: Commissioner Brown.

12 COMMISSIONER BROWN: Yeah, thank you. I guess I'm, you know, I
13 support PXP's project for several reasons. I'm concerned about the environmental impacts of
14 continued oil production off our coast and I appreciate this early end date of 2022, and also the
15 carbon neutral aspect of the proposal. I think that that's really quite remarkable and does set a
16 precedent and the standard for other oil industry projects. You know, I'm somewhat concerned
17 about the talk on this Commission about learning about the financial impacts, about whether or
18 not PXP should be ending this so soon. I think that's their business decision. I don't think
19 that's our decision or our interest. I don't think we should be meddling into what they feel is
20 appropriate for them and how they should be conducting business. Every project is going to
21 have an impact and I, a financial impact, and I've never seen any project here where these
22 financial impacts are revealed. Even in housing projects, we don't really understand the full
23 impacts of what taxes or lack of tax, property taxes does for the, the juris-, the jurisdiction of the

1 County. So I am comfortable going forward. I think the EIR is adequate, as been explained by
2 both County Counsel and Staff. I, you know, I think this issue, we don't know the numbers.
3 I'm sure that with modern technology, that these oil companies have a pretty good idea of what's
4 there. Going out 35 years for the Exxon project, I'm not supportive of that. If I could have
5 ended this project earlier, I would certainly do that. You know, it's interesting Santa Barbara
6 County is going to incur the impacts of this project and I'm not even sure any of the oil is, the
7 refined oil will come down here and fill our gas tanks. We simply don't know that. That's,
8 again, I suspect that we probably could find that out, but I'm just wondering if that impact isn't
9 greater than, than the benefits that we receive. The, this project would get whatever financial
10 benefit to the County earlier than any Exxon project. You know, I was in the Navy for 24 years.
11 You worked for the Government, Joe, you know, they're great bureaucracies and bureaucracies
12 move at their own speed and I'm not sure that we might ever see a letter and I'm not sure what
13 that's going to do. I, I think that we have a viable proposal. I'm not considering, even though
14 I've been quite impressed by EDC's efforts and certainly PXP's willingness to negotiate with
15 them, I think we have to look at the project that's before us and I think it's adequate. I think
16 it's, I think it's a good project. I don't, I'm sure these oil companies leave some, some money
17 on the table somewhere. Oil drilling today is, is a very difficult environment and it's very costly
18 and I'm sure that PXP has run their numbers and I'm not sure how much the County can wring
19 out of PXP. PXP may say, "2022, that's it, Commissioner Blough. We're not going to 2024.
20 We think this is adequate," and they've obviously done that so I, I respect that business decision
21 of theirs and I don't think that it's any of my business anyway. This is what's before us, so I'm
22 supportive of the project and not in any continuance.

23 CHAIR: Commissioner Cooney.

1 COMMISSIONER COONEY: Thank you, Mr. Chair. It's an interesting
2 discussion. I've just sat through a hearing where the environmental groups have come forward
3 en masse and said, "Approve this today." The applicant has said, "Please approve this today,
4 time is important." And the only opposition is from other oil companies. And what we're
5 looking at here today is basically second guessing a business decision by a deep pocket
6 defendant that has not only competent counsel, but I would say excellent counsel and saying,
7 "Have you thought this through? Are you really going to get enough oil out of the ground so
8 that you're willing to, to make these concessions about a definite ending date?" It's almost
9 ludicrous that we are picking up the baton for the unused oil in the Santa Barbara Channel, on
10 behalf of oil companies that may or may not have leases to do the same thing, if we pulled this
11 off. My feeling is that the basic premise of the proposal before us is that there's a bird in the
12 hand. We want to move forward with this in the quickest possible time. Not only in Santa
13 Barbara County, but with State authorities and in order to do that, we're willing to tell you that
14 we will get everything we're going to get by a specific time in the future. It's actually five years
15 longer than was originally thought by Plains, but they decided that the 15-year time limit was a
16 crucial part of the agreement and that's how we ended up with the date 2022. Now, addressing
17 the process, it is unusual, it is an unusual development. We were told for months that this
18 project, Tranquillon Ridge, was about ready to come to the Planning Commission and it kept
19 being delayed and delayed and delayed. And it's not until our last meeting that we were
20 basically told it's now ready, and the reason it's ready is that there's been this life-changing
21 agreement with the environmental community. What we can do is say we think the County
22 should have been at that table and, and had its own analysis done as to whether this is a good
23 deal for the County. In fact, I believe our Staff was intimately involved in the discussions from

1 the beginning. Mr. Anthony can disabuse us of that if that's inaccurate, but in addition to that,
2 the proposal that we have in front of us is merely supported by these environmental groups. It
3 has, at its core, a specific end date and addresses what has been the problem that we have faced
4 and will continue to face as a Planning Commission on many, many projects and that is
5 continued contribution to global warming through carbon discharges and this project proposes to
6 offset those to the extent of 100 percent. So, for me, nothing's changed in this project from
7 what we would have seen if we'd seen it six months ago except that the environmental
8 community is convinced it's the best possible deal that can be done for Santa Barbara County,
9 and I agree with them. So I'm prepared to go ahead today.

10 MR. ANTHONY: Mr. Chair.

11 CHAIR: Yes.

12 MR. ANTHONY: May I make one correction for the record? Staff was not
13 intimately involved in that deal making. It was between the two parties. We were aware of it
14 to the extent that it affected us scheduling this project for coming forward to you and we were,
15 from time to time, asked questions of a technical ans-, nature, as far as, and similar to some of
16 the questions asked today by your Commission, such as the consolidation policies of the South
17 Coast, but we were not part of this agreement negotiations.

18 CHAIR: Commissioner Blough.

19 COMMISSIONER BLOUGH: Yeah. I just want to make one comment to
20 Commissioner Brown's comments. When I talk about the financial impact, I'm talking about
21 the financial impact solely to the County. You know, we don't have, what I'm looking for is an
22 analysis of their projected revenue from taxes, from royalties, from property taxes. That's the
23 part you'll see. I'm not concerned with PXP. I'm sure they're big boys. They'll make their

1 decision and do what they think is right, but my concern is, is that, is that they've entered into an
2 agreement which it's okay for them. They're going to be financially sound. I'm just not
3 convinced it's the right deal for the County. So that's what I'm looking out for, solely the
4 County and their revenue stream.

5 CHAIR: Okay, I guess it's my turn. Gosh, this is fun. Well, I'll preface my
6 comments when I left our last meeting with Ms. Black and Mr. Allen, quite frankly they placed
7 the fear of God in me that I should not consider any aspect of the agreement in my thinking as I
8 went forward on this. So I dutifully, pardon me Ms. Krop, et cetera, I removed that from my
9 thinking and tried to look at what this proposition presents. I also visited the site and had a
10 question of the applicant who also told me I can't factor the agreement into my decision making
11 'cause he was not aware of whether or not that was ready to be public or even to tell me that
12 there was one, so I took it out of the picture. This is an opportunity to use existing facilities that
13 are presently in operation, that are working, that have had the benefit of an improved player in
14 the maintenance and performance on it at this time, who have integrated what I would probably
15 call best practices into the existing process for pumping emulsion to an existing plant that has a
16 window without having to develop significant new facilities and look at a future of expanded
17 facilities. This uses what's here. That was an attractive feature of this. I'm not insensitive
18 with the financial aspects, as Commissioner Blough raises them, but this initial project was
19 initially initiated, I think, in 1999 by one entity and it is the successor entity that has continued to
20 pursue this up 'til 2005 and then we have additional agencies who probably recognize there's got
21 to be something there and have joined in. I'm wrestling in my mind with the notion of a
22 continuance, but it is, if I were to do that, I don't know that that's a continuance that I would
23 factor in looking at waiting for a competing alternative to be looked at side by side. This one is

1 here now. This one is ready to go. If, and I do understand, contrary to Commissioner
2 Valencia, you don't go too much further in a analysis if the property owner is not on board. I, I
3 don't see how you can do that and that's a large, fairly significant hole in the scenario at this
4 point. That, if we were to delay until we're waiting for parallel paths of competing objectives,
5 that could be a tremendously long wait, and I don't know to what end. This, as Commissioner
6 Cooney said, is a bird in the hand. It is tapping a potential but probably pretty well-validated
7 resource. The competitive considerations probably demonstrate the validity of the resource.
8 So it's, the interest of others in it probably demonstrates that the first player going in probably
9 had it right. That there's something there. That it's worth it. That we're in an environment
10 where it's \$115 a barrel, as of last Friday, and I haven't seen it go down, so that makes it viable
11 in a way that, back in '98 when, as I understand it, it was somewhere between \$15 and \$20 a
12 barrel, it was not a viable proposition. So here's a viable proposition, uses existing facilities,
13 improves its maintenance, deals with the concerns that got this project turned down the last time,
14 puts it in County jurisdiction so, if those two features had been there a few years ago, there is a
15 reasonable assessment that this project might have been started then. But those weren't on the
16 table; they're on the table now and, as I understand it, there's a group talking about some
17 additional bennies that I did not factor in, that are also on the table. If we could get some type
18 of financial determinant in 60 days, I'm, I'm kind of willing to factor that in but, at the same
19 time, I am, I'm fairly moved by Commissioner Cooney's arguments and Commissioner Brown's.
20 We have something now and it would start in December and the need is now. These are, these
21 are what I'm wrestling, Commissioner Valencia, this is where I'm at.

1 COMMISSIONER VALENCIA: Mr. Chair, I learned to count to three a long
2 time ago. I have no problem counting to three and, if you are ready, I'm prepared to make a
3 motion, Mr. Chair. Okay.

4 COMMISSIONER VALENCIA: Procrastination costs everybody money.

5 CHAIR: Alright. Commissioner Valencia?

6 COMMISSIONER VALENCIA: Mr. Chair, I move that we adopt the required
7 findings for the project specified in Attachment A of the Staff Report, as modified by the
8 Planning Commission, including CEQA findings and that we certify the Environmental Impact
9 Report 06EIR-00000-00005, SCH 20060221005, and adopt the Mitigation Monitoring Program
10 contained in Conditions of Approval, including any modifications approved by the Planning
11 Commission, and approve the revised Final Development Plan, subject to the Conditions
12 included as Attachment B, and as modified by the Planning Commission, and all changes
13 included today.

14 CHAIR: Thank you. Do I hear a second?

15 COMMISSIONER BROWN: I'll second it.

16 CHAIR: We have second and a Motion. Any discussion at this time,
17 Commissioner Blough?

18 COMMISSIONER BLOUGH: Yeah, I want to make it real clear that I really
19 support PXP. I was very impressed by their operation. I like the idea, like I walk around that
20 platform. I could shut that whole thing down by pressing one button and that was kind of nice
21 to know that, if you saw something that was bad, you, you'd stop it. I cannot vote against this
22 project. By the same token, for the reason outlined before, I can't approve it here today. For
23 me, the money's just too much of an important issue and I'm concerned that the, they got

1 coerced into shutting down the operation sooner than it maybe should be shut down. I don't, I
2 really wish the County had been a part of that discussion. But at any rate, so, I'm going to
3 abstain from voting today, but I wanted to make it real clear that I was impressed by your
4 operation. I think you guys are great operators. I think that the chances of a leak are way less
5 than 10 percent. I mean, I'm no expert, but I saw what they do and how careful they were and
6 so that was kind of important to say. So I will be abstaining today from the Motion, from
7 voting, but I just wanted you to know why. It's not, not your operation or, it just has to do with
8 the money that's due the County.

9 CHAIR: Okay, we have a Motion, a second, any other discussion on the
10 Motion? Commissioner Cooney?

11 COMMISSIONER COONEY: Just to make sure the record includes the Errata
12 sheet that we had both for the Staff Report and the EIR.

13 COMMISSIONER VALENCIA: Mr. Chair, that was included in my Motion.

14 MS. BLACK: And Mr. Chair, the two Condition, the Condition Mr. Dillon read
15 into the record, and the –

16 COMMISSIONER VALENCIA: As I indicated, all changes at this meeting,
17 encompasses all.

18 MR. ANTHONY: And that's three Conditions, also the Condition A-6, Project
19 Description as modified by Plains in their letter that addresses a carbon neutral project.

20 CHAIR: Thank you.

21 COMMISSIONER VALENCIA: Does anybody have any Conditions out in the
22 audience? Make sure we get them all.

1 CHAIR: Oh, you said you were going to follow protocol. Okay, I believe we
2 are prepared, Mr. Villalobos, for a Roll Call.

3 MR. VILLALOBOS: Commissioner Brown?

4 COMMISSIONER BROWN: Aye.

5 MR. VILLALOBOS: Commissioner Blough?

6 COMMISSIONER BLOUGH: Abstain.

7 MR. VILLALOBOS: Commissioner Cooney?

8 COMMISSIONER COONEY: Aye.

9 MR. VILLALOBOS: Commissioner Valencia?

10 COMMISSIONER VALENCIA: Aye.

11 MR. VILLALOBOS: And Commissioner Jackson?

12 COMMISSIONER JACKSON: Aye.

13 MR. VILLALOBOS: Motion passes, 4-0-1

14 CHAIR: At this juncture, I believe we have no further business at this point.

15 Ms. Black, do you want –

16 MS. BLACK: No, Mr. Chair. We'll reconvene on Wednesday, the 23rd in Santa
17 Barbara.

18 CHAIR: Thank you very much.

19 - End -

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VERIFICATION

I, Beverley Best, hereby verify that the foregoing pages consist of a transcript of a Special Hearing of the Santa Barbara County Planning Commission, held in the matter of PXP Tranquillon Ridge Oil and Gas Project on April 21, 2008.

I further verify that I transcribed the aforementioned pages from a DVD which was provided to me, and that this transcript was processed as a full, true, and accurate record, to the best of my knowledge and ability.

Dated and signed at Santa Barbara, California, this 17th day of May 2008.

Beverley Best
Certified Electronic Transcriber
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