

BOARD OF SUPERVISORS AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors

105 E. Anapamu Street, Suite 407 Santa Barbara, CA 93101 (805) 568-2240

Department Name: CEO
Department No.: 12

For Agenda Of: 7/8/2008

Placement: Departmental

Estimated Tme: 1 Hour Continued Item: Yes

If Yes, date from: File No.: 07-01220

Vote Required: N/A

TO: Board of Supervisors

FROM: Department Michael F. Brown, County Executive Officer

Director:

Contact Info: John Baker, Assistant CEO/Director of P&D

SUBJECT: Onshore Oil Facilities Update

<u>County Counsel Concurrence</u> <u>Auditor-Controller Concurrence</u>

As to form: Yes As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

- 1) That the Board of Supervisors on July 8, 2008 receive a staff report on the status of the onshore facilities program. and
- 2) Receive an update on the five recommendations concerning potential new ordinances and staff practices adopted by the Board of Supervisors on January 15, 2008.

Summary Text:

1) Onshore Facility Inspection and Spill Reports — Since January 15, 2008, the onshore inspection team, consisting of County Fire Prevention Division and the Petroleum Unit, have inspected the following:

Inspected No. of facilities Owned and Operated by:	No. of Inspections	No. of Deficiencies	Shut Down Requirement
Greka Energy	18	765	2 facilities
Richards Oil	3	79	No
PXP	2	0	No
Breitburn Energy	4	145	No
Sierra Resources	3	38	No
E&B Resources,	5	75	No
Phoenix Energy	1	4	No
Gitte-Ten Resources	1	1	No
B&E Conway	2	4	No
TOTALS:	39	1111	

Out of the eighteen (18) Greka Energy facilities inspected, two remain shutdown, eleven (11) are in active operation (the Zaca facility re-started on 6/23/08), and three (3) facilities are idle. The two Richards Oil facilities are currently in active operation. PXP has one (1) facility in active operation and one (1) idle facility. The four (4) Breitburn facilities inspected are in active operation. Since January 15th 48 spills have been reported; 41 of which occurred at Greka Energy facilities; 3 at the Breitburn facilities; and 1 each at Santa Maria Pacific, Shell, Richards Oil, and PXP. The amount spilled for each of these occurrences totals (insert#) gallons. (See Attachment A to this Board letter for a detailed schedule of facility inspections completed and scheduled and a listing of individual spill amounts).

2) Status of Prior Recommendations Approved by the Board – In order to deter the continued occurrences of deficiencies at onshore oil sites, to recover the increased and often excessive costs to the County's citizens associated with such deficiencies, and to improve the efficiency and effectiveness of oversight activities countywide, the Board, at its January 15, 2008 meeting, approved five recommendations that had been presented by staff. The status of those recommendations is presented in Attachment B to this Board letter.

Background:

1) County Onshore Facility Inspection and Spill Reports -

During each facility inspection, the Petroleum Unit and the Fire Department visually inspect the entire facility for deficiencies of all applicable codes and standards, which range in coverage from minor maintenance deficiencies to deficiencies that pose an imminent threat to life, limb and/or property. After each facility inspection is complete, the inspection team coordinates their respective deficiency items to determine if the facility is fit for service. Depending on the severity and/or number of deficiencies, the facility may be shut down. To help in their decision, the inspection team categorizes each deficiency into one of the following three categories:

Level #1 - **Immediate Priority Deficiency** - These deficiencies pose an immediate threat to life limb and/or property. They are generally occurring at the time of the inspection. Some examples of these could be: an uncontrolled gas leak; pumping more fluids into the facility than can be processed out of the facility (this could cause the facility to begin a chain reaction of failures as the system over pressurizes, potentially ending in a catastrophic failure and a large oil spill); or an oil release from a facility where the cause of the release is pertinent to the safe operation of the facility. Any of these or similar deficiencies would be cause for an immediate shutdown of the facility.

Level #2 - High Priority Deficiency - These deficiencies have the potential to threaten life, limb and/or property, but are either not actively failing or are much smaller in scale. Examples of these could be: Leaky valves, pipes or tanks (these items would be individually shut down, but may not cause the entire facility to be shutdown); missing pulley covers; electrical extension cords used for permanent wiring; open electrical boxes and/or panels; or missing fire extinguishers. All of the above examples need to be addressed in a timely manner. Specific timelines could range from 1-10 days depending on the specific safety issue. As the examples above may not individually be cause for shutting down a facility, the accumulation of a number of items may pose too great a safety risk to allow the facility to remain in operation.

Level #3 - Low Priority Deficiency - These Deficiencies do not pose an immediate threat to life, limb or property. Some examples of these could be: Maintaining proper labeling; vegetation clearing; current pressure tests on relief valves; secondary containment berm; leaking seals. Although these

deficiencies require attention, they are not imminent safety deficiencies and are granted 30 days to complete the maintenance

Starting March 5, 2008, the on shore inspection team began to perform re-inspections of the facilities. As of May 1, 2008, the team has performed twenty three (23) re-inspections of eleven (11) Greka facilities. To date, Greka has corrected 243 deficiencies; however, ten of the eleven facilities re-inspected still have deficiencies that are now past due. Since Greka has not corrected all the deficiencies within the required timelines, the team has issued abatement violation notices against each of the ten (ten) facilities. If the corrections on each facility are not completed within the timelines as required by the abatement notices, the team will issue Notice of Violations on each facility not in compliance. The Notice of Violation will carry fines of \$100.00 per day per violation.

During the next sixty (60) days, the onshore inspection team will be inspecting approximately an additional fourteen (14) facilities. Not withstanding, the inspection team will continue following up with previously inspected facilities, as requested by those operators or after correction deadlines have passed, to re-inspect the facility deficiencies identified from our initial inspections. The onshore inspection team is working closely with representatives of each operator on resolving the deficiencies in an effort to bring them into compliance with current County Fire and Petroleum Codes and allow any facility that has been put in a shutdown mode to resume operations as quickly and as safely as possible.

In addition to the current onshore facility inspections, County Fire and the Petroleum Unit continue to monitor, respond to and document all operators in the County of Santa Barbara.

2) Outside Agency Reports -

■ U. S. EPA:

The Federal agency is currently actively working four Greka leases. The status of the actions is as follows:

- ⇒ UCAL The "federalizing" orders are still in effect (meaning that EPA is overseeing the cleanup of the site) at the facility. The cleanup at this point relates to PCB's. In addition, the agency is determining the ability of the company to drain the Omni ponds at the facility and transfer the contents to the Zaca facility for processing. The EPA has required that the ponds be drained by July 14.
- ⇒ Zaca EPA is awaiting a final report on the facility after agreeing with the County on the lifting of the shut down order. The agency has inspectors on the lease checking for leaks or other deficiencies. None have been identified to date.
- ⇒ Bell EPA has completed its cleanup work on the lease. Restoration activity will begin in the fall.
- ⇒ Bradley 3 EPA is awaiting contamination samples to determine the depth of soil remediation that will be required.

■ Air Pollution Control District:

The following chart provides data regarding violations by onshore oil operators for the months of May and June 2008. None of the violations required any shut down of facilities. APCD management staff continues to meet with Greka management staff on a regularly scheduled monthly basis to identify, track, prioritize, discuss, and resolve outstanding compliance and permitting issues.

Notice of Violations Issued May 2008

		Date	
Facility	Source of Violation	Issued	Type of Violation
Greka - Battles Lease	Storage Tank	5/12/2008	Leaking Guage Hatch
Greka - Battles Lease	Storage Tank	5/12/2008	Leaking Guage Hatch
Greka - Battles Lease	Storage Tank	5/12/2008	Vapor Leaks
Greka - Bell Lease	Storage Tank	5/6/2008	Vapor Leaks
Greka - Bell Lease	Storage Tank	5/9/2008	Leaking Guage Hatch
Greka - Bell Lease	Gas Service Components	5/5/2008	Vapor Leaks
Greka - Jim Hopkins Lease	Gas Service Components	5/5/2008	Vapor Leaks
Greka - Kemp Lease	Storage Tank	5/6/2008	Leaking Guage Hatch
Greka - Los Flores Lease	Gas Service Components	5/9/2008	Open Ended Line
Greka - Morganti Lease	Flare	5/8/2008	Exceed H2S Limit
Greka - Security Fee Lease	Storage Tank	5/14/2008	Vapor Leaks
Greka - United California Lease	Storage Tank	5/13/2008	Vapor Leaks
Greka - Williams B Lease	Gas Service Components	5/8/2008	Open Ended Line
Greka- United California Lease	Breakdown Notification Procedures	5/15/2008	Failure to Report

Notice of Violations Issued June 2008

		Date	
Facility	Source of Violation	Issued	Type of Violation
Greka - Los Flores Lease	Waste Water Pits	6/30/2008	Exceed Use Limits
Greka - McFadden Lease	Storage Tank	6/17/2008	Vapor Leaks
E&B Natural Resources	Storage Tank	6/11/2008	Vapor Leaks

■ Department of Conservation, Division of Oil, Gas and Geothermal Resources (DOGGR):

As noted in Attachment C, DOGGR has imposed Provisional Orders calling for penalties at two Greka facilities. One penalty has been upheld on appeal. The second was scheduled for hearing in June; however Greka requested a postponement. No new date has been set.

■ California Department of Fish and Game:

At the present time there are no further creeks to be cleaned up.

Attachments:

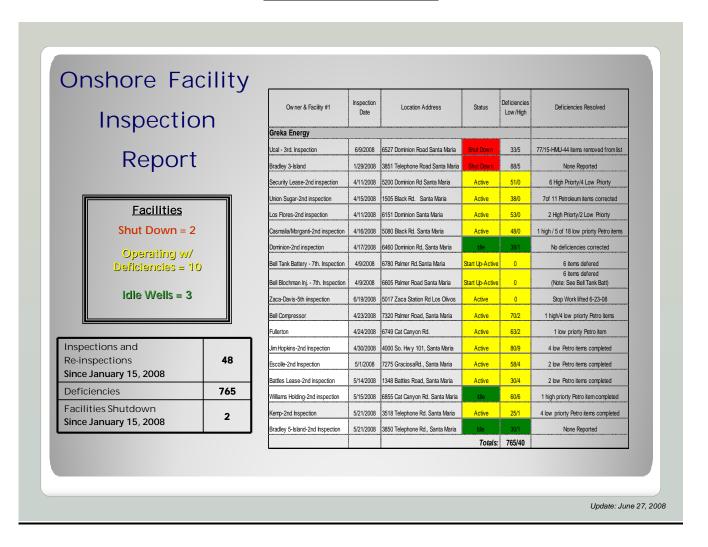
Attachment A - Schedule of Onshore Facility Inspection Reports

Attachment B - Status of Prior Recommendations

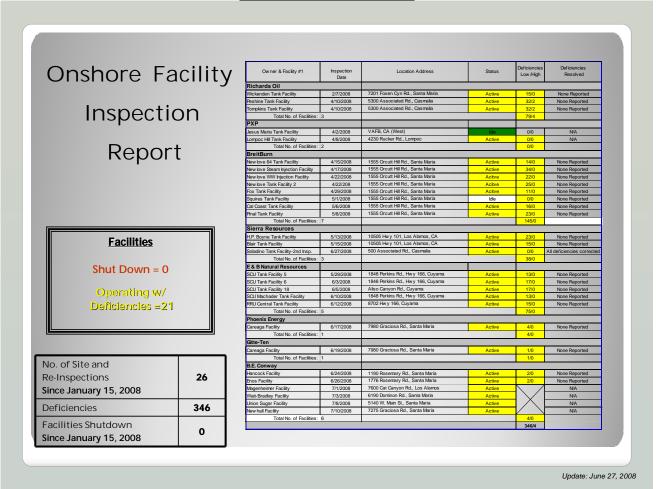
Attachment C - Letter dated June 18, 2008 from Pat Abel, Department of Conservation – Division of Oil, Gas and Geothermal Resources

Attachment D - Screen Shot of a Centralized Database

Attachment A - 1 of 3



Attachment A - 2 of 3



Onshore Facility Spill Report Spill data from

Spill data from January 15, 2008 – April 30, 2008

Number of Spills Since May 1, 2008	13
Greka Facilities	8
BLM Transportation	1
Breitburn Energy	1
PXP	1

Total Gallons of Oil Spilled: 13,667.40

Date	Operator	Lease/Facility	Gallons
	Breitburn Energy Total		917
	Greka Total		10567
	PXP Total		2
	Richards Oil Total		1680
	Santa Maria Pacific Total		92.4
	Shell Total		42
	Grand Total		13299.8
5/1/2008	Greka	Bell	
5/1/2008	Greka	Jim Hopkins Lease	3
5/2/2008	BLM Transportation	Battles Lease	3
5/5/2008	Breitburn Energy	Orcutt Hill	84
5/6/2008	PXP	Lompoc Oil & Gas Facility	2.3
5/15/2008	Greka	UCAL Lease	42
5/16/2008	Greka	Battles Tank Battery	84
5/20/2008	Greka	Union Sugar Lease	25
5/30/2008	Greka	Lompoc Oil & Gas Facility	(
6/2/2008	PXP	Casmalia/Morgantini Lease	12.3
6/2/2008	Greka	Bell Tank Battery	42
6/13/2008	Greka	Casmalia/Morgantini Lease	30
6/23/2008	Breitburn Energy	Orcutt Hill	40
			13,667.40

Update: June 27, 2008

Attachment B

STATUS OF PRIOR RECOMMENDATIONS

STAFF'S PRIMARY EFFORTS HAVE FOCUSED ON INCREASING ON-SITE INSPECTIONS AND PROVIDING RESOURCES TO ASSIST ONSHORE OPERATORS MEET COMPLIANCE REQUIREMENTS. HOWEVER, WE HAVE BALANCED THIS EFFORT WITH MOVING QUICKLY FORWARD ON RECOMMENDATIONS APPROVED BY THE BOARD OF SUPERVISORS ON JANUARY 15, 2008.

Recommendation 1 -

Develop a Multiple Response Ordinance:

Staff has worked cooperatively with onshore oil operators to develop a section in the Fire Code to address multiple responses. The proposed language is as follows:

"Sec. 15-103. Petroleum facility response - Cost Recovery.

Petroleum Facility Operators shall pay a fee as specified below, for any response to their petroleum facility (and/or associated piping and wells) by County Fire that is caused by a violation of Chapter 27 (hazardous Material) or Chapter 34 (Flammable and Combustible Liquids) of Article 1 of Chapter 15 of the Santa Barbara County Code. There shall be no fee for the initial response to a petroleum facility in a calendar year. However, a fee of \$712 shall be charged for each subsequent response to a petroleum facility in a calendar year. Additionally, if the time needed by County Fire to mitigate the hazard caused by any violation exceeds two hours, the Petroleum Facility Operator shall pay a surcharge based on County Fire's actual response costs.

Exception: Off-shore related Petroleum facilities with Conditional Use Permits and regulated by the county's Systems Safety and Reliability Review Committee (SSRRC) are exempt from Sec. 15-103."

The language is included as part of the proposed revisions to the Fire Code contained in the Board agenda for May 13, 2008.

The environmental community (SBCAN) was a participant in a meeting with oil operators to discuss an appropriate method of addressing this issue.

Recommendation 2 -

Develop a High Risk Offender Ordinance:

The Energy Division is in process of finalizing draft financial assurance rules for off shore facilities to ensure that, for certain oil and gas and other energy facilities, demolition and removal of facilities and restoration of sites occur in a timely manner following permanent cessation of operations. These rules were not originally intended to apply to facilities that produce oil/gas derived from onshore fields. Application of the same rules to on shore facilities requires more research before a providing the Board with a recommendation of how to proceed with this concept.

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Recommendation 3 -

Develop a Centralized Data Base to Compile Violation History:

Oil Data Tracking and Sources Database- see Attachment D

The "Oil Data Tracking and Sources Database" project has been initiated to consolidate disparate sources of data from various agencies in order to facilitate reporting of oil spill and compliance history. The initial focus will be on reporting summary compliance history by agency including the number of permits, status, number of inspections, number of notices of violations, releases, responses, and dollar amount of penalties. Data from the Fire Department, Planning and Development Department, and APCD agencies are being consolidated initially.

The data from the Fire Department and Petroleum has been imported and consolidated into a common database. Common data tables for Operators, Oil Fields, and Leases/Locations have been created. Information will be maintained using these forms. Staff is gathering information from APCD. The project is currently on track for a scheduled review.

Recommendation 4 -

Increase Inspection and Permitting Fees for those Facilities Requiring Extraordinary Time for Inspection

Draft ordinance language has been completed and is contained in the update to the Fire Code included in the Board agenda for first reading on May 13, 2008.

Recommendation 5 -

Operational Efficiency Recommendations

The County's on-site inspection program has been consolidated under the responsibility of the Petroleum Unit. County staff continues to coordinate with all regulatory agencies and have met twice with each group since 1/15/08. Staff will report progress to Board at 60-day intervals until this situation is stabilized. The next report is scheduled for July 15, 2008.

Attachment C

STATE OF CALIFORNIA, RESOURCES AGENCY

ARNOLD SCHWARZENEGGER,

GOVERNOR



DEPARTMENT OF CONSERVATION

DIVISION OF OIL, GAS AND GEOTHERMAL RESOURCES

5075 S. Bradley Rd. • Suite 221 • SANTA MARIA, CALIFORNIA 93455

PHONE 805 / 937-7246 • FAX 805 / 937-0673 • WEBSITE conservation.ca.gov

June 18, 2008

Mr. John Baker County of Santa Barbara 123 East Anapamu St. Santa Barbara, CA 93101-2058

Re: Enforcement Action Update

Dear Mr. Baker:

Updated information was requested concerning environmental inspections made and enforcement actions taken by our agency with regard to oilfield operations in Santa Barbara County. The following outlines the activities of the Division's District 3 office from April 16 – June 13, 2008 germane to the report you are preparing:

In December 2007, the Division issued Provisional Order P307-3 imposing a civil penalty. Greka appealed the order and requested a hearing. The hearing was conducted on March 26, 2008. On April 21, 2008 the State Oil & Gas Supervisor rendered a decision upholding the \$ 5000 amount of the civil penalty.

In March 2008, the Division issued Provisional Order P308-1 for operations at the Davis tank battery in the Zaca field. Again, Greka appealed the order. A hearing date was set for June 25, 2008, however on June 13, Greka requested a postponement. No new date has been set.

Environmental lease inspections (April 15-June 13) have been made as follows:

Operator	Field	Lease Name
Aera	Cat Canyon	Bonetti, Field Fee, Fleisher, R&G, Stendel, Victory
B.E. Conway	Casmalia	Newhall
	Cat Canyon	Brooking
Chevron U.S.A.	Casmalia	Casmalia Fee
	Cat Canyon	Los Alamos, W.P. Hammon Fee B
E&B Natural Resources	Russell Ranch	R.R.U.
	South Cuyama	F.K. Perkins, Machader, S.C.U.
Grayson Service Co.	Cat Canyon	Cantin
Greka Oil & Gas	Casmalia	Escolle, Morganti
	Cat Canyon	Bell, G. Gibson, Goodwin A, Harbordt, Lloyd et al,
		Los Flores, Mortenson, Porter Security Fee,
		United California

June 18, 2008 Page – 2 – DOGGR Enforcement Action Update

Operator	Field	Lease Name
Greka Oil & Gas	Santa Maria Valley	Battles, East Valley Farms, Kovar, R.B. McFadden, McKenzie, North Orcutt, Well No.
	Zaca	Luton
KORE Energy	Orcutt	Careaga
Plains Exploration and Production Co	Jesus Maria	Jesus Maria
Pyramid	Cat Canyon	Delaney-Tunnell
Richards Oil	Casmalia	Peshine, Tompkins
	Cat Canyon	Wickendon
RMR	Cat Canyon	Williams Holding
Sierra Resources	Barham Ranch	Barham, Blair, Boyne, WPC Blair
	Los Alamos	Blair
Southern California Gas	La Goleta	Bishop, Miller
Vaquero Energy	Careaga Canyon	Los Alamos
Venoco Inc.	Cat Canyon	Tognazzini
	Elwood	Elwood, State 421

Please contact our office should you have any questions.

Sincerely,

Patricia A. Abel

Acting Deputy Supervisor

PAA:pd

Attachment D

