

EXHIBIT 1
FINDINGS FOR PROJECT DENIAL

1.0 CEQA FINDINGS

The Board of Supervisors finds that the denial of the project is exempt from CEQA pursuant to CEQA Guidelines Section 15270 [Projects Which are Disapproved]. CEQA Section 15270 confirms that CEQA does not apply to projects which a public agency rejects or disapproves. Please see Attachment B, Notice of Exemption.

2.0 ADMINISTRATIVE FINDINGS

2.1 PRODUCTION PLAN FINDINGS

Section 35.55.030 of the County Land Use and Development Code identifies the required findings for Production Plans for onshore oil drilling and production in the Inland area. However, the Board of Supervisors is unable to make the following required findings for approval of the subject request:

- 1. Significant adverse environmental effects will be mitigated to the maximum extent feasible.*

The Final EIR (14EIR-00000-00001) for the Orcutt Hill Resource Enhancement Plan project identifies significant and unavoidable (Class I) impacts to biological resources and water resources due to expected oil seeps and potential oil spills/leaks. As discussed in Section 4.3 of the Final EIR, seeps have resulted and are predicted to continue to occur and result in the loss of upland habitat for the federally-protected California Tiger Salamander, individual Lompoc yerba santa plants, and habitat for other sensitive species and communities including La Purisma Manzanita, mesa horkelia, black-flowered figwort, purple needlegrass, maritime chaparral, southern bishop pine forests, and oak woodlands. Additionally, pipeline spills/leaks represent a significant and unavoidable (Class I) impact due to the risk of upset and significant impacts that occur due to such spills/leaks.

As discussed in Section 4.8 of the Final EIR, seeps and oil spills/leaks also have the potential to impact hydrology and water quality. Oil from seeps could migrate to nearby creeks and drainages, creating potentially significant water quality impacts. Large oil spills from downstream pipelines which carry PCEC's production such as the existing Cal Coast Pipeline and the P66 Line 300 transmission pipeline, could spread into ephemeral drainages and impact water quality.

When the Planning Commission approved the original Oil Drilling and Production Plan in 2006 for steaming on Orcutt Hill (06PPP-00000-00001), the occurrence of seeps and their associated biological impacts as a result of steaming was not

anticipated and therefore was not considered. Had the Commission known of these impacts, the project could well have been denied.

Further cyclic steaming production on Orcutt Hill is denied because evidence has shown that steam injection of this very shallow field has consistently resulted in surface oil seeps originating from the Careaga formation that have caused significant damage to sensitive environmental habitats. Installation of the existing seep cans began in 2008. As discussed in Section 4.8 of the Final EIR, as of July 2016, 99 oil seeps have occurred that have required seep cans to be installed at the Project Site. The oil seeps have resulted in the destruction of 6.09 acres of sensitive habitat including Bishop Pine forest, central maritime chaparral, coastal sage scrub, oak woodland, California Tiger Salamander upland habitat and approximately 360 Lompoc yerba santa individuals, a federally listed endangered plant species. Seep occurrence and location is unpredictable, and seeps continue to occur on site, with the most recent seep can installed on March 18, 2016. Expansion of development on Orcutt Hill should not be allowed until the owner can produce oil without such unacceptable environmental impacts to sensitive habitats and species.

The applicant has provided some evidence based upon plant surveys in 2008 and 2016 that Lompoc yerba santa has increased in abundance and distribution despite (or perhaps because of) current oil field operations. It is not clear that the two separate surveys employed the same methodology and therefore, are comparative. As such, the conclusions regarding Lompoc yerba santa's success remain somewhat speculative without a careful examination and comparison of how the data were collected for the two surveys. Notwithstanding, there remains significant and unavoidable impacts associated with the proposed Project to numerous sensitive botanical species as mentioned above.

Mitigation measures identified in Section 4.8 of the Final EIR would reduce the severity of these biological and water resources impacts, but such impacts would remain significant and unavoidable. Several of the proposed mitigation measures that are identified to reduce impacts to these issue areas by requiring restoration plantings (including MM Bio-1a, -1c, -2e, -2f, and -4a,) will not be effective enough to reduce the impact below Class I. As discussed in Section 4.3 of the Final EIR, restored and/or created habitats typically do not support the qualities and habitat values found in naturally occurring mature habitat areas. This indicates that the conditions requiring restoration will not be effective.

The effectiveness of efforts to restore sensitive habitats and plant species are unknown and may be unsuccessful. For example, as discussed in Section 4.3 of the Final EIR and by the US Fish and Wildlife Service in its April 3, 2015 letter commenting on the Draft EIR, there are no known attempts that have successfully propagated and established a new population of Lompoc yerba santa. The entire 285-acre proposed Project area is located within the Lompoc yerba santa Solomon Hills Critical Habitat Unit and represents approximately 13 percent of the unit. The US Fish and Wildlife Service further stated in its April 3, 2015 letter commenting

on the Draft EIR that it is “concerned that the proposed project, with the potentially large-scale and unpredictable impacts associated with project-related oil seeps, could impact the population of Lompoc yerba santa to such an extent that the species no longer persists in the Solomon Hills.”

The Board of Supervisors finds that while the project would create 35 to 75 temporary construction and drilling jobs, these are of limited benefit as they are only temporary jobs. The County Assessor’s office is unable to provide an estimate of the future tax benefits of the project, rendering any potential tax increases that would result from development of the project uncertain. While tax revenues produced by current PCEC operations range from \$2.7 million to \$4.7 million annually over the 2012-2015 time period, the Board of Supervisors finds this uncertain benefit does not outweigh the significant environmental impacts the project will cause. The Board of Supervisors finds that the stated overriding benefits of the project do not outweigh the significant and unavoidable effects on the environment. Therefore, it is the Board of Supervisors’ determination to deny the project.

2. The site is able to accommodate additional oil and gas production, should the proposed drilling program be successful.

The Board of Supervisors finds that the site is not able to accommodate additional oil and gas production through steam injection, should the proposed drilling program be successful. The unique geologic structure of this location makes this site unsuitable for further oil and gas production. As described in Section 4.8 of the Final EIR (14EIR-00000-00001), evidence has shown that steam injection of this very shallow field with the overlying Careaga tar zone has consistently resulted in surface oil seeps that have caused significant damage to sensitive environmental habitats. Soon after the project began operation, oil seeps began to occur in 2008. As of July 2016, 99 oil seeps have occurred at the Project Site and have resulted in the destruction of 6.09 acres of sensitive habitat including Bishop Pine forest, central maritime chaparral, coastal sage scrub, oak woodland, and California Tiger Salamander upland habitat, and approximately 360 Lompoc yerba santa individuals, a federally listed Endangered plant species. Seep occurrence and location is unpredictable, and seeps continue to occur on site, with the most recent seep can installed on March 18, 2016. The project analyzed in the EIR would double the number of cyclically steamed wells allowed to operate at the Project Site from 96 to 192 wells and thus lead to an increase in the occurrence oil seeps. Seep impacts have resulted in causing a nuisance condition that should not be allowed to expand or intensify. The applicant has not been able to demonstrate that it can produce oil through steam injection in this location without oil seeps and their associated significant adverse environmental impacts. Therefore, this finding cannot be made and the project is denied.

3. The development is in conformance with the applicable provisions of this Development Code and the Comprehensive Plan.

The Board of Supervisors finds that the project is not in conformance with Comprehensive Plan Land Use Element Hillside and Watershed Policy #2. The project will result in significant and unmitigable impacts to the site's natural features and native vegetation including Lompoc yerba santa, and trees including Southern Bishop pine stands, which will not be preserved to the maximum extent feasible. Therefore, this finding cannot be made.