

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: Planning & Development
Department No.: 053
For Agenda Of: August 19, 2008
Placement: Departmental
Estimated Tme: 1 hour
Continued Item: Yes
If Yes, date from: July 8, 2008
Vote Required: Majority

TO: Board of Supervisors

FROM: Department John Baker, Assistant CEO and Director, Planning and Development
Director(s) (805) 568-2085
Contact Info: Douglas Anthony, Deputy Director, Energy Division (805) 568-2046
William Dillon, Deputy County Counsel (805) 568-2959

SUBJECT: **Vaquero Energy, Inc. Appeal** (*Case No. 08APL-00000-000020*) of County Planning Commission Approval of PXP Tranquillon Ridge Oil and Gas Development Project (*Case No. 06RVP-00000-00001*); Third and Fourth Supervisorial Districts.

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- A. Uphold a portion of the Vaquero Energy, Inc. Appeal regarding the 2022 end date and deny all remaining parts of the appeal, Case No. 08APL-00000-00020.
- B. Hear the ExxonMobil/Sunset Appeal (Case No. 08APL-00000-00019) and the Bell Appeal (Case No. 08APL-00000-00021) prior to taking final action on the Tranquillon Ridge project (Case No. 06RVP-00000-00001).
- C. Approve the minor modifications to the Tranquillon Ridge Final Environmental Impact Report (EIR; 06EIR-00000-00005; State Clearinghouse No. 2006021055) presented in Attachment A.11 to this Board Agenda Letter and including any modifications made by Board in the public hearing, and certify that the Tranquillon Ridge Final Environmental Impact Report (06EIR-00000-00005; State Clearinghouse No. 2006021055) reflects the independent judgment of the Board, has been completed in compliance with CEQA, and is adequate for the Tranquillon Ridge project.

- D. Adopt the required findings for the project, including CEQA findings, specified in Attachment A.12 of this Board Agenda Letter and including any modifications made by the Board in the public hearing.
- E. Grant approval of Revised Development Plan Case No. 06RVP-00000-00001, subject to the conditions of approval specified in the Planning Commission's action letter and attachments dated April 23, 2008, with modifications to Final Development Plan Condition A-6 to delete the requirement that the Lompoc Oil and Gas Plant cease operating by December 31, 2022, other minor revisions to the Final Development Plan as provided in Attachment A.13 of this Board Agenda Letter, and including any modifications made by the Board in the public hearing.

Summary Text:

A. PROPOSED PROJECT

The proposed project is a request for a revised Final Development Plan (FDP) to modify Plains Exploration & Production Company's ("PXP") existing FDP for the Point Pedernales project to allow project modifications and approvals necessary to develop, transport, and process oil and gas produced from a proposed new oil and gas lease area in State tidelands. PXP proposes to drill wells from its existing Platform Irene in federal waters offshore Vandenberg Air Force Base into a proposed new lease area in State waters to access the Tranquillon Ridge field oil and gas reserves. The oil and gas would be transported from Platform Irene to the Lompoc Oil and Gas Plant near Lompoc via PXP's Point Pedernales pipeline system. More detailed project description information is available in Section 5.0 of the Planning Commission staff report (Attachment A.2) and the Final EIR (Attachment A.3) prepared for the proposed project. The revised FDP, if approved, would apply to both the existing Point Pedernales and proposed Tranquillon Ridge projects.

The project components include Platform Irene, the Lompoc Oil and Gas Plant (LOGP), and the oil, gas, and produced water pipelines between the platform and the LOGP. The LOGP site is 2.7 miles northeast of the City of Lompoc and 0.9 miles northwest of Vandenberg Village and is zoned M-CR, Coastal-Related Industry. The LOGP address is 3602 Harris Grade Road in the Fourth Supervisorial District (see Figure 1). Platform Irene is located in federal waters approximately 4.7 miles west of Point Pedernales. The onshore portion of the pipeline corridor is located from its landfall at Wall Beach on Vandenberg Air Force Base to the LOGP, crossing agriculturally-zoned land outside of the Base, some of which is in the Third Supervisorial District. Each of these three major components of the proposed Tranquillon Ridge project is currently in operation for the Point Pedernales project.

By letter dated April 14, 2008 (Attachment A.8), PXP requested that an end date of December 31, 2022 be incorporated into the Tranquillon Ridge project description. This request was addressed in the staff report to the Planning Commission and was included as a revision to FDP Condition A-6, *Project Description*, in the Planning Commission's approval of the project. By letter dated April 18, 2008 (Attachment A.9), PXP requested that additional information regarding greenhouse gas emission reductions be incorporated into the Tranquillon Ridge project description. This request was presented to the Planning Commission at its April 21, 2008 hearing and was incorporated into the project description approved for the project, also in FDP Condition A-6 (see page 2 of Attachment A.1, Planning Commission action letter dated April 23, 2008).

B. BACKGROUND

The County Planning Commission approved the proposed Tranquillon Ridge project, with the changes PXP requested (described above), at a special hearing in Santa Maria on April 21, 2008. This approval included certification of the Final Environmental Impact Report (EIR) prepared for the project (06EIR-00000-00005; SCH #2006021055). The EIR was prepared under the auspices of a Joint Review Panel (JRP) comprising staff from the County Planning and Development Department, the California State Lands Commission, and the California Coastal Commission. Staff from the County Air Pollution Control District, Vandenberg Air Force Base, and the

federal Minerals Management Service served as advisory members of the JRP. The County is the Lead Agency for the EIR.

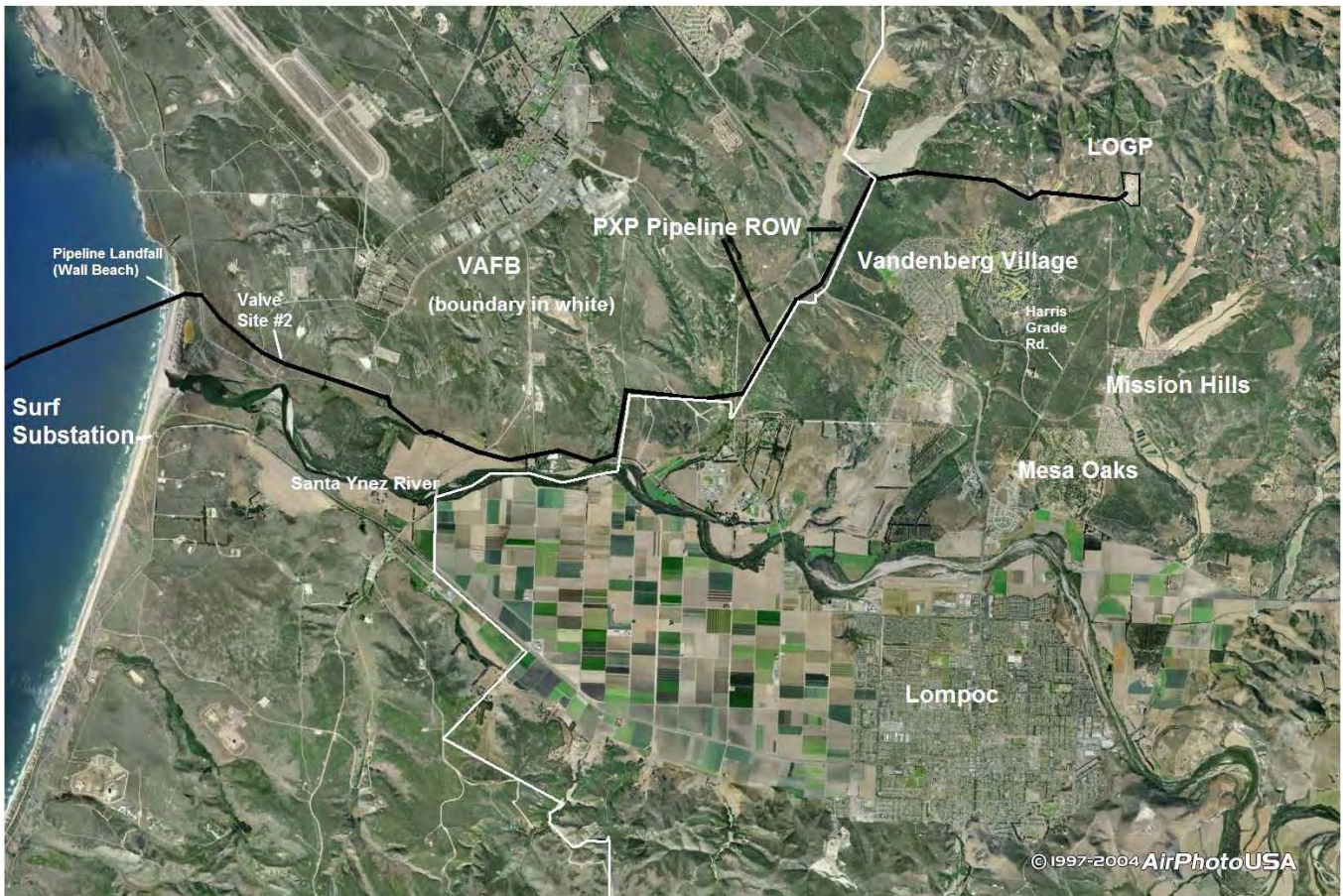


Figure 1: PXP Pipeline Corridor and LOGP Location

The Draft EIR was circulated for public review from October 31, 2006 through January 16, 2007. Comments on the Draft EIR and responses to these comments were incorporated into the proposed Final EIR (see EIR Section 9.0) which was released on March 27, 2008. The Final EIR is included as Attachment A.3 to this Board Agenda Letter and was provided to the Board members under separate cover.

In its 2005 application to the County, PXP projected that the Tranquillon Ridge project would operate for about 30 years from the time the first new well is drilled. Based on this projection, the EIR analyzed operation of the Tranquillon Ridge project until the year 2037. The EIR analyses included concurrent operation of the Point Pedernales project until about 2017. The year 2017 represents the mid-point of PXP's Point Pedernales Field production forecasts (2012-2022), and an approximate midpoint of combined Minerals Management Service and State Lands Commission projections for the remaining operational life of the Point Pedernales project of 2010 to 2022.¹ The EIR identified 13 Class I (significant and unavoidable) impacts and 24 Class II (significant but mitigable) impacts for the 30-year (2037) Tranquillon Ridge project.

The Planning Commission approved the end date for the operating life of the project as requested by PXP. The Planning Commission found that this "reduced-life" project offers the best means to access the Tranquillon Ridge oil and gas reserves because it would use existing infrastructure for a defined period of time equivalent to the

¹ These estimates are discussed in Final EIR Section 2.2.6, pp. 2-12 through 2-14.

current outer estimate (2022) for the end of the existing Point Pedernales project operations, which balances against the significant and unavoidable impacts of the project (see Attachment A.1, Planning Commission Finding 1.8, pp. A-4 through A-6).

C. STAFF RESPONSE TO APPEAL LETTER

The appeal points identified below reflect much of the Appellant's testimony at the April 21, 2008 Planning Commission hearing. Appeal Points 1 through 6, including footnotes 1 through 5, are taken from the Appellant's April 18, 2008 letter to the County Planning Commission. Appeal Points 7 and 8 are from the Appellant's April 28, 2008 letter to John Baker, Director of Planning and Development. Both of these letters are included in the appeal filed by Vaquero Energy, Inc. (see Attachment C.1, Appeal to Board of Supervisors dated April 29, 2008).

Appeal Point 1

A. Requirement to avoid cumulative effects under the Coastal Act

A coastal development permit, such as the Tranquillon Ridge Project, must demonstrate that it will not result in cumulative impacts that adversely affect the coastal zone. (Pub. Resources Code sec. 30250 subd. (a).) When PXP's predecessor in interest in Platform Irene, Unocal, obtained the initial Coastal Development Permit to build three pipelines to what would become the Lompoc Oil and Gas Plant ("LOGP"), the California Coastal Commission imposed numerous conditions on the permit. These conditions were designed to mitigate the cumulative impacts associated with the concurrent production of oil and gas and the need to process, store and transport the oil and gas produced in a manner that did not cumulatively degrade the coastal resources of Santa Barbara County. (August 30, 1985 Coastal Development Permit for Platform Irene and Associated Infrastructure at p.18 [attached to Appendix M of Tranquillon Ridge EIR].) Unocal was able to overcome a finding of cumulatively adverse coastal effects by demonstrating that it would mitigate adverse environmental effects "to the maximum extent feasible" in accordance with Pub. Resources Code sec. 30260 subd. (3). In turn, the Coastal Commission premised its finding of mitigation to the maximum extent feasible upon Unocal's "commitment to use consolidated pipelines, power cables, and processing facilities." (August 30, 1985 Coastal Development Permit for Platform Irene and Associated Infrastructure at p.17.)

PXP now finds itself in much the same situation as Unocal was in the mid-1980s. The new infrastructure associated with the proposed Tranquillon Ridge Project will result in cumulatively significant effects on the coastal environment. Yet, unlike Unocal, and in contravention of Sections 30250 and 30260 of the Coastal Act, PXP is taking the opposite tack toward the use of consolidated facilities. Recent discussion with PXP, combined with its recent agreement with the NGOs confirm that it has no intention of sharing the LOGP and associated infrastructure with other oil and gas producers unless it is forced to do so—preferring instead to maximize its own oil and gas production over the short term while prices are high before shutting down the LOGP facility and leaving northern Santa Barbara County without a consolidated facility for all producers in the area to process oil and gas. Other oil and gas producers will be forced to either attempt to build their own oil and gas treatment facilities with attendant construction related increases in pollution and a proliferation of such facilities or waste natural gas obtained in oil drilling by flaring, thereby exacerbating air quality. These are exactly the types of cumulative effects that would, but unfortunately will not, be avoided through consolidated processing at the LOGP as originally required.

Response to Appeal Point 1

Several misperceptions evident in Appeal Point 1 require clarification. First, the Tranquillon Ridge project involves very little new infrastructure. PXP's Tranquillon Ridge Platform Irene (the drilling and production site), the oil and gas pipelines, and the Lompoc Oil and Gas Plant (the processing facility) all exist and are currently operating. The only new infrastructure that may be required in the future for the Tranquillon Ridge project are three new pumps at Valve Site #2 (within Vandenberg AFB), and a new electrical substation, power lines, and poles to bring power to Valve Site #2 for the new pumps. Valve Site #2 is located within the Coastal Zone; the

substation and most of the electrical lines and poles would be located outside the Coastal Zone. The Tranquillon Ridge EIR addresses the cumulative impacts associated with the Tranquillon Ridge project along with other reasonably foreseeable projects in subsection 6 of Sections 5.1 through 5.16 and summarizes these impacts in the Executive Summary, Tables ES.3a through ES.3d (FEIR pp. ES-19 through ES-46). The Planning Commission staff report, Section 6.1.1.4 and Table 5, summarizes the incremental contributions of the Tranquillon Ridge project to significant cumulative impacts. The construction of minimal new infrastructure that may be needed for the Tranquillon Ridge project will not contribute to any cumulatively significant impacts on the coastal environment.

Second, PXP's Lompoc Oil and Gas Plant (LOGP) is located outside the Coastal Zone and it is **not** a County-designated consolidation site for all oil or gas processing in the North County. Neither the County's Comprehensive Plan, Land Use and Development Code, nor Local Coastal Program designates the LOGP as a consolidated oil and gas processing site. As discussed at the Planning Commission's April 21, 2008 hearing on the Tranquillon Ridge project², the County has not determined that the LOGP site is preferred for all oil or gas processing that may be needed in the region in the future. When the Point Pedernales project was approved, the County required that the new oil plant (Heating, Separating and Pumping (HS&P) Facility) be operated as a consolidated facility, meaning that the operator is obligated to provide other permitted users with equitable, non-discriminatory access to its processing facility. Gas processing for the Point Pedernales project was originally handled at the Battles Gas Plant, which also served several onshore producers in the North County at the time. However, because of concerns with the location and long-term safe operability of the Battles plant, the County also required (FDP Condition A-21) that the operator (then Union Oil) fund a "*siting study to determine a suitable location for a consolidated gas processing facility for combined Central and Northern Santa Maria Basin gas production.*" As required in Condition A-21, this study focused on identifying a gas processing site for potentially large amounts of gas that could be produced from the offshore federal Santa Maria Basin leases.

Based on this study, which was completed in 1990 ("*Siting Gas Processing Facilities: Screening and Siting Criteria*"), the County established screening and siting criteria for gas processing facilities in the midwestern and northwestern region of the County. The County did not establish a requirement that all North County onshore oil or gas production be processed at the LOGP site, or at any other particular site. Instead, pursuant to Land Use Development Policy 11³, the County conducts a case-by-case review, using the adopted screening criteria, to determine whether use of a proposed new processing facility is preferable to consolidating such use at an existing facility, such as the LOGP. Application of these criteria is implemented through the County's Land Use and Development Code, Section 35.55.040 (*Treatment and Processing Facilities – Findings for Development Plans*) which requires, among other findings for approval, that:

Gas processing facilities proposed in the North County Consolidation Planning Area (NCCPA), including expansion of existing facilities, have been sited in compliance with criteria in the Comprehensive Plan study entitled, Siting Gas Processing Facilities. Additionally, sites are selected with adequate consideration of future gas processing needs in the NCCPA to optimize siting and consolidation strategies. The "expansion" of an existing facility shall mean structural modifications, alterations, expansions, or enlargements that result in increased facility capacity, or changes in facility use, operation, or other limitations imposed by permit or other law. The "expansion" of an existing facility shall also mean introduction of production from a field not served by the processing facility since January 1, 1986, or from a new production well that increases the current area extent of a field presently served by the facility. Expansion shall not include modification to existing facilities that is required to comply with current health and safety regulations, and codes. (LUDC Section 35.55.040.A.5)

² See Attachment A.4, Transcript, pp. 68-71.

³ County Comprehensive Plan Land Use Element, p. 82-d.

Additional information regarding potential consolidation of processing facilities in the North County was compiled by County staff in the October 2000 North County Siting Study. This study was prepared to examine planning issues in advance of potential applications for onshore facilities necessary to support possible oil and gas production from existing but not yet developed federal leases in the Santa Maria Basin. The study recommended that the LOGP not be considered as a processing location for the heavy crude from the northern federal leases (Recommendation #3, p. 7.0-3) as that would require expansion and extension of its life, and because the LOGP site is not central to the majority of the potential production sites on the federal offshore leases. (The study did not consider use of the LOGP for processing oil or gas from onshore sources.)

In the case of gas processing in particular, determining the preferred disposition of the gas depends on a number of factors (e.g., gas quantity and quality, proximity to residences or sensitive land uses) and can include processing the gas at the drillsite using small facilities ancillary to the production facilities and using it at the production site for fuel, reinjecting the gas to enhance production, or flaring the gas at the production site. Where sour gas would need to be transported from the production site to a processing site, a major factor to consider is the route of the pipeline between the source and the processing site. Certain County policies⁴ discourage locating hazardous pipelines near populated areas or other highly sensitive land uses (e.g., schools). Without knowing exactly where the source of the raw gas may be located in the future, it is premature to determine the precise location for gas processing that would provide for the safest transport of the raw gas to the processing site. Thus, the County has not designated any consolidation sites for oil and gas processing in the North County. (In the 1980s, the County did amend its land use plans and zoning regulations⁵ to designate two consolidation sites for oil and gas processing on the County's South Coast, based on a programmatic EIR. Today, only the ExxonMobil Las Flores Canyon processing site is a County-designated consolidation site for facilities related to offshore oil and gas production in the western Santa Barbara Channel.)

Third, the Planning Commission's approval of the Tranquillon Ridge project did not include any revisions to the consolidated facility requirements placed on the original Point Pedernales project by the County. Under the revised Final Development Plan adopted by the Planning Commission in its approval of the Tranquillon Ridge project, other users⁶ would continue to have the same degree of access to the LOGP and other PXP facilities as they do today. The demonstrations currently necessary to allow other users to consolidate at the LOGP would remain the same with implementation of the Tranquillon Ridge project as approved by the Planning Commission as they are for the existing Point Pedernales project.

PXP's consolidated use requirements are specified in Condition Q-9 of its FDP. Condition Q-9 does not, per se, establish a requirement that other developers use the LOGP for processing their oil or gas. Rather, Condition Q-9 requires that, while PXP operates the LOGP, PXP must make excess oil and gas processing capacity at the plant available to other developers "*in the event that the need for such facilities is demonstrated by other developers to the Planning Commission...*" If such need is demonstrated and excess capacity is not available, Condition Q-9 provides that PXP may be required to provide space for construction of additional permissible facilities, or reduce its own throughput to accommodate other developers. Since the Point Pedernales project began operations in the late 1980s, no other developers have applied for permits from the County or made the required demonstration of need to the Planning Commission to use the LOGP facility for processing their oil or gas. P&D staff is aware of discussions over the last few months between Vaquero Energy, Inc. and PXP regarding Vaquero's access to the LOGP for gas processing; however, no permit applications have been filed with the County.

The process for determining whether the LOGP is an appropriate site for processing gas from sources other than the offshore Point Pedernales field, the onshore Lompoc field, or, if approved, the offshore Tranquillon Ridge

⁴ Santa Barbara County Safety Element Supplement Hazardous Facility Safety policies 1-A, 2-B, 3-A and Gas Pipeline Safety policies 1-A and 2-B (see Attachment A.2 B, Planning Commission Staff Report, Attachment D, pp. D-39 – D-40).

⁵ County Comprehensive Plan Land Use Element, South Coast Policy 5, pp. 93-a through 93-c.

⁶ "Other user" or "other developer" refers to an entity, other than the facility owner, that retains ownership of its oil or gas input until after it is processed at the facility. These terms do not apply to vendors who sell their raw input to the plant owner/operator prior to processing.

field, begins with an application from the potential other user. This application must include, among other things, a complete description of the source of the gas and all new facilities, such as pipelines, that would be constructed for the project. The application is reviewed by County staff for completeness and once that determination has been made, environmental review commences with preparation of an Initial Study. The Initial Study identifies the appropriate type of CEQA document (Negative Declaration or EIR) for the proposed project. The document is then prepared and includes a comparative assessment of the public safety and environmental impacts of processing the gas at the LOGP or at alternative sites. This assessment is conducted in the context of existing (baseline) conditions at the time and the reasonably foreseeable demand for additional gas processing capacity in the future. The environmental analysis will provide information relevant to determine the preferred site for gas processing, taking into account a number of factors, including distance from the production site and proximity to residences or other sensitive uses. Once the environmental review process is completed, the document and the permit application are considered by the decision-maker. In order to grant approval of the project, the County must find that the gas processing facility has been sited in compliance with the criteria of the 1990 Siting Study described above. If an approval includes use of the LOGP for a user other than PXP, PXP is required to accommodate the other user, pursuant to Condition Q-9. County involvement through Condition Q-9 is necessary only where a new user and PXP cannot agree on the terms for using the LOGP. If this occurs, each party is allowed to make its case before the County decision-maker and the County determines whether the terms are reasonable.

The environmental effects, including cumulative effects, of closing the LOGP are properly addressed at the time the owner/operator applies for a Decommissioning and Reclamation permit, as required by County ordinance (LUDC Section 35-56). If other permitted users are dependant on the LOGP for oil or gas processing at the time the LOGP is proposed to be decommissioned, this will be identified in the environmental review and taken into account by the decision-makers at that time. County policies provide for an examination of options available to other users at the time a consolidated facility is slated for abandonment.

Summary and Recommendation: To reiterate, (1) the LOGP is required to be operated as a consolidated facility as long as it is in operation and to be accessible to other permitted users on an equitable and non-discriminatory basis; (2) the LOGP is not a County-designated consolidation site for oil or gas processing; and, (3) County involvement through PXP's Condition Q-9 is not triggered if PXP and a permitted other user are satisfied with the terms of consolidated use. At this time, the County cannot foresee with reasonable reliability what the demand for use of the LOGP for processing oil or gas produced from sources other than Point Pedernales or Tranquillon Ridge will be in 2022. This and other circumstances relevant to a decision regarding other producers' use of the LOGP may change over the next 14 years. Such circumstances include the extent of residential or other development in the North County, the locations of the new sources of input to the LOGP, and likely routes of new pipelines, in particular sour gas pipelines, to the LOGP. The LOGP may or may not be the best site for oil and gas processing from sources other than the Point Pedernales, Tranquillon Ridge, and Lompoc fields in the future. In light of the uncertainties surrounding future use of the LOGP, staff recommends that the second paragraph of Condition A-6 of the PXP Final Development Plan as approved by the Planning Commission for the Tranquillon Ridge project be modified as follows:

On or before December 31, 2022, all oil and gas production, transportation, and processing associated with the Tranquillon Ridge Project permitted and Platform Irene, the Lompoc Oil and Gas Plant, and the oil, gas, and produced water return pipelines operated under this Final Development Plan shall permanently cease.

This revised permit condition language would still require cessation of PXP's production and processing activities associated with the Tranquillon Ridge project, as requested by PXP, but would not automatically require closure of the LOGP at that time. In accordance with current FDP Condition R-1, if cessation of Tranquillon Ridge operations causes LOGP throughput to fall below 3% of the permitted capacity, the County is required to review the facility permits and conduct a public hearing to determine if abandonment or other actions are appropriate. This process provides an opportunity for other users, if there are any, to demonstrate their need for the facility to

remain in operation and for the County to assess available options and weigh the benefits of keeping the LOGP operating against the benefits of its closure.

Appeal Point 2

B. The Proposed Modification to FDP Paragraph A-6 conflicts with other provisions of the FDP

Recognizing the need for consolidation of oil and gas processing in Santa Barbara County in order to reduce and avoid cumulative effects of a multitude of such facilities in the coastal zone, the current (Appendix M) Conditions of Approval provide in Condition Q-9 that “PXP shall operate its facilities as consolidated oil and gas facilities, including gas reinjection facilities, with access for use available on a nondiscriminatory and equitable basis.” Condition Q-9 also provides that where “the need for [oil and gas processing facilities] is demonstrated by other developers to the Planning Commission, PXP shall make available to such other developers any excess capacity of the PXP project facilities.” Notwithstanding its obligations under Paragraph Q-9, PXP has been unwilling to make the LOGP available to other oil and gas developers on a commercially reasonable basis even though it currently has sufficient excess capacity to do so. More troubling, however, is that the Planning Department has proposed new language in Paragraph A-6 of the FDP that will allow PXP to unilaterally close the “consolidated” LOGP in 2022—notwithstanding that other producers are reliant on the LOGP as the only reasonably available facility for oil and gas processing. Allowing such a closure will produce exactly the type of cumulative adverse environmental effects discussed above.

Response to Appeal Point 2

Revised Condition A-6 does not conflict with Condition Q-9. Specification of an end date in Condition A-6 does not affect the application of FDP Condition Q-9. Condition Q-9 requires PXP to operate the LOGP as a consolidated facility throughout its operational lifetime, regardless of the actual project end date. The LOGP is part of the existing Point Pedernales project, which is expected to reach the end of its operating life in about 2022, as discussed in Section 2.2.6 of the Tranquillon Ridge EIR. The LOGP is required to be abandoned and decommissioned at the end of the Point Pedernales project lifetime, in accordance with County policy and permit requirements (LUDP 11 and LUDC Section 35-56). The decision to cease operations at the LOGP can be made by PXP at any time.⁷

Condition A-6, as adopted by the Planning Commission for the Tranquillon Ridge project, specifies the project end date as December 31, 2022. This end date approximately coincides with the anticipated end of the existing Point Pedernales project life, with or without the Tranquillon Ridge project, and thus would not reduce the operational life of the LOGP. Condition Q-9 was not substantively⁸ revised by the Planning Commission for the Tranquillon Ridge project and would continue to apply in the same manner it applies today, whether or not the Tranquillon Ridge project goes forward.

The appeal point is confused as to the proper application of the Point Pedernales/Tranquillon Ridge FDP conditions regarding consolidated use of the LOGP. As summarized under Response to Appeal Point 1 above, in order for the County to intervene under Condition Q-9, the following steps must *first* occur:

1. A potential “other user” must apply for a permit from the County to bring its production to the LOGP for processing.
2. The County must review the permit application, including both environmental and policy consistency review.

⁷ In addition, Condition R-1 of the Final Development Plan requires that if the level of oil or gas processed at the LOGP drops to less than 3 percent of the permitted capacities, the County “shall review the facility permits and conduct a public hearing to determine if abandonment or other actions are appropriate.”

⁸ A minor revision to refer to the “Lompoc Oil and Gas Plant” rather than the “HS&P” was made by the Planning Commission.

3. The County must determine that the LOGP is the best alternative for processing the new oil or gas.
4. The County must determine that PXP and the other user have complied with the requirements of PXP’s FDP Condition A-18.⁹
5. The County must approve the other user’s permit including consolidated use of the PXP facilities.
6. The permitted other user must provide evidence to the County that PXP’s terms of consolidation are unacceptable and that agreement between the other user and PXP cannot be reached.

Only after each of these events occurs would the County become involved in a disagreement between PXP and the other user as to whether PXP has provided access to the LOGP on a nondiscriminatory and equitable basis. No other user, including Vaquero Energy, Inc., has applied to the County for a permit (Step #1) to bring oil or gas to the LOGP for processing since the Point Pedernales project began operating.

There is no evidence that closure of the LOGP in 2022 would lead to a proliferation of oil or gas processing facilities in the North County. There currently are no other users who “are reliant on the LOGP as the only reasonably available facility for oil and gas processing” and no permit applications that would involve consolidated use of any of PXP’s existing facilities have been filed.

Currently, there are about 20 operators in the North County who produce oil, gas, or both from onshore fields. These operators and their 2006 oil and gas production levels are identified in the table below:

ONSHORE OPERATORS	2006 PRODUCTION	
	OIL (barrels)	GAS (million cubic feet)
B.E Conway	69,663	46,004
Breitburn	577,017	354,555
Chevron	360	0
Cimarex Energy	0	0
E&B Natural Resources	263,981	275,913
Gitte-Ten	3,249	17,836
Grayson	49,262	0
Greka	510,447	486,299
Kore Energy	0	0
Off-Broadway	2,634	228
Phoenix Energy	57,661	57,719
PXP	154,387	179,977
Pyramid Oil	3,924	1,068
RMR Energy	0	0
Richards	18,558	0
Santa Maria Pacific	<i>Not available</i>	<i>Not available</i>
Sierra Resources	210,042	351,489
Southern California Gas	0	11,469,267
Temblor	<i>Not available</i>	<i>Not available</i>
Vaquero Energy	876	0
Venoco	1,110,911	1,901,511
TOTALS	3,032,972	3,672,599

Compiled from 2006 Annual Report of the State Oil & Gas Supervisor, California Dept. of Conservation, Division of Oil, Gas, & Geothermal Resources; most recent available data.

⁹ The text of Condition A-18 is presented under Response to Appeal Point 8. In summary, the requirements specified in Condition A-18 are: (1) other user’s commitment to comply with the PXP FDP; (2) other user’s demonstration that significant impacts will be mitigated to the extent feasible; (3) submittal to P&D of the proposed PXP-other user agreement for use of the PXP facilities; and, (4) County approval of other user’s project.

None of the onshore operators (other than PXP) have used the LOGP for gas processing and all continue to operate in the North County. The onshore operators either re-inject their produced gas or use it onsite for fuel after initial processing at the production site; excess gas is flared onsite and only PXP also sells gas to the Southern California Gas Company. Because all other producers in the area continue to operate without using the LOGP, it is unlikely that any of them would be affected by closure of the LOGP in 2022. Based on the fact that other operators do not rely on the LOGP for oil or gas processing and such use of the LOGP in the future is speculative, it is also unlikely that a meaningful environmental assessment of the effects of LOGP closure on other users that may exist in the future can be made today. We note again that although Vaquero Energy, Inc. has recently expressed interest in sending gas from a future operation to the LOGP, no permit applications have been filed. CEQA does not require speculative analysis of environmental consequences for future and unspecified development (CEQA Guidelines Sections 15126.6(f)(3), 15145, and 15146; *Atherton v. Board of Supervisors of Orange County* (1983) 146 Cal. 3d 346). This point was discussed at the Planning Commission's April 21, 2008 hearing (see Attachment A.4, Transcript, pp. 76-77). In any event, the recommended revision to FDP Condition A-6 would not automatically require closure of the LOGP when Tranquillon Ridge operations cease in 2022.

The Tranquillon Ridge EIR adequately addresses the reasonably foreseeable cumulative impacts to which the reduced-life Tranquillon Ridge project would contribute. Significant contributions to cumulative effects associated with the 30-year project evaluated in the EIR are related to NGL/LPG trucking, oil spills and spill clean-up activities, and visual impacts associated with Platform Irene, the Surf substation, and the LOGP (see Attachment A.2, Planning Commission Staff Report, Table 5, p. 31). The 2022 end date would not be expected to increase any of these significant cumulative impacts more than the 30-year project would. As presented in the Tranquillon Ridge EIR, production of the Tranquillon Ridge field would be conducted within the permitted oil and gas throughput volumes for the existing pipelines and LOGP. PXP has *not* proposed, nor has the County approved, more intensive development of the Tranquillon Ridge reserves under the reduced-life project. Thus, the significant cumulative impacts associated with increased production over current levels (oil spills and NGL trucking) would be the same as evaluated in the EIR for the 30-year project. For example, the Tranquillon Ridge project as approved by the Planning Commission would result in the same increased amount of oil produced and in the pipeline, and thus the same increased annual risk of an oil spill as that associated with the 30-year Tranquillon Ridge project. The number of trucks used to take the gas liquids from the LOGP also would be the same for the reduced-life project as for the 30-year project and so cumulative impacts associated with that trucking would remain significant with the reduced-life project. "Extension-of-life" cumulative visual impacts associated with the continued presence of the platform, electrical substation, and LOGP would not occur for the reduced-life project as approved by the Planning Commission because project operations would not extend beyond 2022, the estimated end of the existing Point Pedernales project operations. With the revision to FDP Condition A-6 recommended under Response to Appeal Point 1 above, extension-of-life impacts associated with the operation of the LOGP beyond 2022 could occur; however, these impacts would not be attributable to the Tranquillon Ridge and would be assessed if necessary in the future for the County's consideration of continued LOGP operations for other user(s).

Appeal Point 3

- C. The "Reduced Life Tranquillon Ridge Project" alternative was never properly reviewed under CEQA**
- (i) The Project Description in the EIR is materially different than the project the Planning Commission is being asked to approve**

CEQA was enacted to provide the citizens of California with a meaningful opportunity to obtain an understanding of the actions of their government, and to participate in the governmental decision-making process. (See CEQA Guidelines, Cal. Code Regs., tit. 14, sec. 15121, subd. (a) [hereinafter "Guidelines"].) In this vein, the Supreme Court of California has provided that CEQA shall be scrupulously followed so that the public will know the basis on which a project has been approved or

rejected, and may respond accordingly if there is disagreement with the decisions. The EIR process, therefore, protects not only the environment, “but also informed self-government.” (*Laurel Heights Improvement Assn. v. Regents of the University of California* (1988) 47 Cal. 3d 376, 392 [26 Cal. Rptr. 2d 231].)

The “Reduced Life Tranquillon Ridge Project” (hereinafter “Reduced Life Alternative”), which first saw the light of day¹ in a front page story in the Los Angeles Times, has never been reviewed in a CEQA document and the public knows nothing of it other than what has been reported in the press. Though the staff report glosses over the issue, there are potentially significant differences between the Reduced Life Alternative and the Tranquillon Ridge Preferred Alternative that was proposed in the EIR.

The Reduced Life Alternative, as discussed in the staff report, is not simply a recasting of the Preferred Alternative addressed in the EIR. It is materially different because it may reduce the life of the LOGP by as much as one-half. While the preferred alternative in the EIR would potentially allow onshore oil and gas production to continue at onshore facilities (by virtue of continued access to the LOGP and associated pipelines and other infrastructure) until or beyond 2037, the Reduced Life Alternative, and its attendant closure of LOGP and the oil and gas processing facility in Lompoc and Gaviota, cuts off access to these oil and gas processing facilities after 2022. While the NGOs and Planning Department might consider such closure environmentally beneficial,² these impacts are nevertheless very *different* than those that would pertain under the Preferred Alternative. Table 2 of the Planning Commission Staff Report attempts to demonstrate that impacts would be the same under the two alternatives. However, Table 2 is misleading because *the total amount of oil and gas to ultimately be produced* under each alternative appears to *remain the same*, or nearly so, while the period of extraction is reduced from 30 years to no more than six years. Thus, apparently the amount of production and processing that would occur in six days under the Preferred Alternative will now occur in one day under the Reduced Life Alternative. Such an intensive increase in the daily production of oil and gas would presumably lead, over the short term, to proportionally greater emissions of air pollution, higher volumes of drill mud and cuttings and other “different” effects than those considered in the EIR. We do not know for certain what the different impacts will be because the EIR does not tell us. CEQA does not countenance such omissions. (Cf. Guidelines sec. 15121, subd. (a).)

¹ We utilize the term “light of day” guardedly since the agreement that gave rise to the newly minted Reduced Life alternative remains “confidential,” (Planning Commission Staff Report at p. 6) and neither the public, nor the Planning Commission, knows the full extent of the agreement between PXP and the NGOs that are parties to an agreement.

² Vaquero does not agree that the Reduced Life Alternative will produce entirely beneficial environmental impacts. In addition to causing economic calamity for individuals employed in the oil/gas production industries, the closure and removal of pertinent infrastructure at and around the LOGP and Gaviota may lead to adverse effects to the physical environment such as urban blight and contaminated (but abandoned) properties. Blight may occur because small-scale owner/operators of these production facilities may be unable to realize the full return on their investments and may be financially unable to remediate or redevelop their industrial properties. CEQA requires consideration, and where appropriate, mitigation to prevent blight or “urban decay.” (See *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal. App. 4th 1184, 1215.)

Response to Appeal Point 3

The reduced-life (2022) Tranquillon Ridge project fits within the EIR assessment “envelope.” The Tranquillon Ridge EIR evaluated, among other alternatives, the “No Project” alternative (“zero life”), as required by CEQA, and the project first proposed by PXP (~30-year life; 2037). The December 31, 2022 operations end date adopted by the Planning Commission would not reduce the life of the LOGP; rather, it is the same as the approximate end date currently expected for the LOGP, which is part of the baseline conditions identified in the EIR. The 2022 end date would not extend or intensify any significant environmental impacts identified for the Tranquillon Ridge project in the EIR. Rather, it would avoid certain significant impacts (see Attachment A.2, Planning Commission Staff Report, Tables 3 and 4) that would result from extending the life of the Point Pedernales project beyond its estimated end in 2022. Please see Response to Appeal Point 4, below, for additional discussion of how the project description for the Tranquillon Ridge project with the 2022 end date is not materially different from the Tranquillon Ridge project description in the EIR.

There is no evidence that ending Tranquillon Ridge operations in 2022 would result in new or increased significant project-specific or cumulative impacts. There are no other users of the LOGP and no permit applications are pending for such use. At this time, based on statements made to staff and in its appeal of the Tranquillon Ridge project, the only potential consolidated user is the Appellant. Other known oil and gas producers in the North County have found or developed adequate processing capabilities other than the LOGP since that facility began operating. Given that there are no other users of the LOGP and no applications are pending for such use, there is no substantial evidence that closure of the LOGP would affect any other user. With no other users, or “*small-scale owner/operators*” currently dependent on the LOGP in order to realize the “*full return on their investments,*” there is no potential for the plant’s closure to lead to “*urban blight and contaminated (but abandoned) properties.*” The Appellant has offered no evidence (1) that it will become an approved consolidated user of the LOGP and thus potentially affected by LOGP closure; or, (2) of any “*economic calamity,*” “*urban blight,*” or “*urban decay*” that could reasonably be expected to occur due to closure of the LOGP. Existing County policies (LUDP 13), regulations (LUDC Section 35.56), and permit conditions (such as Condition R-4 for the Tranquillon Ridge project approved by the Planning Commission; see Attachment A.1) provide a reasonable level of protection for the County against the illegal abandonment of oil and gas facilities and contaminated sites.

The Tranquillon Ridge EIR is adequate with respect to future closure of PXP facilities. Given the uncertainties surrounding baseline conditions at the time of decommissioning, regardless of whether that occurs in 2022 or 2037, a detailed assessment of impacts associated with decommissioning the LOGP is speculative at this time. The Point Pedernales and all other offshore oil and gas projects were originally conditioned to ensure that abandonment of the projects’ related onshore facilities would be conducted in accordance with County requirements.¹⁰ Recognizing that the potential environmental impacts of decommissioning could be similar to those for construction, the County currently requires that a project owner obtain a Demolition and Reclamation (D&R) permit prior to initiating removal of its oil and gas facilities. Section 35.56.110 of the County’s Land Use and Development Code requires, among other things, that decommissioning and restoration activities undergo environmental review prior to approval of a D&R permit. This approach is designed to assure that potential impacts from decommissioning activities are assessed and mitigated based on conditions existing at the time of decommissioning.

Table 2 in the Planning Commission Staff Report does not address total production. Estimated production from the reduced-life project is presented in the revised production curves provided by PXP (Attachment A.2, Planning Commission Staff Report, p. 16, Figures 7a and 7b). Total production from the reduced-life Tranquillon Ridge project would occur over a 14-year period, not a six-year period, and would be expected to be less than that for the 30-year project analyzed in the EIR, as indicated in the production curves. Generally speaking, increased production rates could increase some significant environmental impacts. However, in this case, PXP has not proposed, nor has the County approved, any change in the pace or rate at which PXP would drill and produce the Tranquillon Ridge field (that is, oil and gas production would occur in accordance with the existing/baseline permitted throughput volumes for the pipelines and the LOGP). Thus, the extent and severity of impacts that result from the rate of production for the reduced-life project would not change from that analyzed in the EIR for the 30-year project. The total amount of oil and gas actually recovered under the reduced-life project likely would be less than PXP’s ultimate recoverable reserve estimates of 170-200 million barrels of oil and 40-50 billion standard cubic feet of gas for the Tranquillon Ridge Field. Actual total production amounts lower than the estimated total reserves would not result in any increased environmental impacts associated with the Tranquillon Ridge project beyond those identified in the EIR.

¹⁰ PXP Point Pedernales Condition R-2 and recommended Tranquillon Ridge Conditions R-2, R-3, and R-4; PXP Arguello Condition R-2; and, Exxon Santa Ynez Unit Condition XIX-1.

Appeal Point 4

C. The “Reduced Life Tranquillon Ridge Project” alternative was never properly reviewed under CEQA

(ii) The Planning Commission is required to recirculate the EIR prior to certification

CEQA requires recirculation of an EIR whenever significant new information is added to the EIR after notice of public review has been given, but prior to the public agency’s final certification of the EIR. (Pub. Resources Code, sec. 21092.1; Guidelines sec. 15088.5.) “New information” includes changes to the project itself, or changes to an alternative. (Ibid.) When recirculation is required, the public agency is required to issue a new notice and allow the public additional opportunity to review, comment and consult. (Ibid.) As discussed above, the Agreement between PXP and the NGOs, as incorporated into the FDP, clearly constitutes “significant new information” because it represents an entirely different alternative with substantially different impacts likely to flow therefrom, and for which the public has never been afforded a meaningful opportunity to review and comment. The situation here is quite the opposite of the scenario where a change “merely clarifies or amplifies or makes insignificant modifications in an adequate EIR.” (Guidelines sec. 15088.5 subd. (b).) If the Planning Commission intends to approve the Reduced Life Alternative and associated findings and changes to the FDP, it may only lawfully do so after it recirculates the EIR (after incorporating a complete explanation of the Reduced Life Alternative and associated environmental impacts as the Preferred Alternative).

Response to Appeal Point 4

Revision and recirculation of the Tranquillon Ridge EIR is not necessary or required. PXP’s request to include the 2022 end date in its project description does not meet any of the criteria for recirculating the EIR. These criteria are provided in CEQA Guidelines Section 15088.5(a) and discussed below.

(1) *A new significant environmental impact would result from the project or from a new mitigation measure proposed to be implemented.*

No new significant impacts would result from implementation of the reduced-life project rather than the 30-year project analyzed in the EIR. Ending Tranquillon Ridge production in 2022 would not reduce the life of the existing Point Pedernales operations. The LOGP was expected to be closed and decommissioned in about 2022, with or without the Tranquillon Ridge project; this is the baseline, or No Project, scenario. When the Point Pedernales project was originally approved in 1986, the expected lifetime for Platform Irene was about 20 years, or about the year 2010;¹¹ estimates of the Point Pedernales lifetime now range from 2018 to 2024.¹²

The reduced-life project is not “*an entirely different alternative with substantially different impacts.*” The reduced-life project is the same in nearly every aspect as the originally proposed project evaluated in the EIR and would provide for a substantial increase in oil and gas production within the baseline lifetime of the existing Point Pedernales facilities. Major aspects of the reduced-life project are the same as originally proposed by PXP; these are:

- New oil and gas lease(s) from the State;
- Use of existing facilities for producing, transporting, and processing the Tranquillon Ridge oil and gas;
- Potential need for limited new infrastructure (pumps at Valve Site #2);
- Pace of drilling and production;
- Discharge of produced water at Platform Irene;
- Support boat and helicopter trips to Platform Irene; and,

¹¹ Union Oil Project and Central Santa Maria Basin Area Study EIR/EIS, June 24, 1985, p. R-2-88.

¹² These estimates are based primarily on market factors such as the price of crude oil and production costs that can fluctuate over time.

- Gas liquids truck trips from the LOGP.

The reduced-life project is different from the 30-year project in that it would limit the Tranquillon Ridge project to the same expected lifetime as the existing Point Pedernales project. The operating lifetime of the existing facilities, including the LOGP, is tied to production from the Point Pedernales field. Production from the Point Pedernales field is estimated to end in about 2022. Thus, under the Tranquillon Ridge project with the end date adopted by the Planning Commission, the LOGP would be expected to close within about the same time frame as it would without the additional development of the Tranquillon Ridge field proposed by PXP (the No Project alternative).

The Planning Commission determined that, overall, the impacts of a reduced-life Tranquillon Ridge project would be similar in nature and less extensive than those associated with the 30-year project. Based on the evidence in the record, the 2022 end date would not cause any new or increased significant impacts that have not already been evaluated and mitigated. Specific impacts related to facility closure are properly evaluated once the decision to close the facility has been made and prior to actual decommissioning and equipment removal. The County requires (LUDC Section 35-56; PXP FDP Conditions R-2, R-3) that the impacts of decommissioning PXP's facilities be evaluated and mitigated at the appropriate time. Thus, the Tranquillon Ridge EIR does not need to be recirculated solely to incorporate the 2022 (baseline) project end date.

- (2) *A substantial increase in the severity of an environmental impact would result unless mitigation measures are adopted that reduce the impact to a level of insignificance.*

The Planning Commission adopted feasible mitigation measures as conditions of approval for the Tranquillon Ridge project. Certain significant impacts associated with extending the life of the Point Pedernales project beyond 2022 would be avoided with the reduced-life Tranquillon Ridge project. None of the impacts identified in the EIR would be expected to increase in severity and no new significant impacts would result from operating the project until 2022 rather than 2037.

- (3) *A feasible project alternative or mitigation measure considerably different from others previously analyzed would clearly lessen the environmental impacts of the project, but the project's proponents decline to adopt it.*

The project proponent, PXP, has not declined to adopt any of the mitigation measures adopted as conditions of approval and no new feasible project alternatives have been identified. Operating the Tranquillon Ridge project within the same expected lifetime of the Point Pedernales project would clearly lessen certain significant environmental impacts of a 30-year project, such as lifetime risk of an oil spill. PXP proposed, and the Planning Commission approved, ending the Tranquillon Ridge project by the end of 2022, the approximate end of the existing Point Pedernales project.

- (4) *The draft EIR was so fundamentally and basically inadequate and conclusory in nature that meaningful public review and comment were precluded. (Mountain Lion Coalition v. Fish and Game Com. (1989) 214 Cal.App.3d 1043)*

The Tranquillon Ridge EIR is fundamentally and basically adequate and is not conclusory in nature. The EIR was prepared under the auspices of a Joint Review Panel comprising staff from the County, the State Lands Commission and the California Coastal Commission, with advisory assistance from staff of Vandenberg Air Force Base and the Santa Barbara County Air Pollution Control District, all of whom provided input to the EIR. The document presents extensive and accurate baseline information regarding the physical environment that could be affected by the Tranquillon Ridge project in each of sixteen major issue areas. All assessments required under CEQA are included in the document and are supported by substantial evidence in the record. Meaningful public review and comment was not precluded in any way. County staff prepared and circulated a public *Scoping Document* that identified issues to be addressed in the EIR prior to holding a noticed, public scoping hearing on

March 29, 2006 to discuss the scope of the EIR with interested persons. The Draft EIR was prepared by a qualified consultant contracted by the County at a noticed public hearing of the Board of Supervisors on July 11, 2006. The Draft EIR was circulated for public review from October 31, 2006 through January 16, 2007, approximately ten weeks, rather than the minimum 45 days (six and a half weeks). A noticed, public workshop on the Draft EIR was held on November 15, 2006 and a noticed, public comment hearing was held on December 11, 2006. (The State Lands Commission staff also held a noticed, public hearing regarding fisheries issues in Santa Barbara on November 13, 2007.) Several comment letters were received and are presented, with responses, in Section 9.0 of the Final EIR, which was released on March 27, 2008. Revisions to the EIR text made in response to comments received also are noted in the Final EIR. Some comments on the Draft EIR referred to evaluation of the environmental effects of facility abandonment and decommissioning; however, no comments on the Draft EIR referenced other potential users of the LOGP.

Appeal Point 5

D. The Reduced Life Alternative and the Preferred Alternative are both inadequate because they fail to disclose important aspects of the project

A “project” under review may not be described in a CEQA document in a manner that fails to fully disclose the true potential environmental impacts flowing from governmental action. (Guidelines, sec. 15378, subds. (a), (c).) Instead, a project description must adequately apprise interested parties of the true scope of the project in order to allow the public, and the agency, to make informed decisions regarding a project’s foreseeable environmental consequences. (*City of Santee v. County of San Diego* (1989), 214 Cal. App. 3d 1438, 1454-55; *County of Inyo v. City of Los Angeles* (1977) 71 Cal. App. 3d. 185, 193 [“A curtailed or distorted project description may stultify the objectives of the reporting process. Only through an accurate view of the project may affected outsiders and public decision-makers balance the proposal’s benefit against its environmental cost.”]; Guidelines, sec. 15063. subd. (a)(1).)

The EIR, and the Reduced Life Alternative that purportedly amends it, both omit significant elements from the project description thereby confounding public review and an understanding of the Tranquillon Ridge Project’s likely consequences. Material elements omitted from the project description in this case include, inter alia: 1) the removal, disposition and remediation of the comprehensive oil and gas infrastructure located in northern Santa Barbara County that is to be decommissioned in 2022 *as a direct result of* implementation of the Reduced Life Alternative (the execution of which is apparently enforceable by both the County and local NGOs)³; 2) the construction of new oil and gas plants and pipelines to serve the needs of existing onshore oil and gas production facilities after all of the existing infrastructure is removed in accordance with PXP’s agreement with the NGOs; 3) the construction of upgrades to water treatment facilities (the magnitude of which is unknown) at either Platform Irene or at the LOGP (the EIR does not clearly specify) so that produced water can once again be legally discharged at Platform Irene in accordance with its EPA General NPDES; and 4) operations and environmental effects associated with the reinjection of produced water and other wastes at the Lompoc Oil Fields (how much injected and for how much longer).

³ See April 17, 2008 Letter from Linda Crop, [sic] environmental Defense Center to Santa Barbara County Planning Commission at pp. 4-5.

Response to Appeal Point 5

Description and assessment of abandonment and decommissioning activities in the EIR is speculative at this time. Regardless of whether the Tranquillon Ridge project stops operating in 2022 or 2037, the baseline environmental conditions for decommissioning activities could be different than the baseline that exists today. Therefore, a detailed assessment of the impacts associated with decommissioning would be speculative at this time. Recognizing that decommissioning and reclamation of major oil and gas facilities in the County could create significant environmental impacts, in some cases similar to those that result from construction of the facilities, the County requires that the project owner/operator obtain a Demolition and Reclamation permit prior to initiating

removal of its oil and gas facilities. County Land Use and Development Policy 13 and Section 35.56 of the County's Land Use and Development Code require, among other things, that the decommissioning and reclamation efforts undergo environmental review prior to approval of this permit and initiation of the activities. This approach assures that decommissioning and restoration activities are assessed for potential impacts based upon the environmental conditions at the time of decommissioning and provides for feasible mitigation of those impacts. The State Lands Commission, Coastal Commission, and federal Minerals Management Service also must review and oversee decommissioning efforts for facilities within their purview.

A need for "new oil and gas plants and pipelines to serve the needs of existing onshore oil and gas production facilities" once the PXP facilities cease operating is highly speculative and cannot be definitively assessed at this time. Currently, there are no other onshore oil and gas producers using the PXP facilities. Staff is aware that the Appellant recently began investigating use of the LOGP for gas processing, but no permit application has been filed with the County. In any case, once an application is filed, the County would need to determine whether the LOGP is the best site for gas processing for that potential project and any forecasting of that decision would be speculative at this time. Because there is no evidence that decommissioning of the PXP facilities would give rise to either the need for or construction of new oil and gas plants or pipelines in the County, it would be inappropriate to attempt an analysis of the impacts of such construction in the Tranquillon Ridge EIR. Please refer to Response to Appeal Point 2 for additional discussion of this point.

Water treatment system upgrades at the LOGP were previously reviewed, permitted and installed. The portion of the 2002 Tranquillon Ridge EIR that addressed the water treatment upgrades at the LOGP was certified in June 2002 and the upgrades were permitted and completed. At this time, no additional upgrades are needed at the LOGP for the produced water treating system. The Final EIR, p. 2-7, notes that, in light of PXP's estimation that the water content of its existing wells in federal waters will continue to increase, PXP is designing upgrades to the Platform Irene water handling system to add water separation and polishing equipment for treating the produced water to NPDES standards for discharge to the ocean. The need for this equipment is not due to the Tranquillon Ridge project, but rather to the need treat water produced from the existing federal wells (Point Pedernales field). Adding this equipment is not a major construction effort or significant modification of current operations on the platform. Delivery of the equipment to the platform and installation activities would be conducted within normal operations and existing permitted activity levels associated with the Point Pedernales project. These clarifications are recommended for addition to the Final EIR (see Attachment A.3). PXP's reinjection of produced water at the Lompoc Oil Field is part of the baseline conditions and this practice would continue with or without the Tranquillon Ridge project. PXP has not proposed any change to this practice, nor would this practice affect or be affected by the Tranquillon Ridge project.

Appeal Point 6

E. The EIR contains an inadequate alternatives analysis

CEQA requires that an EIR fully consider all reasonable alternatives prior to its certification. (Guidelines sec. 15126.6, subd. (a); see also *Residents Ad Hoc Stadium Committee v. Board of Trustees* (1979) 89 Ca. App. 3d 274, 286; *Foundation for San Francisco's Architectural Heritage v. City and County of San Francisco* (1980) 106 Cal App. 3d 893, 910.) As explained below, the EIR failed to make a reasoned comparison of the environmental impacts associated with each reasonable alternative for two reasons.

First, as previously explained, the EIR as circulated to the general public entirely omits any reference to, or analysis of, the Reduced Life Alternative. The Planning Commission's posting of *an entirely new alternative*, yielding different environmental effects, less than one week before the Planning Commission's consideration of the EIR,⁴ entirely precluded the public from evaluating and comparing the benefits and burdens associated with the Reduced Life Alternative. Had the public at large (rather than a few select NGOs) been given an opportunity to evaluate the Reduced Life Alternative in a meaningful

manner, then the public could have weighed the purported environmental benefits of the de facto abolition of oil exploration and production in Northern Santa Barbara County by producers other than PXP by 2022⁵ against other countervailing societal considerations. Such considerations could have included: 1) the substantial reduction in local tax revenues that would accompany the loss of oil production in the region (see April 17, 2008 Letter from ExxonMobil to Planning Commission at p. 2.); 2) the ever-increasing financial burden on local (and national) consumers while significant quantities of known oil reserves potentially remain untapped in an active oil field (Ibid.); 3) the national security dangers posed by over-reliance on foreign sources of oil when domestic supplies are known and suitable for production (with minimal additional investment); 4) the economic damage to the County associated with job losses and loss of investment that would likely accompany the closure of oil and gas production facilities in northern Santa Barbara County; and 5) the environmental effects of leaving remaining producers of oil and gas in the region with no facility to process their production.

As the Planning Department acknowledges in Section 1.8 of the staff report, there is an overriding need to develop an “interim source of domestic oil and gas production” in California. (Cf. August 30, 1985 Coastal Development Permit for Platform Irene and Associated Infrastructure at p.18 [attached to Appendix M of Tranquillon Ridge EIR] [noting national interest in permitting domestic energy production in the coastal zone].) Interested citizens should have been given an opportunity to weigh the societal costs of the Reduced Life Alternative against the environmental benefits of terminating virtually all oil and gas production/processing in 2022 versus 2037. But they were never given the opportunity—thereby violating CEQA. (See generally Guidelines, sec. 15126.6, subd. (a) [an agency must consider a “reasonable range of potentially feasible alternatives that will foster informed decision-making and public participation]).

The EIR also fails to fully evaluate an alternative that would potentially “avoid or substantially lessen. . . significant effects of the project” as required by CEQA. (Ibid.) ExxonMobil and Sunset Exploration, Inc. (hereinafter Exxon), have a competing application for the Vahevala project. The Vahevala project seeks to extract the same (or greater quantities) of oil from the Tranquillon Ridge from an *onshore location* at Vandenberg Air Force Base. The most significant and unavoidable potential impacts associated with both the Preferred Alternative and the Reduced Life Alternative are associated with an off-shore oil spill that fouls marine waters and harms marine wildlife. (Staff report at p. 22; Proposed Findings, at p. A-14.) Indeed, four of the ten impacts classified in the EIR as “Class I” and “unavoidable” concern the potential for off-shore spills. This very serious environmental concern is largely eliminated when oil is extracted from an on-shore facility. (Staff report at p. 36.) Yet, even while acknowledging that more detailed information could support a finding that the Exxon Vahevala project is the least environmentally damaging alternative, the staff report paradoxically precludes such an evaluation by urging the Planning Commission to approve the Reduced Life Alternative now (due to the advantage of terminating all of PXP’s oil production operations within 14 years) rather than allowing Exxon to complete its own CEQA and NEPA evaluations so that a fair comparison of overall adverse effect can be made. (See April 17, 2008 letter from ExxonMobil to Planning Commission at p. 2.). The proposed Vahevala project is capable of avoiding or substantially lessening significant effects of the project associated with oil spills into the marine environment. The EIR violates CEQA by declining to obtain a more detailed description of Exxon’s proposed action for purposes of comparison in the EIR. (Guidelines, sec. 15 1 26.6, subd. (b).)

⁴ We note, with concern, that the Reduced Life Alternative was materially and substantively amended on April 16 through a document purported to be an “errata sheet.” The net result of the new alternative and hastily added findings, in combination with the extensive errata, is that it is nearly impossible for the public to ascertain what it is exactly that the Planning Commission is being asked to approve on Monday, April 21. (See http://www.countyofsb.org/energy/documents/projects/08_04-15TranRidgeERRATA-StaffReport&FEIR.pdf.)

⁵ The closure of the LOGP and the Oil/Gas Processing Facility at Gaviota, as apparently agreed upon by PXP, may result in the shut-down of all oil and gas production in Northern Santa Barbara County due to the lack of available oil and gas processing facilities.

Response to Appeal Point 6

The Tranquillon Ridge EIR is adequate with respect to the alternatives analyses. As discussed in Response to Appeal Point 4, above, the reduced-life Tranquillon Ridge project is not “*an entirely new alternative.*” All major components and operating parameters of the project remain the same as those evaluated in the EIR for the

proposed project, regardless of the 2022 end date. The year 2037 is an estimated life for the purposes of CEQA review and 2022 equates with the baseline lifetime of the existing Point Pedernales project. The EIR properly does not discuss projected local tax revenues associated with the Tranquillon Ridge project and this was not the subject of any comments made on the Draft EIR during the public review period.

It is not appropriate for the Tranquillon Ridge EIR to sort through highly charged political and national energy policy matters. The EIR is a project-specific analysis of the environmental impacts that could occur if the Tranquillon Ridge project is implemented. The EIR includes a range of reasonable and feasible alternatives, including the No Project alternative, which would result in an end to current operations (including the LOGP) in about 2022. The project proponent is well within its rights to request incorporation of a specific end date for project operations in the description of its proposed project.

Regarding “economic damage” to other operators when the LOGP ceases operations, the Appellant offers no evidence that terminating LOGP operations in 2022 would result in (1) the closure of any other oil and gas facilities in the County; or (2) any economic damage to the County. There is no substantial evidence that adoption of the 2022 project end date for the Tranquillon Ridge project would result in loss of “oil production in the region” or a “substantial reduction in local tax revenues.” All other producers that operate in North County fields (as discussed under Response to Appeal Point 2) have implemented other options for handling their production and do not rely on PXP facilities for processing oil or gas. The Appellant is the only operator to approach PXP with a proposal to sell its gas to PXP and this has occurred recently. In any event, the 2022 end date is recommended to be applied only to the Tranquillon Ridge project (see Summary and Recommendations under Response to Appeal Point 1) and not specifically to the Lompoc Oil and Gas Plant.

The Errata Sheet was not “extensive” and did not “materially and substantively” amend the EIR. The Errata Sheet referred to in the Appellant’s footnote #4 primarily addressed the Staff Report, not the EIR. The Errata Sheet identified 19 simple corrections to the Planning Commission Staff Report and one minor correction (in two places) in the Final EIR. These corrections did not substantively or materially amend the Tranquillon Ridge project description, the description of any alternatives, or the EIR analyses. The Errata Sheet is included with Attachment A.2, Planning Commission Staff Report.

The Tranquillon Ridge EIR description of the conceptual VAFB Onshore Alternative is adequate. The California Environmental Quality Act (CEQA) requires that a reasonable range of alternatives to a proposed project be described and evaluated in an EIR (CEQA Guidelines Section 15126.6(a)) and further directs that “*the discussion of alternatives shall focus on alternatives to the project or its location which are capable of avoiding or substantially lessening any significant effects of the project, even if these alternatives would impede to some degree the attainment of the project objectives, or would be more costly*” (CEQA Guidelines Section 15126.6(b); emphasis added). As described in EIR Section 3.3.3, the VAFB Onshore Alternative developed for the EIR: (1) uses an onshore site on Vandenberg Air Force Base for drilling and production of the Tranquillon Ridge Field instead of the offshore platform and pipelines to avoid or lessen marine impacts (primarily from oil spills) associated with offshore oil and gas production and transportation; and, (2) maximizes use of the existing onshore pipeline and processing (LOGP) facilities to avoid as much new onshore construction as possible. Thus, the components of the VAFB Onshore Alternative were developed for the Tranquillon Ridge EIR to describe an onshore alternative that would avoid or substantially lessen significant effects of the proposed project, as required by CEQA.

The VAFB Onshore Alternative for the EIR was discussed with staff at Vandenberg Air Force Base to identify potentially feasible components of the EIR alternative, such as the location of the drilling and production equipment, pipeline routing, and provision of utilities. Several different pipeline route and processing scenarios were considered in developing the basic features of the VAFB Onshore Alternative. These considerations are summarized below, with corresponding information from the current ExxonMobil/Sunset County permit application noted as well:

- Six different pipeline route scenarios, five of which were eliminated from detailed analysis in the EIR due to greater potential to interfere with Base mission or to result in greater potentially significant environmental impacts. All pipeline scenarios assumed that the new pipelines from the drillsite would connect to PXP's existing pipelines at a new tie-in station located just west of 13th street, within the Base (FEIR, pp. 3-15 to 3-17).

The current ExxonMobil/Sunset proposal includes building new pipelines from the drillsite to the LOGP and does not include use of existing pipelines except for transport of oil out of the County from near the LOGP (December 2006 Vahevala Project Application, Responses to Agency Comments, Attachment E.2, Pipeline Information, Pipeline Alignment and Profile).

- Two power line scenarios for providing power to the onshore drillsite, both of which include a new substation adjacent to the existing Surf electrical substation (FEIR, p. 3-17).

The current ExxonMobil/Sunset permit application identifies a proposed and four alternative substation locations and new power lines to the drillsite (December 2006 Vahevala Project Application, Responses to Agency Comments, Attachment E.3, Electrical Power Information).

- Three different scenarios for handling the produced water, including treating and injecting the water at the drillsite (Produced Water Scenario 2, FEIR p. 3-14).

The ExxonMobil/Sunset permit application identifies treatment and injection at the drillsite as the preferred method for handling the produced water (December 2006 Vahevala Project Application, Responses to Agency Comments, Attachment E.6, p. 2).

The VAFB Onshore Alternative evaluated in the EIR included some specific elements that are found in the ExxonMobil/Sunset proposal and others that are not. For example:

- The primary component, the onshore drilling and production site, is the same as that proposed by ExxonMobil/Sunset for the Vahevala project, even though that site would not serve PXP unless PXP obtains the mineral and pass-through drilling rights from the current mineral rights owners or option-holders.
- A new substation adjacent to the existing PXP electrical substation at Surf was chosen for the VAFB Onshore Alternative. The ExxonMobil/Sunset proposal includes a new substation in the general vicinity of the existing substation, but not directly adjacent. Both involve a new power line and poles between the new substation and the drilling and production site.
- For the VAFB Onshore Alternative in the EIR, both oil and gas would be transported by pipeline to the LOGP for processing. To move the oil and gas from the drilling and production site to the LOGP, the VAFB Onshore Alternative includes about 10 miles of new oil and gas pipelines from the drilling and production site to a point just west of 13th Street (on VAFB), where they would tie-in to the existing PXP pipelines. From that point, the oil and gas would be transported to the LOGP in the existing pipelines. ExxonMobil/Sunset propose to process gas at the LOGP and oil at the drilling and production site on the Base. Dry oil would be sent from the drillsite to a tie-in point near the LOGP, where it would be transferred to the existing ConocoPhillips Line 300 system. The ExxonMobil/Sunset proposal includes about 17.7 miles of new oil and gas pipelines from the drilling and production site to the LOGP site. Under both the VAFB Onshore Alternative evaluated in the EIR and the ExxonMobil/Sunset proposal, natural gas liquids would be transported via truck from the LOGP and dry oil would be transported out of the County via the existing ConocoPhillips pipeline system.

The EIR analysis of the VAFB Onshore Alternative is adequate. The VAFB Onshore Alternative is described in sufficient detail to qualitatively evaluate and disclose the nature and potential significance of adverse environmental effects that could occur with construction and operation of an onshore drilling and production facility to develop the Tranquillon Ridge reserves. CEQA requires information sufficient to understand the environmental impacts of the proposed project and to permit a reasonable choice of alternatives with respect to environmental aspects (*Laurel Heights Improvement Association v. Regents of the University of California* (1988) 47 Cal. 3d 376). This is an important step for comparing an alternative to a proposed project in an EIR. The decision-maker must consider the impacts of the alternative in addition to the significant impacts of the proposed project that could be lessened or avoided with implementation of the alternative. CEQA Guidelines Section 15126.6(d) directs that the significant impacts of an alternative in addition to those that would be caused by the proposed project must be discussed, but may be discussed “*in less detail than the significant effects of the project as proposed.*” The Tranquillon Ridge EIR describes the VAFB Onshore Alternative in sufficient detail for purposes of identifying and comparing likely environmental impacts of the alternative to those for the proposed project.

Possible components or features of an onshore alternative that would not avoid or lessen significant impacts associated with the proposed Tranquillon Ridge project were not, and should not be, included in the VAFB Onshore Alternative evaluated in the EIR. The VAFB Onshore Alternative was described to include minimal new pipeline construction because the proposed Tranquillon Ridge project does not include any new pipeline construction. With respect to construction-related impacts, the VAFB Onshore Alternative in the EIR, which assumes maximum use of existing pipelines, would compare more favorably to the proposed Tranquillon Ridge project than an alternative with all new pipeline construction because longer lengths of new pipeline would result in more potentially significant construction-related impacts (air quality, biological and cultural resources). The description of the VAFB Onshore Alternative used in the EIR provided for an objective and accurate EIR analysis and comparison to the proposed Tranquillon Ridge project. Additional detail regarding pipeline routing or construction/design techniques would not affect the EIR analysis of the VAFB Onshore Alternative.

The EIR accurately describes and compares the significant impacts of an onshore alternative to those of the PXP Tranquillon Ridge project. The Planning Commission had considerable, accurate information before it regarding the likely significant environmental impacts of a shore-based alternative for developing the Tranquillon Ridge reserves. The EIR and the Planning Commission acknowledged that a shore-based project would substantially reduce significant marine impacts that could result from an oil spill (see EIR Table ES.9, p. ES-76, Impacts MB.1 and MWQ.1, and Attachment A.1, Planning Commission Finding 1.6). The EIR also identified other potentially significant and unavoidable impacts that would result from implementation of a shore-based alternative (see EIR Table ES.4a). The Commission weighed this information and concluded that overall, the Tranquillon Ridge project would result in fewer significant and unavoidable impacts than a new, long-term onshore drilling and production project. The Planning Commission found that, with existing and additional adopted environmental safeguards, the PXP project is environmentally preferred over a new onshore drilling and production project.

Two important components of the Planning Commission’s conclusion are that (1) the approved PXP (Tranquillon Ridge) project would not extend significant and unavoidable environmental impacts of the project beyond the lifetime of the existing Point Pedernales project and, (2) no new construction is necessary for the PXP project. The staff report to the Planning Commission discussed the effect of the 2022 end date on the environmental impact analyses in the EIR. No new or increased impacts, and several reduced impacts, would result from the 2022 termination date. As previously discussed, 2022 is at the outer range of estimates for the expected end of project life for the existing Point Pedernales project. The year 2022 is a reasonable approximate time frame for abandonment and decommissioning of the Point Pedernales facilities if the PXP Tranquillon Ridge project does not go forward. This abandonment and decommissioning process could include the LOGP, particularly if oil or gas from other users/developers is not being processed there at the time (both the historic and current situation).

An important consideration when comparing the offshore-based Tranquillon Ridge project to an onshore alternative is that no new major infrastructure is needed for the Tranquillon Ridge project. This is not the case for

a shore-based project. *Any* onshore alternative project would require construction of major new facilities, including several acres devoted to drilling and production equipment and several miles of new oil and sour gas pipelines. Thus, the baseline circumstances are not the same for the Tranquillon Ridge project and a new onshore-based project. No amount of detailed project-level environmental analysis of an onshore alternative can change this particular circumstance. Based on the foregoing, it is neither appropriate nor necessary to revise the Tranquillon Ridge EIR to include more detailed review of the competing ExxonMobil/Sunset proposal in order to accurately and meaningfully compare the Tranquillon Ridge project to a shore-based project.

Furthermore, the ExxonMobil/Sunset proposal has not yet received landowner consent and thus is not ready for environmental review under CEQA. Until the project description is acceptable to the landowner (U.S. Air Force), it is still in flux and CEQA review is premature. Until the project description is fixed and known, environmental assessment of the ExxonMobil/Sunset proposal would be speculative. At this time, additional detail about project features and potential mitigation measures also would be speculative and would not be likely to change how an onshore alternative fundamentally compares to the proposed Tranquillon Ridge project. The basic elements of the VAFB Onshore Alternative in the Tranquillon Ridge EIR are very similar to those described in the ExxonMobil/Sunset Vahevala proposal application to the County. These elements include a drilling and production site on about 25 acres located in the South VAFB area, near the Union Pacific Railroad (UPRR) tracks; oil and gas pipelines running from this production site to the existing LOGP, and transport of the processed oil out of the County via an existing pipeline system. The VAFB Onshore Alternative in the EIR also includes oil and gas processing at the LOGP. The current ExxonMobil/Sunset proposal includes oil processing at the onshore drillsite and gas processing at the LOGP.

Finally, the feasibility of the ExxonMobil/Sunset proposal is less certain now than when the Tranquillon Ridge EIR was prepared. In a letter to ExxonMobil and Sunset dated June 25, 2008 (see Attachment C.2), the Air Force stated: *“Consistent with these concerns, the Air Force cannot provide you access to your desired 25-acre location on South VAFB.”* While ExxonMobil/Sunset may wish to pursue additional discussions with the Air Force, a shore-based project on VAFB appears unlikely in the near future.

Appeal Point 7

A. Statement of reasons the Planning Commission decision to approve the PXP Tranquillon Ridge Oil and Gas project is inconsistent with the provision of applicable law

Vaquero hereby reiterates each of the issues set forth in the letter from the undersigned to the Santa Barbara County Planning Commission, dated April 18, 2008. The Planning Commission refused to accept the letter, declining to make it part of the administrative record of the Planning Commission’s proceedings. The issues raised in the letter were ignored and the decision was made by the Planning Commission to certify the environmental impact report (“EIR”) and approve the proposed PXP project with conditions despite the clear legal inadequacies of the EIR, as discussed in the letter.

In addition to the foregoing, the EIR fails to analyze the environmental impacts associated with closure of the Lompoc Oil and Gas Processing facility (“LOGP”) in 2022, leaving producers either a) with no facility at which oil and gas produced in the vicinity of the LOGP can be processed, resulting increased flaring as additional wells are drilled and brought into production, thereby exacerbating air quality; or b) no choice but to build additional oil and gas processing facilities. Simply put, there is no plan for processing oil and gas produced in the vicinity of the LOGP beyond 2022 analyzed in the proposed EIR. Since the proposed PXP project now requires closure of the LOGP in 2022, the EIR is inadequate for failure to consider the environmental impacts associated with closing the LOGP.

When the issue of failure of the EIR to analyze the environmental impacts associated with closure of the LOGP in 2022 was brought to the attention of the Planning Commission through oral testimony, the Planning Department staff advised the Planning Commission that the EIR is adequate because the useful life of the LOGP will have been reached by 2022. The Planning Commission staff report, however,

contradicts the staff's assertion. The oil processing portion of the LOGP was constructed in 1987. The gas processing facilities were not added until 1997. (Planning Comm. Staff Rpt., p. 10.) This important distinction was not brought to the attention of the Planning Commission.

Response to Appeal Point 7

The Commission did not ignore the issues raised in the Appellant's April 18, 2008 letter. The Planning Commission declined to accept this letter due to its length and submittal after the deadline, in accordance with established Planning Commission practice¹³. However, the Planning Commission Chairman offered Vaquero Energy, Inc.'s representative, Mr. Gregory Sanders, an opportunity to make the points in the letter during his oral testimony to the Commission at the April 21, 2008 hearing (see Attachment A.4, Transcript, pp. 50-51). In any event, each of the points raised in the April 18 letter to the Planning Commission is discussed in detail in Responses to Appeal Points 1 through 6 and is before the Board of Supervisors for consideration.

It is immaterial that the gas plant at the LOGP is not as old as the oil processing plant; both facilities were permitted as part of the Point Pedernales project. The Tranquillon Ridge EIR correctly assumes that, under the No Project alternative, both the oil and gas plants would cease operating in 2022 when Point Pedernales production from Platform Irene is expected to cease. The EIR also assumes that the LOGP would cease operating when production from the Tranquillon Ridge Field ends because PXP provides the only production that is processed at the LOGP and when that production ceases, there would be no input to the LOGP. As previously documented herein and in the EIR, the LOGP is not a County-designated consolidation site and has never served as a regional oil and gas processing facility in the North County. Please refer to Responses to Appeal Points 2, 3, 5, and 6 regarding assessment of impacts related to closure of the LOGP in 2022.

Appeal Point 8

B. Specific conditions appealed

Vaquero hereby appeals the proposed PXP project Condition of Approval No A-18. Condition A-18 is inconsistent with Condition of Approval No. Q-9 imposed on the original permit to construct and operate the LOGP. (A copy of Condition No. Q-9 is attached hereto.) Condition Q-9 requires that the LOGP be operated as a consolidated facility, with access provided to all producers, and that the Planning Department secure from PXP equitable and commercially reasonable terms by which the LOGP may be accessed. Condition A-18 contains no such requirements. In fact, Condition A-18 places the burden of petitioning for access to the LOGP on the producers other than PXP, which violates both the specific terms and intent of Condition Q-9.

Response to Appeal Point 8

Condition A-18 is not inconsistent with Condition Q-9. Condition A-18 and Condition Q-9 were imposed on the original Point Pedernales permit to ensure that the facilities permitted by the County would be made available to other approved users in a fair and equitable manner.¹⁴ The two conditions accomplish different objectives. Condition A-18 requires that other users comply with the same conditions of approval that apply to the facilities. The other user also must demonstrate that impacts resulting from construction and operation of its own new facilities are fully mitigated. Condition A-18 reads as follows:

¹³ The County Planning Commission's Procedures Manual (Section V.C.6, Procedural Standards, Rules for Giving Testimony) provides that the Planning Commission may accept late, multi-page submittals as part of the record by a 4/5 vote during the hearing by the Commission. The Special Hearing Notice for the Tranquillon Ridge project states: "*Letters, with nine copies, should be filed with the Secretary of the Planning Commission no later than 12:00 p.m. on Thursday, April 17, 2008. The decision to accept late materials will be at the discretion of the Planning Commission.*"

¹⁴ The consolidated facility language was originally adopted in Condition A-21 of the Point Pedernales Final Development Plan and was moved to Condition Q-9 in 1994 when the County first approved the gas plant at LOGP.

A-18 USER COMPLIANCE WITH ALL APPLICABLE CONDITIONS

As a condition precedent for use of the subject facilities, including transportation and processing of oil, PXP shall require a commitment to the County by all other prospective users that they will comply with all applicable conditions to the same extent as PXP. Should PXP permit any other producer the use of its facility without requiring the user's commitment to the County, then PXP will be liable for any breach of these conditions committed by that user. Depending on the magnitude of the breach, the penalty may include the reduction of throughput capacity in an amount sufficient to offset any environmental impacts of the breach.

Any producer using PXP's facilities shall be required to demonstrate to County's satisfaction that the significant impacts to the County caused by the construction, installation or operation of any of the producer's project facilities have been and will be fully mitigated to the extent feasible.

Prior to its execution, PXP shall submit to P&D a copy of any proposed agreement with potential users of the facilities. P&D shall review the proposed agreement to determine that it includes adequate provisions to require the user's compliance with the permit conditions. Such proposed agreement or portions of it may be withheld from public review as a confidential document upon a written request and justification from PXP.

Prior to using PXP's facilities, each future applicant or operator must receive from the Planning Commission a determination of substantial conformity with all relevant procedures and permit conditions applicable to PXP's facilities. For this determination the Planning Commission must be able to make a finding that the significant impacts to the County caused by construction, installation, operation or use of any project facilities by each applicant have been and will be fully mitigated to the maximum extent feasible, as recommended by the original PXP project EIS/EIR (84-EIR-7) or any appropriate supplemental environmental documents.

Condition Q-9 requires that PXP make its facilities available to other users on an equitable basis and provides for County involvement where a new user finds PXP's terms of consolidation unacceptable and cannot reach agreement with PXP on those terms. Condition Q-9 reads as follows:

Q-9 CONSOLIDATION OF OIL AND GAS FACILITIES

PXP shall operate its facilities as consolidated oil and gas facilities, including gas reinjection facilities, with access for use available on a nondiscriminatory and equitable basis. County retains the right to verify that the use of the facility is conforming with State and County policies on consolidation and to impose additional permit conditions where necessary to assure these policies are being fulfilled to the extent feasible. The intent of this condition is to ensure the multi-company use of oil and gas transportation and processing facilities.

Regarding the consolidation of oil and gas processing, and gas reinjection facilities, in the event that the need for such facilities is demonstrated by other developers to the Planning Commission, PXP shall make available to such other developers any excess capacity of the PXP project facilities. In the event that sufficient excess capacity does not exist within the PXP project facilities to serve the needs of such other developers as demonstrated to the Planning Commission, PXP shall make its Lompoc Heating, Separating, and Pumping Facility property available to other developers for the construction of additional permitted oil and gas-related facilities. In the event that such necessary facilities are not permissible pursuant to the County's consolidation policies, PXP shall reduce its throughput on a pro-rata basis to accommodate such other developers.

Prior to the issuance of the Land Use Permit for the HS&P^[15] Gas Plant and at any time thereafter, as requested by the County, PXP shall submit to the Director of Planning and Development terms under which other producers in the area would be permitted to enter and use either the facilities or property for oil and/or gas processing or storage facilities, or ancillary facilities including but not limited to electrical substations, water treatment facilities, and wastewater loading facilities. If these terms are determined to be unacceptable to potential users of the facility and if agreement cannot be reached, the County reserves the right to impose additional conditions as described above to amend the permit. The intent of this condition is to ensure the efficient and maximum multi-company use of oil and gas transportation and processing facilities.

¹⁵ "HS&P" was replaced with "Lompoc Oil and" in this condition in the Planning Commission's approval of the Tranquillon Ridge project.

Conditions A-18 and Q-9 are existing requirements in PXP's FDP and neither condition was materially revised by the Planning Commission when it approved the Tranquillon Ridge project. Condition A-18 requires that a consolidated user make the same commitment to the County that PXP has made regarding operation of its facilities. Condition Q-9 requires that PXP make its facilities available under fair terms. Thus, the two conditions work in concert to require that both parties commit to operating and using the County-approved facilities consistent with the terms under which those facilities were permitted. Condition A-18 and Condition Q-9 are complementary, not inconsistent, with one another.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis: Narrative: The costs of this appeal are partially funded by the \$443 appeal fee paid by the appellant per the Planning and Development Department Fee Schedule in effect on the date the appeal was filed (Resolution 06-359 adopted by the Board of Supervisors on November 14, 2006, effective January 2007). The fee was collected from the appellant. Remaining costs of the appeal are funded by the applicant, PXP, through its current reimbursement agreement with the County for permit processing for the proposed project. Fees paid by oil and gas project applicants are budgeted in the Permitting and Compliance Program of the Energy Division on page D-313 of the budget for Fiscal Year 2008-2009. There are no facilities or staffing impacts.

Staffing Impacts: None.

Special Instructions:

P&D Hearing Support Staff shall publish a legal notice in the *Santa Barbara News-Press*, the *Santa Maria Times*, and the *Lompoc Record*.

Energy Division staff shall complete the mailed noticing requirements for the project at least ten (10) days prior to the August 19, 2008 hearing.

The Clerk of the Board will forward a copy of the Minute Order to Planning and Development, Attention: David Villalobos, Hearing Support Staff, and to Nancy Minick, Planner.

Planning and Development, Energy Division will notify interested parties of the Board of Supervisors' final action.

Attachments:

- A.1 Planning Commission Action Letter with Attachments dated April 23, 2008.
- A.2 Planning Commission Staff Report dated April 15, 2008 with Attachments and Errata.
- A.3 Tranquillon Ridge Final Environmental Impact Report, April 2008 (*provided under separate cover*).
- A.4 Transcript of Planning Commission Hearing of April 21, 2008.
- A.5 Staff Slides at Planning Commission Hearing of April 21, 2008.
- A.6 PXP Slides at Planning Commission Hearing of April 21, 2008.
- A.7 ExxonMobil Slides at Planning Commission Hearing of April 21, 2008.
- A.8 PXP letter to P&D dated April 14, 2008.
- A.9 PXP letter to P&D dated April 18, 2008.
- A.10 Excerpts from ExxonMobil/Sunset Vahevala Project Application to Santa Barbara County, *December 2006 Responses to Agency Comments*.
- A.11 Recommended Clarifications to Final Tranquillon Ridge EIR.
- A.12 Recommended Findings for Approval of the Tranquillon Ridge Project.
- A.13 Recommended Conditions of Approval for the Tranquillon Ridge Project.

There are no "B" Attachments to this Board Agenda Letter.

- C.1 Appeal to Board of Supervisors dated April 30, 2008.
- C.2 Air Force Letter to ExxonMobil and Sunset dated June 25, 2008.

Authored by:

Nancy Minick, Planner (805) 568-2506
Kevin Drude, Energy Specialist (805) 568-2519

cc: Case File: 06RVP-00000-00001
Records Management
Appellant: Ken Hunter, Jr., Vaquero Energy, Inc., 5060 California Avenue, Ste. 640, Bakersfield, CA 93309
Gregory Sanders, Nossaman, Guthner, Knox & Elliott, LLP, 18101 Von Karman Ave., Ste. 1800,
Irvine, CA 92612
Applicant: Steven P. Rusch, PXP, 5640 South Fairfax Ave., Los Angeles, CA 90056-1266
William Dillon, County Counsel
John Baker, Director, P&D
Dianne Black, Director Development Services, P&D
Doug Anthony, Deputy Director, Energy Division, P&D
Kevin Drude, Energy Specialist, P&D
Nancy Minick, Planner, P&D

ATTACHMENT C.1

Appeal to Board of Supervisors dated April 30, 2008

**APPEAL TO THE BOARD OF SUPERVISORS
COUNTY OF SANTA BARBARA**

Submit to: Clerk of the Board
County Administration Building
105 E. Anapamu Sreet, Suite 407
Santa Barbara, CA 93101

RE: Project Title PXP Tranquillon Ridge Project
Case Number 06RVP-00000-00001
Tract/ APN Number 097-350-018; 097-350-021; 097-360-010
Date of action taken by Planning Commission, Zoning Administrator, or Surveyor April 21, 2008

I hereby appeal the Approval with Conditions of the Planning Commission
(approval/ approval with conditions/ or denial) (Planning Commission/ Zoning Administrator/ or County Surveyor)

Please state specifically wherein the decision of the Planning Commission, Zoning Administrator, or Surveyor is not in accord with the purposes of the appropriate zoning ordinance (one of either Articles I, II, III, or IV), or wherein it is claimed that there was an error or an abuse of discretion by the Planning Commission, Zoning Administrator, or Surveyor. {References: Article I, 21-71.4; Article II 35-182.3, 2; Article III 25-327.2, 2; Article IV 35-475.3, 2}

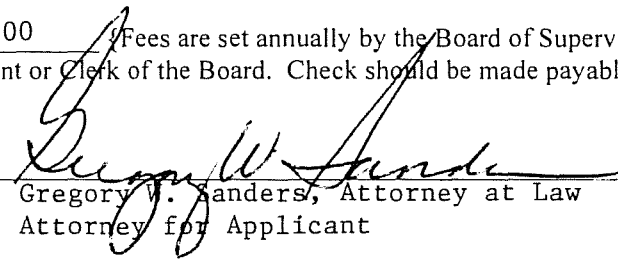
Attach additional documentation, or state below the reason(s) for this appeal.
See attached County of Santa Barbara Planning Development Appeal Form and accompanying documentation.

Specific conditions being appealed are:
See attached County of Santa Barbara Planning Development Appeal Form and accompanying documentation

Name of Appellant (please print): Vaquero Energy, Inc.
Address: 5060 California Avenue, Ste. 640
(Street, Apt #)
Bakersfield, CA 93309 (661) 616-0600
(City/ State/ Zip Code) (Telephone)

Appellant is (check one): Applicant Agent for Applicant Third Party Agent for Third Party

Fee \$ 443.00 (Fees are set annually by the Board of Supervisors. For current fees or breakdown, contact Planning & Development or Clerk of the Board. Check should be made payable "County of Santa Barbara".)

Signature:  Date: April 29, 2008
Gregory W. Sanders, Attorney at Law c/o Nossaman, Guthner, Knox & Elliott, LLP
Attorney for Applicant 18101 Von Karman Ave., Ste. 1800
Irvine, CA 92612 (949) 833-7800

FOR OFFICE USE ONLY

Hearing set for: _____ Date Received: _____ By: _____ File No. _____



PLANNING & DEVELOPMENT
APPEAL FORM

SITE ADDRESS: See attached Appeal Form Supplement
ASSESSOR PARCEL NUMBER: See attached Appeal Form Supplement
PARCEL SIZE (acres/sq.ft.): Gross See attached Appeal Form Supplement Net See attached Appeal Form Supplement
COMPREHENSIVE/COASTAL PLAN DESIGNATION: See attached ZONING: See attached Appeal Form Supplement
Are there previous permits/applications? []no [x]yes numbers: See Planning Commission Staff Report, Sec. 6
Are there previous environmental (CEQA) documents? []no [x]yes numbers: See Planning Commission Staff Report, Sec. 6

- 1. Appellant: Vaquero Energy, Inc. Phone: (661) 616-0600 FAX: (661) 616-0601
Mailing Address: 5060 California Avenue, Ste. 640, Bakersfield, CA 93309 E-mail: khunter@vaqueroenergy.com
2. Owner: Plains Exploration & Production Company (ALP) Phone: (805) 934-8220 FAX: Unknown
Mailing Address: 201 S. Broadway, Orcutt, CA 93455 E-mail: Unknown
3. Agent: (Vaquero) Ken Hunter Phone: (661) 616-0600 FAX: (661) 616-0601
Mailing Address: 5060 California Avenue, Ste. 640, Bakersfield, CA 93309 E-mail: khunter@vaqueroenergy.com
4. Attorney: Gregory W. Sanders Phone: (949) 833-7800 FAX: (949) 833-7878
Mailing Address: c/o Nossaman, Guthner, Knox & Elliott, LLP E-mail: gsanders@nossaman.com
18101 Von Karman Ave., Suite 1800, Irvine, CA 92612

COUNTY USE ONLY

Case Number: Companion Case Number:
Supervisory District: Submittal Date:
Applicable Zoning Ordinance: Receipt Number:
Project Planner: Accepted for Processing
Zoning Designation: Comp. Plan Designation

APPEAL FORM

SUPPLEMENT

Site Address: Off to onshore oil and gas pipelines from Platform Irene to Lompoc Oil and Gas Processing Facility (“LOGP”) at 3602 Harris Grade Road, Lompoc, California (pipeline landfall at Wall Beach).

Assessor Parcel Numbers: Oil and gas pipelines: 097-350-018 and 097-350-021; LOGP: 097-360-010.

Parcel Size (acres/sq. ft.) Gross: LOGP: 22.5 acres of a 2,283 acre parcel; oil and gas pipelines: Unk. NET: Unk.

Comprehensive/Coastal Plan Designation: Oil and gas pipelines: A-II (Agriculture); LOGP: Petroleum Resource Industry Overlay.

Zoning: Oil and gas pipelines – U (Unlimited Agriculture); LOGP: M-CR (Coastal-Related Industry).

COUNTY OF SANTA BARBARA APPEAL TO THE :

BOARD OF SUPERVISORS

PLANNING COMMISSION: COUNTY MONTECITO

RE: Project Title Tranquillon Ridge Oil and Gas Project

Case No. 06RVP - 00000-00001

Date of Action April 21, 2008

I hereby appeal the approval approval w/conditions denial of the:

Board of Architectural Review – Which Board? _____

Coastal Development Permit decision

Land Use Permit decision

Planning Commission decision – Which Commission? Santa Barbara County Planning Commission

Planning & Development Director decision

Zoning Administrator decision

Is the appellant the applicant or an aggrieved party?

Applicant

Aggrieved party – if you are not the applicant, provide an explanation of how you are an “aggrieved party” as defined on page two of this appeal form:

The Appellant, by and through its attorney, Gregory W. Sanders of Nossaman, Guthner, Knox & Elliott, LLP, appeared at the April 21, 2008 Santa Barbara County Planning Commission hearing and spoke in opposition to the proposed Tranquillon Ridge Oil and Gas Project. Despite having submitted a letter discussing the reasons the Appellant opposes the project by the deadline for submission of written materials imposed by the Planning Commission staff and no deadline for submission of written materials having been specified in the Planning Commission Notice or Final Environmental Impact Report for the proposed Tranquillon Ridge Project, the Planning Commission declined to accept the letter. A copy of the letter from the Appellant’s attorney to the Planning Commission dated April 18, 2008 is attached.

Reason of grounds for the appeal – Write the reason for the appeal below or submit 8 copies of your appeal letter that addresses the appeal requirements listed on page two of this appeal form:

- A clear, complete and concise statement of the reasons why the decision or determination is inconsistent with the provisions and purposes of the County's Zoning Ordinances or other applicable law; and
- Grounds shall be specifically stated if it is claimed that there was error or abuse of discretion, or lack of a fair and impartial hearing, or that the decision is not supported by the evidence presented for consideration, or that there is significant new evidence relevant to the decision which could not have been presented at the time the decision was made.

See attached letter to the Santa Barbara County Director of Planning

Specific conditions imposed which I wish to appeal are (if applicable):


- a. See attached letter to the Santa Barbara County Director of Planning
- b. _____
- c. _____
- d. _____

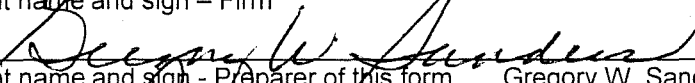
Please include any other information you feel is relevant to this application.

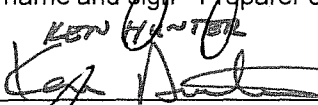
CERTIFICATION OF ACCURACY AND COMPLETENESS Signatures must be completed for each line. If one or more of the parties are the same, please re-sign the applicable line.

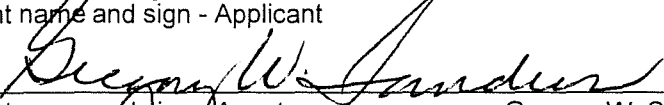
Applicant's signature authorizes County staff to enter the property described above for the purposes of inspection.


I hereby declare under penalty of perjury that the information contained in this application and all attached materials are correct, true and complete. I acknowledge and agree that the County of Santa Barbara is relying on the accuracy of this information and my representations in order to process this application and that any permits issued by the County may be rescinded if it is determined that the information and materials submitted are not true and correct. I further acknowledge that I may be liable for any costs associated with rescission of such permits.

KEN HUNTER

 _____ *PRES.* _____ *4/30/08*
 Print name and sign - Firm Date


 _____ _____ *4/30/08*
 Print name and sign - Preparer of this form Gregory W. Sanders, Attorney at Law Date

KEN HUNTER

 _____ *PRESIDENT* _____ *4/30/08*
 Print name and sign - Applicant Date


 _____ _____ *4/30/08*
 Print name and sign Agent Gregory W. Sanders, Attorney at Law Date

KEN HUNTER

 _____ *PRESIDENT* _____ *4/30/08*
 Print name and sign - Landowner Date

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GREGORY W SANDERS
gsanders@nossaman.com

REFER TO FILE #
111111-2222

April 18, 2008

VIA OVERNIGHT DELIVERY

Charles Jackson, Chairman and
Members of the Santa Barbara County Planning Commission
County of Santa Barbara Planning Commission
123 E. Anapamu Street
Santa Barbara, CA 93101

Re: Comments on PXP Tranquillon Ridge Project Environmental Impact Report and
Proposed Amendments to Final Development Plan 94-DP-027

Dear Chairman Jackson and Members of the Santa Barbara County Planning Commission:

We represent Vaquero Energy Company ("Vaquero"), an independent California based oil and gas exploration and production company. Vaquero is very concerned about recent revisions to the Tranquillon Ridge Oil and Gas Project ("Tranquillon Ridge Project") by the project proponent, Plains Exploration and Production Company ("PXP"). Revisions to the Tranquillon Ridge Project were made pursuant to an agreement that PXP negotiated with several non-governmental organizations ("NGOs"). The Tranquillon Ridge Project, as revised by the agreement with the NGOs, violates the California Coastal Act (Pub. Resources Code sec. 30000 et seq.) ("Coastal Act") and the California Environmental Quality Act ("CEQA") (Pub. Resources Code, sec. 21000 et seq.) Because of these concerns, as explained below, we respectfully request that the Planning Commission delay any action to approve the Final Development Plan ("FDP") and certification of the Tranquillon Ridge Project Environmental Impact Report ("EIR") until PXP and the County of Santa Barbara demonstrate compliance with the Coastal Act and CEQA.

A. Requirement to avoid cumulative effects under the Coastal Act

A coastal development project, such as the Tranquillon Ridge Project, must demonstrate that it will not result in cumulative impacts that adversely affect the coastal zone. (Pub. Resources Code sec. 30250 subd. (a).) When PXP's predecessor in interest in Platform Irene, Unocal, obtained the initial Coastal Development Permit to build three pipelines to what would become the Lompoc Oil and Gas Plant ("LOGP"), the California Coastal Commission imposed numerous conditions on the permit. These conditions were designed to mitigate the cumulative impacts associated with the concurrent production of oil and gas and the need to process, store

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April 18, 2008
Page 2

and transport the oil and gas produced in a manner that did not cumulatively degrade the coastal resources of Santa Barbara County. (August 30, 1985 Coastal Development Permit for Platform Irene and Associated Infrastructure at p.18 [attached to Appendix M of Tranquillon Ridge EIR].) Unocal was able to overcome a finding of cumulatively adverse coastal effects by demonstrating that it would mitigate adverse environmental effects “to the maximum extent feasible” in accordance with Pub. Resources Code sec. 30260 subd. (3). In turn, the Coastal Commission premised its finding of mitigation to the maximum extent feasible upon Unocal’s “commitment to use consolidated pipelines, power cables, and processing facilities.” (August 30, 1985 Coastal Development Permit for Platform Irene and Associated Infrastructure at p.17.)

PXP now finds itself in much the same situation as Unocal was in the mid-1980s. The new infrastructure associated with the proposed Tranquillon Ridge Project will result in cumulatively significant effects on the coastal environment. Yet, unlike Unocal, and in contravention of Sections 30250 and 30260 of the Coastal Act, PXP is taking the opposite tack toward the use of consolidated facilities. Recent discussion with PXP, combined with its recent agreement with the NGOs confirm that it has no intention of sharing the LOGP and associated infrastructure with other oil and gas producers unless it is forced do so—preferring instead to maximize its own oil and gas production over the short term while prices are high before shutting down the LOGP facility and leaving northern Santa Barbara County without a consolidated facility for all producers in the area to process oil and gas. Other oil and gas producers will be forced to either attempt to build their own oil and gas treatment facilities with attendant construction related increases in pollution and a proliferation of such facilities or waste natural gas obtained in oil drilling by flaring, thereby exacerbating air quality. These are exactly the types of cumulative effects that would, but unfortunately will not, be avoided through consolidated processing at the LOGP as originally required.

B. The Proposed Modification to FDP Paragraph A-6 conflicts with other provisions of the FDP

Recognizing the need for consolidation of oil and gas processing in Santa Barbara County in order to reduce and avoid cumulative effects of a multitude of such facilities in the coastal zone, the current (Appendix M) Conditions of Approval provide in Condition Q-9 that “PXP shall operate its facilities as consolidated oil and gas facilities, including gas reinjection facilities, with access for use available on a nondiscriminatory and equitable basis.” Condition Q-9 also provides that where “the need for [oil and gas processing facilities] is demonstrated by other developers to the Planning Commission, PXP shall make available to such other developers any excess capacity of the PXP project facilities.” Notwithstanding its obligations under Paragraph Q-9, PXP has been unwilling to make the LOGP available to other oil and gas developers on a commercially reasonable basis even though it currently has sufficient excess capacity to do so. More troubling, however, is that the Planning Department has proposed new language in Paragraph A-6 of the FDP that will allow PXP to unilaterally close the “consolidated” LOGP in 2022—notwithstanding that other producers are reliant on the LOGP as

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the only reasonably available facility for oil and gas processing. Allowing such a closure will produce exactly the type of cumulative adverse environmental effects discussed above.

C. The “Reduced Life Tranquillon Ridge Project” alternative was never properly reviewed under CEQA

(i) The Project Description in the EIR is materially different than the project the Planning Commission is being asked to approve

CEQA was enacted to provide the citizens of California with a meaningful opportunity to obtain an understanding of the actions of their government, and to participate in the governmental decision-making process. (See CEQA Guidelines, Cal. Code Regs., tit. 14, sec. 15121, subd. (a) [hereinafter “Guidelines”].) In this vein, the Supreme Court of California has provided that CEQA shall be scrupulously followed so that the public will know the basis on which a project has been approved or rejected, and may respond accordingly if there is disagreement with the decisions. The EIR process, therefore, protects not only the environment, “but also informed self-government.” (*Laurel Heights Improvement Assn. v. Regents of the University of California* (1988) 47 Cal. 3d 376, 392 [26 Cal. Rptr. 2d 231].)

The “Reduced Life Tranquillon Ridge Project” (hereinafter “Reduced Life Alternative”), which first saw the light of day¹ in a front page story in the Los Angeles Times, has never been reviewed in a CEQA document and the public knows nothing of it other than what has been reported in the press. Though the staff report glosses over the issue, there are potentially significant differences between the Reduced Life Alternative and the Tranquillon Ridge Preferred Alternative that was proposed in the EIR.

The Reduced Life Alternative, as discussed in the staff report, is not simply a recasting of the Preferred Alternative addressed in the EIR. It is materially different because it may reduce the life of the LOGP by as much as one-half. While the preferred alternative in the EIR would potentially allow onshore oil and gas production to continue at onshore facilities (by virtue of continued access to the LOGP and associated pipelines and other infrastructure) until or beyond 2037, the Reduced Life Alternative, and its attendant closure of LOGP and the oil and gas processing facility in Lompoc and Gaviota, cuts off access to these oil and gas processing facilities after 2022. While the NGOs and Planning Department might consider such closure “environmentally beneficial,”² these impacts are nevertheless very *different* than those that

¹ We utilize the term “light of day” guardedly since the agreement that gave rise to the newly minted Reduced Life alternative remains “confidential,” (Planning Commission Staff Report at p. 6) and neither the public, nor the Planning Commission, knows the full extent of the agreement between PXP and the NGOs that are parties to an agreement.

² Vaquero does not agree that the Reduced Life Alternative will produce entirely beneficial environmental impacts. In addition to causing economic calamity for individuals employed in the oil/gas production industries, the closure and removal of pertinent infrastructure at and

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would pertain under the Preferred Alternative. Table 2 of the Planning Commission Staff Report attempts to demonstrate that impacts would be the same under the two alternatives. However, Table 2 is misleading because *the total amount of oil and gas to ultimately be produced* under each alternative appears to *remain the same*, or nearly so, while the period of extraction is reduced from 30 years to no more than six years. Thus, apparently the amount of production and processing that would occur in six days under the Preferred Alternative will now occur in one day under the Reduced Life Alternative. Such an intensive increase in the daily production of oil and gas would presumably lead, over the short term, to proportionally greater emissions of air pollution, higher volumes of drill mud and cuttings and other “different” effects than those considered in the EIR. We do not know for certain what the different impacts will be because the EIR does not tell us. CEQA does not countenance such omissions. (Cf. Guidelines sec. 15121, subd. (a).)

(ii) The Planning Commission is required to recirculate the EIR prior to certification

CEQA requires recirculation of an EIR whenever significant new information is added to the EIR after notice of public review has been given, but prior to the public agency’s final certification of the EIR. (Pub. Resources Code, sec. 21092.1; Guidelines sec. 15088.5.) “New information” includes changes to the project itself, or changes to an alternative. (Ibid.) When recirculation is required, the public agency is required to issue a new notice and allow the public additional opportunity to review, comment and consult. (Ibid.) As discussed above, the Agreement between PXP and the NGOs, as incorporated into the FDP, clearly constitutes “significant new information” because it represents an entirely different alternative with substantially different impacts likely to flow therefrom, and for which the public has never been afforded a meaningful opportunity to review and comment. The situation here is quite the opposite of the scenario where a change “merely clarifies or amplifies or makes insignificant modifications in an adequate EIR.” (Guidelines sec. 15088.5 subd. (b).) If the Planning Commission intends to approve the Reduced Life Alternative and associated findings and changes to the FDP, it may only lawfully do so after it recirculates the EIR (after incorporating a complete explanation of the Reduced Life Alternative and associated environmental impacts as the Preferred Alternative).

around the LOGP and Gaviota may lead to adverse effects to the physical environment such as urban blight and contaminated (but abandoned) properties. Blight may occur because small-scale owner/operators of these production facilities may be unable to realize the full return on their investments and may be financially unable to remediate or redevelop their industrial properties. CEQA requires consideration, and where appropriate, mitigation to prevent blight or “urban decay.” (See *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal. App. 4th 1184, 1215.)

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D. The Reduced Life Alternative and the Preferred Alternative are both inadequate because they fail to disclose important aspects of the project

A “project” under review may not be described in a CEQA document in a manner that fails to fully disclose the true potential environmental impacts flowing from governmental action. (Guidelines, sec. 15378, subds. (a), (c).) Instead, a project description must adequately apprise interested parties of the true scope of the project in order to allow the public, and the agency, to make informed decisions regarding a project’s foreseeable environmental consequences. (*City of Santee v. County of San Diego* (1989), 214 Cal. App. 3d 1438, 1454-55; *County of Inyo v. City of Los Angeles* (1977) 71 Cal. App. 3d. 185, 193 [“A curtailed or distorted project description may stultify the objectives of the reporting process. Only through an accurate view of the project may affected outsiders and public decision-makers balance the proposal’s benefit against its environmental cost.”]; Guidelines, sec. 15063, subd. (a)(1).)

The EIR, and the Reduced Life Alternative that purportedly amends it, both omit significant elements from the project description thereby confounding public review and an understanding of the Tranquillon Ridge Project’s likely consequences. Material elements omitted from the project description in this case include, inter alia: 1) the removal, disposition and remediation of the comprehensive oil and gas infrastructure located in northern Santa Barbara County that is to be decommissioned in 2022 *as a direct result of* implementation of the Reduced Life Alternative (the execution of which is apparently enforceable by both the County and local NGOs);³ 2) the construction of new oil and gas plants and pipelines to serve the needs of existing onshore oil and gas production facilities after all of the existing infrastructure is removed in accordance with PXP’s agreement with the NGOs; 3) the construction of upgrades to water treatment facilities (the magnitude of which is unknown) at either Platform Irene or at the LOGP (the EIR does not clearly specify) so that produced water can once again be legally discharged at Platform Irene in accordance with its EPA General NPDES; and 4) operations and environmental effects associated with the reinjection of produced water and other wastes at the Lompoc Oil Fields (how much injected and for how much longer).

E. The EIR contains an inadequate alternatives analysis

CEQA requires that an EIR fully consider all reasonable alternatives prior to its certification. (Guidelines sec. 15126.6, subd. (a); see also *Residents Ad Hoc Stadium Committee v. Board of Trustees* (1979) 89 Cal. App. 3d 274, 286; *Foundation for San Francisco’s Architectural Heritage v. City and County of San Francisco* (1980) 106 Cal. App. 3d 893, 910.) As explained below, the EIR failed to make a reasoned comparison of the environmental impacts associated with each reasonable alternative for two reasons.

³ See April 17, 2008 Letter from Linda Crop, [sic] environmental Defense Center to Santa Barbara County Planning Commission at pp. 4-5.

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First, as previously explained, the EIR as circulated to the general public entirely omits any reference to, or analysis of, the Reduced Life Alternative. The Planning Commission's posting of *an entirely new alternative*, yielding different environmental effects, less than one week before the Planning Commission's consideration of the EIR,⁴ entirely precluded the public from evaluating and comparing the benefits and burdens associated with the Reduced Life Alternative. Had the public at large (rather than a few select NGOs) been given an opportunity to evaluate the Reduced Life Alternative in a meaningful manner, then the public could have weighed the purported environmental benefits of the de facto abolition of oil exploration and production in Northern Santa Barbara County by producers other than PXP by 2022⁵ against other countervailing societal considerations. Such considerations could have included: 1) the substantial reduction in local tax revenues that would accompany the loss of oil production in the region (see April 17, 2008 Letter from ExxonMobil to Planning Commission at p. 2.); 2) the ever-increasing financial burden on local (and national) consumers while significant quantities of known oil reserves potentially remain untapped in an active oil field (Ibid.); 3) the national security dangers posed by over-reliance on foreign sources of oil when domestic supplies are known and suitable for production (with minimal additional investment); 4) the economic damage to the County associated with job losses and loss of investment that would likely accompany the closure of oil and gas production facilities in northern Santa Barbara County; and 5) the environmental effects of leaving remaining producers of oil and gas in the region with no facility to process their production.

As the Planning Department acknowledges in Section 1.8 of the staff report, there is an overriding need to develop an "interim source of domestic oil and gas production" in California. (Cf. August 30, 1985 Coastal Development Permit for Platform Irene and Associated Infrastructure at p.18 [attached to Appendix M of Tranquillon Ridge EIR] [noting national interest in permitting domestic energy production in the coastal zone].) Interested citizens should have been given an opportunity to weigh the societal costs of the Reduced Life Alternative against the environmental benefits of terminating virtually all oil and gas production/processing in 2022 versus 2037. But they were never given the opportunity—thereby violating CEQA. (See generally Guidelines, sec. 15126.6, subd. (a) [an agency must consider a "reasonable range of potentially feasible alternatives that will foster informed decision-making and public participation]).

⁴ We note, with concern, that the Reduced Life Alternative was materially and substantively amended on April 16 through a document purporting to be an "errata sheet." The net result of the new alternative and hastily added findings, in combination with the extensive errata, is that it is nearly impossible for the public to ascertain what it is exactly that the Planning Commission is being asked to approve on Monday, April 21. (See http://www.countyofsb.org/energy/documents/projects/08_04-15TranRidgeERRATA-StaffReport&FEIR.pdf.)

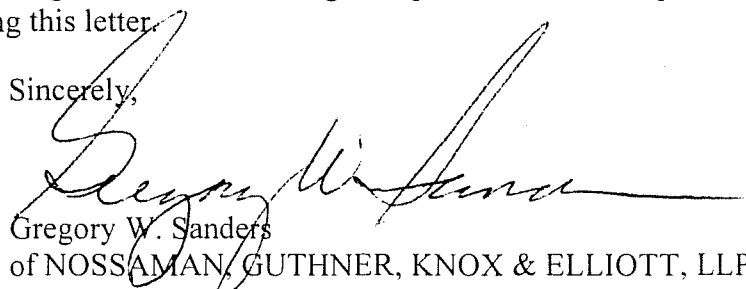
⁵ The closure of the LOGP and the Oil/Gas Processing Facility at Gaviota, as apparently agreed upon by PXP, may result in the shut-down of all oil and gas production in Northern Santa Barbara County due to the lack of available oil and gas processing facilities.

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The EIR also fails to fully evaluate an alternative that would potentially “avoid or substantially lessen . . . significant effects of the project” as required by CEQA. (Ibid.) ExxonMobil and Sunset Exploration, Inc. (hereinafter Exxon), have a competing application for the Vahevala project. The Vahevala project seeks to extract the same (or greater quantities) of oil from the Tranquillon Ridge from an *onshore location* at Vandenberg Air Force Base. The most significant and unavoidable potential impacts associated with both the Preferred Alternative and the Reduced Life Alternative are associated with an off-shore oil spill that fouls marine waters and harms marine wildlife. (Staff report at p. 22; Proposed Findings, at p. A-14.) Indeed, four of the ten impacts classified in the EIR as “Class I” and “unavoidable” concern the potential for off-shore spills. This very serious environmental concern is largely eliminated when oil is extracted from an on-shore facility. (Staff report at p. 36.) Yet, even while acknowledging that more detailed information could support a finding that the Exxon Vahevala project is the least environmentally damaging alternative, the staff report paradoxically precludes such an evaluation by urging the Planning Commission to approve the Reduced Life Alternative now (due to the advantage of terminating all of PXP’s oil production operations within 14 years) rather than allowing Exxon to complete its own CEQA and NEPA evaluations so that a fair comparison of overall adverse effect can be made. (See April 17, 2008 letter from ExxonMobil to Planning Commission at p. 2.). The proposed Vahevala project is capable of avoiding or substantially lessening significant effects of the project associated with oil spills into the marine environment. The EIR violates CEQA by declining to obtain a more detailed description of Exxon’s proposed action for purposes of comparison in the EIR. (Guidelines, sec. 15126.6, subd. (b).)

We will be present at the Planning Commission hearing on April 21, 2006 to respond to any questions you may have regarding this letter.

Sincerely,



Gregory W. Sanders

of NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP

GWS/cjm

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REFER TO FILE #
111111-2222

April 28, 2008

John Baker
Director of Planning & Development
County of Santa Barbara
Planning Department
123 E. Anapamu Street
Santa Barbara, CA 93101

Re: Supplemental Letter – Appeal of Santa Barbara County Planning Commission
Conditional Approval of PXP Tranquillon Ridge Oil and Gas Project
(Case No. 06RVP-00000-00001)

Dear Mr. Baker:

We continue to represent Vaquero Energy Company (“Vaquero”), an independent California based oil and gas exploration and development company, with regard to the proposed PXP Tranquillon Ridge Oil and Gas project. The purpose of this letter is to supplement the Planning & Development Appeal Form submitted to you herewith.

A. Statement of reasons why the Planning Commission decision to approve the PXP Tranquillon Ridge Oil and Gas project is inconsistent with the provision of applicable law

Vaquero hereby reiterates each of the issues set forth in the letter from the undersigned to the Santa Barbara County Planning Commission, dated April 18, 2008. The Planning Commission refused to accept the letter, declining to make it part of the administrative record of the Planning Commission’s proceedings. The issues raised in the letter were ignored and the decision was made by the Planning Commission to certify the environmental impact report (“EIR”) and approve the proposed PXP project with conditions despite the clear legal inadequacies of the EIR, as discussed in the letter.

In addition to the foregoing, the EIR fails to analyze the environmental impacts associated with closure of the Lompoc Oil and Gas Processing facility (“LOGP”) in 2022, leaving producers either a) with no facility at which oil and gas produced in the vicinity of the LOGP can be processed, resulting in increased flaring as additional wells are drilled and brought

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Page 2

into production, thereby exacerbating air quality; or b) no choice but to build additional oil and gas processing facilities. Simply put, there is no plan for processing oil and gas produced in the vicinity of the LOGP beyond 2022 analyzed in the proposed EIR. Since the proposed PXP project now requires closure of the LOGP in 2022, the EIR is inadequate for failure to consider the environmental impacts associated with closing the LOGP.

When the issue of failure of the EIR to analyze the environmental impacts associated with closure of the LOGP in 2022 was brought to the attention of the Planning Commission through oral testimony, the Planning Department staff advised the Planning Commission that the EIR is adequate because the useful life of the LOGP will have been reached by 2022. The Planning Commission staff report, however, contradicts the staff's assertion. The oil processing portion of the LOGP was constructed in 1987. The gas processing facilities were not added until 1997. (Planning Comm. Staff Rpt., p. 10.) This important distinction was not brought to the attention of the Planning Commission.

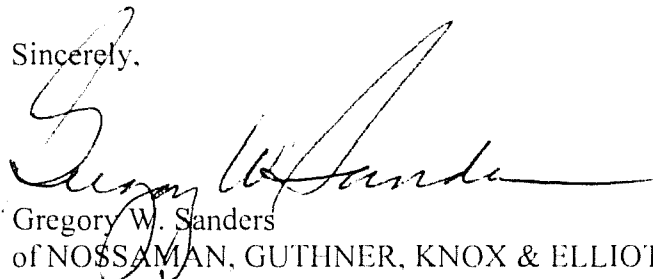
B. Specific conditions appealed

Vaquero hereby appeals the proposed PXP project Condition of Approval No A-18. Condition A-18 is inconsistent with Condition of Approval No. Q-9 imposed on the original permit to construct and operate the LOGP. (A copy of Condition No. Q-9 is attached hereto.) Condition Q-9 requires that the LOGP be operated as a consolidated facility, with access provided to all producers, and that the Planning Department secure from PXP equitable and commercially reasonable terms by which the LOGP may be accessed. Condition A-18 contains no such requirements. In fact, Condition A-18 places the burden of petitioning for access to the LOGP on the producers other than PXP, which violates both the specific terms and intent of Condition Q-9.

Santa Barbara County Code Section 35.102.050(c) (Appeals to the Board) requires that the hearing on the appeal shall be de novo. We will be providing you and the Board of Supervisors with a further supplemental letter setting forth in greater detail the basis of the appeal as set forth herein and other issues that require the Board to uphold the appeal and overturn the decision of the Planning Commission approving the proposed PXP project with conditions.

Thank you for your attention to this matter.

Sincerely,



Gregory W. Sanders
of NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP

PXP shall comply with all applicable policies in Section 25 of the Santa Barbara County Petroleum Ordinance No. 2795.

Q-7 Marine Terminal Transport of Processed Oil

Any oil processed in PXP facilities that is eventually transported through a marine terminal shall only be transported through facilities and with vessels equipped with Best Available Control Technology (BACT), including vapor control systems that are acceptable to the APCD.

Q-8 Use of Oil and Gas Pipelines on Common Carrier Basis

PXP agrees that the oil and gas pipelines from Platform Irene to Lompoc will each be constructed, operated, and maintained as a common carrier, and will accept from non-owners of the pipeline, tenders for the transportation of oil or gas on reasonable terms and conditions and at just and reasonable rates, which terms, conditions, or rates are published and no less favorable than those applied to shipments by owners of the line, and with no requirement that the tendered oil or gas be sold, exchanged or otherwise transferred to the pipeline or its owners.

When and if oil transported through Tosco Corporation's Lompoc to Orcutt pipeline connects to the All American Pipeline or other common carrier pipeline exiting Santa Barbara County, such pipeline shall be operated as a common carrier or multiple user pipeline, providing for equitable pro-rata access to all producers." (*Modified November 8, 2000*)

Q-9 Consolidation of Oil and Gas Facilities

PXP shall operate its facilities as consolidated oil and gas facilities, including gas reinjection facilities, with access for use available on a nondiscriminatory and equitable basis. County retains the right to verify that the use of the facility is conforming with State and County policies on consolidation and to impose additional permit conditions where necessary to assure these policies are being fulfilled to the extent feasible. The intent of this condition is to ensure the multi-company use of oil and gas transportation and processing facilities.

Regarding the consolidation of oil and gas processing, and gas reinjection facilities, in the event that the need for such facilities is demonstrated by other developers to the Planning Commission, PXP shall make available to such other developers any excess capacity of the PXP project facilities. In the event that sufficient excess capacity does not exist within the PXP project facilities to serve the needs of such other developers as demonstrated to the Planning Commission, PXP shall make its Lompoc Heating, Separating, and Pumping Facility property available to other developers for the construction of additional permitted oil and gas-related facilities. In the event that such necessary facilities are not permissible pursuant to the County's consolidation policies, PXP shall reduce its throughput on a pro-rata basis to accommodate such other developers.

Prior to the issuance of the Land Use Permit for the HS&P Gas Plant and at any time thereafter, as requested by the County, PXP shall submit to the Director of Planning and Development terms under which other producers in the area would be permitted to enter and use either the facilities or property for oil and/or gas processing or storage facilities, or ancillary facilities including but not limited to electrical substations, water treatment facilities, and wastewater loading facilities. If these terms are determined to be unacceptable to potential users of the facility and if agreement cannot be reached, the County reserves the right to impose additional conditions as described above to amend the permit. The intent of

this condition is to ensure the efficient and maximum multi-company use of oil and gas transportation and processing facilities.

R. ABANDONMENT

R-1 Reduction of Oil or Gas Processing Throughput

When oil or gas processing throughput is reduced to three percent (3%) or less of permitted capacity, the County of Santa Barbara shall review the facility permits and conduct a public hearing to determine if abandonment or other actions are appropriate.

R-2 Site Restoration

Immediately following permanent shutdown of the facility, PXP shall remove any and all abandoned processing facilities and unburied portions of the pipeline between Surf and Orcutt constructed under this permit, recontour the site and revegetate the site in accordance with a County approved revegetation plan within one year of shutdown. Underground pipelines that have the potential to become exposed, as determined by P&D, shall also be removed. Any soils that are found to be contaminated as a result of the project shall be remediated to the satisfaction of the County. PXP shall post a performance bond to insure compliance until site restoration is complete, as determined by the County.

As part of the gas plant project, PXP shall remove all above ground portions of the 6-inch sour gas pipeline from the LOGP to the SCGC sales gas pipeline tie-in. The remaining underground portions of the 6-inch sour gas pipeline that do not have the potential to become exposed shall be permanently abandoned. (*Modified November 8, 2000*)

S. LAND USE

S-1 Staking and Notification of Pipeline Route

Prior to construction, the entire pipeline ROW corridor shall be prominently staked. All affected property owners along the pipeline route shall be notified in writing at least 30 days prior to the commencement of any pipeline construction on their property, and at least 15 days in advance of any deviation from the staked corridor which crosses their property.

S-2 Pipeline Construction Hours

Pipeline construction activities shall be prohibited between 4 p.m. and 7 a.m., Monday through Saturday in the vicinity of any residence or sensitive biological area. Except for emergency services, construction activities shall not take place on Sundays or any recognized holiday, unless previous arrangements have been made with the affected property owners.

S-3 Maintenance and Security Agreement for Affected Properties During Construction

Prior to approval of the Final Development Plan, PXP shall consult with affected property owners to develop reasonable and mutually satisfactory controls for maintaining the privacy, security and activities of affected properties while construction is in progress.

S-4 Interruption of Utility Services

Interruption of telephone, electrical power, water or other utility services shall be minimized to the extent feasible during the pipeline construction period. PXP, or its contractors, shall contact each property owner or the appropriate utility regarding the location of utility lines,

ATTACHMENT C.2

Air Force Letter to ExxonMobil and Sunset dated June 25, 2008



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC

OFFICE OF THE ASSISTANT SECRETARY

JUN 25 2008

SAF/IEE
1665 Air Force Pentagon
Washington, DC 20330-1665

Mr. Ray G. Charles
ExxonMobil Exploration Company
222 Benmar Drive
Houston, TX 77060

Mr Robert E. Nunn
Sunset Exploration, Inc.
10500 Brentwood Blvd.
Brentwood, CA 94513

Dear Messrs Charles and Nunn

We have evaluated your proposal to leverage your option to lease on-shore, sub-surface mineral rights beneath 7,780-acres of South Vandenberg Air Force Base (VAFB) to establish oil and gas drilling and production facilities on 25-acres near Space Launch Complex (SLC) 5 for directional drilling into off-shore reserves.

I believe it would be premature to proceed with the National Environmental Policy Act (NEPA)/Environmental Impact Statement (EIS) evaluation of your desired location for the reasons stated below. A drilling and production facility at your proposed location would present a wide range of significant operational constraints, inconsistent with VAFB's national space launch mission. Most significantly, your proposed location is within the Impact Limit Lines of all of our active SLCs; it is within the SLC-5 explosives safety clear zone, eliminating SLC-5 as an optional platform for the approximate 40 year life of the Vahevala project; and in the event of a natural disaster or catastrophic mission failure at any of the SLCs, the presence of the facility would severely complicate emergency response. Consistent with these concerns, the Air Force cannot provide you access to your desired 25-acre location on South VAFB.

We do understand that if you exercise the option to lease, you will be entitled to reasonable access to onshore, subsurface minerals. Any drilling and oil or gas production on South VAFB would still hamper execution of space launches and create operational impacts. However, there are areas which may present less operational impact than your proposed 25-acre site west of SLC-5. They are generally in the northern and eastern portions of South VAFB, within the 7,780-acre option to lease.

We recognize the Air Force's discussions with you regarding the Vahevala project have been protracted. Please accept my personal assurance that this has been due to diligent examination of the proposal at the several levels of command that support the space launch mission at VAFB. As a result of this diligent examination, our military commanders have decided it is simply not consistent with their most fundamental mission responsibilities.

As the Deputy Assistant Secretary of the Air Force for Energy and the Environment, I am keenly aware of the crucial contributions of your industry to our nation, and to the national defense. I salute you for your initiatives to enhance the energy security of America, and look forward to the possibility of collaborating with you on projects that might be synergistic with the Air Force mission.

Sincerely



KEVIN W. BILLINGS
Deputy Assistant Secretary
(Energy, Environment, Safety and
Occupational Health)

cc:

AF/CC
AF/CV
AF/CVA
SAF/GC
AFSPC/CC
HQ USAF/A7C

Mr. Douglas K. Anthony
County of Santa Barbara
Office of Planning and Development
123 E. Anapamu Street
Santa Barbara, CA 93101

Mr. Paul Mount
California State Lands Commission
Mineral Resources Management
200 Oceangate, 12th Floor
Long Beach, CA 90802