



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Department No.: 012
For Agenda Of: March 11, 2008
Placement: Departmental
Estimated Tme: 1 Hour
Continued Item: No
If Yes, date from:
Vote Required:

TO: Board of Supervisors
FROM: Department Michael F. Brown, County Executive Officer
Director:
Contact Info: Ron Cortez, Deputy CEO, 568-2243
SUBJECT: Onshore Oil Facilities Update

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

- 1) That the Board of Supervisors on March 11, 2008 receive a staff report on the status of the onshore facilities program. and
- 2) Receive an update on the five recommendations concerning potential new ordinances and staff practices adopted by the Board of Supervisors on January 15, 2008.

Summary Text:

- 1) ***Onshore Facility Inspection and Spill Reports*** - Since January 15, 2008, the Petroleum Unit of Planning & Development Department, and the Fire Prevention Unit of the County Fire Department have inspected a total of twelve onshore oil production facilities (11 Greka facilities and 1 Richards Oil facility). Inspection of the 11 Greka Energy facilities disclosed a total of 511 deficiencies; additionally two more facilities were shut down due to unauthorized oil releases that presented imminent threat to public health and safety. The inspection of the Richards site resulted in 15 deficiencies not requiring a shutdown. Also, since January 15th, 24 spills have been reported, twenty of which occurred at Greka Energy facilities and one each at Santa Maria Pacific, Shell, Richards Oil, and Breitburn Energy. (See Attachment A to this Board letter for a detailed schedule of facility inspections completed and scheduled).
- 2) ***Status of Prior Recommendations Approved by the Board*** – In order to deter the continued occurrences of deficiencies at onshore oil sites, to recover the increased and often excessive costs to the County's citizens associated with such deficiencies, and to improve the efficiency and effectiveness of oversight activities countywide, the Board, at its January 15, 2008 meeting,

approved five recommendations that had been presented by staff. The status of those recommendations is presented in Attachment B to this Board letter.

- 3) ***Responses to Board Inquiries*** – During the January 15, 2008 Board meeting, several Board members posed questions to staff on various issues pertaining to oil facility oversight issues. Staff responses are presented in Attachment C.

Background:

1) ***Facility Inspection and Spill Reports*** –

Since the January 15th Board meeting, the County Fire Department and the Petroleum Unit of Planning & Development have aggressively undertaken an inspection schedule of the county's onshore oil facilities. Modifications to the County's Petroleum Code and the County's adoption of changes to the Fire Department's appeal process approved by the Board in 2007 have served to strengthen the County's enforcement activities. Major revisions to the Petroleum Code (Chapter 25 of the Santa Barbara County Code), in 2007, raised the standards for the inspection and testing of new and existing tanks, piping, pressure vessels and all other equipment associated with the production, storage, and transportation of petroleum. Other revisions included new administrative procedures for permits, access to public records, and an appeals process for decisions by the petroleum administrator.

The status of on-going inspections of onshore facilities by County staff is presented in Attachment A to this Board letter.

2) ***Reports from Other Agencies*** –

A. LOCAL AGENCIES ACTIVITY SINCE JANUARY 15, 2008:

• **County Fire Department:**

Since January 15th, the County Fire Department, in conjunction with the County Petroleum Unit, has committed considerable resources toward bringing onshore oil facilities, including Greka Energy Oil and Gas Facilities into compliance with the Fire Code. During the on-going inspection schedule, numerous violations have been noted and brought to the attention of facility personnel for correction. Once the inspections are completed, inspectors monitor the progress of work to correct the violations. Those violations, which have not been corrected, will be reviewed and appropriate enforcement actions will be taken. Additional releases or lack of compliance by onshore facilities would cause a further increase in the Fire Department time and resource commitment.

Throughout the inspection process, Fire Department personnel have continued to respond to new releases and monitor clean up efforts by facility operators within the county. Working alongside other county, state, and federal departments, the Fire Department is expecting a successful resolution these incidents and any others that may impact public safety or the environment.

- **Planning and Development, Petroleum Unit:**

Since January 15, 2008, the onshore inspection team, consisting of County Fire Prevention Division and the Petroleum Unit, has inspected eleven (11) onshore facilities owned and operated by Greka Energy and one (1) facility owned and operated by Richards Oil. As of this date, the inspection team has identified 496 deficiencies at seven (7) Greka Energy Facilities, 15 deficiencies at the Richards Oil facility and is completing lists of deficiencies for four (4) remaining Greka Energy facilities. Of the eleven (11) Greka Energy facilities inspected, five (5) are shutdown due to unauthorized oil releases, five (5) remain in active operation, and one (1) facility is idle. The Richards Oil facility currently remains in active operation.

During the next sixty (60) days, the onshore inspection team will be inspecting approximately twelve (12) facilities operated by Richards Oil, PXP, Breitburn and Sierra Resources. Notwithstanding, the onshore inspection team will be following up with Greka Energy and Richards Oil, as requested by those operators, to reinspect the facility deficiencies identified from our initial inspections. The onshore inspection team is working closely with representatives of Greka Energy and Richards Oil on resolving the deficiencies in an effort to bring them into compliance with current County Fire and Petroleum Codes and allow any facility that has been put in a shutdown mode to resume operations as quickly and as safely as possible.

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

- **Air Pollution Control District:**

Representatives for the Air Pollution Control District will provide an update at the Board of Supervisors meeting on March 11, 2008.

B. STATE AGENCIES ACTIVITY SINCE JANUARY 15, 2008:

- **California Department of Fish and Game:**

The cleanup at Zaca for the State (not the US-EPA) has been completed. The creek restoration phase will begin on Friday 2/29/08 and should take only a few days. The Bell spill has been problematic with unforeseen PCB hot spots that are taking longer than anticipated. Cleanup completion may be one to 2 weeks out. The Bradley 3-Island spill is to recommence in about 2 weeks once the PCB sampling (Federally led) protocols have been adopted. Once complete, the PCB spill delineation sampling will be done and the following cleanup will occur on the facility and in the creek. Once that is done, then the oil spill cleanup will occur. This will obviously take some time. Start in mid-March and with some luck finish in mid-April.

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

*The following environmental inspections have been made in Santa Barbara County by **DOGGR** in Jan-Feb 2008:*

Field	Operator	Lease
Cat Canyon	Greka Oil & Gas, Inc.	Fullerton Williams United California
Santa Maria Valley	Greka Oil & Gas, Inc.	North Orcutt Bettiga R.B. McFaddin
Cat Canyon	Chevron USA	Williams Holding Los Alamos Williams Fee
Cat Canyon	Greka/Aera/Chevron	Check storm runoff on leases
Casmalia	Richards/Greka	Check storm runoff on leases
Orcutt	BreitBurn	Check storm runoff on leases
Santa Maria Valley	Greka/BE Conway	Check storm runoff on leases
Barham Ranch	Sierra Resources	Barham Blair H.P. Boyne
Lompoc	Plains Exploration & Prod. Co.	Purisima

C. FEDERAL AGENCIES ACTIVITY SINCE JANUARY 15, 2008:

- **Environmental Protection Agency:**

Representatives for the Environmental Protection Agency will provide an update at the Board of Supervisors meeting on March 11, 2008.

Status of Prior Recommendations Approved by the Board - In an effort to further discourage oil facility operators from creating unsafe conditions that result from code violations, and to improve the overall efficiency of facility oversight, the Board approved five recommendations on January 15, 2007. Two of these recommendations pertained to the development of ordinances to address the need to deal with, and the associated costs in dealing with multiple responses to oil facility incidents and high risk offenders. One of the recommendations pertains to the increasing of permitting fees for those facilities requiring an extraordinary time for inspection, and the two remaining recommendations pertain to the implementation of operational efficiencies in the inspection and oversight process.

Attachments:

- Attachment A – Schedule of Onshore Facility Inspection Reports
- Attachment B – Status of Prior Recommendations
- Attachment C – Staff Responses to Board Inquires
- Attachment D – Screen Shot of a Centralized Database
- Attachment E – Letter dated February 28, 2008 from Ed Brannon, Department of Conservation – Division of Oil, Gas and Geothermal Resources

Attachment A

Onshore Facility Inspection Report

Facilities
Shut Down = 5
Operating w/ Deficiencies = 6

Sites Inspected Since January 15, 2008	11
Deficiencies	511
Facilities Shutdown Since January 15, 2008	2

Facility	Inspection Date	Location Address	Status	Deficiencies by Facility/High Priority Deficiencies	Deficiencies Resolved by Facility
Greka Energy					
UCal	1/17/2008	6527 Dominion Road Santa Maria	Shut Down	141/26	None Reported
Bradley 3-Island	1/29/2008	3851 Telephone Road Santa Maria	Shut Down	88/5	None Reported
Security Lease	1/31/2008	5200 Dominion Rd Santa Maria	Active	61/6	None Reported
Union Sugar	2/5/2008	1505 Black Rd. Santa Maria	Active	45	None Reported
Los Flores	2/7/2008	6151 Dominion Santa Maria	Active	55/2	None Reported
Casmalia/Morganti	2/12/2008	5080 Black Rd. Santa Maria	Active	53/1	None Reported
Dominion	2/14/2008	6460 Dominion Rd, Santa Maria	Idle	38/1	None Reported
Bell Tank Battery	2/19/2008	6780 Palmer Rd. Santa Maria	Shut Down 12/07/07	List in progress 30/5	None Reported
Bell Blochman Inj.	2/19/2008	6605 Palmer Road Santa Maria	Shut Down 12/07/07	See Bell Tank Battery	N/A
Zaca-Davis	2/21/2008 & 2/26/2008	5017 Zaca Station Rd Los Olivos	Shut Down 01/05/08	In progress	None Reported
Bell Compressor	2/28/2008	7320 Palmer Road, Santa Maria	Active	List in progress	N/A
Fullerton	3/4/2008	6749 Cat Canyon Rd. Santa Maria	Active	N/A	N/A
Jim Hopkins	3/6/2008	4000 So. Hwy 101, Santa Maria	Active	N/A	N/A
Escolle	3/11/2008	7275 Graciosa Rd., Santa Maria	Active	N/A	N/A
Battles Lease	3/13/2008	1348 Battles Road, Santa Maria	Active	N/A	N/A
Williams Holding	3/18/2008	6855 Cat Canyon Rd. Santa Maria	Idle	N/A	N/A
Bradley 5-Island	3/25/2008	3850 Telephone Rd., Santa Maria	Idle	N/A	N/A
17 Facilities				511	

Updated: February 28, 2008

Onshore Facility Inspection Report

Facilities

Shut Down = 0

Operating w/ Deficiencies
-1

Sites Inspected Since January 15, 2008	1
Deficiencies	15
Facilities Shutdown Since January 15, 2008	0

Facility	Date Inspected	Location Address	Status	Shut down Date	Deficiencies by Facility	Deficiencies Resolved by Facility
Richards Oil						
Wickenden Tank Facility	2/7/2008	7201 Foxen Cyn Rd., Santa Maria	Online	NA	15	None Reported
Peshine Tank Facility		5300 Associated Rd., Casmalia		NA		NA
Tompkins Tank Facility		5300 Associated Rd., Casmalia		NA		NA
PXP						
Jesus Maria Tank Facility		VAFB, CA (West)		NA		NA
Lompoc Hill Tank Facility		4230 Rucker Rd., Lompoc		NA		NA
BreitBurn						
New love 64 Tank Facility		1555 Orcutt Hill Rd., Santa Maria		NA		NA
New love Steam Injection Facility		1555 Orcutt Hill Rd., Santa Maria		NA		NA
New love WW Injection Facility		1555 Orcutt Hill Rd., Santa Maria		NA		NA
New love Tank Facility 2		1555 Orcutt Hill Rd., Santa Maria		NA		NA
Fox Tank Facility		1555 Orcutt Hill Rd., Santa Maria		NA		NA
Squires Tank Facility		1555 Orcutt Hill Rd., Santa Maria		NA		NA
Cal Coast Tank Facility		1555 Orcutt Hill Rd., Santa Maria		NA		NA
Pinal Tank Facility		1555 Orcutt Hill Rd., Santa Maria		NA		NA
Sierra Resources						
H.P. Boyne Tank Facility		10505 Hw y 101, Los Alamos, CA		NA		NA
Blair Tank Facility		10505 Hw y 101, Los Alamos, CA		NA		NA
Soladino Tank Facility		500 Associated Rd., Casmalia		NA		NA

Onshore Facility Spill Report

Number of Spills Since January 15, 2008	24
Greka Facilities	20
Santa Maria Pacific	1
Shell	1
Richards Oil	1
Breitburn Energy	1
Total: Gallons of Oil Spilled	12,202

Date	Operator	Lease/Facility	Site/Well	Gallons
1/15/2008	Greka	Bradley 3-Island	Tank Battery	42
1/18/2008	Santa Maria Pacific	Phoenix/Carega	Tank Battery loading	92.4
1/22/2008	Greka	Bradley 3-Island	Well #1	42
1/23/2008	Greka	Bradley 3-Island	Sand Pit	42
1/24/2008	Greka	Bradley 3-Island	Tank Battery	1
1/24/2008	Greka	UCAL	Skim Ponds	84
1/25/2008	Greka	Zaca-Davis	Tank Battery	126
1/25/2008	Greka	Zaca-Davis	Tank Battery	3
1/25/2008	Greka	Fullerton	Tank Battery	1
1/25/2008	Greka	Battles	Tank Battery	1
1/26/2008	Greka	Bradley 3-Island	Tank Battery	10
1/28/2008	Greka	Bell Tank Battery	Tank Battery	84
1/29/2008	Shell	6400-block of Palmer Rd, SM		42
1/30/2008	Greka	Bell Tank Battery	Upper Bell ponds	8820
1/30/2008	Greka	Zaca-Chamberlin	Tank Battery	84
1/30/2008	Greka	Zaca-Chamberlin	Tank Battery	42
1/31/2008	Greka	Casmalia-Morganti	Lube Oil Tank	7
1/31/2008	Greka	Chamberlin	Tank Battery	42
2/3/2008	Greka	Security Fee	Well #39	84
2/5/2008	Greka	Casmalia-Morganti	Well #25	2.5
2/5/2008	Greka	Casmalia-Morganti	Flow Line	30
2/15/2008	Richards Oil	Casmalia	Tank Farm	1680
2/20/2008	Greka	Security Fee	Well #9	84
2/20/2008	Breitburn Energy	Orcutt	Diatomitis Heavy Oil LACT Unit	756
<i>Total No. of Gallons Spilled</i>				12,202

Updated: February 28, 2008

Attachment B

STATUS OF PRIOR RECOMMENDATIONS

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

<p>Recommendation 1. Develop a Multiple Response Ordinance:</p>	<p>Several onshore facility operators presented the County Fire Department a proposal to balance cost recovery and disincentives to operators to report spills. The Petroleum Administrator and County Fire Department are reviewing this proposal. Staff is also collecting data on responses to determine an appropriate limit and will complete a recommendation within the next few weeks. Staff will hold workshops to gather input into the proposal prior to bringing forth to the Board of Supervisors. Obviously, this is a very high priority.</p>
<p>Recommendation 2. Develop a High Risk Offender Ordinance:</p>	<p>The Energy Division is in process of finalizing draft financial assurance rules to ensure that, for certain oil and gas and other energy facilities, demolition and removal of facilities and restoration of sites occur in a timely manner following permanent cessation of operations. These rules were not originally intended to apply to facilities that produce oil/gas derived from onshore fields. However, they offer a potential model for us to apply to high-risk offenders and it will save a tremendous amount of time in developing a financial assurance rules.</p>
<p>Recommendation 3. Develop a Centralized Data Base to Compile Violation History.</p>	<p>Oil Data Tracking and Sources Database-Attachment D The “Oil Data Tracking and Sources Database” project has been initiated to consolidate disparate sources of data from various agencies in order to facilitate reporting of oil spill and compliance history. The initial focus will be on reporting summary compliance history by agency including the number of permits, status, number of inspections, number of notices of violations, releases, responses, and dollar amount of penalties. Data from the Fire Department, Planning and Development Department, and APCD agencies are being consolidated initially.</p> <p>The data from the Fire Department and Petroleum has been imported and consolidated into a common database. Common data tables for Operators, Oil</p>

	<p>Fields, and Leases/Locations have been created. Information will be maintained using these forms. Staff is gathering information from APCD. The project is currently on track for a scheduled review.</p>
<p>Recommendation 4. Increase Inspection and Permitting Fees for those Facilities Requiring Extraordinary Time for Inspection.</p>	<p>Draft ordinance language has been prepared and completed and will be circulated for 30 days in advance of the first reading to the Cities of Solvang, Buellton, and Goleta in accordance with Health and Safety Code Section 13869.7. In addition, the document will be circulated and discussed with the onshore oil producers. It is anticipated that the set hearing for the adoption of the Ordinance will be held on March 18, 2008 and the first reading will be set for April 8, 2008.</p>
<p>Recommendation 5. Operational Efficiency Recommendations.</p>	<p>The County’s on-site inspection program has been consolidated under the responsibility of the Petroleum Unit. County staff continues to coordinate with all regulatory agencies and has met twice with each group since 1/15/08. Staff will report progress to Board at 60-day intervals until this situation is stabilized. The next report is scheduled for May 13, 2008.</p>

Recommendations from Section IV of the “Greka Energy Oil Facilities Update Report”, dated January 15, 2008 follow:

Recommendation 1. Develop a Multiple Response Ordinance:

Challenge:

Each time the County of Santa Barbara Fire Department responds to an onshore oil petroleum facility there is a cost to county tax payers. Therefore, it is clear that when an onshore oil facility fails to make improvements or upgrades to its facilities thereby causing extraordinary responses from the County Fire Department and Petroleum Unit they should be charged for the excess service.

According to the County Fire Department, for example, they have responded to Greka Energy facilities approximately 400 times since 1999. The minimum response to a 911 reported spill is one Type 2 Fire Engine with 3 personnel and a Hazardous Materials Specialist. The cost per hour for these resources is approximately \$450.00.

Using the 400 responses figure multiplied by the \$450.00 per hour costs, a total cost estimate to the Fire Department would be \$180,000.00. This figure accounts for one hour of response time only. It does not consider time for an engine company remaining ‘on scene’ in excess of an hour or for the response of any additional engine companies, nor does it consider compliance follow-up inspections, clean-up oversight time, research hours, associated meetings, management oversight costs, etc., which all result from the release. As a result the above figure of \$180,000 can reasonably be increased five to ten fold.

Recommendation:

Therefore, staff is recommending developing a multiple response ordinance. The intent of such an ordinance would be to reimburse the County for the significant costs associated with responding to multiple emergency incidents, at poorly maintained onshore petroleum facilities operated by the same petroleum operator. Both the County Fire Department and Petroleum Unit support this concept. The following is a general outline of a potential ordinance:

1. If there are three (this number is open for discussion) emergency responses and/or reportable releases, at a petroleum operator's facility or facilities, within a 12 month period, then the petroleum operator would be obligated to reimburse the County for the costs associated with subsequent responses and/or releases. The term "emergency response" would exclude a response that is solely for a medical emergency.
2. The obligation to reimburse the County's response costs would cease after the petroleum operator is able to operate for a 12 month period, without any emergency responses and/or reportable releases at any of its facilities.
3. Emergency response costs associated with the ordinance would be set by resolution. For instance, an hourly rate would be set for a fire engine company, a hazmat unit, a petroleum inspector, a sheriff unit, etc.
4. If an incident requires an extended County response, then the petroleum operator would be obligated to pay for all costs until the incident is resolved. For instance, a release of crude may require several days to mitigate, the County's costs associated with such a multi-day response, would be the obligation of the petroleum operator.
5. The term petroleum operator would be broadly defined to include any parent or subsidiary companies owned or operated by a petroleum operator. The ordinance would further clarify the responsible parties (both owner and operator) for onshore petroleum facilities.
6. The County would bill the petroleum operator for the associated response costs. The petroleum operator would have 30 days to pay the bill in full. Each day beyond the due date that a bill is not paid, would be considered a separate violation of the ordinance and subject the petroleum operator to additional civil and criminal penalties.
7. The County could potentially shut down operations at the site until payment is received.

Recommendation 2. Develop a High Risk Offender Ordinance:

Challenge:

After examining the data, it is also clear that there are certain firms that adhere to the regulations and those that continually violate them. Therefore, in order to have the flexibility to deal with frequent violators without unduly causing harm to those that abide within the regulatory framework. We need a high risk offender category that would provide for this differentiation.

Recommendation:

Direct staff to develop a high risk offender ordinance. Such an ordinance would subject an onshore oil petroleum operator to increased regulatory oversight, increased reporting obligations and increased fines and penalties, if an operator prospectively incurs a set number of County regulatory violations within a fixed period of time. The goal of the increased oversight, reporting obligations and fiscal fines/penalties would be to encourage an operator to improve the maintenance and day to day operation of its facilities. In addition, we recommend adding the following provisions in the high risk offender ordinance:

1. Draft ordinance revisions to Chapter 25 that extend change of operator requirements contained within Chapter 25B for off shore and downstream facilities to onshore oil-field operations. This option would give the County authority to scrutinize proposed new operators before operating a permit to operate.
2. Direct staff to research the development of prospective financial assurance rules to ensure financial wherewithal to remove oil operations and reclaim sites upon cessation of operations.
3. Direct staff to develop a committee composed of the pertinent Federal, State, and local agency regulators to coordinate and share information regarding prevention, inspections, violation history, compliance issues and remedies. This would provide County with better communications with the Federal Environmental Protection Agency, including better input into EPA's potential federal enforcement actions under the Clean Water Act such as:
 - Civil actions, including injunctions (33 U.S.C. § 1319(b));
 - Criminal penalties, including fines and imprisonment (33 U.S.C. § 1321(c)); &
 - Administrative penalties (33 U.S.C. § 1319(g)).

Recommendation 3. Develop a Centralized Data Base to Compile Violation History.

Challenge:

During our preparation for this report, it became evident that pertinent regulatory agencies responsible for onshore oil keep their violation history in different databases. This lack of coordination hinders coordination of inspections, sharing violation history, and preparing coordinated plans for remedying violations.

Recommendation:

1. Staff recommends the development of a centralized database.

Recommendation 4. Increase Inspection and Permitting Fees for those Facilities Requiring Extraordinary Time for Inspection.

Challenge:

Fire Code Permits are issued after a facility is inspected and found to be in compliance with the Fire Code. The permits are in effect for one year, although the Fire Department has the authority to specify any time period. As an example, there are 18 Greka Energy facilities that require Fire Code permits, of which three have current permits. The lack of a permit, however, does not relieve Greka Energy from the responsibility of maintaining their facilities. Compliance with all applicable laws, regulations and industry standards is ultimately the express responsibility of the oil facility operators.

County Fire has had a plan in place for over three years to perform the inspections necessary to issue current permits to onshore oil facilities. Fire has been unable to implement the majority of their inspection plan due to several factors. Fire has one dedicated FTE to deal with ALL oilfield inspections. Under normal conditions, it would be difficult for this individual to keep pace with inspections of all facilities. Due to the ongoing problems at Greka Energy facilities over the years, this individual works almost exclusively on Greka Energy facilities.

With Greka Energy's current history of compliance and the limited Fire Department resources available, the estimated time to complete outstanding inspections and permit is significant. With this adoption of this recommendation, staff will be able to expedite these most important inspections.

Recommendation:

In order to expedite completion of facility inspections, staff is recommending the following:

1. Direct staff to revise the fee ordinances further clarifying the flexibility for the Fire Department and Petroleum Unit to hire outside, third party contractors to perform permit facility inspections paid for by the operator. This provision would only apply to facilities requiring extraordinary attention.
2. Assess the necessary staffing levels in the Fire Department and Building and Safety Petroleum Unit to ensure proper enforcement of existing statutes and codes.

Recommendation 5. Operational Efficiency Recommendations.

1. Direct staff to report on progress in dealing with onshore oil facilities every 60 days until significant progress is attained.
2. Direct staff to work collaboratively with other regulatory agencies to address violations and public health and safety issues with onshore oil facilities.
3. Direct staff to utilize the Fire Code and Petroleum Code to the maximum extent possible in order to achieve compliance.
4. Direct the CEO's Office to consider merging appropriate staff from the Petroleum Unit of the Building and Safety Division and the Fire Prevention Division of the Fire Department in order to improve efficiencies and effectiveness of on-site inspections.

Attachment C

STAFF RESPONSES TO QUESTIONS FROM THE BOARD INQUIRIES
JANUARY 15, 2008

IDLE WELLS:

The Board of Supervisors requested further information from the Department of Conservation, Division of Oil, Gas and Geothermal Resources regarding the County's ability to order an operator to plug and abandon an idle well. Mr. Brannon, Deputy Supervisor, researched the issue and provided a letter to the Board of Supervisors. (Attachment E) In his letter, he clearly points out that this responsibility rests with the State, specifically with the State Oil and Gas Supervisor. Moreover, his letter points out that the County has the responsibility to provide a competent professional evaluation what wells have no reasonable expectation of being reactivated. The Board may wish to consider legislation in the future that removes this burden from local government and places it with the State of California.

AMORTIZATION:

The Board of Supervisors inquired if the County could use amortization as a method to address onshore production operations that have continuous violation of regulations. The answer is -- not likely. Amortization is a tool that can be applied to eliminate legal nonconforming land uses by providing the permittee a reasonable period of time to recover his investment. As noted in *Curtin's California Land Use and Planning Law in its discussion of California court cases involving amortization,*

“The California cases have firmly declared that zoning legislation may validly provide for the eventual termination of nonconforming uses without compensation if it provides a reasonable amortization period commensurate with the investment involved.”

The County's Land Use Development Code classifies onshore oil and gas production as permitted uses within the Agriculture II zones, finding such operations to be compatible with agricultural uses.

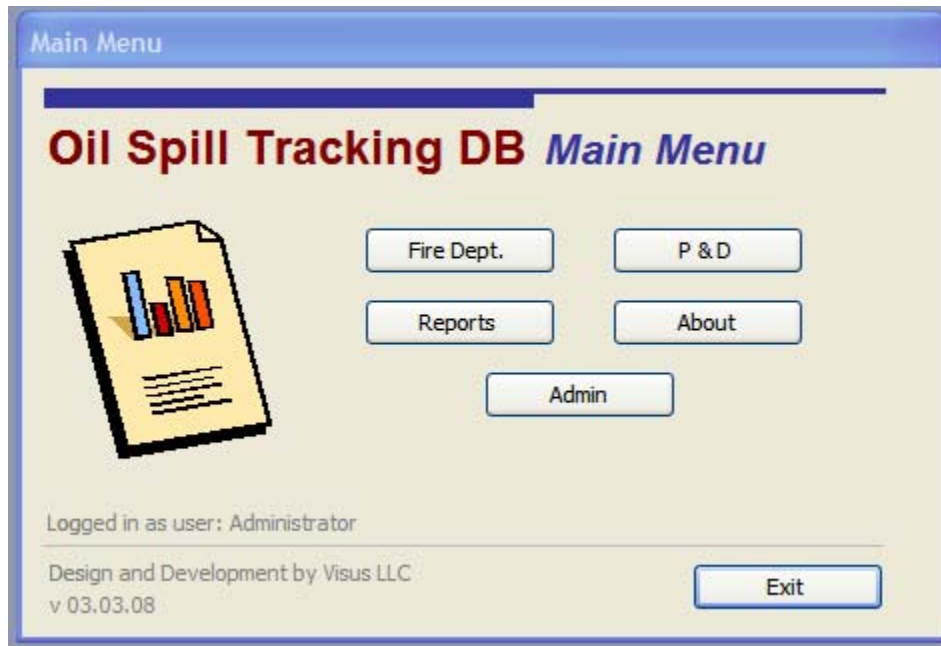
PERMITTING PROCESS:

The Board of Supervisors questioned the existing permitting process for onshore oil operators. The current process requires the County Fire Department to inspect facilities every year and has allowed most onshore oil facilities to operate without a permit. This practice places an undue burden upon the County. Also, this process diminishes the importance of operating within the terms of a permit, and weakens the regulatory framework which utilizes permits as the foundation for safe operation and protecting public health and safety.

The California Fire Code, Section 105.1.2, provides the Fire Department the flexibility to select the term of the permit to either a prescribed period, currently one year; or, until reviewed or revoked. Therefore, the terms of the permit are at the discretion of County Fire Department.

Consequently, the County Fire Department is considering changing departmental policy and issuing future permits that lapse upon review or when revoked. This change will provide much more flexibility to regulators to ensure compliance of public health and safety. This item will be finalized prior to the next 60 day review period.

Attachment D



Permit Edit Form

Oil Spill Tracking DB *Permits*

Station No.:

F52 Report No.:

Issue Date:

Expiration Date:

Permit Fee:

Name:

Mailing Address:

Street #: **Street:**

City: **State:** **Zip:**

Permittee's Phone:

Business/Location:

Operator:

Field:

Facility:

Permit 1:

Permit 2:

Permit 3:

Permit 4:

Special Conditions:

Authority:

Contact #:

Record: of 43

Spill History Edit Form

Oil Spill Tracking DB *Spill History*

Date: 12/07/2007

Imported Data:

Operator: GREKA OIL & GAS, INC.

Field: Cat Canyon

Lease: Blochman

Translated Data:

Operator: GREKA OIL & GAS, INC.

Field: Cat Canyon

Facility: Blochman Injection Facility

Location: Blch/Bell Inj. Ponds

Oil:

Wtr:

Cause Of Release:

Equip.Failure -high level alarms

Corrective Action Taken:

System shut in, clean up is on going.

Status Enforcement Action:

Incomplete - In Progress

Close

Record: of 145

Attachment E

STATE OF CALIFORNIA, RESOURCES AGENCY

ARNOLD SCHWARZENEGGER,

GOVERNOR



DEPARTMENT OF CONSERVATION

DIVISION OF OIL, GAS AND GEOTHERMAL RESOURCES

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

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

February 28, 2008

County Board of Supervisors
511 E. Lakeside Parkway
Santa Maria, CA 93455

Dear Supervisor Centeno and Supervisor Gray:

At a recent meeting of the Board of Supervisors, Supervisor Centeno asked me why the County of Santa Barbara could not directly order an operator to plug and abandon an idle well. I responded that section 3206.5 of the Public Resources Code does not contemplate such direct action by a city or a county. You requested a written statement of the basis for my response.

Section 3206.5 provides that a city or county may request from the State Oil and Gas Supervisor (Supervisor) a list of 10-year idle wells from which it may identify, based on competent professional evaluation, what wells have no reasonable expectation of being reactivated. The city or county then may request the Supervisor to determine whether the wells identified by the city or county should be plugged and abandoned. Within 60 days of receipt of the request, the Supervisor may require the well operator to provide for each well a statement of why it should not be plugged and abandoned. Within 120 days of receipt of the request, the Supervisor shall determine whether any of the wells identified by the city or county should be plugged and abandoned pursuant to the desertion criteria in section 3237 of the Public Resources Code. If the Supervisor has requested a written statement from an operator and the operator has failed to provide it, the operator's failure is conclusive evidence that the well is deserted and may be ordered plugged and abandoned by the Supervisor.

This statutory provision enables the County request the Supervisor to determine whether an idle well shall be plugged and abandoned, a request upon which the Supervisor must act. The determination of whether the well meets the statutory criteria for plugging and abandonment, however, rests with the Supervisor.

I hope this explanation is helpful to you.

Sincerely,

William E. Brannon
Deputy Supervisor