

**COUNTY OF SANTA BARBARA
PLANNING AND DEVELOPMENT**

TO: County Planning Commission
FROM: Matt Young, Planner
DATE: July 8, 2016
RE: Pacific Coast Energy Company (PCEC) Orcutt Hill Resource
Enhancement Plan Project
Case Nos. 13PPP-00000-00001, 14EIR-00000-00001
APN 113-020-018

This project was heard by the Planning Commission on May 11, 2016 and June 29, 2016. At the hearing on June 29, 2016 the Planning Commission directed staff to return with findings for denial of the project. The Planning Commission found that the project's significant and unavoidable environmental impacts would not be mitigated to the maximum extent feasible, and that these impacts would not be outweighed by the stated benefits of the project. Proposed findings implementing the Planning Commission's direction are included as Attachment A.

To date, the County has issued 15 Emergency Permits for 99 seep cans that have been constructed on the project site. The County Land Use and Development code requires that an appropriate follow-on permit be obtained for work authorized by an Emergency Permit. The project description for the proposed Oil Drilling and Production Plan (13PPP-00000-00001) includes the installation of the 99 seep cans and is intended to serve as the follow on permit to the Emergency Permits. If the Planning Commission denies the project, the applicant will be required to submit an application for a new Oil Drilling and Production Plan to permit the seep cans only.

Attachments

Attachment A: Findings for Denial
Attachment B: Notice of Exemption

ATTACHMENT A: FINDINGS

1.0 CEQA FINDINGS

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

2.0 ADMINISTRATIVE FINDINGS

2.1 PRODUCTION PLAN FINDINGS

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

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

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

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

When the Planning Commission approved the original Oil Drilling and Production Plan in 2006 for steaming on Orcutt Hill (06PPP-00000-00001), the occurrence of seeps and their associated biological impacts as a result of steaming was not anticipated and therefore was not considered. Had the Commission known of these impacts, the project could well have been denied.

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

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

The effectiveness of efforts to restore sensitive habitats and plant species are unknown and may be unsuccessful. For example, as discussed in Section 4.3 of the Final EIR and by the US Fish and Wildlife Service in its April 3, 2015 letter commenting on the Draft EIR, there are no known attempts that have successfully propagated and established a new population of Lompoc yerba santa. The entire 285-acre proposed Project area is located within the Lompoc yerba santa Solomon Hills Critical Habitat Unit and represents approximately 13 percent of the unit. The US Fish and Wildlife Service further stated in its April 3, 2015 letter commenting on the Draft EIR that it is “concerned that the proposed project, with the potentially large-scale and unpredictable impacts associated with project-related oil seeps, could impact the population of Lompoc yerba santa to such an extent that the species no longer persists in the Solomon Hills.”

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

cause. The Planning Commission finds that the stated overriding benefits of the project do not outweigh the significant and unavoidable effects on the environment. Therefore, it is the Planning Commission's determination to deny the project.

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

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

**ATTACHMENT B
NOTICE OF EXEMPTION**

TO: Santa Barbara County Clerk of the Board of Supervisors

FROM: Matt Young, Planning & Development Department

The project or activity identified below is determined to be exempt from further environmental review requirements of the California Environmental Quality Act (CEQA) of 1970, as defined in the State and County Guidelines for the implementation of CEQA.

APN: 101-020-074

Case Nos.: 13PPP-00000-00001

Location: Orcutt Oil Field, 1555 Orcutt Hill Road, Orcutt

Project Title: Denial of the Pacific Coast Energy Company Orcutt Hill Resource Enhancement Plan

Project Applicant: Pacific Coast Energy Company

Project Description: The proposed project involves the denial of an Oil Drilling and Production Plan for installation and operation of 96 new wells and ancillary equipment on eight previously disturbed pods from prior operations, the drilling of an additional up to 48 "replacement" wells, the installation and operation of approximately 10,000 linear feet of new interconnecting above ground pipelines along existing oil field roads and/or existing pipeline corridors, and the installation and operation of an equipment pod and a multiphase booster pod on currently undisturbed locations.

Name of Public Agency Approving Project: County of Santa Barbara

Name of Person or Agency Carrying Out Project: John Fox, PCEC

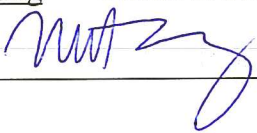
Exempt Status: (Check one)

- Ministerial
- Statutory Exemption
- Categorical Exemption
- Emergency Project
- Declared Emergency

Cite specific CEQA and/or CEQA Guideline Section: 15270 – Projects Which Are Disapproved.

Reasons to support exemption findings: CEQA does not apply to a project which a public agency rejects or disapproves

Lead Agency Contact Person: Matt Young Phone #: 568-2513

Department/Division Representative:  Date: 7/13/16

Acceptance Date: _____

distribution: Hearing Support Staff

Project file (when P&D permit is required)
Date Filed by County Clerk: _____.