



*County of Santa Barbara*

# Staff Report On Greka Energy Corporation

Santa Barbara County  
Board of Supervisors,  
January 15, 2008



# Three Pronged Approach

One

- Reallocate staff and perform additional on-site inspections. Utilize professional contractors to assist in effort.

Two

- Utilize existing codes to the maximum extent possible. (For example, the recently revised Petroleum Code)

Three

- Provide staff with additional resources outlined in our recommendations, including reviewing legal options.



# Recent Regulatory Changes

- P&D, Petroleum Unit Strengthened Provisions of County Code, Chapter 25 to Improve Health and Safety

- Board approved: July 07;  
Effective date: Sept 07



- Chapter 25 Revisions

- Board approval of CA adopted standard for inspection and testing of new and existing tanks, piping, pressure vessels and all associated equipment for production, storage and transportation of petroleum.



# Recent Regulatory Changes

- February 2007: Board Adopted Changes to the CA Fire Code as Adopted in Chapter 15 of County Code.
- Action Established an Appeals Board (CFC Sec. 103.1.4) to Determine Suitability of Alternate Means of Protection and to Provide for Reasonable Interpretations of the Provision of the Fire Code.





# SUMMARY

- Background on Greka Energy's Compliance History
- Report on Incidents of December 7, 2007 and January 5, 2008
- Recommendations for BOS Consideration

# GREKA ENERGY





# Greka Energy

- Randeep S. Grewal - Chairman & CEO
- “Green Dragon is the parent company of Greka, and is exclusively focused in gas industry in China. Green Dragon operates within China under its subsidiary Greka”.
- Company Website: <http://greendragongas.com>





Greka Energy

# General Statistics

Stats	Detail
Oil Wells in SB County (Total 939)	685 idle / 254 active
Onshore production, processing and transportation facilities in Santa Barbara	77
Percent of Total Releases (All Operators)	82.3%
Total Barrels spilled from 2003-2007	10,767

## 4 Oil Fields

Location	Number of Leases
Casmalia	7
Cat Canyon	30
Santa Maria Valley	31
Zaca	9





## Greka Energy

- Greka Energy is responsible for the largest segment of oilfield releases in the county.
- In fact, they are responsible for more oilfield releases than all the (11) other companies combined that operate within Santa Barbara County.





# Greka Energy Compliance History

400 Release since 1999  
(According to the County Fire Department)

Penalties Paid	
EPA	Est. \$1.3 million
Air Pollution Control District	\$545,691
County Fire Department	\$199,366
Dept. of Conservation, Division of Oil & Gas	\$7,750



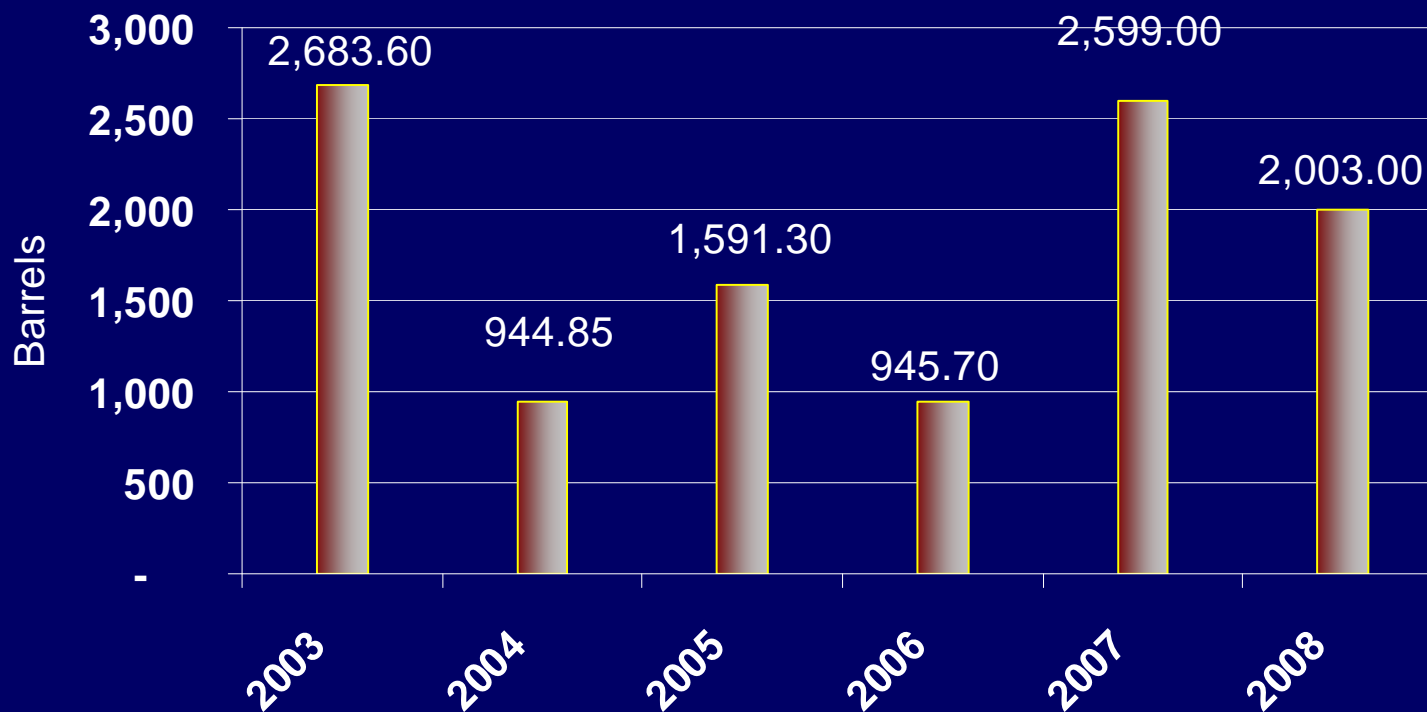
# Greka Energy Compliance History

## Notice of Violations, Violations, and Corrective Actions

EPA	36
Dept. of Conservation, Div. of Oil and Gas	39
Dept. of Fish and Game	7 cases w/ numerous violations
Air Pollution Control District	298
P&D, Petroleum Unit	150
County Fire Department	95



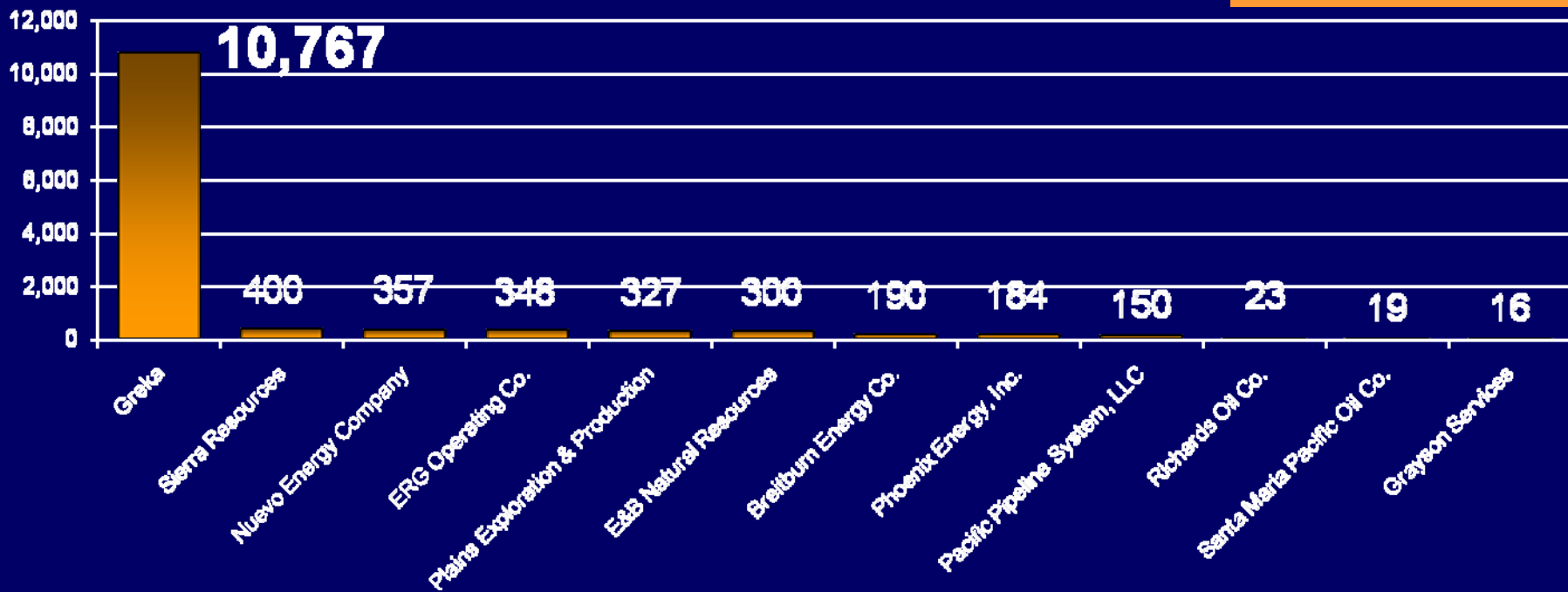
# Greka Energy Spills (2003-2008 in Barrels)



Source:  
County Fire  
Department

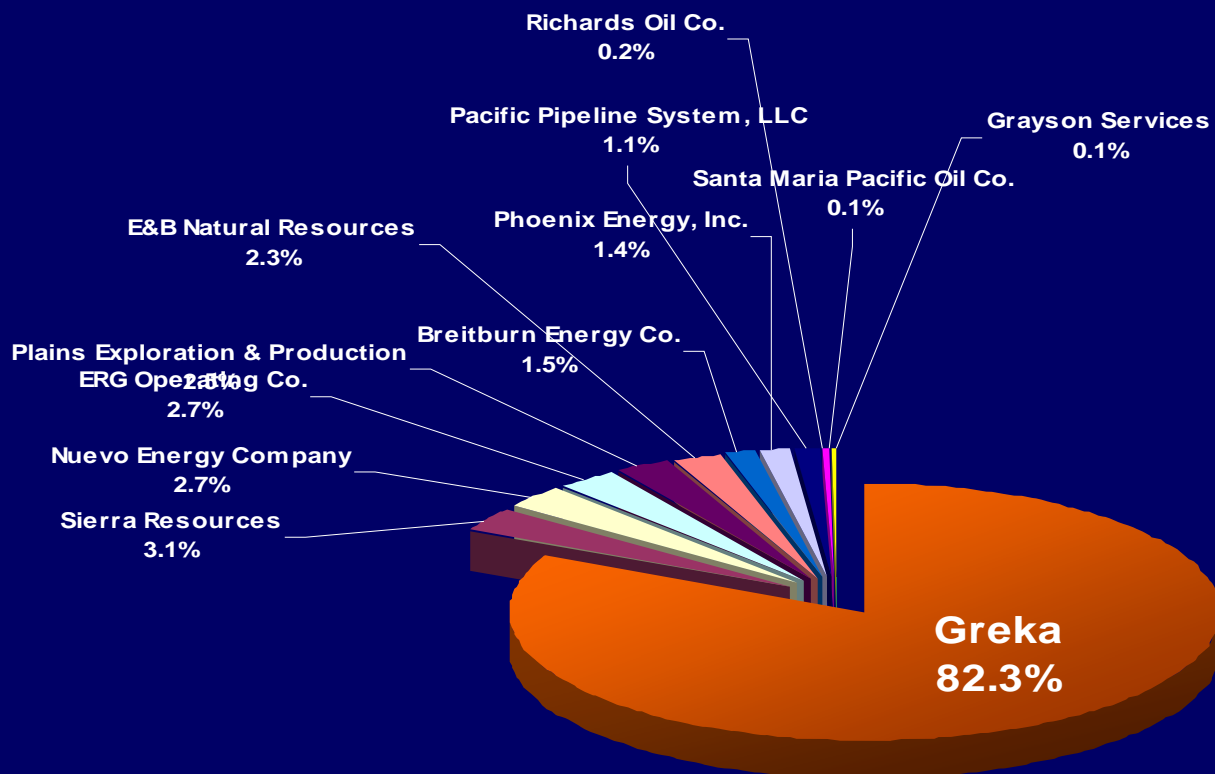


# Oilfield Releases Actual By Operators 2003 – 2008 (in Barrels)





# Oilfield Release Amounts Percentage of Total By Operator

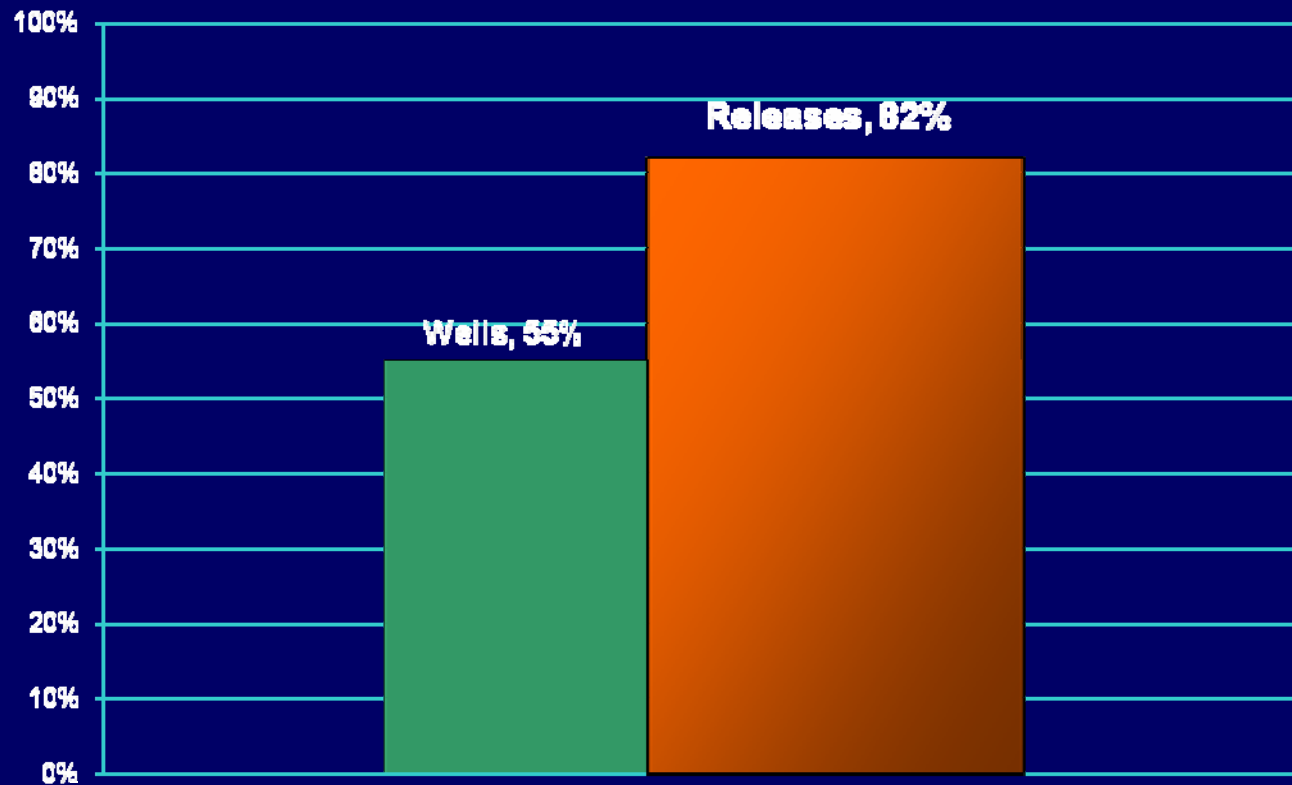


2003 – 2008



# GREKA ENERGY

## Percentage of Wells VS. Percentage of Releases



Source: Planning & Development, Petroleum Unit

Source: Santa Barbara County Fire Department

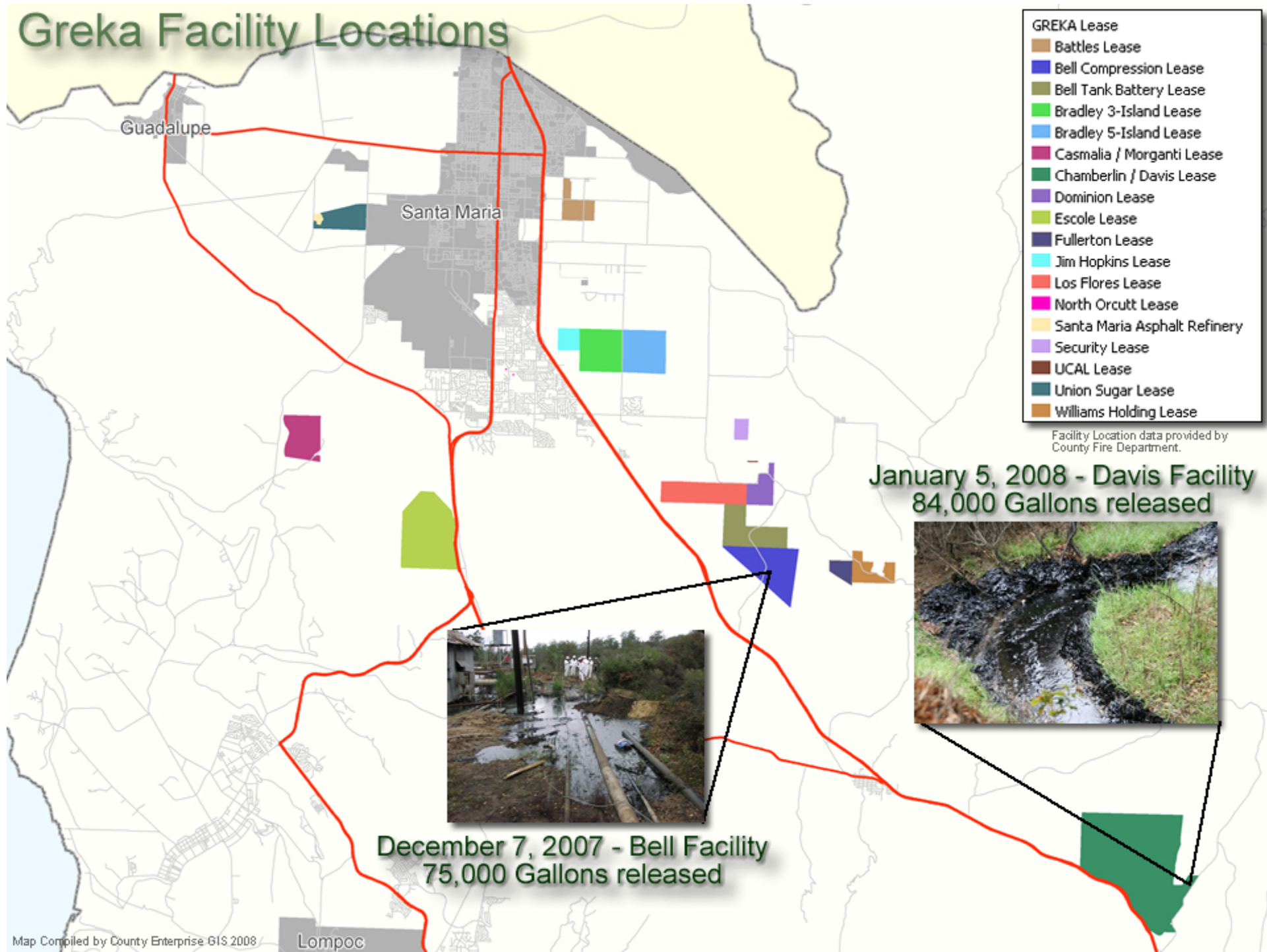




# Releases Since December 7, 2007

<i>Date</i>	<i>Lease</i>	<i>Type of Equipment</i>	<i>No. of Gallons</i>
12/20/07	UCAL	Scrubber Drainline	30
12/20/07	Union Sugar	Tank Battery	15
12/22/07	UCAL	Gas Line	5
12/25/07	Bradley Consolidated ("3-Island")	Injection Line	30
12/28/07	Chamberlin	Tank Battery (Tank #2Z1)	32
1/3/08	Davis	Tank Battery	30
1/5/08	Davis	Tank Battery	84,000
1/5/08	Davis	Heater Treater	84

# Greka Facility Locations



- GREKA Lease
- Battles Lease
- Bell Compression Lease
- Bell Tank Battery Lease
- Bradley 3-Island Lease
- Bradley 5-Island Lease
- Casmalia / Morganti Lease
- Chamberlin / Davis Lease
- Dominion Lease
- Escole Lease
- Fullerton Lease
- Jim Hopkins Lease
- Los Flores Lease
- North Orcutt Lease
- Santa Maria Asphalt Refinery
- Security Lease
- UCAL Lease
- Union Sugar Lease
- Williams Holding Lease

Facility Location data provided by County Fire Department.

**January 5, 2008 - Davis Facility  
84,000 Gallons released**



**December 7, 2007 - Bell Facility  
75,000 Gallons released**





# Regulatory Oversight Agencies

## ■ Federal

- Environmental Protection Agency (EPA)



## ■ State

- Department of Conservation, Division of Oil & Gas
- California Department of Fish & Game



## ■ County

- Santa Barbara County Air Pollution Control District
- County of Santa Barbara Fire Department
- County P&D, Petroleum Unit



Representatives from these agencies are present today



*County of Santa Barbara*

# Staff Recommendations for Board Consideration



## Recommendation # 1

# Develop a Multiple Response Ordinance

### ■ Challenge

- Every Response Costs County Tax Payers
- When Onshore Oil Facilities Fail to Make Improvements or Upgrades, Extraordinary Response is Required from County Fire and Petroleum Unit.

### ■ Cost

- Approx. \$450 for a single hour
- Greka has had >400 calls





# Response Calls to Greka

- Over 400 Response Calls to Greka since 1999
- Each Hour Cost: \$448.33



A figure of \$179,332 can reasonably increase five to ten fold.



Figure does not include: additional hour(s), compliance follow-up inspections, clean-up oversight, research hours, associated meetings, management oversight costs



**\$448.33**



**x 400**



***\$179,332.00***





*Recommendation # 1*

# Develop a Multiple Response Ordinance

After a certain number of Emergency Responses and/or Reportable Releases at a Petroleum Operator's Facility the Operator to Reimburse the County for Costs Associated with Subsequent Responses and/or Releases.





## *Recommendation # 2*

# Develop a High Risk Offender Ordinance

## ■ Challenge

- It is clear that there are certain firms that adhere to regulations and those that continually violate them. In order to have the flexibility to deal with continuous violators, without unduly causing harm to those that abide within the regulatory framework, a high risk offender category is needed.





*Recommendation # 2*

# Develop a High Risk Offender Ordinance

**Research development of prospective financial assurance rules to ensure financial wherewithal to remove oil operations and reclaim sites upon cessation of operations.**





*Recommendation # 2*

## Develop a High Risk Offender Ordinance

- Increased oversight, reporting obligations and fiscal fines/penalties to encourage operator to improve maintenance and day-to-day operations.







*Recommendation # 2*

# Develop a High Risk Offender Ordinance

## 1. Draft Ordinance Revisions to Chapter 25 that:



- **Extend change of operator requirements contained with Chapter 25B for off-shore and downstream facilities to on-shore oil-field operations.**
- Provides County authority to scrutinize proposed new operators before granting permit to operate.



*Recommendation # 3*

## Develop a Centralized "Violation History" Database

### ■ Challenge

- Pertinent regulatory agencies keep violation history in different databases.
- Lack of coordination hinders inspections, the sharing of violation history, and prepared plans for remedying violations.

### ■ Recommendation

- Central Database





## *Recommendation # 4*

### Increase Inspection and Permitting Fees for Those Facilities Requiring Extraordinary Time for Inspection

- **Revise fee ordinances further clarifying the flexibility for the Fire Department and Petroleum Unit to hire outside third-party contractors to perform permit inspections paid for by the operator.**



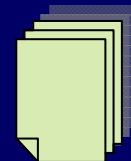


## Recommendation # 4

# Increase Inspection and Permitting Fees for Those Facilities Requiring Extraordinary Time for Inspection

### ■ Challenge

- Fire Code permits issued after facility is inspected for compliance. Permits in effect for one year (although Fire has authority to specify time period)
- Of the 18 Greka facilities that require Fire Code permits, 3 have current permits

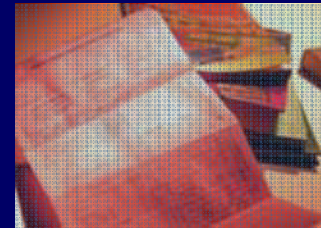




*Recommendation # 5*

## Operational Efficiency Recommendations

1. Direct staff to report on progress in dealing with Greka Energy every 90 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 on-shore oil facilities.





*Recommendation # 5*

# Operational Efficiency Recommendations



3. Direct staff to utilize the existing Fire Code and Petroleum Code to maximum extent possible to achieve compliance.

4. Direct CEO's Office to consider merging appropriate staff from Petroleum Unit and Fire Department to improve efficiencies and effectiveness of on-site inspections.



*County of Santa Barbara*

Thank You

January 15, 2008  
Greka Staff Report