



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of
Supervisors
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407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Planning & Development
Department No.: 053
For Agenda Of: August 19, 2008
Placement: Departmental
Estimated Time: 2 hours
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 & Development
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SUBJECT: **ExxonMobil/Sunset Appeal** (Case No. 08APL-00000-00019) 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

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

Recommended Actions:

That the Board of Supervisors:

- A. Uphold a portion of the ExxonMobil/Sunset Appeal regarding the 2022 end date and deny all remaining parts of the appeal, Case No. 08APL-00000-00019.
- B. Hear the Bell Appeal (Case No. 08APL-00000-00021) and the Vaquero Energy, Inc. Appeal (Case No. 08APL-00000-00020) 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 and including any modifications made by the Board in the public hearing, and certify that the Tranquillon Ridge Final EIR 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 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 (Attachment A.1), with modifications to Final Development Plan Condition A-6 to delete the requirement that the Lompoc Oil and Gas Plant cease all operations by December 31, 2022, other minor revisions to the Final Development Plan as provided in Attachment A.13, 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 in an easterly direction 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 staff report to the Planning Commission (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. 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. 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 requirements regarding greenhouse gas emission reductions be incorporated into the Tranquillon Ridge project. 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.

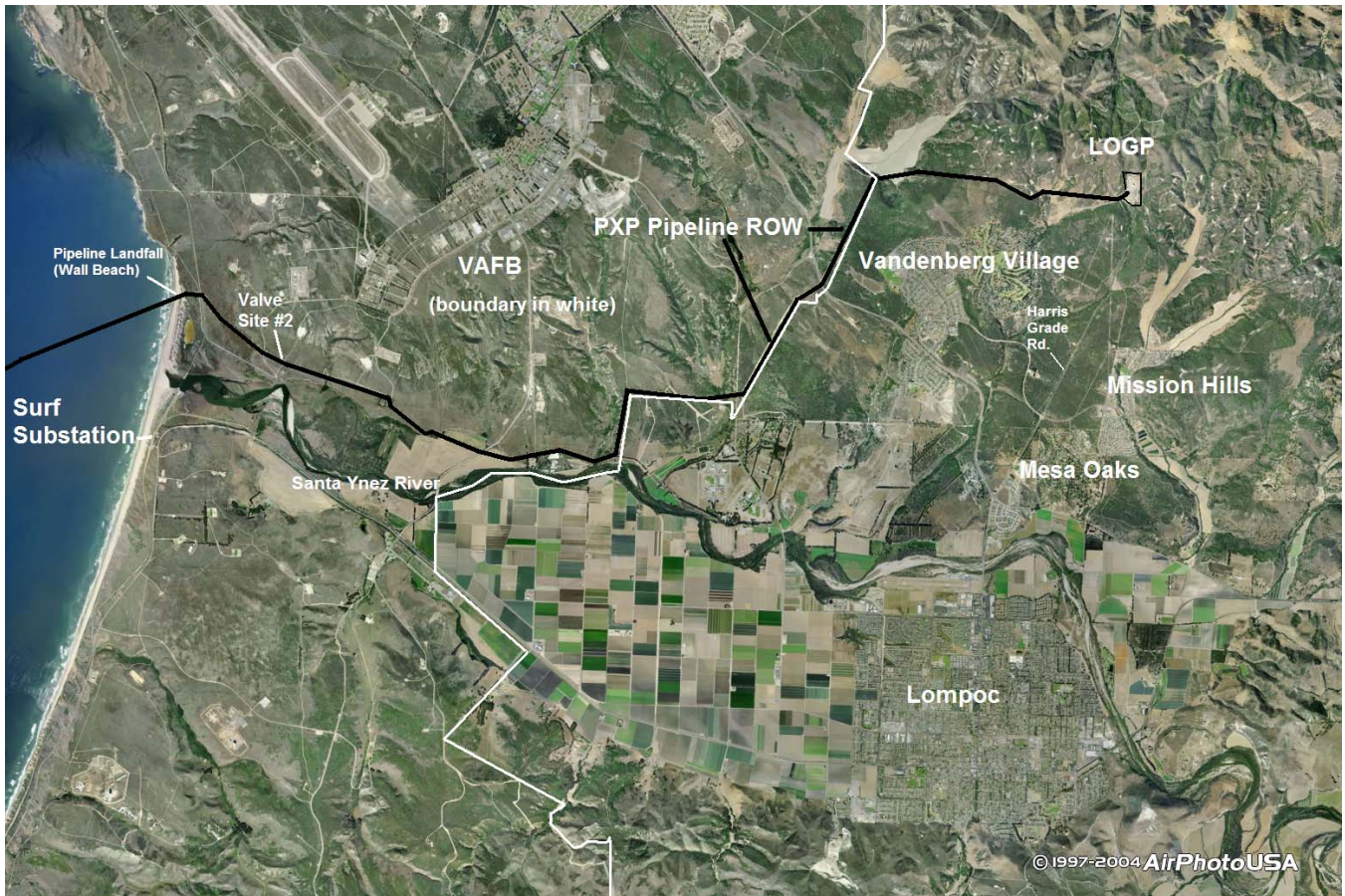


Figure 1: PXP Pipeline Corridor and LOGP Location

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 herein as Attachment A.3 and was provided to the Board members under separate cover.

In its 2005 application to the County, PXP provided evidence that indicated 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 operation projections for 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.

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

The Planning Commission approved the shorter operating life for the Tranquillon Ridge 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 approximately equivalent to the current outer estimate (2022) for the end of 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

Note to the reader: On July 30, 2008, ExxonMobil provided the following statement via e-mail to P&D staff:

“With regards to the upcoming August 19, 2008 SBC Board of Supervisors hearing on the Tranquillon Ridge Project, ExxonMobil has made the decision to withdraw our appeal and we will not testify at that hearing. This decision is driven by the Air Force letter of June 25, 2008 to us indicating they cannot provide ExxonMobil and Sunset access to our proposed 25 acre Vahevala drilling and production site on Vandenberg Air Force Base (VAFB) at this time. We are continuing discussions with the Air Force regarding a path forward including potential alternative locations on VAFB for our proposed Vahevala Project.”

As of the time this Board Agenda Letter was finalized, staff had not received written confirmation of ExxonMobil’s withdrawal, nor had Sunset Exploration, Inc., ExxonMobil’s co-appellant, also withdrawn its appeal of the Tranquillon Ridge approval. Therefore, the following discussion refers to the “ExxonMobil/Sunset appeal.”

The ExxonMobil/Sunset appeal of the Planning Commission’s approval of the Tranquillon Ridge project raises three main points and in a letter dated May 1, 2008, Sunset Exploration, Inc. claims that the Planning Commission abused its discretion in approving the Tranquillon Ridge project (see Attachment B.1). Each of the appeal points and the Sunset claim are discussed below.

Appeal Point 1: Description of CEQA Onshore Alternative is Inadequate

The Appellant claims that the VAFB Onshore Alternative in the EIR “*does not accurately represent the actual onshore alternative, the ExxonMobil/Sunset Vahevala project*” and that the VAFB Onshore Alternative in the EIR “*lacks several optimizations that are incorporated in the proposed Vahevala project; many of which would reduce potential environmental impacts.*” The appeal offers three “*key examples*” of such “*optimizations*”:

- (1) “*non-optimized pipeline routing and construction/design methods*”
- (2) overestimation of visual impacts because Vahevala “*visual elements are remote from public viewing locations, including an optimized location for the electrical substation*”
- (3) overestimation of safety risks because “*Vahevala facilities and operating procedures are designed to minimize potential safety risks and offsite consequences*” including “*state-of-art pipeline monitoring and automated shut-down systems.*”

Response to Appeal Point 1

The description of the VAFB Onshore Alternative in the Tranquillon Ridge project EIR is adequate for CEQA analysis. The onshore alternative described and analyzed in the EIR includes some features, or “*optimizations,*” that are part of the ExxonMobil/Sunset proposal and some that are not. The EIR alternative does not need to include every detail, many of which are not fixed at this time, of ExxonMobil/Sunset’s competing proposal in order to be adequate for purposes of CEQA analysis.

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). To that end, the description of the VAFB Onshore Alternative for the EIR was carefully developed with input from staffs of the State Lands Commission, the Coastal Commission, Vandenberg Air Force Base and the County, and includes some, but not all, features of the ExxonMobil/Sunset proposal as presented in that permit application to the County.

The VAFB Onshore Alternative developed for the EIR includes the following basic project design features:

- 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,
- Maximum use of the existing onshore pipeline and processing (LOGP) facilities to avoid as much new onshore construction as possible.

In order to develop a feasible onshore alternative for the EIR, the VAFB Onshore Alternative was discussed with staff at Vandenberg Air Force Base to identify potential constraints, such as the location of the drilling and production equipment, pipeline routing, and provision of utilities. Additionally, the EIR considered information included in the ExxonMobil/Sunset application for the Vahevala Project which currently is incomplete for failure to secure consent of the landowner (U.S. Air Force) to proceed with the project. 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 for comparison:

- Six different pipeline route scenarios, five of which were eliminated from further consideration in the EIR due to greater potential to interfere with the Base mission or 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 ExxonMobil/Sunset permit application 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).²

- 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 ExxonMobil/Sunset permit application identified a proposed substation location and four alternative sites, all in the general vicinity of the existing Surf substation, and new power lines to the drillsite (December 2006 Vahevala Project Application, Responses to Agency Comments, Attachment E.3, Electrical Power Information).

² See Attachment A.10 for excerpts from the ExxonMobil/Sunset Vahevala Project application to the County referenced in this discussion.

- 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 described 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 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 via a new pipeline paralleling the existing Point Pedernales pipeline system to a tie-in point immediately north of 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.

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 basic elements of the VAFB Onshore Alternative are very similar to those described in the ExxonMobil/Sunset Vahevala proposal application to the County and 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. As summarized above, the description of the VAFB Onshore Alternative in the Tranquillon Ridge EIR includes sufficient detail about specific features of the alternative to provide for adequate CEQA review.

The EIR analysis of the VAFB Onshore Alternative is adequate. The VAFB Onshore Alternative is described in sufficient detail to 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 that the document present 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). 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 need not be, included in the VAFB Onshore Alternative evaluated in the 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 significant environmental impacts of the alternative to those for the proposed project. Specification of additional detail or other “*optimizations*” likely would not change the EIR’s overall comparison of the VAFB Onshore Alternative to the Tranquillon Ridge project. The three “*key examples*” of “*optimizations*” of the ExxonMobil/Sunset proposal that the Appellant asserts should have been addressed in the Tranquillon Ridge EIR are discussed below with respect to the Tranquillon Ridge project environmental analysis.

(1) Pipeline routing and construction/design methods. In general, pipeline design and routing are important means to minimize pipeline-related impacts. Section 6.3.1 of the EIR acknowledges that “*while rerouting of the pipeline corridor could avoid some of the identified sensitive biological and cultural resources, given the abundance and density of biological and cultural resources within southern VAFB and technical limitations to pipeline design/routing, it is unlikely that all sensitive biological and cultural resources could be avoided.*” However, in the overall comparison of the onshore impacts of the VAFB Onshore Alternative to those for the proposed Tranquillon Ridge project, precise routing and mitigation measures are ultimately irrelevant because no new pipeline construction is proposed for the Tranquillon Ridge project. For example, use of the existing pipelines, as proposed for the Tranquillon Ridge project, does not require any new river or creek crossings. Although the pipeline route crossing for the Santa Ynez River identified in the current ExxonMobil/Sunset permit application is farther inland of the Santa Ynez River estuary than first proposed, these pipelines would still cross the River by some means, buried or spanned. The existing PXP pipelines do not cross the Santa Ynez River at any point.³ Construction and operational impacts associated with a Santa Ynez River crossing would be greater – and potentially significant and unavoidable⁴ – for an onshore alternative than for the Tranquillon Ridge project. The EIR accurately compares the VAFB Onshore Alternative’s pipeline-related impacts to the Tranquillon Ridge project, as follows:

Implementation of the onshore alternative would also result in substantially more significant impacts to onshore biological and cultural resources than the proposed project. Several threatened and/or endangered species, both plant and animal, occur at the drillsite and along the likely pipeline corridor and would be affected by facility construction of the alternative and by operational impacts, such as an onshore oil spill, safety risks to VAFB operations and personnel, and long-term presence of industrial facilities within the coastal zone. There is a potential that many of these impacts could be mitigated, but there is no assurance they could be mitigated to insignificance. (Final EIR Section 6.4, p. 6-62)

Regarding 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). With respect to offshore pipeline-related impacts, the EIR also accurately compares the VAFB Onshore Alternative to the proposed Tranquillon Ridge project. Table 6.1a of the Final EIR identifies the onshore alternative as “Preferred”

³ The original Point Pedernales approval required use of the “*Northern Mitigated Pipeline Route*” for the pipelines from Platform Irene specifically to avoid impacts to the Santa Ynez River and estuary (see PXP FDP Condition H-0 and *EIS/EIR for the Union Oil Project/Exxon Project Shamrock and Central Santa Maria Basin Area Study, Final Report, Vol. 2, Section 10.1. June 24, 1985. SBC #84-EIR-7; SCH #84062703*).

⁴ See Final EIR Section 5.2.5.2, pp. 5.2-65 through 5.2-67, Impact TB.9.

for certain Class I (significant and unavoidable) impacts,⁵ primarily due to locating the oil pipeline onshore. The Final EIR states:

Implementation of the onshore alternative would substantially reduce the likelihood of an offshore oil spill and its related impacts after 2017, when Platform Irene, the offshore pipeline and the existing onshore pipeline to the 13th Street tie-in would be decommissioned. Through 2017, the existing offshore pipeline would carry a diminishing amount of crude oil which would lead to diminishing impact from an oil spill from the Point Pedernales project. Offshore impacts due to an onshore oil spill could still occur, though the likelihood and severity of such impacts would be expected to be less. (Final EIR Section 6.4, p. 6-61)

In summary, the description of the VAFB Onshore Alternative used in the EIR is sufficiently detailed and 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 likely would not affect the EIR analysis of the VAFB Onshore Alternative or change how an onshore alternative compares to the proposed Tranquillon Ridge project.

(2) Visual impacts. The EIR does not overestimate the visual impacts of an onshore drilling and production site. The EIR accurately identifies that sensitive receptors for the VAFB Onshore Alternative would be limited to Amtrak passengers and possibly visitors to Ocean Beach County Park and Surf Beach (EIR Section 5.13.5.2, p. 5.13-12). The VAFB Onshore Alternative evaluated in the EIR included a new substation adjacent to the existing substation at Surf with new power lines to the onshore drilling and production site, and potentially another new substation and power lines inland of the coastal zone to supply electrical power to a new pipeline tie-in station in the future. The current ExxonMobil/Sunset permit application to the County includes a new electrical substation “*immediately west of Coast Road and approximately 700 feet south of the Coast Road Gate on South VAFB*” (December 2006 Vahevala Project Application, Responses to Agency Comments, Attachment E.3, DS-05145-174, pp. 1-2; see Attachment A.10). The existing Surf substation would continue to operate to supply power to Platform Irene until the Point Pedernales project ceases operating, if the ExxonMobil/Sunset proposal were to be implemented.

The EIR (Section 5.13.5.2, pp. 5.13-11 to 5.13-15) identified the visual impacts associated with the VAFB Onshore Alternative as follows:

Impact Visual.1. Class I – Long-term presence of facilities visible from the coastal zone; less than for Tranquillon Ridge, but still Class I. Platform Irene and the existing Surf substation were assumed to remain in place until the end of the Point Pedernales project life (about 10-15 more years). The new substation at Surf would remain in place during operation of the VAFB Onshore Alternative (about 30-35 more years), in effect extending this impact for the life of the onshore project. The reduced-life Tranquillon Ridge project eliminates this “extension-of-life” impact because the 2022 end date approximately coincides with the expected end of the Point Pedernales project life.

Impact Visual.2. Class III – Installation of new project features, Valve Site #2 and LOGP; same as for Tranquillon Ridge. Upgrades at LOGP would still occur, Valve Site #2 modifications would not be needed; see Impact Visual.5 for tie-in station impacts.

Impact Visual.3. Class III – New substation and power lines; same as for Tranquillon Ridge

Impact Visual.4. Class I – Continued presence of LOGP; same as for Tranquillon Ridge.

⁵ MB.1 (oil spill impacts to marine organisms), MWQ.1 (oil spill impacts to marine water quality), and Rec.1 (spill-related impacts to recreational resources).

Impact Visual.5. Class I or II – New oil and gas facilities and associated glare/night lighting; new impact for onshore alternative. New visual impacts would occur with onshore drillsite and pipeline tie-in station. These impacts potentially could be mitigated to Class II level.

Impact Visual.6. Class II – New pipeline construction; new impact for onshore alternative. Construction equipment would temporarily detract from public views; impacts could be mitigated to less than significant through restoration and revegetation of the pipeline corridor.

The existing PXP electrical substation at Surf is a component of the existing Class I visual impact associated with the Point Pedernales project. The EIR accurately identifies that, overall, the Class I visual impact resulting from the long-term presence of project components visible to Amtrak passengers, partly visible to visitors to Ocean Beach County Park and possibly to beach-goers at Surf Beach would be lessened, but not entirely avoided, with implementation of the VAFB Onshore Alternative. This lessened impact would result from the presence of the new electrical substation at Surf throughout the life of the VAFB Onshore Alternative (about 30-35 more years) along with the removal of Platform Irene and the existing Surf substation at the end of the Point Pedernales operating life (about 10-15 more years).

(3) Safety risks. The EIR accurately estimates potential worst-case safety risks associated with the VAFB Onshore Alternative and assumes standard design practices and regulatory requirements would be implemented. The level of safety features and design for the Tranquillon Ridge project and the VAFB Onshore Alternative were assumed to be the same for purposes of comparison in the EIR and a clarification to this effect is recommended for the Final EIR (see Attachment A.11). The VAFB Onshore Alternative assumes use of the existing pipelines to the extent feasible with all the capabilities and features, such as automatic shutdown and leak detection, of those pipelines. In addition, the Final EIR recommended (Mitigation Measure Risk.1), and the Planning Commission approved (Revised FDP Condition P-16), installation of an upgraded leak detection system for the oil emulsion pipeline. The Final EIR discusses the safety risks of the VAFB Onshore Alternative on pages 5.1-58 through 5.1-62 and notes on page 5.1-59 that the estimates for the produced gas hazard zones for the onshore drilling and production site might be considered “conservative” since the facility “*would have flammable gas and hydrogen sulfide sensors to provide early detection and isolation of leaks.*” The EIR concluded that the risks associated with the onshore alternative are similar overall to those for the proposed Tranquillon Ridge project.

Safety risks for the VAFB Onshore Alternative were identified in the EIR as follows:

Impact Risk.1. Class III – Impacts to public health from crude oil spills; same as Tranquillon Ridge project, even with increase in severity due to greater onshore pipeline length and additional metering and pigging facilities than Tranquillon Ridge.

Impact Risk.2. Class III – Sour gas pipeline risks from tie-in point to LOGP; same as Tranquillon Ridge.

Impact Risk.3. Class I – Transportation hazards from gas liquids truck transport; same as Tranquillon Ridge.

Impact Risk.4. Class I or II – Sour gas releases from onshore production site, additional sour gas pipeline to tie-in point, and new metering/pigging facilities at tie-in point; new for onshore alternative.

The notable differences in safety risks for the VAFB Onshore Alternative compared to the Tranquillon Ridge project are associated with the drilling and production site being located within the Base, additional onshore sour gas pipeline length, and, to a lesser extent, new metering and pigging facilities onshore at the pipeline tie-in point. These facilities are a safety concern primarily for Base personnel and rail passengers as they would be within about 2,000 feet of Space Launch Complex 5, near Base roadways, and within about 600 feet of the train tracks

(EIR Section 5.1.5.2). The EIR notes that the additional sour gas pipeline length would represent a minimal increase in the existing risk level of the PXP sour gas lines while the Point Pedernales project and the VAFB Onshore Alternative project were in concurrent operation.

The EIR states that the VAFB Onshore Alternative would reduce the risk of an offshore oil spill from Platform Irene or the offshore pipelines to the baseline conditions (EIR Section 5.5, p. 5.5-84). Other offshore impacts associated with the Tranquillon Ridge project that would remain at baseline levels with implementation of the VAFB Onshore Alternative include impacts to marine organisms from noise, vessel traffic, and impingement and entrainment at Platform Irene (EIR Section 5.5, p. 5.5-84). If the Tranquillon Ridge reserves were to be accessed from an onshore drilling and production site, these impacts would persist until Platform Irene and the existing pipelines from the platform to shore cease operating at the end of the Point Pedernales project lifetime.

The ExxonMobil/Sunset appeal partially quotes Finding 1.6 adopted by the Planning Commission in its approval of the Tranquillon Ridge project. Regarding the VAFB Onshore Alternative, this Finding states, in part: *“The EIR did not reach a conclusion as to how this conceptual alternative compares overall to the Tranquillon Ridge project because the projects cannot be examined to the same level of detail and their associated impacts are not strictly comparable for every measure (See EIR Section 6.0).”* The phrase underlined here was omitted from the quote presented in the ExxonMobil/Sunset appeal. Prior to concluding that *“the reduced-life Tranquillon Ridge project will result in fewer significant and unavoidable impacts than a new long-term onshore drilling and production project and is preferred to the VAFB Onshore Alternative,”* the Planning Commission’s Finding 1.6 also notes the following:

- The onshore alternative would result in increased risks to VAFB personnel and significant impacts to onshore biological and cultural resources from both construction and operations.
- The potential impacts from an oil spill on the marine environment would be substantially less for this onshore alternative than for the Tranquillon Ridge project, particularly once the Point Pedernales project ceases operations.
- On balance, a new onshore drilling and production site on VAFB is not preferable to use of the existing PXP facilities with the adopted marine oil spill safeguards to develop the Tranquillon Ridge reserves.
- The December 31, 2022 operational end date for the Tranquillon Ridge project would avoid significant adverse impacts that would have resulted from extending the life of the existing facilities and a new onshore alternative would operate approximately twice as long as the Tranquillon Ridge project.

The Planning Commission’s Finding 1.6 references the discussion in EIR Section 6.0 that some of the impacts of the onshore alternative would occur in different issue areas than some of the significant impacts of the Tranquillon Ridge project. The Tranquillon Ridge EIR accurately identifies the likely significant environmental impacts that would be associated with development and operation of an onshore drilling and production alternative to the Tranquillon Ridge project. The EIR accurately compares these potential impacts to those for the Tranquillon Ridge project (see EIR Section 6.4, pp. 6-57 to 6-62) and fairly concludes that both the proposed Tranquillon Ridge project and an onshore-based alternative *“would result in permanent and significant impacts, with varying probabilities, and in varying issue areas. As such, and because of their uniquely different locations (offshore vs. onshore) and resulting disparate impact issue areas, and **partly** because the proposed and alternative onshore projects are described and analyzed to different levels of detail, it is extremely difficult to determine that one is environmentally preferable over the other.”* (EIR p. 6-62, emphasis added)

The ExxonMobil/Sunset Vahevala proposal is not an “actual” onshore alternative to the PXP Tranquillon Ridge project. As of today, ExxonMobil and Sunset have not provided evidence of landowner (Air Force) consent for the Vahevala project to proceed with environmental review. In fact, the latest communication from the Air Force

regarding the ExxonMobil/Sunset proposal that staff is aware of is the June 25, 2008 letter (see Attachment B.2) from Kevin Billings, Deputy Assistant Secretary of the Air Force, to ExxonMobil and Sunset. This letter states, in part,

“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.”

Based on the lack of landowner consent, the County has not deemed the ExxonMobil/Sunset application complete for processing. The Air Force’s June 25 statement indicates that landowner consent for the ExxonMobil/Sunset proposal is not forthcoming in the near future. Without landowner consent, the ExxonMobil/Sunset project is not a feasible project and cannot proceed through the County’s permit process, including environmental review.

We note that ExxonMobil has responded to the Air Force that it wishes to pursue discussions about a “replacement site” for the project (See Attachment B.3) and Sunset Exploration, Inc. has responded separately to the Air Force’s June 25, 2008 letter (see Attachment B.4). However, the County is not obligated to delay action on PXP’s Tranquillon Ridge proposal to accommodate the uncertain schedule for the ExxonMobil/Sunset proposal, especially in light of the Air Force’s recent denial of access to the proposed drillsite on the Base. Furthermore, although ExxonMobil/Sunset may wish to pursue discussions about a “replacement site” with the Air Force, it may be difficult to identify an adequate drilling and production site elsewhere on VAFB within range of the Tranquillon Ridge reserves. The EIR did not consider other drilling and production sites for the VAFB Onshore in detail for the reasons summarized in Section 3.3.3 of the EIR as follows:

The Union Pacific Railroad (UPRR) is located west of Coast Road and the VAFB Space Launch Complex 5 (SLC-5) is located east of Surf Road. Moving the onshore drilling and production facility to the west of Coast Road would be constrained by the UPRR tracks and available acreage and could result in additional potential impacts to marine resources, given the closer proximity to the coast. Moving the onshore drilling and production facility to the east of Surf Road would be prohibited by SLC-5, and moving the onshore facility to the northeast of Surf Road would be constrained by higher elevation. Given that the northeast location is also further from the Tranquillon Ridge Field, the combination of increased distance and elevation could compromise the full development of the field. Honda Canyon and its associated creek and biological resources are located to the south. South of Honda Canyon is SLC-6, a major launch site, and its supporting facilities. Therefore, no further consideration of these alternative onshore drilling locations was given. (Final EIR, pp. 3-13 to 3-14)

The ExxonMobil/Sunset application to the County discusses two alternative drillsites, both “in close proximity to the proposed site” on p. 5-7 (Section 5 Alternatives) as follows:

5.4 **ALTERNATIVE 4 – OTHER DRILLING AND PROCESSING SITES AT VAFB**

Under Alternative 4, the proposed drilling and production activities would be sited in one or more alternative locations on VAFB, in close proximity to the proposed site. These alternative locations are described below and shown on Figure 5.4-1.

5.4.1 **WEST SIDE OF COAST ROAD ADJACENT TO UPRR**

During initial discussions with VAFB staff, an alternative production site was identified on a narrow 12-acre site located on the west side of Coast Road adjacent to the railroad. This alternative would involve drilling closer to shore. This location would be visible to and directly adjacent to the railroad. It is unlikely that UPRR would allow a drilling rig cited [sic] this close to their rails. It would require that the necessary aboveground facilities be located along a longer, narrower parcel. There is not adequate space within this narrow 12-acre site to allow both the drilling and production facilities to co-exist.

5.4.2 **EAST SIDE OF SURF ROAD, NORTH OF DEPHI ROAD**

Another alternative drilling site is located along the eastern side of Surf Road, north of Delphi Road, and south of Tank Road. This site is set back farther onshore and sited at a higher elevation than the proposed location and would result in a longer, more difficult bore possibly compromising full field development. The drilling and field operations associated with this alternative would be more visible to the public than the proposed location due to site topography. Existing transmission lines traverse the site from north to south approximately 100 feet east of Surf Road; these lines would need to be relocated to allow adequate space and setbacks from the roads and other VAFB infrastructure.

The Air Force's preliminary review of the ExxonMobil/Sunset proposal for potential interference with Base Mission through the Base Beddown Request Process began in about March 2006 and resulted in the Air Force's denial of access to the proposed drillsite in June 2008. Since the Air Force has already considered the ExxonMobil/Sunset proposal in some detail with respect to the Base mission interference issue, it would appear that identifying an alternative drilling and production site that does not interfere with the Base mission and accommodates ExxonMobil/Sunset requirements may not be feasible at all and would take an unknown length of time to accomplish.

Revision and recirculation of the Tranquillon Ridge EIR is not necessary or required, nor would it provide for any more accurate or meaningful comparison between the Tranquillon Ridge project and a feasible shore-based drilling and production alternative. The ExxonMobil/Sunset appeal states that "At the very least, the onshore-based Vahevala project should be accurately addressed and analyzed in a revised and re-circulated Tranquillon Ridge EIR so that an accurate and meaningful comparison of the two projects can be made." As previously discussed, the Tranquillon Ridge EIR accurately assesses the likely significant impacts of a shore-based drilling and production alternative for developing the Tranquillon Ridge reserves. 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 an onshore alternative for developing the Tranquillon Ridge reserves. 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 shore-based project.

Two important components of the Planning Commission's conclusion are that (1) the approved PXP 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 some 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.

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

Appeal Point 2: Deficiency in the EIR Concerning Closure of the Only North County Consolidated Facility (LOGP)

The ExxonMobil/Sunset appeal states, on page 3:

The Lompoc Oil and Gas Plant (LOGP), as per Condition Q-9 of the Santa Barbara County Point Pedernales modified Final Development Plan (FDP), is a consolidated oil and gas processing facility. The condition states, in part: "PXP shall operate its facilities as consolidated oil and gas facilities. The intent of this condition is to ensure the multi-company use of oil and gas transportation and processing facilities."

The revised PXP application now includes a date-certain closure of the LOGP on or before December 31, 2022, as per Condition A-6 (Staff Report, page B-3). This new condition conflicts with Condition Q-9 described above because it eliminates a consolidated facility.

In addition, Point Pedernales FDP Condition R-1 requires that "When oil and 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." (Staff Report page B-61)

The date-certain feature of the proposed Tranquillon Ridge FDP Condition A-6 obviates Condition R-1 because it removes the required public process for determination of the disposition of the facility. This public hearing process is provided on every consolidated oil and gas processing facility in the County.

The Tranquillon Ridge Final EIR does not assess the potential impacts of date-certain closure of the LOGP. A potential implication of the closure of this facility would be future proliferation of oil and gas processing facilities that would be required to handle new oil and gas production. Alternatively, the lack of availability of LOGP in the future could potentially limit future

developments of the significant remaining oil and gas resources in the region, with a resulting loss of financial benefits to the County. We believe the EIR should include an analysis of the potential impacts associated with the proposed closure of LOGP, which is consistent with prior citizen initiatives and County planning practices. This analysis should be incorporated into a recirculated EIR.

Response to Appeal Point 2

First, the 2022 end date does not conflict with Condition Q-9. Specification of an end date in Condition A-6 does not affect the application of PXP's 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 lifetime, in accordance with County policy and permit requirements (County Comprehensive Plan Land Use Development Policy 11 and Land Use and Development Code Section 35.56). The decision to cease operations at the LOGP can be made by PXP at any time.

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 date of the existing Point Pedernales project life, with or without the Tranquillon Ridge project, and thus would not reduce the currently expected (baseline) life of the LOGP. Condition Q-9 was not substantively revised⁶ by the Planning Commission for the Tranquillon Ridge project and would continue to apply in the same manner as applies today, whether or not the Tranquillon Ridge project moves forward.

Condition Q-9 does not, per se, establish a requirement that other developers⁷ use the LOGP for processing their oil or gas. 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. In recent weeks, P&D staff have had preliminary discussions with one potential gas producer regarding access to the LOGP, however, no permit applications have been filed. Once an application is filed and found to be complete, the County would apply the screening and siting criteria to determine the best site for gas processing for that project.

Second, the LOGP site 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 project⁸, 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 facility. Gas processing for the Point Pedernales project was originally handled at the Battles Gas Plant in North County (now removed) which also served several

⁶ The Planning Commission updated the condition to refer to the "Lompoc Oil and Gas Plant" rather than the "HS&P."

⁷ "Other developer" refers to an entity other than the facility owner/operator that retains ownership of its oil or gas input until after it is processed at the facility. This does not include producers who sell their raw input to the plant owner/operator prior to processing.

⁸ See Attachment A.4, Planning Commission Transcript, pp. 68-71.

onshore producers 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 (*Siting Gas Processing Facilities: Screening and Siting Criteria*), which was completed in 1990, 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 any particular site. Instead, pursuant to Land Use Development Policy 11,⁹ 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)

In the case of gas processing in particular, a major factor to consider is where the sour gas pipeline between the source and the processing site would be located. The County’s policies¹⁰ discourage locating such 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 the LOGP site as a consolidation site for oil and gas processing in the North County.

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.)

⁹ Santa Barbara County Comprehensive Plan Land Use Element, p. 82-d.

¹⁰ 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, Planning Commission Staff Report, Att. D, pp. D-39 – D-40).

There is no substantial 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 rely on any of PXP’s existing facilities, including the LOGP, for oil or gas processing and no permit applications that would involve such consolidated use of PXP facilities have been filed. Currently, there are about 20 operators in the North County who produce oil, gas, or both from onshore fields. Onshore 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.

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. Currently, only PXP also sells gas to the Southern California Gas Company. Since 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 in the near future is speculative, it is unlikely that a meaningful environmental assessment of the effects of LOGP closure on other users can be made today. 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.App.3d 346). This point was discussed at the Planning Commission’s April 21, 2008 hearing (see Attachment A.4, Transcript, pp. 76-77). We note that staff has had preliminary discussions with Vaquero Energy, Inc. regarding a potential project that could include gas processing at the LOGP, however, no applications have been filed.

Recommendation: 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.

We cannot foresee with complete certainty today what the demand for use of the LOGP for processing oil or gas produced from sources other than the offshore Point Pedernales and Tranquillon Ridge Fields, or the onshore Lompoc Oil Field 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.

With the recommended revision, Condition A-6 language would 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 at the time, 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 in operation against the benefits of its closure.

The Tranquillon Ridge project end date of December 31, 2022 does not obviate Condition R-1. Condition R-1 is a mechanism for the County to examine the need to continue operation of the Point Pedernales facilities, including the LOGP, only when throughput falls to very low levels and where the owner/operator has not made a decision to cease operating. This could occur at any point during the project's lifetime, regardless of whether or not that lifetime is specifically defined in the permit. The intent of Condition R-1 "*is to establish a trigger for the County's review of the feasibility, costs, and benefits of abandonment, so that abandonment will be pursued in a timely manner, once it is established that such abandonment is appropriate.*"¹¹ Because the LOGP site has not been designated a "consolidated facility site" under the County's general plan and zoning code, the requirements of Condition R-1 do not prohibit the owner/operator from making a business decision to abandon (or decommission) its facilities before throughput has declined to the levels identified in the permit condition. A specific project end date has no effect on the application or implementation of Condition R-1.

Revision of the Tranquillon Ridge EIR to address closure of the LOGP is not appropriate or necessary. 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

¹¹ Condition Effectiveness Study, Final Development Plan Condition B-2 Review, Unocal Point Pedernales Project Final Report, December 21, 1992, p. 166; see Attachment B.5.

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;¹² estimates of the Point Pedernales lifetime now range from 2018 to 2024.¹³

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,
- 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 both the oil and gas plants at the LOGP, is tied to production from the Point Pedernales field. Production from the Point Pedernales field was 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 revised and 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.

¹² Union Oil Project and Central Santa Maria Basin Area Study EIR/EIS, June 24, 1985, p. R-2-88; see Attachment B.6.

¹³ These estimates are influenced in part by market factors such as the price of crude oil and production costs which can fluctuate over time.

- (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 the project, such as lifetime risk of an oil spill. PXP proposes to end 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. (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. 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, including extensive and detailed comments made by the Appellant, referenced other potential users of the LOGP.

Summary: The recommended revision to Condition A-6 of the PXP Final Development Plan for the Tranquillon Ridge project would maintain the status quo with respect to LOGP operations. Approval of the Tranquillon Ridge project with this revision to Condition A-6 would not require that operation of the LOGP cease at a specific time. Condition A-6 as recommended above preserves the County's options to review LOGP closure in the context of future baseline conditions, as is currently the case for the Point Pedernales project. At the same time, the recommended language for Condition A-6 incorporates the end date requested by PXP for the Tranquillon Ridge project.

Appeal Point 3: Financial Information

The ExxonMobil/Sunset appeal states on p. 4:

Finally, a key element that ExxonMobil/Sunset believes deserves further consideration by Santa Barbara County prior to any decision on the proposed Tranquillon Ridge project is the estimated volumes of recoverable oil and associated levels of benefit to the County and State.

Per the production forecasts in the April 2008 Tranquillon Ridge Final EIR, the PXP 15 year limited production scenario will recover ~135 million barrels of oil (Exhibit E). By comparison, the proposed ExxonMobil/Sunset Vahevala project could develop up to 250 million barrels of oil (Exhibit F).^[14] This nearly two-fold difference in potential produced oil volumes would have a significant impact on total project tax revenues to Santa Barbara County (which are based on annual estimates of the value of the oil and gas field) as well as royalties to the State (and potentially to the County if royalty sharing is reinstated). In addition we agree with the findings (Staff report section 1.8, page A-16) regarding the benefits of developing interim sources of domestically produced oil and gas in California at this time. These benefits are logically more fully realized with a full development of the potential resources as opposed to a shortened development that leaves much of the Tranquillon Ridge resources un-recovered. A detailed comparative economic analysis of the two proposed projects, Tranquillon Ridge and Vahevala, would illuminate some profound differences.

Response to Appeal Point 3

ExxonMobil/Sunset requested further consideration of estimated volumes of recoverable oil and associated benefit to the County and State. In so doing, the Appellant contends that its proposed Vahevala Project would recover more reserves because the PXP Tranquillon Ridge project entails an end date that occurs prior to extraction of all economically recoverable reserves.

In response, staff notes the following factors for the Board's consideration:

- **The likelihood of the ExxonMobil/Sunset proposal obtaining approval is far less certain than the PXP Tranquillon Ridge proposal.** This situation, as explained below, raises another consideration – that being a comparison in potential revenue from the pending PXP Tranquillon Ridge proposal versus no project at all.

Recent evidence that became available after the Planning Commission's action on the PXP Tranquillon Ridge project indicates that the Air Force is not willing to allow the proposed Vahevala project, due to irreparable impacts to base missions (June 25, 2008 Air Force letter to ExxonMobil/Sunset, see Attachment B.2). In response, ExxonMobil decided to withdraw its appeal, stating in a July 30, 2008 e-mail to Energy Division staff: *"This decision is driven by the Air Force letter of June 25, 2008 to us indicating they cannot provide ExxonMobil and Sunset access to our proposed 25 acre Vahevala drilling production site on Vandenberg Air Force Base (VAFB) at this time. We are continuing discussions with the Air Force regarding a path forward including potential alternative locations on VAFB for our proposed Vahevala Project."* (see Attachment B.8).

- **The timing of the ExxonMobil/Sunset Vahevala proposal to generate revenue for the State and County is far less certain, and likely five or more years into the future, versus the PXP Tranquillon Ridge proposal, which could generate revenues as soon as 2009.** The current status of the proposed Vahevala project is that the Air Force is unwilling to accept the proposed drilling/production site, due to an unacceptable level of interference with Base missions, as noted above. It has taken several years for the Air Force to render this definitive response. The environmental review process, should the Vahevala proponents ultimately find an acceptable site on the Base, has yet to commence. Additionally, the Vahevala project would entail construction of a new drillsite, production facility, oil processing facility (and possible gas processing), and miles of transmission pipeline before it could produce payable quantities of oil and gas.

¹⁴ See Attachment B.1 for Appellant's Exhibits E and F.

- **Economic benefit to the State of California, via royalties, remains uncertain until the oil and gas lease agreement is made public.** Staff cannot quantitatively represent the financial benefit of the PXP Tranquillon Ridge project to the State at this time because the method of determining an equitable royalty remains under confidential negotiations between the California State Lands Commission staff and PXP. We also cannot do a comparative analysis between the royalty-potential for the PXP and ExxonMobil/Sunset proposals because that potential is based upon a negotiated outcome, and because there are significantly different cost-of-production considerations between the two proposals that could influence calculated discounts to royalties. The ExxonMobil/Sunset proposal likely entails more upfront capital investment because it requires substantial new infrastructure. The PXP proposal likely entails higher operational costs because it includes an offshore platform, which also likely entails higher decommissioning costs. Other uncertainties in projecting State royalties include actual volumes of oil and gas discovered and the sales value of that oil and gas at the time it is recovered.
- **Calculation of property tax receipts to the County is complex, and is subject to appeal by the producer.** As an example, Exxon originally filed an Appeal for Changed Assessment of \$469,235,760 on its Las Flores Canyon property for the 1993/94 tax year, which included the processing facility and offsite pipelines. As this appeal went forward, Exxon continued to file appeals on subsequent tax years for the following nine years. The 1993/94 tax year appeal was settled in 2003 with both parties agreeing to a lower assessment of \$238,000,000 on which to base Exxon's taxes for that year. In the interim, the County Auditor held the challenged portion of the property tax paid by Exxon.

The PXP Tranquillon Ridge case provides a new factor for the County Assessor's office – the minerals are within the County's boundaries and their value should be subject to property tax assessment. Will PXP attempt to argue differently because the minerals are extracted from a platform situated in federal waters? When asked, PXP stated in a letter to the Assessor that the mineral value would be subjected to the same taxation as it would be if extracted from an onshore production facility (see Attachment B.9, June 16, 2008 PXP letter to Joseph Holland, County Clerk, Recorder, and Assessor). This letter is helpful, but not necessarily binding. It is the initial opinion of the County Counsel that the value will be subject to County property tax assessment as the resource lies within County boundaries.

- **PXP estimates for property tax revenues based on simplified mineral values over a 14-year project.** The proposed truncated life of the PXP Tranquillon Ridge proposal would reduce estimated recoverable reserves to 105 million barrels-of-oil equivalent.¹⁵ This estimate could be lower if the high-range projection of potential reserves is not realized during drilling and production. The value of the oil and gas in the tax year when it is extracted represents the other major uncertainty of estimating potential property-tax revenues to the County. Nonetheless, PXP has provided the following simplified estimate of potential property-tax revenues to the County in order to give the Board a general example, within an order of magnitude, of how the County might benefit from the Tranquillon Ridge project. (Actual property-tax revenues will be determined annually by the Assessor's office, and may vary considerably from that provided below, once more complex calculations are made.) The following estimates assume a simplified valuation of the mineral, reductions to account for capital costs, operational costs, abandonment costs, and are restricted to proven reserves during the first three years.

¹⁵ Barrels-of-oil equivalent is used broadly within industry to represent oil, gas liquids, and natural gas production in a single unit of measurement.

Estimated Property Tax/Allocation to County

<u>Estimated Mineral Value = \$80/bbl \$8/mcf</u>				
		<i>Estimated Property Tax</i>	<i>County General Fund Allocation (23.639%)</i>	<i>County Fire Department Allocation (14.4%)</i>
1st Year	2009	\$5,000,000	\$1,181,950	\$720,000
Peak Year	2012	\$33,000,000	\$7,800,870	\$4,752,000
14th Year	2022	\$4,000,000	\$945,560	\$576,000
Total 14 Years		\$228,000,000	\$53,896,920	\$32,832,000

<u>Estimated Mineral Value = \$100/bbl \$10/mcf</u>				
		<i>Estimated Property Tax</i>	<i>County General Fund Allocation (23.639%)</i>	<i>County Fire Department Allocation (14.4%)</i>
1st Year	2009	\$6,000,000	\$1,418,340	\$864,000
Peak Year	2012	\$44,000,000	\$10,401,160	\$6,336,000
14th Year	2022	\$7,000,000	\$1,654,730	\$1,008,000
Total 14 Years		\$313,000,000	\$73,990,070	\$45,072,000

<u>Estimated Mineral Value = \$120/bbl \$12/mcf</u>				
		<i>Estimated Property Tax</i>	<i>County General Fund Allocation (23.639%)</i>	<i>County Fire Department Allocation (14.4%)</i>
1st Year	2009	\$8,000,000	\$1,891,120	\$1,152,000
Peak Year	2012	\$54,000,000	\$12,765,060	\$7,776,000
14th Year	2022	\$10,000,000	\$2,363,900	\$1,440,000
Total 14 Years		\$399,000,000	\$94,319,610	\$57,456,000

Sunset Letter dated May 1, 2008

Sunset Exploration, Inc. provided a letter dated May 1, 2008 (see Attachment B.1) to the Board of Supervisors regarding the ExxonMobil/Sunset appeal. The second paragraph of this letter states:

“The [Planning] Commission’s decision was an abuse of discretion and unsupported by substantial evidence. The Planning Staff and Planning Commission failed to address a number of potentially significant adverse impacts of the project which were raised by Sunset Exploration Inc. during the review process. (See enclosed January 12, 2007 letter.) We respectfully request the Board of Supervisors consider these significant impacts and overturn the decision of the Planning Commission.”

Response to Sunset May 1, 2008 Letter

The charge of abuse of discretion is unsubstantiated and without merit. The Planning Commission followed its standard procedures (including public notice), provided for and considered public comment on the merits of the Tranquillon Ridge project, and relied on substantial evidence in the record in certifying the EIR and approving the Tranquillon Ridge project. The Planning Commission’s decision to approve the Tranquillon Ridge project is described in its adopted Findings for Approval and is well-supported by substantial evidence in the record, including:

- The analysis of consistency with County and Coastal Act land use policies provided in Attachment D to the April 15, 2008 Planning Commission staff report (see Attachment A.2);
- Project description information, summary of potentially significant impacts that could result from the project, and analysis of alternatives to the project presented in the April 15, 2008 staff report (see Attachment A.2);
- A detailed and thorough analysis of potential environmental impacts associated with the project – including the issues raised in Sunset Exploration, Inc.’s January 12, 2007 letter – in the Final Environmental Impact Report (see Attachment A.3);
- Oral and written testimony provided at the April 21, 2008 hearing, including that from Sunset Exploration, Inc.’s representative, Mr. Robert Nunn (see Attachment A.4).

Planning staff and the Commission adequately addressed the potential significant impacts of the Tranquillon Ridge project. The Draft EIR was circulated for public review and all comments received on the Draft were addressed in the Final EIR. Many comments lead to incorporation of additional information in the EIR text and Section 9.0 of the Final EIR presents thorough responses to each comment received, including those in Sunset Exploration, Inc.’s January 12, 2007 letter (see Final EIR Section 9.3, pp. 9.3-71 through 9.3-113). The Planning Commission reviewed the EIR, including responses to the comments made by Sunset Exploration, Inc. in its January 12, 2007 letter and properly considered these comments and responses when it certified the EIR as adequate under CEQA (See Attachment A.1, Planning Commission Finding 1.1).

D. PLANNING COMMISSION ACTION

The County Planning Commission approved the Tranquillon Ridge project by a vote of 4-0-1 (Commissioner Blough abstained) at their special hearing of April 21, 2008. The Commission’s decision was appealed to the

Board of Supervisors on April 30, 2008 by ExxonMobil Exploration Company and Sunset Exploration, Inc. Two other appeals of the Commission's action were filed Vaquero Energy Inc. on April 30, 2008 and by Bruce W. Bell on May 1, 2008. The Planning Commission's April 23, 2008 action letter with findings and conditions of approval, and the Planning Commission staff report are included herein as Attachments A.1 and A.2, respectively.

The Planning Commission also responded to a claim of Brown Act violation related to its April 21, 2008 hearing which was filed by Sunset Exploration, Inc. on April 30, 2008. At its hearing of May 28, 2008, the Commission determined in a 4-0-1 vote (Commissioner Blough abstained) that no Brown Act violation occurred. Attachment B.7 includes the claim filed by Sunset, County Counsel and P&D staff's recommendation to the Commission, and the Commission's response to the claim.

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.

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* newspapers.

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 Nancy Minick, Planner, Energy Division.

Energy Division staff 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.
- B.1 Appeal to Board of Supervisors dated April 30, 2008 and Sunset Letter to the Board dated May 1, 2008.
 - B.2 Air Force Letter to ExxonMobil and Sunset dated June 25, 2008.
 - B.3 ExxonMobil Letter to Air Force dated June 30, 2008.
 - B.4 Sunset Letter to Air Force dated July 1, 2008.
 - B.5 Page 166 from 1992 Condition B-2 Review, Final Report, Unocal Point Pedernales Project (FDP Condition R-1).
 - B.6 Page R-2-88 from Union Oil Project and Central Santa Maria Basin Area Study EIR/EIS, June 24, 1985.
 - B.7 Sunset Brown Act Violation Claim, County Counsel Memorandum to Planning Commission, and Planning Commission Rejection of Claim.
 - B.8 July 30, 2008 E-mail from Edward Feragen, ExxonMobil.
 - B.9 June 16, 2008 PXP Letter to Joseph Holland, Santa Barbara County Clerk.

Authored by:

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