

September 19, 2023

Change of Owner, Guarantor, and Permanent Operator for the Las Flores Pipeline System

Applicants' Presentation



**PACIFIC PIPELINE
COMPANY**

Chapter 25B's Purpose

SANTA BARBARA COUNTY PLANNING COMMISSION
Staff Report for Change of Owner, Operator or

SANTA BARBARA COUNTY PLANNING COMMISSION Staff Report for Change of Owner, Operator or Guarantor for Certain Oil and Gas Facilities

Hearing Date: August 1, 2001
Staff Report Date: July 19, 2001
Case No.: 01-ORD-0000-00006
Environmental Document: exempt

Supervisory District: All
Staff: John Day, Doug Anthony
Phone #: 568-2045, 568-2046

2.0 RECOMMENDATION AND PROCEDURES:

Staff recommends that your Commission recommend to the Board of Supervisors that it adopt the proposed ordinance *Change of Owner, Operator or Guarantor for Certain Oil and Gas Facilities*, to set forth requirements, procedures and processes, and findings for the transfer of permits from one party to another for a specified class of development. Such transfers apply to changes in ownership, operator, or third-party guarantor.

Your Commission's motion should include the following:

- (A) The Planning Commission has held a duly noticed public hearing on the proposed amendment to the Santa Barbara County Code, at which this amendments was explained and comments invited from the persons in attendance.
- (B) In conclusion, the Santa Barbara County Planning Commission recommends that the Board of Supervisors amend the Santa Barbara County Code to add Chapter 25B, *Change of Owner, Operator or Guarantor for Certain Oil and Gas Facilities*, included herein as Attachment A and, in so doing, make the draft findings included herein as Attachment B.

The actions recommended today consist of Planning Commission recommendations to the Board of Supervisors to adopt a new chapter to the Santa Barbara County Code. Whichever action the Planning Commission decides to take on these recommendations will be transmitted to the Board of Supervisors and the Board will consider those recommendations in a duly-noticed public hearing. In considering the Planning Commission's recommendations, the Board may adopt the new ordinance as submitted by the Planning Commission or a modified version thereof. Conversely, the Board may choose not to adopt the ordinance, either declining further

Change of owner/operator, case #: 01-ORD-00000-00006

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nce for owner/operator change includes the following

potential for serious accidents and oil spills that could endanger the public, property, and environment. Development plans and conditional use permits for these facilities are conditioned to require safe operation and mitigation of environmental impacts. However, subsequent owners and operators may in some cases be less technically and financially capable than the original operators, or unwilling to comply with permits and regulations. Therefore, the County must exercise sufficient regulatory oversight of permit transfers to ensure that risks do not increase and permit compliance does not deteriorate when facilities change hands.

minimum requirements.

- a) written commitment from the applicant to accept
- b) written commitment and financial assurance for restoration at project completion.
- c) demonstration of adequate financial responsibility, including clean-up costs for potential oil spills, and
- d) evidence of operator experience and expertise.

These practices are codified in the proposed ordinance.

Some issues have not resolved into practice. One case in point involves the specific criteria for determining whether an owner/operator change should be handled by the Director or heard by the Planning Commission. Which approval path to take is currently a gray area, partly because the Zoning Ordinance provisions that cover permit revisions, amendments, and substantial conformity determinations do not specifically address the major concerns about owner/operator change, such as financial responsibility and the risks that may come with a new operator. The proposed ordinance gives clear guidance on which approval path to take for any owner/operator change. Several new requirements are instituted in the proposed ordinance. These include accurate and truthful identification and naming on the permit of all owners, operators, and guarantors for a facility, and disclosure of facility condition to new owners.

The proposed ordinance deals with the following major substantive issues relating to change of owner, operator, or third-party guarantor:

- Identification of all owners, operators, and guarantors, and listing on permit.
- Acceptance of permit by owners and operators.



All Chapter 25B Findings Are Met



Guarantor

Financial Guarantees



Owner

Fees and Exactions



Financial Guarantees



Acceptance of Permit



Facility Safety Audit



Compliance With Existing Requirements



Operator

Fees and Exactions



Financial Guarantees



Acceptance of Permit



Facility Safety Audit



Compliance With Existing Requirements



Compliance Plans



Transitional Plan



Emergency Response Plan Drills



Operator Capability



ExxonMobil Meets the Guarantor Requirement

- ExxonMobil provided all necessary instruments of financial responsibility. *See* Sec. 25B-9(e).

"I happen to believe that ExxonMobil is one of the best capitalized and most successful companies."

- Commissioner Bridley, Second District (June 14, 2023)

The ExxonMobil logo is displayed in red, featuring the word "Exxon" in a stylized font with a slanted 'X' and "Mobil" in a standard sans-serif font.

PPC Meets the Owner Requirements

Fees and Exactions

- “All outstanding county required fees and exactions due for the facility have been paid.” *See* Sec. 25B-9(a)(1).



**PACIFIC PIPELINE
COMPANY**



PPC Meets the Owner Requirements

Financial Guarantees

- FDP does not require any ongoing “insurance, bonds or other instruments or methods of financial responsibility approved by the county.” *See* Sec. 25B-9(a)(2).



**PACIFIC PIPELINE
COMPANY**



PPC Meets the Owner Requirements

Acceptance of Permit

- PPC provided a signed, notarized, and recorded Agreement to Comply with Conditions of Approval. *See* Sec. 25B-9(a)(3).

AGREEMENT TO COMPLY WITH CONDITIONS OF APPROVAL

OWNER(S) and OPERATOR OF RECORD for the All American Pipeline, hereinafter referred to as the PROPERTY.

MONITORING AND REPORTING. This agreement is made to ensure that all conditions of approval for the All American Pipeline Project, Final Development Plan 88-DPF-033 (RV01)z, 88-CP-60 (RV01) [88-DPF-25cz; 85-DP-66cz; 83-PD-25cz], listed in Exhibit A, attached hereto, are complied with and that all monitoring and reporting actions required of the OWNER(S) / OPERATOR OF RECORD shall be fulfilled.

I (WE) accept and agree to all terms, restrictions and obligations set forth in this agreement either expressly or by reference and incorporation.

Executed at Harris County, TX, on the 26 day of April, 2023.

OWNER / OPERATOR OF RECORD

By 

Saul Flota
Agent and Attorney-in-Fact
Pacific Pipeline Company



PPC Meets the Owner Requirements

Facility Safety Audit

- The Pipeline is not required to perform any “county-conducted comprehensive safety audit.” *See* Sec. 25B-9(a)(4); Celeron Settlement Agreement section 2.2.
- PHMSA and OSFM have exclusive jurisdiction to regulate intrastate pipeline safety. *See* 49 U.S.C. § 108(b); Cal. Gov’t. Code, § 51010.
 - 6 PHMSA/OSFM audits conducted between 2018 and 2021.
- PPC agreed to provide a SIMQAP under a specific, enforceable schedule; final SIMQAP submitted on May 12, 2023.



EXXONMOBIL PIPELINE COMPANY LLC
PACIFIC PIPELINE COMPANY

**SAFETY, INSPECTION, MAINTENANCE, AND
QUALITY ASSURANCE PROGRAM
(SIMQAP)**

Las Flores Pipeline System



PPC Meets the Owner Requirements

Compliance With Existing Requirements

- County Staff confirmed that Plains is in compliance with all requirements of the FDP Permit — **no County NOVs**. *See* Sec. 25B-9(a)(5).
- PPC complies with all applicable County permit, PHMSA, and OSFM requirements.
- Whether or not a prior owner was compliant **is not** a basis to deny transfer.

Compliance With Existing Requirements.

This finding piggybacks on the safety audit finding by requiring that safety violations and other facility deficiencies are addressed at the time of owner or operator change. Violations must be corrected before approval is granted, or, alternatively, the departing and incoming parties sign an agreement with the County specifying a schedule for correcting the violations. **Either party may assume responsibility for required work.** This idea, borrowed from MMS and SLC, will establish accountability and keep the **compliance issues in the forefront following owner or operator changes.**



EMPCo Meets the Operator Requirements

Sec. 25B-10(a)(1)-(5)

- EMPCo satisfies the following requirements for the same reasons as PPC:
 - ✓ Fees and Exactions
 - ✓ Financial Guarantees
 - ✓ Acceptance of Permit
 - ✓ Facility Safety Audit
 - ✓ Compliance With Existing Requirements

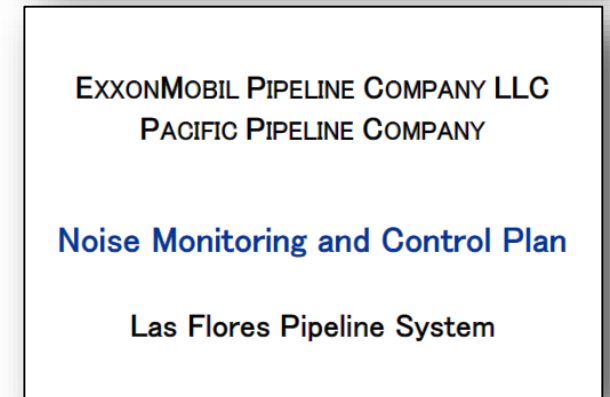
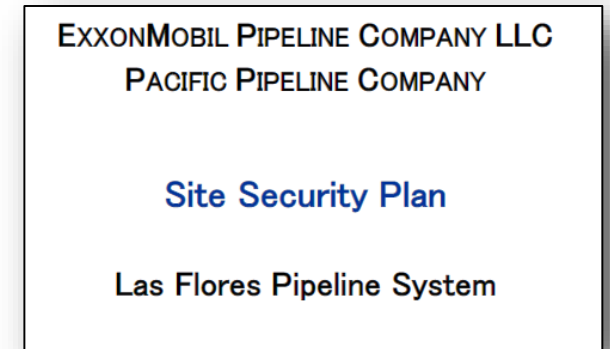
ExxonMobil
Pipeline



EMPCo Meets the Operator Requirements

Compliance Plans

- EMPCo is reflected in any “approved safety inspection maintenance and quality assurance program, emergency response plan, fire protection plan, and oil spill contingency plan, or equivalent approved plans.” *See* Sec. 25B-10(a)(6).
- This includes:
 - SIMQAP
 - Noise Monitoring and Control Plan
 - Site Security Plan
 - Integrated Contingency Plan (also OSPR/OSFM/PHMSA requirement)



EMPCo Meets the Operator Requirements

Transitional Plan

- Pipeline transition plan ensured EMPCo has “adequate training . . . and . . . good working knowledge of [any] crucial compliance plans . . . before assuming control of operations.” *See* Sec. 25B-10(a)(7).
- EMPCo submitted Transition Plan; Plains confirmed transition activities.

**EXXONMOBIL PIPELINE COMPANY LLC
PACIFIC PIPELINE COMPANY**

Transition Plan

Las Flores Pipeline System



EMPCo Meets the Operator Requirements

Emergency Response Plan Drills

- On February 9, 2023, EMPCo performed a County-approved emergency response drill. *See Sec. 25B-10(a)(8).*



ICP training exercise with County, OSPR, OSFM, PHMSA, EPA at PPC's Las Flores Canyon Facility



EMPCo Meets the Operator Requirements

Operator Capability

- EMPCo “has the skills, training, and resources necessary to operate the permitted facility” and the “ability to comply with compliance plans.” *See* Sec. 25B-10(a)(9).
- **Zero** major incidents (as defined in Chapter 25B-3) at EMPCo-operated crude pipelines and facilities from 2018 – 2023.
- Recipient of:
 - 2022 API Distinguished Pipeline Safety Award for its operating category
 - 2023 Norman Y. Mineta Excellence in Transportation Safety Award (from National Association of State Fire Marshals)



Consent Decree

Case 2:20-cv-02415-PSG-JEM Document 6-1 Filed 03/13/20 Page 1 of 102 Page ID #:94

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA, and the PEOPLE
OF THE STATE OF CALIFORNIA, *ex rel.*
DEPARTMENT OF FISH AND WILDLIFE,
PEOPLE OF THE STATE OF CALIFORNIA, *ex rel.*
CENTRAL COAST REGIONAL WATER QUALITY
CONTROL BOARD, *ex rel.* CALIFORNIA
DEPARTMENT OF PARKS AND RECREATION, *ex*
rel. CALIFORNIA STATE LANDS COMMISSION,
ex rel. CALIFORNIA DEPARTMENT OF
FORESTRY AND FIRE PROTECTION'S OFFICE
OF STATE FIRE MARSHAL, and THE REGENTS
OF THE UNIVERSITY OF CALIFORNIA,

Plaintiffs,

v.

PLAINS ALL AMERICAN PIPELINE, L.P. and
PLAINS PIPELINE, L.P.,

Defendants.

Civil Action No.
2:20-cv-02415
CONSENT DECREE

*United States of America and the People of the State of California v.
Plains All American Pipeline, L.P. and Plains Pipeline, L.P.
Consent Decree*

Signatories:

- PHMSA
- OSFM
- EPA
- CA Dept. of Fish and Wildlife
- CA Dept. Parks and Recreation
- Dept. of Interior
- Nat. Oceanic Atmospheric Admin.
- CA State Lands Commission
- Reg. Water Quality Control Board
- US Coast Guard
- UC Regents

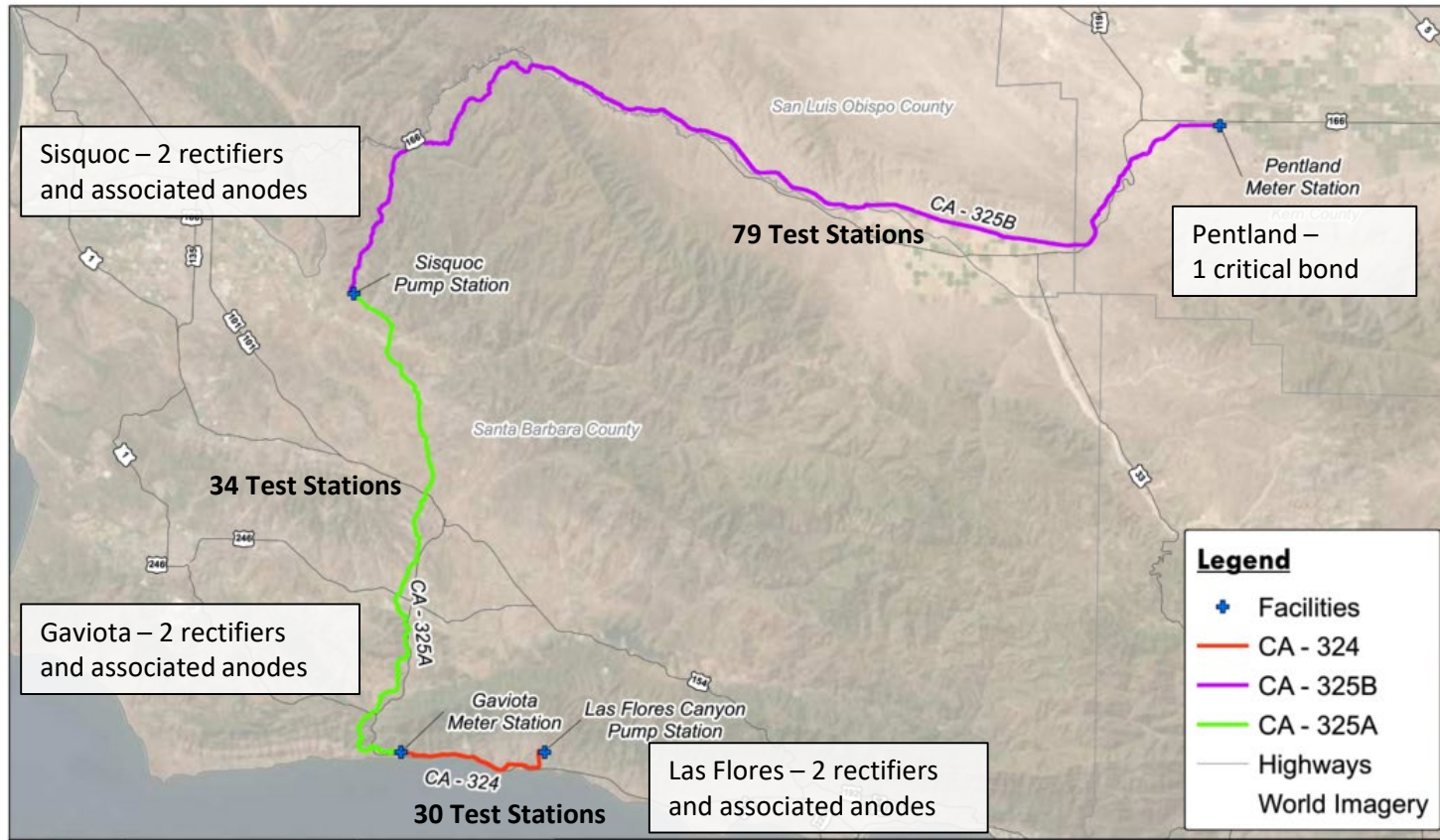
PPC has agreed to be bound by the provisions of the
Consent Decree.

See ¶¶ 88-90; Oct. 13, 2022 Consent Decree Assumption Agreement.



Cathodic Protection

“Compliance With Existing Requirements. As of the date that the application is deemed complete, the current operator is in compliance with all requirements of the permit, including any requirements of a county-required safety audit, any notice of violation, and any county ordinance...” Sec. 25B-9(a)(5), 25B-10(a)(5).



- No County audit findings, no County permit violations, no County ordinance violations
- FDP does not discuss Cathodic Protection
- Cathodic Protection is consistent with the original EIR/EIS project description
 - ✓ Rectifiers installed and maintained
 - ✓ Anode beds installed and maintained
 - ✓ Test stations installed at least every 10 miles
 - ✓ CP inspected at least every 6 months



Chapter 25B Action Exempt from CEQA

- Transfer of permit is not a “project,” no “physical change in the environment.” Cal. Code Regs. Tit. 14, § 15378.
 - Administrative action; no physical changes proposed
- Identity of the end-user is irrelevant to the CEQA analysis.

“I am having a hard time not approving staff’s findings and saying that this is okay because it’s just the business decision of who is going to be the operator and guarantor.”

- Commissioner Bridley, Second District (June 14, 2023)



Land Rights

- All rights were acquired during original Pipeline construction; PPC is in compliance with FDP permit.
- The County does not adjudicate private easement disputes.
- There has been no adjudication that the easements have lapsed; there will be no adjudication regarding most properties along the Pipeline.



PPC/EMPCo: Owner-Operator of the Pipeline

- PPC purchased the pipelines in October 2022.
- Ownership recognized by PHMSA, OSFM, OSPR, San Luis Obispo and Kern Counties, and Santa Barbara County APCD & Tax Assessor.
- Santa Barbara County Air Pollution Control District already transferred all permits.
- PPC added as a defendant in litigation involving the Pipeline.
- PPC assumed responsibility for the Consent Decree.
- PPC is a successor to Celeron under the Settlement Agreement with the County.



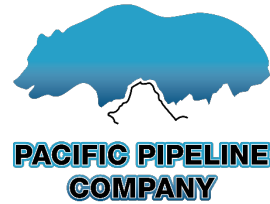
Supplemental

Background on Applicants



Guarantor

- Oil and gas industry founder
- ExxonMobil affiliates operate, own, have interest in, ship products through 50,000 miles of pipelines and terminals



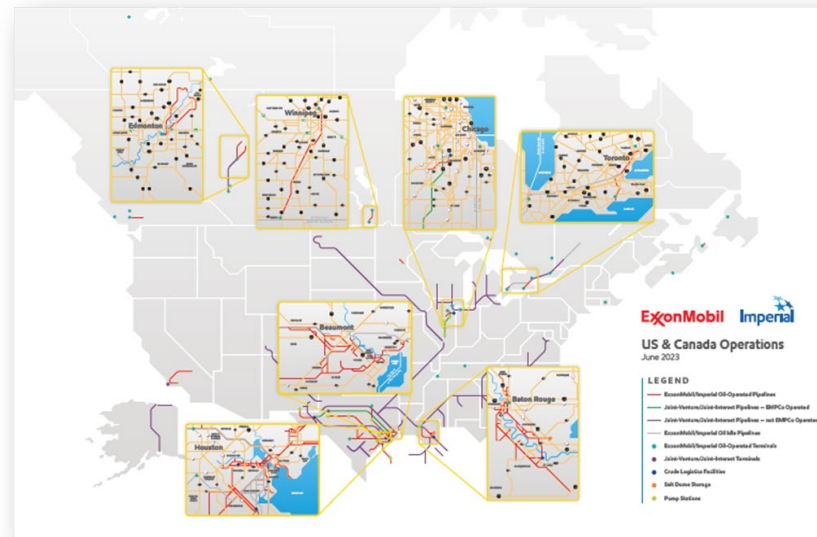
Owner

- 100% owner of Las Flores Pipeline System as of Oct. 2022
- Indirectly, wholly-owned by ExxonMobil



Operator

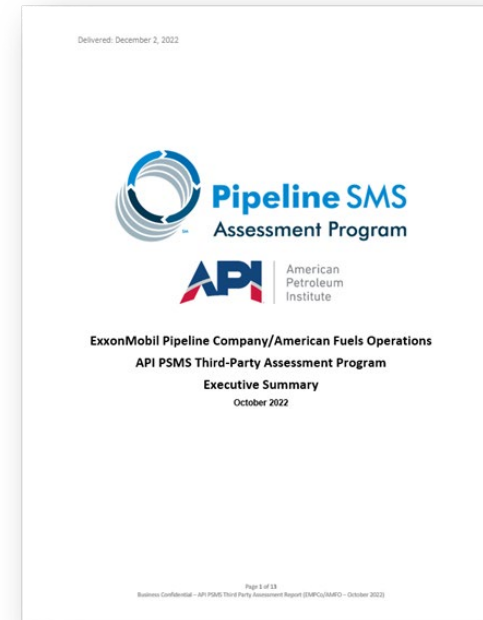
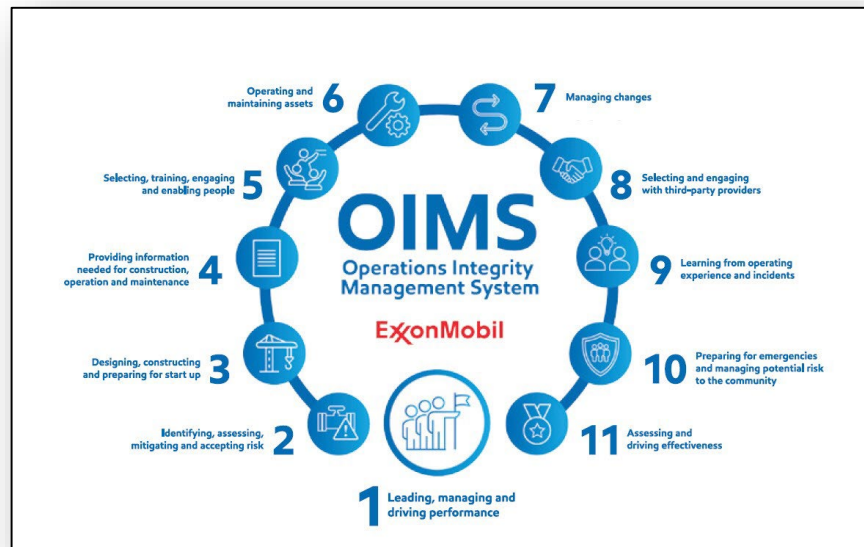
- Operating since Dec. 1941
- Pipelines in Illinois, Louisiana, New Mexico, and Texas
- Transports 2 million barrels of oil per day through 1,000 miles of crude oil pipelines



EMPCo Meets the Operator Requirements

Operator Capability cont.

- EMPCo employees are trained on the ExxonMobil Operations Integrity Management System (“OIMS”), its Pipeline Management System
- API formal audit of EMPCo’s Pipeline Safety Management System:
 - Top performer of all operators audited
 - First and only operator to achieve full conformance scores across all 10 API RP 1173 PSMS elements



Restart


Consent Decree outlines stringent requirements for restart, including:

- Documentation of the completion of all mandated actions under Consent Decree
- PPC's Integrity Management Plan (IMP):
 - More frequent and specific protocols for in-line inspection (ILI) assessment tools
 - More robust ILI tool validation and sizing criteria
 - Additional requirements for how ILI data is collected and interpreted
 - Plan to address potential for corrosion under insulation (CUI)
- Restart Plan:
 - Incremental pressure increases
 - Sufficient pipeline surveillance and patrolling
 - Testing line integrity
 - Coordination with emergency response officials
 - Enhanced personnel training



Sable: NOT Owner-Operator of the Pipeline

- ExxonMobil and Sable Offshore Corporation are unrelated.
- Any transaction with Sable has not been finalized.
- If a transaction closes, Sable will need to comply with Chapter 25B. The County will have the opportunity to review *any* future owner/operator.

 **SABLE OFFSHORE ENERGY INC.**
CORPORATE SECRETARY'S CERTIFICATION


I, Burke A. Vindevoghel, a duly appointed corporate secretary for Sable Offshore Energy Inc. (the "Corporation"), DO HEREBY CERTIFY that I have access to the records of the Corporation and am able to confirm that:

1. The Corporation was originally incorporated on May 16, 1996 under the **Canada Business Corporations Act** as 3260674 Canada Inc., and the name changed to Sable Offshore Energy Inc. by articles of amendment dated November 19, 1997. The Corporation is a valid and subsisting corporation under the **Canada Business Corporations Act**, **Corporation No. 326067-4**.
2. The Corporation is appointed as the operator of the **Sable Offshore Energy Project** (the "Project") and second, contracts or employs personnel involved in operating it. Shareholders in the Project include Imperial Oil Resources Limited, ExxonMobil Canada Properties, Mosbacher Operating Ltd., Strathcona Resources Ltd., and Shell Canada Energy.
3. The Corporation's registered and business office address is 1701 Hollis Street, Suite 1400, **Halifax, Nova Scotia, Canada, B3J 3M8**.
4. Attached to this Certificate are true copies of the Corporation's constating documents, including:
 - Certificate of Incorporation for 3260674 Canada Inc. dated May 16, 1996;
 - Certificate of Amendment for Sable Offshore Energy Inc. dated November 19, 1997; and
 - Certificate of Amendment changing the registered office dated November 24, 2000.

The constating documents are in full force and effect as of the date of this Certificate, and no proceedings have been taken or are pending to further amend, supplement or to surrender or cancel the same as of this date.

5. Attached to this Certificate is a true copy of the Certificate of Compliance of the Corporation obtained from Corporations Canada dated May 25, 2023.

I have executed this certification and affixed the seal of Imperial Oil Limited as of the 26th day of May, 2023.


Burke A. Vindevoghel
Corporate Secretary
Sable Offshore Energy Inc.

INFORMATION ABOUT SABLE

Sable Offshore Holdings LLC is a Delaware limited liability company, which we refer to as "Holdco." Sable Offshore Corp. is a Texas corporation and direct wholly-owned subsidiary of Holdco, which we refer to as "Sable." Sable and Holdco are special purpose entities formed for the purpose of evaluating the opportunity to acquire SYU and negotiating the terms thereof.

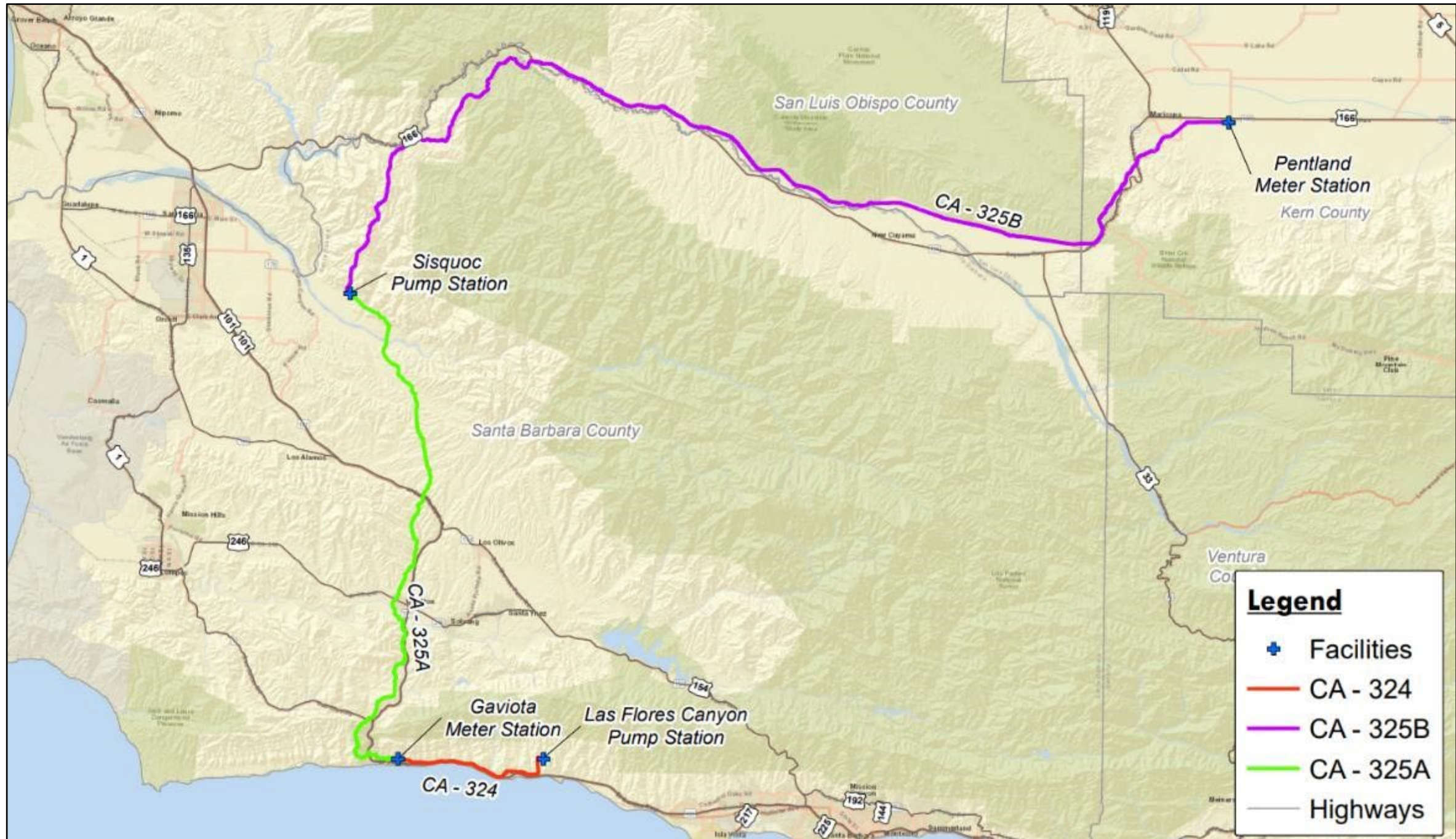
The mailing address of Sable's principal executive office is 700 Milam Street, Suite 3300, Houston, TX 77002. Its telephone number is (713) 579-6106. After the consummation of the Business Combination, its principal executive office will be that of New Sable.



Appellant's Erroneous Proposals

- There are **no** grounds for permit revocation, amendment, or cessation.
 - The County has not issued any NOVs.
 - OSFM has exclusive jurisdiction over pipeline safety and restart.
- There are **no** grounds for environmental review.
 - No “project” under CEQA.
 - The original EIR has not expired.
- There are **no** grounds to impose additional conditions of approval.
 - Conditions must be limited to ensuring that “insurance or other financial guarantees . . . submitted to and relied on by the planning commission as a basis to make any finding . . . are maintained.” Sec. 25B-10(b).
- There are **no** grounds to require additional financial guarantees.





Legend

- ⊕ Facilities
- CA - 324
- CA - 325B
- CA - 325A
- Highways