




BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: CEO
Department No.: 12
For Agenda Of: September 23, 2008
Placement: Departmental
Estimated Time: 1 Hour
Continued Item: Yes
If Yes, date from: File No.: 07-01220
Vote Required: N/A

TO: Board of Supervisors
FROM: Department Michael F. Brown, County Executive Officer
Director:
Contact Info: John Baker, Assistant CEO/Director of P&D



SUBJECT: Onshore Oil Facilities Update

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

- 1) That the Board of Supervisors on September 23, 2008 receive a staff report on the status of the onshore facilities program.
- 2) Receive an update on the five recommendations concerning potential new ordinances and staff practices adopted by the Board of Supervisors on January 15, 2008.

Summary Text:

- 1) ***Onshore Facility Inspection and Spill Reports*** – Since January 15, 2008, the onshore inspection team, consisting of County Fire Prevention Division and the Petroleum Unit, have inspected the facilities noted in **Figure 1**. The deficiencies noted are those that remain current.

(See Attachment A to this Board letter for a detailed schedule of facility inspections completed, current deficiencies, deficiencies corrected, and a listing of individual spill amounts).

- 2) ***Status of Prior Recommendations Approved by the Board*** – In order to deter the continued occurrences of deficiencies at onshore oil sites, to recover the increased and often excessive costs to the County's citizens associated with such deficiencies, and to improve the efficiency and effectiveness of oversight activities countywide, the Board, at its January 15, 2008 meeting, approved five recommendations that had been presented by staff. The status of those recommendations is presented in **Attachment B** to this Board letter.

Figure 1

Inspected No. of facilities Owned and Operated by:	No. of Facilities Inspected	No. of Deficiencies	Shut Down Requirement
Greka Energy	18	436	1 facility
Richards Oil	3	79	No
PXP	2	0	No
BreitBurn Energy	8	0	No
Sierra Resources	3	12	No
E&B Resources,	5	7	No
Phoenix Energy	1	4	No
Gitte-Ten Resources	1	1	No
B&E Conway	6	14	No
Grayson Services, Inc.	1	14	No
RMR Energy Resources	1	5	No
Venoco Inc.	1	25	No
Pyramid Oil	1	21	No
Vaquero Energy	2	41	No
Off Broadway	1	8	No
Chevron/Texaco	<u>3</u>	<u>7</u>	No
TOTALS:	<u>57</u>	<u>674</u>	

Background:

1) County Onshore Facility Inspection and Spill Reports –

During each facility inspection, the Petroleum Unit and the Fire Department visually inspect the entire facility for deficiencies of all applicable codes and standards, which range in coverage from minor maintenance deficiencies to deficiencies that pose an imminent threat to life, limb and/or property. After each facility inspection is complete, the inspection team coordinates their respective deficiency items to determine if the facility is fit for service. Depending on the severity and/or number of deficiencies, the facility may be shut down. To help in its decision, the inspection team categorizes each deficiency into one of the following three categories (Levels 1 and 2 are shown as “high” in *Attachment A*):

HIGH PRIORITY	<p>Level #1 - Immediate Priority Deficiency - These deficiencies pose an immediate threat to life limb and/or property. They are generally occurring at the time of the inspection. Some examples of these could be: an uncontrolled gas leak; pumping more fluids into the facility than can be processed out of the facility (this could cause the facility to begin a chain reaction of failures as the system over pressurizes, potentially ending in a catastrophic failure and a large oil spill); or an oil release from a facility where the cause of the release is pertinent to the safe operation of the facility. Any of these or similar deficiencies would be cause for an immediate shutdown of the facility.</p>
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	<p>Level #2 - High Priority Deficiency - These deficiencies have the potential to threaten life, limb and/or property, but are either not actively failing or are much smaller in scale. Examples of these could be: Leaky valves, pipes or tanks (these items would be individually shut down, but may not cause the entire facility to be shutdown); missing pulley covers; electrical extension cords used for permanent wiring; open electrical boxes and/or panels; or missing fire extinguishers. All of the above examples need to be addressed in a timely manner. Specific timelines could range from 1-10 days depending on the specific safety issue. As the examples above may not individually be cause for shutting down a facility, the accumulation of a number of items may pose too great a safety risk to allow the facility to remain in operation.</p>
<p>LOW PRIORITY</p>	<p>Level #3 - Low Priority Deficiency - These Deficiencies do not pose an immediate threat to life, limb or property. Some examples of these could be: Maintaining proper labeling; vegetation clearing; current pressure tests on relief valves; secondary containment berm; leaking seals. Although these deficiencies require attention, they are not imminent safety deficiencies and are granted 30 days to complete the maintenance</p>

Starting March 5, 2008, the onshore inspection team began to perform re-inspections of the facilities. Since January 15, 2008, the team has performed sixty-three (63) inspections and re-inspections of Greka facilities. Ten facilities re-inspected still have deficiencies that are now past due. Since Greka has not corrected all the deficiencies within the required timelines, the team has issued abatement violation notices against each of the ten facilities. A total of fourteen (14) Notices of Violation (NOV) have been filed against Greka. Fines to date for these violations total \$414,000. Richards Oil has received three (3) NOV's totaling \$69,000. At the present time the appeal procedure for dealing with these fines calls for the Director of Planning and Development to hear requests from operators. An ordinance amendment to allow for alternate hearing officers for appeals of these violations is being completed and will be presented to the Board as a separate set hearing item for the September 23, 2008 agenda.

It is important to note that significant corrections of deficiencies have been made by all operators. A comparison of the deficiencies from the report of July 9, 2008 with those in the current attachment can be misleading as often new deficiencies are discovered when re-inspections are conducted

During the next sixty (60) days, the onshore inspection team will be inspecting approximately an additional fourteen (14) facilities. Notwithstanding, the inspection team will continue following up with previously inspected facilities, as requested by those operators or after correction deadlines have passed, to re-inspect the facility deficiencies identified from our initial inspections. The onshore inspection team is working closely with representatives of each operator on resolving the deficiencies in an effort to bring them into compliance with current County Fire and Petroleum Codes and allow any facility that has been put in a shutdown mode to resume operations as quickly and as safely as possible.

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

On August 20, 2008 Greka Energy was the subject of a court decision requiring it be removed from operation of three (3) leases in the County (Ucal, California, and Bradley). Discussions have already begun with Vintage Petroleum to take over the leases at the beginning of the new calendar year. The new operator

will be subjected to the same review and inspections as were conducted with Greka Energy. They will be notified of the outstanding deficiencies that require correction.

2) *Outside Agency Reports* –

■ **Air Pollution Control District:**

The following chart provides data regarding violations by onshore oil operators for the months of July and August 2008. None of the violations required any shut down of facilities. APCD management staff continues to meet with Greka management staff on a regularly scheduled monthly basis to identify, track, prioritize, discuss, and resolve outstanding compliance and permitting issues.

Facility	Source of Violation	Date Issued	Type of Violation
Greka - United California Lease	Gas Service Components	7/22/2008	Vapor Leaks
Venoco - Platform Holly	Gas Service Components	7/24/2008	No Permit
ExxonMobil - Las Flores Canyon	Waste Gas Incinerator	8/26/2008	Exceed Emission Limit
ExxonMobil - Las Flores Canyon	WGI & CPP duct burners	8/26/2008	Exceed Emission Limit
ExxonMobil - Las Flores Canyon	WGI & CPP gas turbine	8/26/2008	Exceed Emission Limit
ExxonMobil - Las Flores Canyon	WGI	8/26/2008	Exceed Emission Limit
ExxonMobil - Las Flores Canyon	Gas service components	8/26/2008	Failure to Inspect
ExxonMobil - Las Flores Canyon	Gas serv. component #FE-40004	8/26/2008	Failure to Inspect
ExxonMobil - POPCO	Boilers 801A & 801B	8/26/2008	Exceed Fuel H2S Limit
ExxonMobil - POPCO	Boilers 801A	8/26/2008	Exceed Emission Limit
ExxonMobil - POPCO	Thermal Oxidizer	8/26/2008	Exceed Thruput Limit

■ **U. S. EPA:**

The Federal agency is currently actively working four Greka leases. The status of the actions is as follows:

- ⇒ **Zaca Davis Tank Battery:** Spill cleanup is complete. A final report is due from Greka. Upon receipt the clean up order will be closed.
- ⇒ **Bell 3:** Oil removal operations have been completed. Greka has been ordered to restore vegetation in the creek (see *Attachment C*). It is expected this will be conducted mid to late October. Upon completion the order will be closed.
- ⇒ **Bell Ponds:** The cleanup is ongoing. Greka has been given a compliance schedule (*Attachment C*). If the cleanup is not on schedule by September 30, EPA will take over the cleanup. Members of the U.S. Coast Guard are on site conducting oversight.
- ⇒ **Williams:** Greka is in violation of EPA's order on this facility. Material was to have been containerized by August 30, 2008. Tanks have been cut down and contents mixed with soil to solidify the tank bottoms, but none of the material has been removed. If the material is not removed from the site by September 30, 2008, EPA will take over cleanup.

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

As noted in *Attachment D*, DOGGR has no new activities regarding on-shore oil facilities. As reported in July, the agency had imposed Provisional Orders calling for penalties at two Greka facilities. One appeal was upheld on appeal. The second has been heard by a hearing officer and a decision is expected

approximately September 19, 2008.

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

DF&G has issued restoration orders for Greka's Palmer Road site. A summary of the requirements is contained in *Attachment E*.

Attachments:

Attachment A - Schedule of Onshore Facility Inspection Reports

Attachment B - Status of Prior Recommendations

Attachment C – EPA letter to Greka re: Bell lease

Attachment D - Letter dated September 9, 2008 from Pat Abel, Department of Conservation – Division of Oil,
Gas and Geothermal Resources

Attachment E – DF&G restoration summary for Palmer Road site

Attachment A**Onshore Facility Inspection Report**

(Ending August 31, 2008)

Owner & Facility #1	Reinspection Date	Location Address	Status	Deficiencies Total/High	Deficiencies Resolved
Greka Energy					
Ucal - 5th. Inspection	8/22/2008	6527 Dominion Rd.	Active	1/0	140 Items Corrected
Bradley 3-Island-2nd inspection	8/29/2008	3851 Telephone Rd.	Shut Down	4/0	84 low/5 high priority violations corrected
Security Lease-3rd inspection	7/23/2008	5200 Dominion Rd.	Active	31/0	30 Low Priority items corrected
Union Sugar-3rd inspection	7/30/2008	1505 Black Rd.	Active	27/0	18 Items Corrected
Los Flores-3rd inspection	7/23/2008	6151 Dominion	Active	33/0	22 Low Priority items corrected
Casmalia/Morganti-3rd inspection	8/20/2008	5080 Black Rd.	Active	5/0	43 Items Corrected
Fullerton-4th inspection	8/6/2008	6749 Cat Canyon Rd.	Active	31/3	33 Items Corrected
Jim Hopkins-2nd Inspection (Fire)	7/30/2008	4000 So. Hwy 101	Active	62/0	22 Items Corrected
Escolle-4th Inspection	8/20/2008	7275 Graciosa Rd.	Active	8/0	52 Items Corrected
Battles Lease-4th inspection	8/6/2008	1348 Battles Road	Active	11/4	21 Items Corrected
Dominion-2nd inspection	4/17/2008	6460 Dominion Rd.	Idle	38/1	No deficiencies corrected
Bell Tank Battery - 7th. Inspection	4/9/2008	6780 Palmer Rd.	Start Up-Active	0/0	56 Items Corrected
Bell Blochman Inj. - 7th. Inspection	4/9/2008	6605 Palmer Road	Start Up-Active	See Bell Tank Batt	--
Zaca-Davis-5th inspection	6/19/2008	5017 Zaca Station Rd.	Active	0/0	120 Items Corrected
Bell Compressor	4/23/2008	7320 Palmer Road	Active	70/2	4 Items Corrected
Williams Holding-2nd inspection	5/15/2008	6855 Cat Canyon Rd.	Idle	60/6	No deficiencies corrected
Kemp-2nd Inspection	5/21/2008	3518 Telephone Rd.	Active	25/1	4 Low Priority Items Corrected
Bradley 5-Island-2nd Inspection	5/21/2008	3850 Telephone Rd.	Idle	30/1	None Reported

Summary:

Facilities Shut Down	1
Facilities Idle	3
Facilities Operating w/ Deficiencies	11
Total No. of Deficiencies	436
Total No. of High Deficiencies	18

Onshore Oil Facilities Update

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Owner & Facility #1	Inspection Date	Location Address	Status	Deficiencies Total/High	Deficiencies Resolved
Richards Oil					
Wickenden Tank Facility	2/7/2008	7201 Foxen Cyn Rd.	Active	15/0	None Reported
Peshine Tank Facility	4/10/2008	5300 Associated Rd.	Active	32/2	None Reported
Tompkins Tank Facility	4/10/2008	5300 Associated Rd.	Active	32/2	None Reported
PXP					
Jesus Maria Tank Facility	4/2/2008	VAFB, CA (West)	Idle	0	N/A
Lompoc Hill Tank Facility	4/8/2008	4230 Rucker Rd.	Active	0	N/A
BreitBurn					
Newlove 64 Tank Facility 3rd insp	8/8/2008	1555 Orcutt Hill Rd.	Active	0	All corrected
Newlove Steam Injection Facility-2nd insp	7/2/2008	1555 Orcutt Hill Rd.	Active	0	34 deficiencies corrected
Newlove WW Injection Facility-3rd insp.	8/8/2008	1555 Orcutt Hill Rd.	Active	0	All deficiencies corrected
Newlove Tank Facility 2-3rd insp	8/8/2008	1555 Orcutt Hill Rd.	Active	0	All deficiencies corrected
Fox Tank Facility-3rd insp.	8/8/2008	1555 Orcutt Hill Rd.	Active	0	All deficiencies corrected
Squires Tank Facility	5/12/2008	1555 Orcutt Hill Rd.	Idle	0	None Reported
Cal Coast Tank Facility-3rd insp.	8/8/2008	1555 Orcutt Hill Rd.	Active	0	All deficiencies corrected
Pinal Tank Facility-3rd insp.	8/8/2008	1555 Orcutt Hill Rd.	Active	0	All deficiencies corrected
Sierra Resources					
H.P. Boyne Tank Facility-2nd Insp.	7/30/2008	10505 Hwy 101	Active	7/0	16 items corrected
Blair Tank Facility-2nd Insp.	7/30/2008	10505 Hwy 101	Active	5/0	10 items corrected
Soladino Tank Facility-2nd Insp.	6/27/2008	500 Associated Rd.	Active	0	All deficiencies corrected
E & B Natural Resources					
SCU Tank Facility 5 -2nd insp.	7/30 Petro & 8/1 Fire	1848 Perkins Rd., Hwy 166	Active	2/0	11 items corrected
SCU Tank Facility 6-3rd insp.	8/13/2008	1848 Perkins Rd., Hwy 166	Active	0/0	All deficiencies corrected
SCU Tank Facility 18-3rd insp.	8/13/2008	Aliso Canyon Rd.	Active	0/0	All deficiencies corrected
SCU Machader Tank Facility-2nd insp.	7/30 Petro & 8/1 Fire	1848 Perkins Rd., Hwy 166	Active	5/0	8 items corrected
RRU Central Tank Facility-3rd insp.	8/13/2008	8702 Hwy 166	Active	0/0	All deficiencies corrected
Phoenix Energy					
Careaga Facility	6/17/2008	7980 Graciosa Rd.	Active	4/0	None Reported
Gitte-Ten					
Careaga Facility	6/19/2008	7980 Graciosa Rd.	Active	1/0	None Reported
B.E. Conway					
Hancock Facility	6/24/2008	1190 Rosemary Rd.	Active	2/0	None Reported
Enos Facility	6/26/2008	1776 Rosemary Rd.	Active	2/0	None Reported
Magenheimer Facility	7/12/2008	7600 Cat Canyon Rd.	Active	2/0	None Reported
Wait-Bradley Facility	7/3/2008	6190 Dominion Rd.	Active	2/0	None Reported
Union Sugar Facility	7/8/2008	5140 W. Main St.	Active	4/1	None Reported
Newhall Facility	7/10/2008	7275 Graciosa Rd.	Active	2/0	None Reported
Grayson Services, Inc.					
Cantin Tank Facility	7/15/2008	4445 Foxen Canyon Rd.	Active	14/0	None Reported
RMR Energy Resources					
Williams Holding Tank Facility	7/17/2008	Long Canyon Rd.	Idle	5/0	None Reported
Venoco Inc.					
Togazzini Tank Facility	7/23/2008	Cat Canyon Road	Active	25/1	None Reported
Pyramid Oil					
Delaney Tunnell Facility	7/24/2008	Doninion Road	Active	21/1	None Reported
Vaquero Energy					
Careaga LA #1 Facility	7/28/2008	Highway 135	Active	11/0	None Reported
Careaga LA #2 Facility	7/30/2008	Highway 135	Active	30/0	None Reported
OFF BROADWAY					
Wheat Tank Facility	8/12/2008	Broadway Blvd.	Active	8/0	None Reported
Chevron/Texaco					
WP Hammon-NCT-2 Tank Facility	8/14/2008	7211 Cat Canyon Rd.	Idle	3/0	None Reported
Fugler Tank Facility	8/14/2008	6085 Cat Canyon Rd.	Idle	2/0	None Reported
Los Alamos Tank Facility 2	8/28/2008	6085 Cat Canyon Rd.	Idle	2/0	
Summary:					
Facilities Shut Down				0	
Facilities Idle				6	
Facilities Operating w/ Deficiencies				5	
Total No. of Deficiencies				238	
Total No. of High Deficiencies				7	

Attachment A – 3 of 3

Onshore Facility Spill Report

Date	Operator	Lease/Facility	Gal
<i>Amount spilled from January 15 to April 30, 2008</i>			13,300
	BLM Transportation Total		3
	Breitburn Energy Total		124
	Greka Total		562
	PXP Total		14.6
	Grand Total	<i>May 1 to June 30, 2008</i>	704
7/16/2008	PXP	Harris Grade Rd	80
7/18/2008	Grayson Services	Foxen Cyn Rd	30
7/24/2008	Breitburn Energy	Orcutt Hill Rd	200
7/30/2008	Vaquero Energy	Hwy 135, Los Alamos	30
8/14/2008	BreitBurn Energy	Orcutt Hill Road	200
8/15/2008	Greka	Telephone Road	400
<i>Total Amount Spilled from July 1 to August 31, 2008</i>			940
Total Gallons spilled since January 15, 2008			14,944

Attachment B

STATUS OF PRIOR RECOMMENDATIONS

Staff's primary efforts have focused on increasing on-site inspections and providing resources to assist onshore operators meet compliance requirements. However, we have balanced this effort with moving quickly forward on recommendations approved by the Board of Supervisors on January 15, 2008.

Recommendation 1 -

Develop a Multiple Response Ordinance:

Staff has worked cooperatively with onshore oil operators to develop a section in the Fire Code to address multiple responses. The proposed language is as follows:

"Sec. 15-103. Petroleum facility response – Cost Recovery.

Petroleum Facility Operators shall pay a fee as specified below, for any response to their petroleum facility (and/or associated piping and wells) by County Fire that is caused by a violation of Chapter 27 (hazardous Material) or Chapter 34 (Flammable and Combustible Liquids) of Article 1 of Chapter 15 of the Santa Barbara County Code. There shall be no fee for the initial response to a petroleum facility in a calendar year. However, a fee of \$690 shall be charged for each subsequent response to a petroleum facility in a calendar year. Additionally, if the time needed by County Fire to mitigate the hazard caused by any violation exceeds two hours, the Petroleum Facility Operator shall pay a surcharge based on County Fire's actual response costs.

Exception: Off-shore related Petroleum facilities with Conditional Use Permits and regulated by the county's Systems Safety and Reliability Review Committee (SSRRC) are exempt from Sec. 15-103."

The language is included as part of the proposed revisions to the Fire Code which was continued by the Board on September 2, 2008 for revisions regarding the appeal process and sprinkler requirements.

The environmental community (SBCAN) was a participant in a meeting with oil operators to discuss an appropriate method of addressing this issue.

Recommendation 2 -

Develop a High Risk Offender Ordinance:

A High Risk Operator ordinance amendment to the Petroleum Code has been drafted and reviewed with on-shore operators. ***A copy of the draft ordinance is included as part of this attachment.*** The proposed changes are shown as underlined additions to the Code.

Recommendation 3 -

Develop a Centralized Data Base to Compile Violation History:

A totally new approach to track inspections, releases, deficiencies, permitting and future work planning has been initiated. The result of this effort will go beyond the initial efforts to document past activities. A web based system that will tie the Accela project tracking system and the Firehouse system allowing for up-to-date internal and external access to records for individual facilities will be developed. APCD records will be imported into the County system for a complete picture of each facility. The system will leverage the Cognos system in the Data for Decision Making project. A visual presentation of the progress of this item will be provided at the September 23 hearing.

Recommendation 4 -

**Increase Inspection and Permitting Fees
for those Facilities Requiring Extraordinary Time for Inspection**

The Petroleum Code contains language allowing for charges for extraordinary inspections. Draft ordinance language has been completed and is contained in the proposed update to the Fire Code. This Code amendment was continued on September 2, 2008 for language modifications regarding appeals and sprinkler requirements.

Recommendation 5 -

Operational Efficiency Recommendations

The County's on-site inspection program has been consolidated under the responsibility of the Petroleum Unit. County staff continues to coordinate and meet with all regulatory agencies. Staff will report progress to Board at 60-day intervals until this situation is stabilized. The next report is scheduled for December 9, 2008.

**Proposed Amendment to Chapter 25 of the County
Code Relating to Oil Operations**

ORDINANCE NO. _____

**AN ORDINANCE OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA BARBARA
AMENDING CHAPTER 25 OF THE COUNTY CODE, FOR PURPOSES OF REGULATING HIGH
RISK PETROLEUM PRODUCTION OPERATIONS**

The Board of Supervisors of the County of Santa Barbara finds and declares that there exists a need in Santa Barbara County for enhancing the existing Petroleum Code to protect the environment and the public health and safety from the effects of certain oil and gas drilling and storage operations which have a record of noncompliance or dangerous operations, and further, that these needs require specific legislative action to provide for the safety and health of the populace of the County. The following provisions of the Code of the County of Santa Barbara are adopted under authority of Section 7 of Article XI of the State of California.

Therefore, the Board of Supervisors of Santa Barbara County amends Chapter 25 of the County Code of Santa Barbara County and ordains as follows:

SECTION ONE

Chapter 25 Section 25-4 and 25-43 of the Santa Barbara County Code is adopted and ordained as follows:

CHAPTER 25 Petroleum Code

NEW DEFINITIONS:

High Risk Operation – An oil or gas production, processing or storage facility which:

- (a) Has been in violation of Section(s) 25-25, 25-26, 25-27, 25-28, 25-30, 25-32, 25-35, 25-36, 25-37, 25-38, 25-39, and 25-40 of this Chapter for more than 30 consecutive days, or 45 days during the preceding 12 months; or
- (b) has three separate unauthorized releases of oil, water and/or other hazardous materials or fluids of a quantity not less than 25 barrels (1050 gallons) for each incident within a 12 month period.

High Risk Operator – The owner or operator of a petroleum production, processing or storage facility fitting the definition of High Risk Operation, as designated by Section 25-43 (e).

Shut Down Order – An order by the Petroleum Administrator to restrict or prohibit certain (or all) functions of operations at a facility or by an Owner or Operator pursuant to authority of this Chapter.

NEW SECTION:

Section 25-43. Remediation of High Risk Operations

- (a) Upon determination that any petroleum production, processing or storage operation meets the definition of High Risk Operation from Section 25-4, the Petroleum Administrator may give the owner and operator notice of his or her intent to declare the operation a High Risk Operation under this Code Section. The goal of this section shall be to remediate the high risk operation and bring the facility and the operator within normal, safe operating standards and protect the public safety, health and environment.
- (b) Along with the determination of the facility being a High Risk Operation, the Petroleum Administrator:
 - 1.) may undertake an investigation, and ;

2.) shall make findings as to cause; and

3.) shall approve a mandatory plan for remediating the causative problems.

- (c) The Owner or Operator of any such facility may appeal this determination to the Petroleum Administrator, and the appeal shall be solely on the issue of facts as to the applicability of the definition to the operation, the factual determination regarding the cause of the problems causing the high risk and the efficacy and reasonableness of the proposed remediation. Any decision of the Petroleum Administrator after appeal may be further appealed to the Planning and Development Director, and that appeal shall be solely on the facts and existing administrative record previously before the Petroleum Administrator as to the applicability of the definition to the operation, the factual determination regarding the cause of the problems causing the high risk and the efficacy and reasonableness of the proposed remediation.. Any decision of the Planning and Development Director after appeal shall be deemed final, subject only to judicial review.
- (d) The Owner or Operator of the High Risk Operation shall carry out the remediation plan and shall be responsible for paying all reasonable costs associated with:
1. County staff time in enforcing these provisions,
 2. Investigative, research and consulting costs associated with preparation of the remediation plan,
 3. Third party costs for investigation, consultation, engineering, clean-up, operator staff training, operations and all other related costs necessary to carry out the remediation plan;
 4. Any other costs necessary to remediate the high risk operation as ordered by the Petroleum Administrator.
- (e) Should any additional facility owned or operated by the Owner or Operator of the High Risk Operation facility meet the definition of a High Risk Operation within the period in which one facility is so declared or if more than one facility initially meets the definition thereof, the Petroleum Administrator shall have authority to declare the Owner or Operator to be a High Risk Operator and order a remediation plan for all petroleum facilities located in the County and under the control of the High Risk Operator.
- (f) At the sole discretion of the Petroleum Administrator, at any time during which an facility or Operator is subject to this Section, the Petroleum Administrator may require a bond be posted to cover the cost of remediating the causative problems of the High Risk Operation. Any bond posted for the facility or operator with the State of California may be considered in deciding whether a bond is necessary, but shall not be determinative thereof, and such State bond shall not preclude the need for a remediation

bond, inasmuch as the purpose of the bond for remediation of ongoing operational problems may differ from the purpose of the State bond for well-plugging or clean-up.

- (g) The designation of High Risk Operations or High Risk Operator shall continue to apply until the goals and guidelines of the remediation plan established hereunder is achieved. The remediation plan may be amended from time to time as necessary to achieve the purposes of this section.
- (h) Failure of the Owner or operator of a High Risk Operation to post a bond required under this section or to reasonably achieve the goals and guidelines of an approved remediation plan under this section may be cause for a shut down of the High Risk Operation[s], , and all other petroleum operations located in the County that are co-owned or co-operated by the High Risk Operator, at the discretion of the Petroleum Administrator. A shut down order under this subsection may be appealed to the Petroleum Administrator, whose decision shall be final.
- (i) Any County costs associated with enforcement of this section which are not promptly paid by the Owner or Operator shall be subject to enforcement by tax bill lien, or other civil collection methods.
- (j) The County may seek judicial order to enforce provisions of this Section and Code to protect the public health, safety and environment, including injunctive relief and receivership.
- (k) Nothing in this Section shall be deemed to prevent any other enforcement or applicability of any other relevant laws.

Attachment C



United States Environmental Protection Agency
Region 9, Pacific Southwest
Emergency Response Section
2250 Obispo Ave., Ste. 101
Signal Hill, CA 90755



August 29, 2008

E-Mail with Return Receipt

Susan Whalen
Greka Oil and Gas, Inc.
a.k.a. Greka SMV, a.k.a. Greka Energy
6527 Dominion Road
Santa Maria, CA 93454

Dear Ms. Whalen:

The United States Environmental Protection Agency (EPA) has completed its cleanup of the unnamed tributary of Cat Canyon Creek and the Sisquoc River that runs parallel to Palmer Road (the "Creek") following Greka's January 29, 2008 discharge of oil at the Bell Lease (the "Discharge"). Pursuant to the Order for Removal, Mitigation, or Prevention of Substantial Threat of Discharge (EPA Docket No. OPA 311-09-2008-0002) (the "Order"), Greka must revegetate the impacted area of the Creek in order to fully mitigate the impacts of the Discharge.

No later than close of business on October 3, 2008, Greka must, pursuant to Paragraph 18d, submit a work plan to EPA that details its plans for revegetation of the impacted area of the Creek. Greka may use the attached restoration guidelines from the California Department of Fish and Game to develop the revegetation work plan.

EPA is also recommending (but not ordering) as good business practices that will minimize the impact of future discharges and precipitation events, that Greka (1) revegetate the Upper Bell Pond areas to prevent erosion during precipitation events; (2) maintain the underflow dam in the unnamed tributary, down stream of the Blochman Injection Ponds; and (3) install emergency gates/valves at all culverts on the Creek in order to stop the flow of future discharges to the Creek.

If you have any questions, please do not hesitate to contact Robert Wise at (562) 889 – 2572 or for legal questions contact Michael Massey at (415) 972-3034.

Sincerely;

A handwritten signature in black ink that reads 'Robert Wise'.

Robert Wise, CHMM
Federal On-Scene Coordinator
(562) 889 – 2572 (cell)
wise.robert@epa.gov

cc: Michael Massey, EPA, Peter Reich, EPA; Rich Todd, SBCoFD; Kate Sulka, SBCoFD; Pam McNulty, SBCo Petroleum; Jorge Gross, CADFG; Mike Connell, CADFG

Attachment

Attachment D

STATE OF CALIFORNIA, RESOURCES AGENCY

ARNOLD SCHWARZENEGGER

GOVERNOR



DEPARTMENT OF CONSERVATION

DIVISION OF OIL, GAS AND GEOTHERMAL RESOURCES

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September 9, 2008

Mr. John Baker
 County of Santa Barbara
 123 East Anapamu St.
 Santa Barbara, CA 93101-2058

Re: Enforcement Action Update

Dear Mr. Baker:

Updated information was requested concerning environmental inspections made and enforcement actions taken by our agency with regard to oilfield operations in Santa Barbara County. The following outlines the activities of the Division's District 3 office from June 14 – September 9, 2008 germane to the report you are preparing:

In March 2008, the Division issued Provisional Order P308-1 imposing a civil penalty. Greka appealed the order and requested a hearing. The hearing was conducted on August 7, 2008. On September 5, 2008 the State Oil & Gas Supervisor, as hearing officer, requested an extension in rendering a decision with regard to the civil penalty. A decision is anticipated by September 19, 2008.

Environmental lease inspections (June 14-September 9) have been made as follows:

<u>Operator</u>	<u>Field</u>	<u>Lease Name</u>
BreitBurn Energy LLC	Orcutt	California Coast, Fox, Newlove, Pinal
Greka Oil & Gas	Santa Maria Valley	North Orcutt, Williams B
Richards Oil	Casmalia	Peshine, Tompkins
RMR	Cat Canyon	Williams Holding

Please contact our office should you have any questions.

Sincerely,

Patricia A. Abel
 Signing for Bruce Hesson, Deputy Supervisor

PAA:pd

The Department of Conservation's mission is to protect Californians and their environment by: Protecting lives and property from earthquakes and landslides; Ensuring safe mining and oil and gas drilling; Conserving California's farmland; and Saving energy and resources through recycling.

Attachment E

California Department of Fish and Game
Ken Wilson, Biologist

RESTORATION OF THE PALMER ROAD SITE

Restoration should include the revegetation/reseeding of stripped or exposed work areas, with vegetation native to the area. The restoration process should include the species already found on site, including the following: coast live oak, arroyo willow, elderberry, blackberry, mulefat, mugwort, Artemisia, and coyote bush. This will provide both canopy and under-story vegetation. Grasses should be seeded for initial erosion control and these should be native species or species already abundant in the area.

All planting should have a minimum of 80% survival the first year and 100% survival thereafter and/or shall attain 75% cover after 3 years and 90% cover after 5 years for the life of the project. Prior to the mitigation site(s) being determined successful, they should be entirely without supplemental irrigation for a minimum of 2 years, no single species shall constitute more than 50% of the vegetative cover, no woody invasive species shall be present. If the survival, cover and other requirements described in this Agreement and in the submitted documents have not been met, Greka should be responsible for replacement planting to achieve these requirements. Replacement plants shall be monitored with the same survival and growth requirements for 5 years after planting.

Willow cuttings obtained from nearby plants or plants damaged during excavation should be planted on 6-8 ft centers, on the restored slope. These should be planted during the willows dormant season, and shall be augered/dug into the wet soil.

All planting should be done after the first wetting rains between October 1, 2008 and February 1, 2009, to take advantage of the winter rainy season, dormancy of foliage, and rooting period to ensure optimum survival of plantings.

All plants shall be planted in randomly spaced, naturally clumped patterns. Any replacement tree stock, which cannot be grown from cuttings or seeds, should be obtained from a native plant nursery.

Areas of disturbed soils with slopes toward the creek should be stabilized to reduce erosion potential. Planting, seeding and mulching is conditionally acceptable. Where suitable vegetation cannot reasonably be expected to become established, non-erodible, materials, such as coconut fiber matting or jute should be used for such stabilization. No materials containing plastic or filament should be use, nor any non-biodegradable materials.

All debris, such as abandoned pipeline, pieces of metal, tires, and any other discarded materials should be removed from the banks.
