EXHIBIT 3

FINDINGS: SEEP CAN ONLY PROJECT

1.0 CEQA FINDINGS

1.1 ENVIRONMENTAL IMPACT REPORTS

FINDINGS PURSUANT TO PUBLIC RESOURCES CODE SECTION 21081 AND THE CALIFORNIA ENVIRONMENTAL QUALITY ACT GUIDELINES SECTIONS 15090 AND 15091:

1.1.1 CONSIDERATION OF THE ENVIRONMENTAL IMPACT REPORT

The Final Environmental Impact Report (14EIR-00000-00001) was presented to the Board of Supervisors and all voting members of the Board of Supervisors have reviewed and considered the information contained in the Final EIR (14EIR-00000-00001) and its appendices prior to approving the project. In addition, all voting members of the Board of Supervisors have reviewed and considered testimony and additional information presented at or prior to public hearing on October 11, 2016. The Final EIR reflects the independent judgment and analysis of the Board of Supervisors and is adequate for this proposal.

1.1.2 FULL DISCLOSURE

The Board of Supervisors finds and certifies that the Final EIR (14EIR-00000-00001) constitutes a complete, accurate, adequate and good faith effort at full disclosure under CEQA. The Board of Supervisors further finds and certifies that the Final EIR has been completed in compliance with CEQA.

1.1.3 LOCATION OF RECORD OF PROCEEDINGS

The documents and other materials which constitute the record of proceedings upon which this decision is based are in the custody of the Planning and Development Department located at 123 East Anapamu Street, Santa Barbara, CA 93101.

1.1.4 FINDINGS THAT CERTAIN UNAVOIDABLE IMPACTS ARE MITIGATED TO THE MAXIMUM EXTENT FEASIBLE

The Final EIR (14EIR-00000-00001) for the Orcutt Hill Resource Enhancement Plan project identifies significant environmental impacts which cannot be fully mitigated and are therefore considered unavoidable (Class I). The EIR identified Class I impacts related to oil spills and seeps in two issue areas: biological resources and water resources (hydrology and water quality). To the extent the impacts remain significant and unavoidable, such impacts are acceptable when weighed against the overriding social, economic, legal, technical, and other considerations set forth in the Statement of Overriding Considerations included herein. For each of these Class I impacts identified

by the Final EIR, feasible changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect, as discussed below:

Impacts to sensitive species' habitats

The EIR concluded that seeps and the installation and maintenance of existing and new oil seep cans have the potential for degradation or loss of habitat for sensitive species including CTS, sensitive plants including the federally listed Lompoc yerba santa, and other sensitive plant and wildlife species (Impact BIO.1). Sensitive species' habitats have been and would continue to be affected by oil seep management, including oil seep cleanup and seep can installations. Future potential oil seeps could occur at the project site in any habitat type, and necessary response activities could continue to impact sensitive habitats. Proposed mitigation measures include the implementation of a Habitat Restoration Plan with restoration of CTS habitat at a 3:1 ratio (Condition No. 5, MM Bio-1a); pre-construction surveys for sensitive species habitats to evaluate impacts prior to seep can installation (Condition No. 6, MM Bio-1b); restoration of sensitive species habitats including habitat for Lompoc yerba santa, La Purisima manzanita, mesa horkelia, and black-flowered figwort (Condition No. 7, MM Bio-1c); on-site independent environmental monitoring; adaptive management to ensure successful restoration (Condition No. 8, MM Bio-1e); and, annual reporting of monitoring results (Condition No. 9, MM Bio-1f).

The Careaga tar zone contains heavy oil that can and has risen to the surface in the form of seeps. Sections 4.3 and 4.8 of the Final EIR detail the number and severity of seeps and the resultant environmental impacts. The applicant has used chemical testing to determine that this zone is the source of the oil seeps. Prohibiting drilling in the Careaga tar zone via the Seep Can Only Project would therefore likely reduce future oil seep activity. There is some uncertainty associated with this conclusion as some oil seeps have historically been produced outside of the Careaga tar zone and the exact mechanisms and extent of the Careaga tar zone are not entirely understood. It is likely that some oil seep activity would continue without the drilling of any additional wells, but at a reduced level when compared to the proposed project. Class I impacts associated with oil seep activity and impacts on biological resources and water resources would remain Class I, but the Seep Can Only Project which does not include the drilling of new wells would substantially lessen the Class I impacts. Implementation of these measures would reduce, but not fully eliminate, the potential for seeps or an oil spill to significantly impact sensitive species' habitats. These impacts would remain significant and unavoidable.

Impacts to individual Lompoc yerba santa

Seeps and the maintenance of existing and new oil seep cans has, and would potentially continue to result in the loss of individual Lompoc yerba santa plants, a significant impact (Impact Bio.2). Proposed mitigation measures include the following: a biological resources training program to minimize impacts during construction (Condition No. 10, MM Bio-2a); delineation of sensitive species prior to construction to facilitate avoidance (Condition No. 11, MM Bio-2b); biological monitoring during

construction (Condition No. 12, MM Bio-2c); preparation of a rare plant salvage and transplant plan (Condition No. 14, MM Bio-2e); replacement of impacted Lompoc yerba santa at a 10:1 ratio for past impacts and a 3:1 ratio for future impacts (Condition No. 15, MM Bio-2f); and, preconstruction surveys of the entire project site to better determine future impacts (Condition No. 16, MM Bio-2g). As described previously, the Seep Can Only Project would likely reduce future oil seep activity and resultant impacts to Lompoc yerba santa. Implementation of these mitigation measures would reduce, but not fully eliminate, the potential for significant impacts to Lompoc yerba santa individuals. These impacts would remain significant and unavoidable.

Impacts to hydrology and water quality
Oil seeps could impact hydrology and water quality (Impact WR.2). If oil were to reach a drainage or waterway it would substantially degrade surface water quality. Mitigation includes development of a Supplemental Pollution Control Plan to establish procedures for the discovery, assessment, response, monitoring, control, reporting and mitigation of seeps (Condition No. 18, MM Bio-3). Implementation of the Seep Can Only Project prohibiting drilling in the Careaga tar zone would likely reduce future oil seep occurrence, as described previously. These mitigation measures would reduce the frequency or severity of an oil seep reaching a drainage or waterway, but impacts would remain significant and unavoidable.

With implementation of the Seep Can Only Project and the mitigation measures described in the Final EIR, the Board of Supervisors finds that the unavoidable impacts to biological resources and water resources would be mitigated to the maximum extent feasible.

1.1.5 FINDINGS THAT CERTAIN IMPACTS ARE MITIGATED TO INSIGNIFICANCE BY CONDITIONS OF APPROVAL

The Final EIR (14EIR-00000-00001) for the Orcutt Hill Resource Enhancement Plan project identifies several subject areas for which potentially significant, but mitigable environmental impacts (Class II) could occur. For each of these Class II impacts identified by the Final EIR (14EIR-00000-00001), feasible changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect, as discussed below:

Air Quality: Criteria Pollutant Emissions
The Final EIR concludes that the Seep Can Only Project could result in significant emissions of odors related to processing of oil and gas with high levels of hydrogen sulfide (Impact AQ.3). Mitigation measures include a tank detection system to notify operators of a potential odor event (Condition No. 4, MM AQ-3a). With implementation of this mitigation measure, impacts would be less than significant.

Biological Resources
The Final EIR identified several Class II impacts to biological resources.

Seeps, and maintenance of existing and new oil seep cans have the potential to result in

the loss of individual California tiger salamander (federally listed as endangered and State listed as threatened), and other non-listed special-status species or species protected by the Migratory Bird Treaty Act (Impact BIO.2). Proposed mitigation measures include the following: a biological resources training program to minimize impacts during construction (Condition No. 10, MM Bio-2a); delineation of sensitive species and habitats prior to construction to facilitate avoidance (Condition No. 13, MM Bio-2b); biological monitoring during construction (Condition No. 12, MM Bio-2c); preparation of a rare plant salvage and transplant plan (Condition No. 14, MM Bio-2e); replacement of impacted individual sensitive plants at specified ratios (Condition No. 15, MM Bio-2f); preconstruction surveys of the entire project site to better determine future impacts (Condition No. 16, MM Bio-2g); and pre-construction nesting bird surveys to minimize impacts to nesting birds (Condition No. 17, MM Bio-2h).

Seeps, and the installation and maintenance of existing and new oil seep cans have the potential to result in permanent loss of biological functions of sensitive habitats including central maritime chaparral, iris-leak rush seep, valley needlegrass grassland, southern Bishop pine forest, oak woodland, coastal scrub, arroyo willow thicket, habitats for rare plants and animals, and other sensitive biotic communities (Impact BIO.3). Mitigation includes development of a Supplemental Pollution Control Plan to establish procedures for the discovery, assessment, response, monitoring, control, reporting, and mitigation of seeps (Condition No. 18, MM Bio-3).

Seeps, and the installation and maintenance of existing and new oil seep cans have the potential to affect federal wetlands (Impact BIO.4). Mitigation measures include: restoration of waters of the U.S. at a 3:1 replacement ratio. (Condition No. 19, MM Bio-4a); and implementation of a construction staging buffer to minimize potential for releases into surface water or wetland habitat (Condition No. 20, MM Bio-4b).

Seeps, and the installation and maintenance of existing and new oil seep cans have the potential to result in reduced size and diversity of plant and animal populations at the Project Site (Impact BIO.6). Mitigation measures include pre-construction surveys to facilitate avoidance, wildlife monitoring during construction, and wildlife relocation to safe areas (Condition No. 21, MM Bio-6a).

Implementation of these mitigation measures would reduce impacts to a less than significant level.

Cultural Resources

The Final EIR identified several Class II impacts to cultural resources. Continued use of the access road to seep can location 88 has the potential to disrupt, alter, or destroy SBA-4069/H, a significant prehistoric and historic archaeological site (Impact CR.1). Implementation of a Phase 3 Data Recovery Plan (Condition No. 22, MM CR-1) to preserve this resource would reduce this impact to a less than significant level.

Removal of contaminated soils, creation and maintenance of new seep can locations and associated French drains, and new access roads could impact unknown subsurface

cultural or ethnic resources (Impacts CR.1, and C2.2). This potentially significant impact will be mitigated to a less than significant level through implementation of supplemental archaeological surveys of areas affected by new seeps to determine the presence of cultural resources (Condition No. 23, MM CR-2) and a stop-work requirement (Condition No. 24, MM CR-3) if cultural resources are encountered.

Geological Resources

The Final EIR identified the following Class II impact to Geological resources. Potential grading required to access and control existing and/or future oil seeps could occur on slopes steeper than 20 percent, resulting in potential slope instability (Impact Geo.2). Implementation of geologic monitoring for seeps on slopes exceeding 20 percent (Condition No. 25, MM Geo-2a) would reduce this impact to a less than significant level.

Water Resources

The EIR identified one Class II impact to water resources. Project excavations for potential new oil seeps could cause increased sedimentation of adjacent creeks or cause a construction-related release of contaminants that would degrade surface water quality (Impact WR.1). Mitigation would include Condition Nos. 27-30, (MM WR-1a through 1d), which require compliance with the provisions of a Storm Water Pollution Prevention Plan (SWPPP). The SWPPP includes implementation of erosion control measures, including preservation of existing vegetation, earth dikes and drainage swales, velocity dissipation devices, slope drains, silt fences, fiber rolls, and gravel bag berms. Best Management Practices include stabilized construction entrance/exit, exit tire wash, wind erosion control, stockpile management, controlled areas for vehicle and equipment cleaning, fueling, and maintenance; specifications for concrete curing and finishing; proper hazardous materials storage and use; spill prevention and control; and control of solid waste, hazardous waste, sanitary/septic waste, and liquid waste. The SWPPP would include implementation of non-storm water management and materials/waste management activities, including monitoring discharges (dewatering, diversion devices), general site cleanup, spill control, and ensure that no materials other than stormwater (including sediment) are discharged in quantities that would have an adverse effect on receiving waters. These measures would reduce this impact to a less than significant level.

1.1.6 FINDINGS THAT IDENTIFIED PROJECT ALTERNATIVES OR MITIGATION MEASURES ARE NOT FEASIBLE

The Final EIR (14EIR-00000-00001) prepared for the project evaluated a No Project Alternative, a Seep Can Only Alternative, a CTS Exclusion Alternative, a Careaga Exclusion Alternative, and a CTS and Careaga Exclusion Alternative as methods of reducing or eliminating potentially significant environmental impacts. The Board of Supervisors finds that the following alternatives are infeasible for the reasons stated:

No Project Alternative

Under the No Project Alternative, the proposed additional wells would not be constructed or operated. The Orcutt Oil Field would continue to produce crude oil from

existing wells in both the diatomite and non-diatomite formations, and existing seep cans and potential future cans would not be permitted. Crude oil production would stay the same or similar current levels. This alternative would not achieve any of PCEC's project objectives and would not comprehensively address existing and potential future seeps.

CTS Exclusion Alternative

The CTS Exclusion Alternative would group well locations on fewer pods and eliminate any pods that are located within 2,200 feet of CTS ponds (either known or undetermined). The new proposed Project well locations are essentially grouped into two areas: Pods 8, 9, 10, 11 and 12; and Pods 13, 14 and 15. By combining the wells located within 2,200 feet of CTS ponds (Pods 10, 11 and 12) into Pod 9, no pods would be located within 2,200 feet of CTS ponds. Pods 8, 13, 14 and 15 would remain as under the proposed Project. Under this alternative, PCEC would most likely not be able to reach the entire targeted crude oil reservoir and could experience up to a 30 percent reduction in crude oil production, thereby only partially meeting the project objective of exploring, developing, and optimizing the reserves of the State-designated Orcutt Oil Field. This alternative would still allow drilling in the Careaga tar zone and would therefore not reduce the potential occurrence of seeps and seep-related impacts relative to the proposed project. The Board of Supervisors finds that this alternative should not be adopted as it would not substantially lessen significant impacts and would only partially meet the project objectives and therefore declines to adopt it.

Careaga Exclusion Alternative

The Careaga Exclusion Alternative would only allow drilling of new wells from surface areas that are not above the Careaga tar zone and production from the diatomite formation in areas where the diatomite formation does not underlie the Careaga tar zone formation (see EIR Figure 5-1). Historically, oil seeps have occurred in areas that are primarily associated with activities conducted on top of the Careaga tar zone formation. This alternative would reduce the occurrence of oil seeps resulted when compared to the proposed project. Past and future oil seeps have and would continue to result in potentially significant and unavoidable impacts.

The limitation of wells to non-Careaga tar zone areas would achieve most of the objectives of the proposed Project, since well drilling could still take place, but would most likely produce 20 percent less crude oil. Under this alternative, if they are drilled, the 48 "replacement" wells would also be prevented from areas that lie above the Careaga tar zone or from the diatomite formation below the Careaga tar zone. This would limit the area in which these 48 "replacement" wells could be installed. Some oil seeps historically have occurred outside of the Careaga tar zone and therefore, the potential for oil seeps would be reduced, but not eliminated, under this alternative.

This alternative may reduce crude oil production by up to 20 percent and therefore, has the potential to only partially achieve the project objective of exploring, developing, and optimizing the reserves of the State-designated Orcutt Oil Field. The potential occurrence of seeps and seep-related impacts relative to the proposed project are still

likely albeit reduced. The Board of Supervisors finds that this alternative should not be adopted as it would not sufficiently lessen the project's significant impacts and would only partially meet the project objectives and therefore declines to adopt it.

Careaga and CTS Exclusion Alternative

Under the Careaga and CTS Exclusion Alternative, project wells would be constructed and operated entirely outside of the Careaga tar zone and surface activities would be limited to areas outside of the 2,200 foot CTS dispersal buffer from ponds located east of the project area. This would consolidate Pods 8, 10, 11, and 12 into Pod 9 while leaving Pods 13, 14 and 15 the same as the proposed Project. The limitation of wells to non-Careaga tar zone areas and non-CTS dispersal zone areas would achieve some of the objectives of the proposed Project, since well drilling could still take place, but would most likely produce 40 percent less crude oil. Additionally, subsurface areas to the east and south would not be able to be reached from the newly consolidated Pod 9. As this alternative may reduce crude oil production by up to 40 percent, it has the potential to only partially achieve the project objective of exploring, developing, and optimizing the reserves of the State-designated Orcutt Oil Field. The Board of Supervisors therefore finds this alternative is infeasible and declines to adopt it.

1.1.7 STATEMENT OF OVERRIDING CONSIDERATIONS

The Final EIR (14EIR-00000-00001) for the Orcutt Hill Resource Enhancement Plan project identifies significant and unavoidable impacts to biological resources and water resources due to the construction-related activities associated with the installation of seep cans. Several mitigation measures have been adopted as conditions of approval to reduce these impacts, but the impacts cannot be reduced to less than significant levels. The Board of Supervisors therefore makes the following Statement of Overriding Considerations which warrants approval of the project notwithstanding that all identified effects on the environment are not fully mitigated. With respect to each of the environmental effects of the project listed below, the Board of Supervisors finds that the stated overriding benefits of the project outweigh the significant effects on the environment and that there is no feasible way to lessen or avoid the significant effects. Pursuant to Public Resources Code Section 21081(b) and CEQA Guidelines Sections 15043, 15092 and 15093, any remaining significant effects on the environment are acceptable due to these overriding considerations:

This alternative involves the permitting of existing and future seep cans only. No new wells would be permitted to be drilled. This alternative was developed because the existing seep cans, as well as additional seep cans that could be installed in the future, have not yet been permitted. Under this alternative, impacts related to the construction and operation of additional wells would be avoided. Oil seeps and the installation of the seep cans due to existing operations have the potential to continue to impact biological resources, and hydrology and water quality and would be significant and unavoidable (Class I), but substantially less severe than the proposed Project.

The County has addressed the initial permitting of the existing seep cans through an Emergency Permit process and has issued Emergency Permits for the installation of all

seep cans to date. However, an Emergency Permit does not constitute an entitlement for the purposes of permitting. Section 35.82.090 G of the LUDC requires that the issuance of an Emergency Permit be followed by the applicable planning permit as an *"Emergency Permit shall not constitute an entitlement to the erection of permanent structures."* In this case, the normally required permit that must be approved for installation of the seep cans is an Oil Drilling and Production Plan.

The set of comprehensive mitigation measures identified in the project EIR and incorporated into the Seep Can Only Project as conditions of approval would serve to mitigate the project's environmental impacts to the maximum extent feasible. In the absence of these conditions, existing and future seep cans would continue to be permitted under Emergency Permits which do not contain a similar set of comprehensive mitigation measures. The location of future seeps is unpredictable and uncontrollable due to the nature of seep activity and seep cans must be installed wherever a seep occurs. Because approving the Seep Can Only Project would allow for more thorough mitigation of impacts caused by seeps and seep can installation, and such impacts have already been realized or are unavoidable, the Board of Supervisors finds that approving the Seep Can Only Project is desirable and preferable.

1.1.8 ENVIRONMENTAL REPORTING AND MONITORING PROGRAM

Public Resources Code Section 21081.6 and CEQA Guidelines Section 15091(d) require the County to adopt a reporting or monitoring program for the changes to the project that it has adopted or made a condition of approval in order to avoid or substantially lessen significant effects on the environment. The approved project description and conditions of approval, with their corresponding permit monitoring requirements, are hereby adopted as the reporting and monitoring program for this project. The monitoring program is designed to ensure compliance during project implementation. These conditions also require that an Environmental Quality Assurance Program (EQAP) be prepared to ensure compliance during project implementation with those measures included in the project description and with those conditions imposed on the project to mitigate or avoid significant effects on the environment.

2.0 ADMINISTRATIVE FINDINGS

2.1.1 PRODUCTION PLAN FINDINGS

Findings required for Production Plans for onshore oil drilling and production in the Inland area. In compliance with Section 35.55.030 of the County Land Use and Development Code, prior to the approval or conditional approval or conditional approval of an application for a Production Plan for oil drilling and production in the Inland area the review authority shall first make all of the following findings:

1. There are no feasible alternative locations for the proposed drilling of an onshore reservoir that are less environmentally damaging.

The proposed project, the "Seep Can Only Project" identified in the Final EIR,

would reduce the potential for seeps compared to the proposed project. This alternative involves the permitting of existing and future seep cans only, therefore, no new wells would be drilled and the project site would continue to be produced with only the existing 96 diatomite wells. The location of future seeps is unpredictable and uncontrollable due to the nature of seep activity and seep cans must be installed wherever seeps occur. The discussion and conclusions presented under CEQA Finding 1.1.6 above are incorporated herein by reference. Thus, the Board of Supervisors finds that there are no feasible alternative locations for seep cans installed under the Seep Can Only Project that are less environmentally damaging than the project as approved herein.

Allowing further production at the project site is denied because the evidence has shown steam injection of this shallow field has consistently resulted in surface oil seeps that have caused significant damage to sensitive environmental habitats. Installation of the existing seep cans began in 2008. As of August 2016, 99 seep cans have been installed at the Project Site. To date, the existing 99 seep can installations have resulted in the direct removal of 6.09 acres of sensitive habitat and approximately 360 Lompoc yerba santa individuals, a federally listed Endangered plant species. These impacts have resulted in causing a nuisance condition that should not be allowed to expand or intensify. Expansion of drilling at the site should not be allowed until the owner can produce the oil without such unacceptable land use impacts to sensitive habitats.

2. Significant adverse environmental effects will be mitigated to the maximum extent feasible.

Finding 1.1.4 above, incorporated herein by reference, discusses the significant impacts that would result from implementation of the proposed project and specific mitigation measures which have been adopted as conditions of approval to mitigate each of the impacts associated with the Seep Can Only Project. Impacts that cannot be mitigated to less than significant levels are related to the consequences of seeps that could affect water quality and sensitive plants and the habitat of animals. Conditions of approval have been adopted to mitigate these impacts to the extent feasible as described in Finding 1.1.4 above. Based on the analyses in the Final EIR, the discussion presented in Section 6.1.1 of the May 11, 2016 Planning Commission staff report (Exhibit 6 of the October 11, 2016 Board Letter), CEQA Finding 1.1.4 above, and as discussed at the October 11, 2016 public hearing and incorporated herein by reference, the Board of Supervisors finds that, with implementation of the adopted conditions of approval, significant adverse impacts associated with the Seep Can Only Project will be mitigated to the maximum extent feasible.

3. The project will not be detrimental to health, safety, and general welfare of the neighborhood and will not be incompatible with uses of the surrounding area.

Potential public health and safety risks associated with the Seep Can Only Project are discussed in the project EIR, incorporated herein by reference, and are limited to

mobilization of contaminated soils during construction. The project Health Risk Assessment concluded that the project's health risks would be below the cancer and acute and chronic non-cancer health risk thresholds. The proposed project is located within a remote, designated rural area in a State-designated oil field with existing oil production and agricultural uses. The project site is not generally visible from public viewing places, and is not adjacent to residential or commercial land uses. Based on the analyses in the Final EIR and as discussed in Section 6.2 of the May 11, 2016 Planning Commission staff report (Exhibit 6 of the October 11, 2016 Board Letter) and incorporated herein by reference, the Board of Supervisors finds that the Seep Can Only Project will not be detrimental to the health, safety, and general welfare of the neighborhood and will not be incompatible with uses of the surrounding area.

4. ***The development is in conformance with the applicable provisions of this Development Code and the Comprehensive Plan.***

   The existing and future seep cans permitted by the Seep Can Only Project are in conformance with the County Land Use and Development Code (LUDC) and Comprehensive Plan as discussed in Sections 6.2 and 6.3 of the May 11, 2016 Planning Commission staff report (Exhibit 6 of the October 11, 2016 Board Letter) and incorporated herein by reference. The Board of Supervisors finds that the project is in conformance with the applicable provisions of the County LUDC and the Comprehensive Plan.

5. ***The site is able to accommodate subsequent oil and gas production, should the proposed drilling program be successful.***

   The Seep Can Only Project involves the permitting of existing and future seep cans only, therefore, no new wells would be drilled and the field would continue to be produced with only the existing 96 diatomite wells. Because the Seep Can Only Project does not include a proposed drilling program and does not involve subsequent oil & gas production, this finding does not apply.

6. ***For projects requiring a Conditional Use Permit, the findings identified in Section 35.82.060 (Conditional Use Permits and Minor Conditional Use Permits) shall also apply.***

   The project does not require the approval of a Conditional Use Permit. Therefore, this finding is not required.