


ATTACHMENT 6

Draft Modification Variance Order 2021-04-M3

July 5, 2023

Santa Barbara County Air Pollution Control District
Hearing Board

260 San Antonio Road, Suite A
Santa Barbara, California 93110

 <p>air pollution control district SANTA BARBARA COUNTY</p>	Case No / Date	2021-04-M3	07/05/2023
	Petitioner	Beacon West Energy Group, LLC	
	Permit #	9109-R4	
	Date Rec'd	06/05/2023	
	Time Rec'd	1407 hours	
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**BEFORE THE HEARING BOARD
OF THE SANTA BARBARA COUNTY
AIR POLLUTION CONTROL DISTRICT**

In the Matter of the Application of)
 Beacon West Energy Group, LLC for a)
 Modification of Regular Variance from)
 District Rules 331.D, E, G.1, I, and)
 206, Part 70 Permit to Operate 9109-)
 R4 Conditions 9.C.2.a, 9.C.2.b.i, and)
 9.C.2.b.ii.)

H.B. Case No. 2021-04-M3

VARIANCE FINDINGS

AND ORDER

Beacon West Energy Group, LLC (Petitioner) filed a Petition for a Modification of Final Compliance Date, Conditions and Schedule of Increments of Progress of Regular Variance 2021-04-M2 on June 5, 2023. A hearing of the Modification of Final Compliance Date, Conditions and Schedule of Increments of Progress of Regular Variance was held on July 5, 2023, in accordance with Health and Safety Code section 40808. John Garnett and Keith Wenal represented the Petitioner, and Aimee Long represented the Santa Barbara County Air Pollution Control District (District).

This matter having been fully presented and duly considered, the Hearing Board makes the following findings and gives the following reasons for its decision.

HEARING

1. Notice of the Hearing was duly given in the manner and for the time required by law.
2. Sworn testimony and argument on behalf of the Petitioner and the Air Pollution Control Officer were made, received, and considered.
3. A nuisance as defined in District Rule 303 is not expected to occur as a result of this Variance.
4. If, due to reasons beyond the control of the Petitioner, successful repairs are not completed during this Variance period, additional relief will be sought.

5. District staff supports the Petition as conditioned below.

BACKGROUND

1. The Petitioner operates the equipment described in the Petition at Platform Houchin located on offshore lease tract OCS-P-0166, approximately 7 miles southeast from the City of Santa Barbara, California as maintenance and monitoring personnel.
2. Offshore lease tract OCS-P-0166, including lease assets (platform and wells) was previously owned by Signal Hill Services, Inc. (Signal Hill) and operated by Pacific Operators Offshore, LLC (POOI).
3. All former lease holders (ConocoPhillips Company, OXY U.S.A Inc. and Devon Energy Corporation) of offshore lease tract OCS-P-0166, sold their respective interests in the lease and lease assets to Signal Hill by 1991, and therefore became the record title interest of the lease and its assets.
4. On June 28, 2019, the State Lands Commission terminated the right-of-way lease to Signal Hill Services, Inc (Signal Hill). The right-of-way lease allowed for use and maintenance of four submerged pipelines for Platforms Hogan and Houchin, operated by Pacific Operators Offshore, LLC (POOI). These submerged pipelines were used to send oil and gas to the La Conchita Oil and Gas Processing Facility in Ventura County. Signal Hill attempted to renew the right-of-way lease, however, it was denied.
5. In September 2019, POOI notified the U.S Bureau of Safety and Environmental Enforcement (BSEE), the District, and other agencies they intended to cease all crude oil and natural gas production operations from platforms Hogan and Houchin. Shortly after, POOI stopped adequately maintaining and operating the platforms.
6. On October 14, 2020, Signal Hill sent a Relinquishment of Federal Oil and Gas Lease to the Bureau of Ocean Energy Management. At that time, BSEE determined Signal Hill preemptively defaulted on its obligations to decommission the wells and facilities under the terms of the lease and the Department of the Interior regulations.
7. On November 6, 2020, BSEE issued an Order to the prior lessees (referred to collectively as the Order Recipients) to commence decommissioning of Lease Assets of Lease P-0166 pursuant to 30 C.F.R. Part 250, subpart Q. Lease P-0166 assets consist of offshore platforms Hogan and Houchin, along with associated facilities, wells and pipelines located on the Lease lands.
8. In response to the Order, the Order Recipients filed an appeal with the Interior Board of Land Appeals (IBLA) disputing that they accrued the relevant decommissioning obligations under the

applicable lease terms and regulations. The appeal was accepted, and the issues of ownership and decommissioning responsibilities of the lease assets are currently being litigated before the IBLA.

9. On November 6, 2020, ConocoPhillips notified Beacon West Energy Group, LLC (Petitioner) they could begin platform “maintenance and monitoring” work under the Partial Stay Agreement.
10. Pending the appeal of the Order, on November 29, 2020, BSEE, the U.S. Bureau of Ocean Energy Management (BOEM), and the Order Recipients executed a Partial Stay Agreement for Certain Maintenance and Monitoring Activities to Preserve Lease Assets for Decommissioning (Partial Stay Agreement), requiring certain maintenance and monitoring work reasonably necessary to maintain safety and environmental protection and to preserve the assets for decommissioning. The Partial Stay Agreement was effective upon execution and continues until the Order Recipients' appeal(s) to the IBLA is or are fully and finally resolved (Appeal Resolution).
11. The Partial Stay Agreement identifies the Petitioner as the “maintenance and monitoring personnel” performing work under the Partial Stay Agreement. The Partial Stay Agreement does not include decommissioning activities.
12. During the evaluation process, the Petitioner discovered the platforms are significantly deteriorated causing safety concerns. Because the platform was in worse condition, compared to Platform Hogan, there are significant repairs remaining. The Petitioner estimates the facility repairs and upgrades necessary for safe conditions for decommissioning activities to occur may take up to a year or more. Decommissioning activities are unable to commence until the IBLA Appeal is resolved because the Partial Stay Agreement does not include any decommissioning activities.
13. The Petitioner states that due to the deteriorated condition of the well heads, the ongoing fugitive leaks in the well bay cannot be repaired until a well rig is in place to intervene and commence the plugging and abandonment program because of the potential for the attempted repairs to create a worse situation that may result in increased emissions. Potential attempts to repair the fugitive leaks, without a well rig onsite, could create a worse situation and result in increase emissions. A well rig is not able to be brought on site until the facility is commencing the plugging and abandonment program. Such a program is not included in the Partial Stay Agreement and cannot be commenced until the IBLA Appeal is resolved.
14. Oil and gas production operations have permanently ceased on Platform Houchin. All wells on the platform are currently shut-in while the facility undergoes repairs to preserve lease assets for future well plugging and abandonment and facility decommissioning.

15. In BSEE's June 5, 2023, letter to the District, BSEE stated the former lease holders and their contractors have invested extensive resources into the maintenance and restoration of the platform under the Partial Stay Agreement. However, due to the significant deterioration of Platform Houchin, additional resources are required to return the platform to a safe condition. The activities include returning the flare to service, replacing deck plating around the flare boom and repair, replacement and upkeep of equipment designed to control and minimize emissions.
16. The parties now await the IBLA's decision on the legal liability for decommissioning of the facility. In the meantime, they are upholding the Partial Stay Agreement to perform certain maintenance and monitoring activities, maintain safety and environmental protection and to persevere the lease assets for decommissioning.
17. On December 7, 2022, Variance Order 2021-04-M2, was granted by the Hearing Board for emission controls, monitoring, and maintenance requirements at the Petitioner's facility in violation of District Rules 325.E, 331.D - I, 359.D.2.b, and 206, Part 70 Permit to Operate 9109-R4 Conditions 9.C.2.a, 9.C.2.b, 9.C.2.c, 9.C.2.d, 9.C.6.b.ii, 9.C.6.b.iii, 9.C.6.iv, and 9.C.9 from December 31, 2022 through July 30, 2023, or the date compliance is achieved, whichever occurs first.
18. During the variance period covered by Regular Variance 2021-04-M2, the Petitioner installed well gauges to better understand well pressures, repaired well have fugitive leaks when safe, removed well bay piping which reduced fugitive component leaks, and returned the flare to service eliminating stack venting.
19. The Petitioner is not pursuing further Variance coverage for District Rules 325.E, 331.G.2-5, 359.D.2.b, and 206, Part 70 Permit to Operate 9109-R4, Conditions 9.C.2.b.iii, 9.C.2.d, 9.C.6.b.ii, 9.C.6.b.iii, 9.C.6.b.iv and 9.C.9 because they are now able to comply with these requirements. As a result, the Petitioner is requesting a Modification of Conditions of Regular Variance Order 2021-04-M2, per Health and Safety Code section 42356.
20. The District rules and permit conditions associated with the granting of this Variance are related to fugitive hydrocarbon component emission limits, operational limits, leak and repair requirements for fugitive leaks in the well bay.
21. In BSEE's June 5, 2023, letter to the District, BSEE stated that ConocoPhillips Company and its contractors have invested extensive resources into the maintenance and restoration of the platform facilities under the Partial Stay Agreement. BSEE stated the platform improvements have far exceeded the terms of the Partial Stay Agreement. In addition, BSEE believes they have entered into an advantageous agreement with the prior lessees to maintain and monitor the facilities until the Appeal Resolution. BSEE further stated additional decommissioning

activities under the circumstances would be inconsistent with the Partial Stay Agreement.

22. The District confirmed with BSEE that the fugitive leak repairs are beyond the “work reasonably necessary to maintain safety and environmental protection,” as specified in Agreed Term #2 of the Partial Stay Agreement. Therefore, under the Partial Stay Agreement the Petitioner has no reasonable control of the facility to be able to conduct fugitive leak repair work until the Appeal Resolution. BSEE stated that the Appeal Resolution timeframe is unknown, but the last Appeal Resolution BSEE was involved with took 5 years to complete. BSEE has no control over the Appeal Resolution timeframe and there is no way for them or the Order Recipients to accelerate the process. Lastly, the District confirmed with BSEE that there are no other responsible parties available to conduct this fugitive leak repair work.
23. At this time the platform remains out of compliance with the requirements listed herein. In accordance with Health and Safety Code section 42357, the Petitioner is requesting a Modification of Final Compliance Date specified in Variance Order 2021-04-M2 to perform certain maintenance and monitoring activities, maintain safety and environmental protection and to preserve the lease assets for decommissioning pending the Appeal Resolution.

FINDINGS

1. Without Variance coverage, the Petitioner will be in violation of District Rules 331.D, E, G.1, I, and 206, Part 70 Permit to Operate 9109-R4 Conditions 9.C.2.a, 9.C.2.b.i, and 9.C.2.b.ii.
2. Due to conditions beyond the reasonable control of the Petitioner, requiring compliance would result in either (A) an arbitrary or unreasonable taking of property, or (B) the practical closing and elimination of a lawful business.

ConocoPhillips Company, OXY U.S.A Inc. and Devon Energy Corporation are prior lessees of offshore lease tract OCS-P-0166, where Platform Houchin is located. In November 2020, BSEE ordered the prior lessees to decommission all wells, pipelines, platforms, and other facilities associated with the Lease. In response, the prior lessees filed an appeal with the Interior Board of Land Appeals (IBLA) disputing that they accrued the relevant decommissioning obligations under the applicable lease terms and regulations. The appeal was accepted, and the issues of ownership and decommissioning responsibilities of the lease assets are currently being litigated before the IBLA.

Until a decision can be made by the IBLA, the parties have entered into a Partial Stay Agreement. The agreement requires the prior lessees to perform certain maintenance and monitoring activities to preserve the lease assets for decommissioning while the appeal disputing their ultimate decommissioning responsibility is pending. The IBLA approved the

Partial Stay Agreement in February 2021. The parties now await the IBLA's decision.

The Partial Stay Agreement does not include implementation of a comprehensive well intervention program, which is necessary to address the fugitive leaks due to the state of disrepair of the wells and associated piping and involves intrusive access and operation of the wells and its related equipment. Since neither the Petitioner nor the prior lessees are currently the owner or operator of the Lease wells beyond limited maintenance and monitoring tasks to preserve the assets for decommissioning, and a well intervention program is not an obligation under the Partial Stay Agreement, the Petitioner cannot tamper with assets belonging to another entity. Therefore, requiring compliance would be an unreasonable taking of property because the actions needed to achieve compliance are beyond what is legally required of the Petitioner and prior lessees under the Partial Stay Agreement.

3. The closing or taking would be without a corresponding benefit in reducing air contaminants. The platform is not operating and will not resume production. The taking would delay the efforts made by the former lessees and contractors to improve the safety and environmental concerns to reduce fugitive hydrocarbon emissions at the platform in preparation of platform decommissioning. In addition, a comprehensive well intervention program is required before decommissioning activities may commence. The risk of conducting repairs in the well bay or on well heads, without a suitable well rig available for intervention may create a worse situation and may result increased emissions.
4. The Petitioner has considered curtailing operations; however, the facility is not currently operating and is pending platform decommissioning.
5. During the period the Variance is in effect, the Petitioner will reduce emissions to the maximum extent feasible by removing, repairing, or replacing equipment as appropriate with the end goal of decommissioning the platform. Compliance will be constantly assessed and modifications including removal and/or replacement of equipment will be done in compliance with established District permitting processes.
6. The Petitioner will conduct District Rule 331 inspections for fugitive leaks on a quarterly basis using a Method 21 approved device.

THEREFORE, THE HEARING BOARD ORDERS, as follows:

That a Modification of Final Compliance Date, Conditions and Schedule of Increments of Progress of Regular Variance be granted for the relief from fugitive hydrocarbon component emission limits, operational limits, leak and repair requirements at the Petitioner's facility in violation of District Rules 331.D, E, G.1, I, and 206, Part 70 Permit to Operate 9109-R4 Conditions 9.C.2.a, 9.C.2.b.i and 9.C.2.b.ii from July 31, 2023 through July 29, 2024, or the date compliance is achieved, whichever occurs first, with the following conditions:

1. The Petitioner shall meet the following Increments of Progress:
 - a. Begin District Rule 331 inspections for fugitive leaks on a quarterly basis using a Method 21 approved device starting in the third quarter of 2023.
 - b. Identify well rig(s) necessary for fugitive leak repair within 6 months of the Appeal Resolution.
 - c. Complete platform deck alterations necessary for the well rig(s) within 38 months of the Appeal Resolution.
 - d. Begin well bay fugitive leak repairs within 41 months of the Appeal Resolution; and
 - e. Complete 100 % of well bay fugitive leak repairs within 59 months of the Appeal Resolution.

2. Petitioner shall submit monthly written reports to the Hearing Board and District, to variance@sbcapcd.org, starting on August 15, 2023, and on the 15th of every month for the duration of variance coverage. The report shall include:
 - a. Status of actions taken on Increments of Progress (see Condition 1 above).
 - b. List of well bay fugitive leak repairs completed, and date repaired.
 - c. List of outstanding well bay fugitive leaks and repairs.
 - d. Status of ongoing safety repairs to the platform.
 - e. Fugitive emissions inspection log records specified in District Rule 331.G.4 (Fugitive Emissions Inspection and Maintenance – Recordkeeping and Reporting section).
 - f. List of actions completed during the past month.
 - g. List of actions to be taken in the next month.
 - h. List of Permitted Equipment and current status.
 - i. Status of ongoing repairs to platform, including those preventing compliance either by limiting access or acquiring materials for repair for conditions and rules subject to this variance.
 - j. Current status of the crane(s):

- k. Monthly excess emissions, if any, calculated in lbs. and tons of ROCs.
- l. Status of the Appeal Resolution.
- 3. Petitioner shall submit a written summary report to the Hearing Board and District, to variance@sbcapcd.org, by August 15, 2024, or within 30 days from the date compliance is achieved, whichever occurs first. This report will include a summary of all monthly reports and the final state of Platform Houchin with respect to compliance with this variance and the District Operating Permit 9109-R4.
- 4. Petitioner shall retain the obligation to comply with all other local, state, and federal regulations not specifically referenced in the Order.
- 5. Failure to abide by all conditions of this Order shall subject the Petitioner receiving the variance to penalties set forth in Health and Safety Code section 42402.
- 6. In accordance with District Fees Rule 210, Schedule F.12.e, the Petitioner shall pay excess emission fees for each additional ton of pollutant emissions or portion thereof allowed as the result of the issuance of this Variance.
- 7. Each day during any portion of which a violation occurs is a separate offense.
- 8. The Environmental Protection Agency does not recognize California's Variance Program; therefore, this Variance does not protect the Petitioner from Federal Enforcement actions.
- 9. Petitioner shall submit deviation reports to the District for all violations of federally-enforceable requirements.

DATED: _____

Chair
Santa Barbara County Air Pollution Control District
Hearing Board