

H.B. Case No.:	<u>2021-04-M3</u>
Petitioner:	<u>Beacon West Energy Group, LLC</u>
Permit No.:	<u>PT 70/PTO 9109-R4</u>
Date Rec'd:	<u>06/05/2023</u>
Time Rec'd:	<u>1407 hours</u>
Filing Fee Paid:	<u>\$686.00</u>

## PETITION FOR VARIANCE

<b>Type of Variance Requested:</b>	
Emergency _____	Interim <sup>1</sup> _____
90-Day _____	Regular <u>XX</u>
Length of Variance Requested:	Start Date <u>7-31-23</u>
	End Date <u>7-29-24</u>
<sup>1</sup> A 90-Day or Regular Variance must be filed concurrently with an Interim Variance	

**1. PETITIONER INFORMATION**

A. Please provide the name, address and phone number of the Petitioner.

Name: Beacon West Energy Group LLC [Attn: John Garnett]  
 Address: 1145 Eugenia Place #101  
Carpinteria, CA 93013  
 Phone Number: (805) 395-9676

B. Please provide the name, address and phone number of the person authorized to receive correspondence regarding this Petition if different from response in 1.A.

Name: [Same as 1.A]  
 Address: Email: john.garnett@beacon-west.com  
 \_\_\_\_\_  
 Phone Number: (805) 395-9676

C. The Petitioner is (please check one):

- 1) An Individual ( )
- 2) Partnership (X)
- 3) Corporation ( )
- 4) Public Agency ( )
- 5) Other Entity (please describe)

2. Location of equipment for which the variance is requested if different from response in 1.A.

OCS Platform Houchin – Parcel OCS-P-0166, Carpinteria Field, Outer Continental Shelf

3. List any District permits that are applicable to the equipment subject to this variance request.

FINAL Part 70/APCD Permit to Operate No. 9109-R4

4. Briefly describe the equipment that is the subject of this Petition.

Beacon West Energy Group LLC (Beacon West) requests a Regular Variance to continue significant repair work necessary to establish a safe working environment on Platform Houchin, and subsequently implement full compliance where it cannot be achieved due to current facility operational status. This petition is being submitted for a remaining portion of the permit conditions and rule provisions cited in Variance Order 2021-04-M2.

The remaining equipment subject to this petition are well bay fugitive components. Gas emissions from leaking well head components as described in Attachment A of the monthly Variance reports. Attempts are made to mitigate external leaks where possible, the sustained wellhead leaks reported cannot be repaired until a rig and well work equipment can be safely installed.

**5. FINDINGS REQUIRED FOR THE GRANTING OF A VARIANCE**

In order for the Hearing Board to grant a variance to a Petitioner authorizing the operation of a source in violation of any rule, regulation or order of the District, the Hearing Board is required to make “findings” in accordance with the requirements specified in California Health and Safety Code §42352, et. seq. and District rules and regulations. The Hearing Board’s variance decision will take into consideration information you provide in this Petition. Please ensure your responses are complete and thorough. Please use additional pages as necessary.

A. Please state 1) what District rule, regulation or order you either are or will be in violation of, and 2) the date said violation will or did occur. Include as appropriate the applicable permit conditions for which variance relief is being sought.

- 1) Currently operating under variance 2021-04-M2 which expires July 30, 2023. We are requesting additional coverage.
- 2) Rule 331.D, E, G.1 and I; PTO 9109-R4 conditions 9.C.2(a), 9.C.2(b)(i) and 9.C.2(b)2.

B. Please describe how compliance with the District rule, regulation or order listed in Section A above is beyond your reasonable control. In addition to any other relevant factors, please include in your discussion 1) what actions you have taken to comply or seek a variance, which were timely and reasonable under the circumstances.

- Neither the petitioner nor the former holders of Outer Continental Shelf Lands Act Lease P-0166 (“Lease”) is the current owner/operator of the platforms and therefore is not violating air pollution requirements subject to the air permit at issue. Pursuant to the Partial Stay Agreement among the former Lease holders and BSEE, the petitioner is taking certain monitoring and maintenance activities aimed to reduce or control human and environmental risks arising from the abandonment of the Lease assets (platforms and wells) by Signal Hill Services, Inc. (“Signal Hill”) and Pacific Operators Offshore, LLC (“POOL”) in 2020.
- The issues of ownership and decommissioning responsibilities of the Lease assets are currently under review before the Interior Board of Land Appeals (IBLA). As background, all of the former Lease holders sold their respective interests in the Lease and Lease assets to Signal Hill by 1991. Thereafter, Signal Hill became the owner of 100% of the record title interest of the Lease and its assets. On October 14, 2020, Signal Hill sent a Relinquishment of Federal Oil and Gas Lease to the Bureau of Ocean Energy Management. Based on Signal Hill’s communications, BSEE determined that Signal Hill had preemptively defaulted on its obligations to decommission the wells and facilities under the terms of the Lease and Department of the Interior regulations promulgated pursuant to the Outer Continental Shelf Lands Act (OCSLA). As a result of Signal Hill’s default, BSEE ordered the prior lessees (COP, OXY, and Devon) to decommission “all wells, pipelines, platforms, and other facilities” associated with the Lease.
- The prior lessees dispute that they accrued decommissioning obligations under the applicable Lease terms and regulations and have appealed those orders to the IBLA. In connection with that filing, the parties entered into a partial stay agreement with BSEE to address the ordered performance during pendency of the appeal. That 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 agreement in February 2021. Since that time, the former Lease holders and their contractors have invested extensive resources into the maintenance and restoration of the Hogan and Houchin facilities under this agreement, including repair, replacement, and upkeep of equipment designed to control and minimize emissions. Briefing of the issue of liability was completed in August 2021. The parties now await the IBLA’s decision. Accordingly, the question of legal liability for decommissioning the facilities remains unresolved at this time, and the federal government has entered into an agreement with the prior lessees to maintain and monitor the facilities in the meantime.
- The violations could not have been prevented. Fugitive emissions from the wells and well bay were pre-existing conditions when the petitioner assumed monitoring and maintenance activities after Signal Hill and POOL abandoned the platforms and relinquished the Lease. No repair of the offshore wells to mitigate fugitive emissions should be attempted without a comprehensive well intervention program. Well intervention involves intrusive access and operation of a well and its related equipment. Well intervention is not part of the terms of the Partial Stay Agreement that the petitioner is currently performing for the former Lease holders. Since neither the petitioner nor the former Lease holders are the owner or operator of the Lease wells, and a well intervention program is not an obligation under the Partial Stay Agreement, the petitioner cannot unilaterally tamper with these assets belonging to another entity.

- The violations could not have been prevented. Fugitive emissions from the wells and well bay were pre-existing conditions when the petitioner assumed monitoring and maintenance activities after Signal Hill and POOL abandoned the platforms and relinquished the Lease. No repair of the offshore wells to mitigate fugitive emissions should be attempted without a comprehensive well intervention program. Well intervention involves intrusive access and operation of a well and its related equipment. Well intervention is not part of the terms of the Partial Stay Agreement that the petitioner is currently performing for the former Lease holders. Since neither the petitioner nor the former Lease holders are the owner or operator of the Lease wells, and a well intervention program is not an obligation under the Partial Stay Agreement, the petitioner cannot unilaterally tamper with these assets belonging to another entity.
- Section B1 response:
  - Gauge program completed (April 2023) to understand well pressures and repaired fugitive leaks where safe to do so with the limited onboard equipment. All reasonable and safe repairs to minimize limited fugitive emissions have been completed and are ongoing as new sources emerge.
  - Completed well bay piping removal (March 2023) which significantly reduced well bay fugitive components and emissions
  - Flare returned to service, stack venting eliminated (June 2023)
  - Completed install of portable SL crane and removal of dilapidated and unsafe Unit 500 crane for overhaul (December 2022).
  - Installation of refurbished Unit 500 crane (January 2023) and completed procurement of second new crane.
  - Significant platform decking, grating and structural repairs completed:
    - 3,500 sq ft of platform decking replaced/installed, AND ongoing
    - 1,700 linear ft of handrails repaired or replaced, AND ongoing
    - 1,500 sq ft of platform grating replaced/installed, AND ongoing
    - 400,000 lbs (181 tons) waste and recyclable material removed, AND ongoing.
  - To date approximately 14,000 person hours of field and office staff; and 31,000 contractor hours since 2021; And ongoing.
  - Repairs to the flare system are ongoing, and the flare is planned to return to service in June 2023.
  - Regarding any well remediation analysis and evaluation, the question of legal liability for decommissioning the facilities remains unresolved at this time, while the former Lease holders and the federal government have entered into a partial stay agreement to maintain and monitor the facilities during the appeal process. The maintenance and monitoring agreement does not impose an obligation to initiate a well remediation analysis and evaluation. The former Lease holders have undertaken this analysis to understand what subsurface condition the wells may be in. There will be periodic well bleed down (to the respective flare) to gather additional information on well response. There is no additional action required nor planned at this time.

C. Please describe how you would be impacted if you were required to immediately comply with the District rule, regulation or order the subject of this variance request. In addition to any other relevant factors, please discuss why such impacts would result in 1) an arbitrary or unreasonable taking of property, or 2) the practical closing and elimination of a lawful business.

The petitioner is not the owner/operator. There is no basis for a taking of property. The facility is already closed from a practical standpoint since it was abandoned by the previous Owner and Operator.

A well intervention program to address fugitive emissions is not an obligation pursuant to the Partial Stay Agreement. However, the Part 70/APCD Permit 9109-R4 is necessary to perform other obligations of the Partial Stay Agreement. The Partial Stay Agreement and Permit 9109-R4 (along with their respective legal rights and obligations) are the properties of the petitioner and/or former Lease holders. Without the petitioned variance to Permit 9109-R4, petitioner cannot meet certain requirements of the air permit, resulting in the potential cancellation/termination of the permit and/or the Partial Stay Agreement. As previously mentioned, neither the petitioner nor the former Lease holders are the owner or operator of the Lease wells, and a well intervention program is not an obligation under the Partial Stay Agreement. These are conditions beyond the reasonable control of the petitioner. Requiring compliance with the permit fugitive emissions requirements (i.e., denial of the petitioned variance) necessitates intervention on wells beyond the control of petitioner, and potentially leads to the unreasonable taking. Furthermore, in addition to California Health and Safety Code § 42352(a)(2), the hearing board must also find, under § 42352(a)(3), “[t]hat the closing or taking would be without a corresponding benefit in reducing air contaminants.” This unreasonable taking would have absolutely zero benefit in reducing air contaminants. Without continued variance coverage, the petitioner would be forced to cease all maintenance and refurbishment activities of the Lease assets.

- D. If you were required to immediately comply with the District rule, regulation or order the subject of this variance request, please describe what impact, if any, that would have on air contaminants.

The platform is not operating and will not resume production. It is not possible to immediately comply with the subject requirements because the platform is not in a condition to support well intervention equipment required to safely address fugitive emissions on well and well head components. True responsible party is absent and proceedings to determine a responsible party for decommissioning are ongoing. The platform is not currently capable of supporting a well intervention program. There is no potential for air contaminants from other equipment and processes associated with this petition, since said equipment is out of service. In the event that Beacon West could safely eliminate leaks this will be done immediately.

- E. Please describe what consideration you have given to curtailing operation of the source in lieu of obtaining a variance.

Platform oil and gas production is permanently shut down. Source operations and equipment have been permanently taken out of service or curtailed to the extent possible. The Order recipients have taken the proactive lead at the request of BSEE and contracted Beacon West to initiate significant work to improve safety and environmental risks by performing ongoing maintenance, repairs and refurbishments to the structure during 2023, as reported in monthly updates required by Variance Order 2021-04-M2.

Curtailing continued progress to establishing a safe platform, capable of supporting a well intervention program, would potentially exacerbate the issue of fugitive emissions as the platform will continue to degrade if not maintained and preserved. All completed and planned work is required before a well intervention program can be initiated.

The partial stay agreement requires the prior Lease holders to perform certain maintenance and monitoring activities to preserve the Lease assets for decommissioning while the appeal concerning decommissioning responsibility is pending. The partial stay agreement does not oblige the former Lease holders to undertake any well intervention work. The “well intervention program” statement is in reference to the risk of

undertaking repairs to fugitive emissions in the well bay that could require a well intervention if the attempted repair was to fail. The former Lease holders and their contractors have invested extensive resources into the maintenance and restoration of the Hogan and Houchin facilities under this agreement, including repair, replacement, and upkeep of equipment designed to control and minimize emissions. Although certain fugitive emissions remain, the risks of proceeding with those repairs in the well bay or on well heads, without a suitable well rig for an intervention is not prudent. The results of complications arising during an attempted repair to a well that would require an intervention into the well could result in a worse condition than currently being experienced. Well intervention is also beyond the obligations of the partial stay agreement.

F. Please describe what steps and measures you will take to reduce excess pollutant emissions the maximum extent feasible during the requested variance period.

- Planned activities to further reduce excess emissions during upcoming variance
  - Installation of a second crane (“280B Nautilus” portable crane – ATC 16054) in Q3 2023 which would enable an eventual installation of a rig and subsequent well work equipment to eliminate existing wellhead fugitive emissions
  - Implementation of quarterly Method 21 inspections no later than July 31, 2023 to assess leak concentrations and repair leaks when safe to do so
  - Structural repairs due to damaged pipe deck and to accommodate new crane
  - Remove the existing dilapidated and unsafe rig, BOP and substructure from the platform
  - Fire water system repairs/replacement
  - Combustible gas detection system replacement
- The former Lease holders and their contractors have invested and continue invest extensive resources into the maintenance and restoration of the Hogan and Houchin facilities under the partial stay agreement, including repair, replacement, and upkeep of equipment designed to control and minimize emissions. Only those fugitive emissions that could require a well intervention if during the repairs complication could arise that would result in a worst condition than currently being experienced.

G. If requested to do so by the District, please describe how you will monitor or otherwise quantify and report to the District any pollutant emissions associated with the granting of your variance.

- 1) Quarterly Method 21 inspections beginning in July 2023.

**6. SUPPLEMENTAL FINDINGS IF APPLYING FOR AN EMERGENCY VARIANCE PURSUANT TO RULE 506 (EMERGENCY VARIANCE FOR BREAKDOWNS)**

A. Please provide the date and time the breakdown was reported to the District

Date: N/A Time: \_\_\_\_\_

Breakdown number (as provided by the District): N/A

B. Please provide a description of the “breakdown condition”, including equipment involved and the cause to the extent it is known.

N/A

C. Please describe why the continued operation of your facility in a “breakdown condition” is not likely to cause an immediate threat or hazard to public health or safety and will not interfere with the attainment or maintenance of any primary national ambient air quality standard.

N/A

7. Will the operation of the equipment subject to this variance result in violation of District Rule 303, Nuisance?  
No.

8. Please state whether or not any civil or criminal case involving the equipment subject to this variance is pending any court. There are no civil or criminal cases involving the equipment subject to this variance.

The undersigned is authorized to submit the above Petition on behalf of the Petitioner and further states under penalty of perjury that the above Petition, including any attachments and the items therein set forth, are true and correct.

DATE: June 5, 2023 SIGNATURE: 

TITLE: EHSR Advisor

PRINT NAME: John Garnett