



air pollution control district
SANTA BARBARA COUNTY

HEARING BOARD STAFF REPORT

TYPE: **MODIFICATION OF FINAL
COMPLIANCE DATE AND
MODIFICATION OF
CONDITIONS OF REGULAR
VARIANCE**

CASE NO: **2021-05-M3**

DATE: **July 5, 2023**

1.0 GENERAL INFORMATION:

- 1.1 PETITIONER COMPANY NAME: Beacon West Energy Group, LLC (Beacon West)
- 1.2 EQUIPMENT LOCATION: Platform Hogan, Offshore Lease Tract OCS-P-0166
- 1.3 PERMIT NUMBER(S): Part 70 Permit to Operate 9108-R4
- 1.4 FACILITY NAME/ID: Platform Hogan/FID 8001
- 1.5 FACILITY DESCRIPTION: Platform Hogan is a nine leg, 66 wellhead slot platform. When the platform was in operation, sweet natural gas and crude oil emulsion were produced. Both products were transported via sub-sea pipelines to the La Conchita oil and gas plant in Ventura County. In addition to oil and gas related equipment (e.g., flare, storage tanks, vapor recovery system, etc.) the platform also has the following equipment: cranes and associated engines, emergency generator, and an emergency firewater pump. The platform is located approximately 8 miles southeast from the City of Santa Barbara.

- 2.0 **REASON FOR THE VARIANCE REQUEST:** On November 6, 2020, Conoco Phillips notified Beacon West Energy Group, LLC (Petitioner) they could begin “maintenance and monitoring” performing under the Partial Stay Agreement. Shortly thereafter, the Petitioner discovered the platform was significantly deteriorated and the platform could not comply with certain District requirements. Oil and gas production operations had permanently ceased, and all wells on the platform were shut-in while the facility started undergoing repairs and prepared for well plugging and abandonment and facility decommissioning. However, before compliance could be achieved, platform safety concerns needed to be addressed. As a result, the Petitioner initially requested variance coverage in 2021, resulting in the Hearing Board granting Variance Order 2021-05-R. The Petitioner came back to the Hearing Board January 5, 2022, and again December 7, 2022, to request and extension because compliance could not be achieved within the variance period. As a result, the Hearing Board granted Variance Orders 2021-05-M1 and 2021-05-M2, respectively.

Since the initial Hearing Board granting of Variance Order 2021-05-R, the Petitioner has reported several platform repairs/improvements made to address platform safety concerns. Completed repairs and platform improvements include:

- Installed well gauges to better understand well pressures and repair well head fugitive leaks when safe.
- Removed well bay piping, which according to the Petitioner, reduced fugitive leaks.
- Returned the flare to service, which eliminated stack venting.
- Repaired and returned the Manitowoc crane to service.

- Installed portable RT crane.
- Dismantled and removed the South crane for crane overhaul.
- Procured second new platform crane.
- Installed 8,000 sqft of deck plating.
- Repaired 2,400 linear ft of handrails.
- Replaced 2,000 sqft of platform grating.
- Removed 272 tons of waste and recyclable materials.
- Replaced potable water system.
- Replaced combustible gas detection system.
- Repaired/replaced firewater pumps.
- Implemented Method 21 inspections.

As a result of the above repairs, the facility is now able to comply with several District Rules and permit conditions. Specifically, the Petitioner is not pursuing further variance coverage for District Rules 331.F, G.2 – 5, H and 359.D.2.b and nine permit conditions included in the initial Variance Order 2021-05-R because they are now able to comply with these requirements. These District rules and permit conditions have been removed from the subsequent variance modification.

At this time, the platform remains out of compliance with District Rules 331.D, E, G.1, and I and 206, Part 70 Permit to Operate 9108-R4, Conditions 9.C.2.a, 9.C.2.b.i and 9.C.2.b.ii related to fugitive hydrocarbon component emission limits, operational limits, and leak and repair requirements in the well bay. Therefore, in accordance with Health and Safety Code section 42357, the Petitioner is requesting a Modification of Final Compliance Date and Conditions of Regular Variance Order 2021-05-M2, to perform certain maintenance and monitoring activities, maintain safety and environmental protection and to preserve the lease assets for decommissioning.

The Petitioner states that due to the deteriorated condition of the wellheads, the ongoing fugitive leaks in the well bay cannot be repaired until a well rig is in place to be able to intervene should the repair worsen the condition of the wellheads. The Petitioner states that potential attempts to repair the fugitive leaks could create a worse situation that may result in increased emissions without a well rig on site. Additionally, based on the terms of the Partial Stay Agreement and the District's confirmation with the U.S Bureau of Safety and Environmental Enforcement (BSEE), the fugitive leak repairs and bringing a well rig on site are beyond the "work reasonably necessary to maintain safety and environmental protection," as specified in Agreed Term #2 of the Partial Stay Agreement for Certain Maintenance and Monitoring Activities to Preserve Lease Assets for Decommissioning (Partial Stay Agreement) (Attachment 1). Thus, this work is beyond the reasonable control of the Petitioner. Therefore, BSEE states that under the Partial Stay Agreement, the Petitioner is not responsible for conducting this fugitive leak repair work until the Order Recipients' appeal(s) to the IBLA is fully and finally resolved (Appeal Resolution). BSEE stated that the Appeal Resolution timeframe is unknown, but the last Appeal Resolution BSEE was involved with took 5 years. 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 or authorized to conduct this fugitive leak repair work.

The June 5, 2023, letter from the United States Department of the Interior, Bureau of Safety and Environmental Enforcement (Attachment 2) states the legal liability for decommissioning the facilities remains unresolved at this time, and the federal government has entered into an agreement with the prior lessees limited to maintain and monitor the facilities to preserve the assets for decommissioning while waiting for the Appeal Resolution. In addition, the letter further states the former lease holders and their contractors have invested extensive resources into the maintenance and restoration of the platform and have far exceeded their responsibilities under the terms of the Partial Stay Agreement. Activities undertaken so far include repair, replacement and upkeep of equipment designed to control and minimize emissions.

If granted, Variance Order 2021-05-M3, would provide relief from fugitive hydrocarbon component emission limits, operational limits, and leak and repair requirements at the Petitioner's facility from July 31, 2023, through July 29, 2024, or the date compliance is achieved, whichever comes first.

3.0 BACKGROUND: ConocoPhillips Company, OXY U.S.A Inc. and Devon Energy Corporation are prior lessees of offshore lease tract OCS-P-0166, where Platform Hogan is located. 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.

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.

On November 6, 2020, BSEE issued an Order to ConocoPhillips Company, OXY U.S.A. Inc., and Devon Energy Corporation (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. In response to the Order, 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, effective upon execution and continues until the Order Recipients' appeal(s) to the IBLA is or are fully and finally resolved (Appeal Resolution). 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 at issue 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 the “owner or operator” of the Lease wells is under appeal, a well intervention program is not an obligation under the Partial Stay Agreement, the Petitioner claims they cannot tamper with assets belonging to another entity.

On November 6, 2020, ConocoPhillips notified Beacon West Energy Group, LLC (Petitioner) they could begin as “maintenance and monitoring personnel” performing work under the Partial Stay Agreement. During the evaluation process, the Petitioner discovered the platforms are significantly deteriorated causing safety concerns. Before the decommissioning process can begin, platform safety concerns need to be addressed.

Variance Order 2021-05-R was granted by the Hearing Board on March 3, 2021. Variance Order 2021-05-M1, extending coverage for Variance Order 2021-05-R, was granted by the Hearing Board on January 5, 2022. Variance Order 2021-05-M2, was granted by the Hearing Board on December 7, 2022, and modified the conditions and final compliance deadline for Variance Order 2021-05-M1. On June 5, 2022, the Petitioner submitted a Petition to request a Modification of Conditions and Modification of Final Compliance Date of Regular Variance Order 2021-05-M2.

The following District Rules and Conditions were included in the previous Variance Orders:

Variance Order 2021-05-R: District Rules 331.D - I, 359.D.2.b, and 206, Part 70 Permit to Operate 9108-R4, Conditions 9.C.1.b.v, 9.C.1.b.vi, 9.C.1.c.i, 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.b.iv, 9.C.9, 9.C.14 and 9.C.15.

Variance Order 2021-05-M1: District Rules 331.D - I, 359.D.2.b, and 206, Part 70 Permit to Operate 9108-R4, Conditions 9.C.1.b.v, 9.C.1.b.vi, 9.C.1.c.i for only the north crane (APCD Device ID 004849), 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, and 9.C.6.b.iv.

Variance Order 2021-05-M2: District Rules 331.D, E, G.1, I and 206, Part 70 Permit to Operate 9108-R4, Conditions 9.C.2.a and 9.C.2.b.

The remaining increments of progress identified in Variance Order 2021-05-M2, are dependent on the Appeal Resolution. As previously stated, the Petitioner claims they cannot tamper with assets belonging to another entity. The same increments of progress are identified in Variance Order 2021-05-M3.

The flare was returned to service in October 2022. Since that time, the Petitioner has reported no excess emissions because the vented emissions are now controlled by the operational flare.

4.0 PERMITTING HISTORY: The Petitioner submitted an application for transfer of owner operator for Part 70 Permit to Operate 9108-R4 on November 20, 2020. The transfer of owner operator application was deemed complete on November 30, 2020, and issued on December 9, 2020. On December 6, 2021, the Petitioner submitted a permit modification application to

modify source test conditions for Part 70 Permit to Operate 9108-R4. The permit modification application (PTO Mod 9108-04) was deemed complete on December 7, 2021, and issued final on November 9, 2022. On April 1, 2022, the Petitioner submitted a permit application to increase crew and supply boat carbon monoxide (CO) emission factors. The permit application (PTO 15893) was deemed complete on February 14, 2023, and is awaiting issuance. On July 12, 2022, the Petitioner submitted an application (ATC 15928) to operate additional crew and supply boats. The application was deemed complete on December 22, 2022, and issued on June 7, 2023. On September 9, 2022, the Petitioner submitted an application (ATC 15962) to install a portable crane to be used at Platforms Hogan and Houchin. The application was deemed complete on October 7, 2022, and issued on April 4, 2023. On October 7, 2022, the Petitioner submitted an application (ATC 15978) to replace the existing South crane engine. The application was deemed complete on December 22, 2022, and issued on June 1, 2023. On January 17, 2023, the Petitioner submitted an application (PT-70 ADM 16048), to change the Responsible Official. The application was deemed complete on January 25, 2023, and is pending issuance. On January 31, 2023, the Petitioner submitted an application (ATC 16054) to install a portable crane to be used between Platforms Hogan and Houchin. The application was deemed complete on February 24, 2023, and was issued on May 23, 2023.

5.0 COMPLIANCE HISTORY: On May 8, 2023, Notice of Violation (NOV) 13314, was issued for failing to submit the source test results within 45 days of source test completion for the MV Alan T crew boat. This is a violation of District Rule 206, Condition 9.C.15.iv of PT 70/PTO 9108-R4.

6.0 REGULATORY ANALYSIS: The Petitioner has requested the below permit conditions and rules to be included in Variance Order.

- **Part 70 Permit to Operate 9108-R4, Condition 9.C.2.a, 9.C.2.b.i and 9.C.2.b.ii (Fugitive Hydrocarbon Emissions Components)**

C.2 **Fugitive Hydrocarbon Emissions Components.** The following equipment is included in this emissions unit category:

ID No.	Equipment. Item Name, Number of Component Leak Paths/Item
	<i>Oil Service Components</i>
004853	Components -- Controlled (4,332 component leak paths)
102663	Components -- Unsafe (268 component leak paths)
	<i>Gas/Light Liquid Service Components</i>
004854	Components -- Controlled (1,662 component leak paths)
105139	Components -- Unsafe (0 component leak paths)

- (a) Emission Limits: Emissions from equipment items listed in the table above shall meet the limits listed for these items in Tables 5.1-3 and 5.1-4 of this permit. Compliance with these limits shall be assessed through compliance with the monitoring, record-keeping and

reporting (MRR) conditions listed in this permit. (*Reference: OCS PTO 9108*)

(b) Operational Limits: Operation of the equipment listed in this section shall conform to the requirements listed in District Rule 331.D and E. Compliance with these limits shall be assessed through compliance with the monitoring, recordkeeping, and reporting conditions in this permit. In addition, POO-LLC shall meet the following specific requirements:

(i) The District-approved I&M Plan for Platform Hogan shall be implemented for the life of the facility. The Plan, and any subsequent District-approved revisions, is incorporated by reference as an enforceable part of this permit.

(ii) The total leak-path component counts listed in POO-LLC's most recent I&M component leak-path inventory (*e.g., Avanti Report to the District dated 8/6/2001*) shall not exceed the total leak-path component counts listed in the Table above (Section 9.C.2) and the Table 5.1-1 by more than five percent.

- **District Rule 331.D, E, G.1, I – Fugitive Emissions Inspection and Maintenance (see Attachment 3 for District Rule 331)**

7.0 EMISSIONS ANALYSIS: Since the granting of the initial variance, Variance Order 2021-05-R, the Petitioner has returned the flare to service. Venting activities are now routed to an operational flare and emissions are expected to be within the permitted limits. As a result, no excess emissions are expected with the granting of Variance Order 2021-05-M3.

8.0 RESERVED

9.0 OTHER FACTORS: None.

10.0 DISTRICT RECOMMENDATION: The District supports the Petitioner's Variance request, with the potential for extensions in the future. With the one-year duration, the Hearing Board will have the opportunity to reevaluate the situation and the status of the Appeal Resolution.

11.0 ATTACHMENTS:

- Attachment 1 – Partial Stay Agreement for Certain Maintenance and Monitoring Activities to Preserve Lease Assets for Decommissioning (Partial Stay Agreement)
- Attachment 2 – United States Department of the Interior, Bureau of Safety and Environmental Enforcement Letter to the District, dated June 5, 2023
- Attachment 3 – District Rule 331 – Fugitive Emissions Inspection and Maintenance
- Attachment 4 – Variance Order 2021-05-M2
- Attachment 5 – Variance Order 2021-05-M2 Monthly Updates
- Attachment 6 – Draft Modification Variance Order 2021-05-M3



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Compliance Division

June 14, 2023

Date