



air pollution control district
SANTA BARBARA COUNTY

HEARING BOARD STAFF REPORT

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

CASE NO: **2021-04-M4**

DATE: **July 3, 2024**

1.0 GENERAL INFORMATION:

- 1.1 PETITIONER COMPANY NAME: Beacon West Energy Group, LLC (Beacon West)
- 1.2 EQUIPMENT LOCATION: Platform Houchin, Offshore Lease Tract OCS-P-0166
- 1.3 PERMIT NUMBER(S): Part 70 Permit to Operate 9109-R5
- 1.4 FACILITY NAME/ID: Platform Houchin/FID 8002
- 1.5 FACILITY DESCRIPTION: Platform Houchin is a nine leg, 60 wellhead slot platform which has not produced oil, water, or gas since December 2014. 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 7 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 performing “maintenance and monitoring” 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 2021-04-R. The Petitioner came back to the Hearing Board January 5, 2022, December 7, 2022, and again on July 5, 2023, to request an extension because compliance could not be achieved within the variance period. As a result, the Hearing Board granted Variance Orders 2021-04-M1, 2021-04-M2, and 2021-04-M3 respectively.

Since the initial granting of Variance Order 2021-04-R, several District Rules and permit conditions have been complied with and removed from this variance modifications. In Variance Order 2021-04-M3, the Petitioner did not pursue further variance coverage for District Rules 325.E, 331.G.2-5, 331.H, 359.D.2.b and 5 permit conditions included in the initial Variance Order 2021-04-R because they were able to comply with these requirements. The requested coverage will remain the same as the previous Variance Order, 2021-04-M3.

At this time, the platform remains out of the compliance with District Rules 331.D, E, G.1, and I and 206, Part 70 Permit to Operate 9109-R5 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 sections 42356 and 42357, the Petitioner is requesting a Modification of Conditions and Modification of Final Compliance Date of Variance Order 2021-04-M3, 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 attempt 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 (see 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 Interior Board of Land Appeals (IBLA) is or are 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.

If granted, Variance Order 2021-04-M4, would provide relief from fugitive hydrocarbon component emission limits, operational limits, and leak and repair requirements at the Petitioner's facility from July 30, 2024, through July 29, 2025, 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 Houchin 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.

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.

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 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 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 Company 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.

Pending the appeal of the Order, on November 29, 2020, BSEE, 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).

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.

During the evaluation process, the Petitioner discovered the platform is significantly deteriorated causing safety concerns. Most of the significant facility upgrades at Platform Hogan to address worker health and safety have been completed, but the inoperable rig substructure removal is still ongoing. Decommissioning activities are unable to commence

until the IBLA Appeal is resolved because the Partial Stay Agreement does not include any decommissioning activities.

In BSEEs June 5, 2023, letter to the District (Attachment 2), 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.

The District confirmed with BSEE 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 not reasonable control of the facility to be able to conduct fugitive leak repair work until the Appeal Resolution. BSEE stated the Appeal Resolution timeframe is unknown and their last Appeal Resolution 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 there are no other responsible parties available to conduct this fugitive leak repair work.

On July 5, 2023, Variance Order 2021-04-M3, was granted by the Hearing Board for emission controls, monitoring, and maintenance 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.

During the variance period covered by Regular Variance 2021-04-M3, the Petitioner monitored the well gauges and repaired wellhead fugitive leaks when safe, implemented Method 21 inspections, completed structural repairs, repaired the flare piping and returned the flare to intermittent service, lowered the dilapidated well rig mast to reduce risk and prepare for rig removal, continued to repair platform decking, coating, grating, hatch covers, stairs and railing, and completed well remediation analysis and evaluation.

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.

In a June 1, 2024, letter from BSEE (Attachment 3), Mr. Hesson explains the parties entered into the Partial Stay Agreement are required to address the ordered performance during pendency of the appeal. That agreement requires the prior lessees to perform certain maintenance and monitoring activities to maintain safety and environmental protection and 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, ConocoPhillips Company through their agent, Petitioner, and 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.

Through routine BSEE inspections at these facilities, and quarterly updates by ConocoPhillips Company and Petitioner, it has been well documented that the ongoing work has far exceeded the terms of the Partial Stay Agreement. A vital upgrade has been the replacement or refurbishment of the north and south cranes for both platforms, which took a significant amount of time, effort, and ingenuity. Without their repair, most of the work conducted to date to help ensure worker safety would not have been possible. This work included the replacement of stairs, handrails, deck plating, boat landings, installation of security gates, all necessary for workers to have safe ingress and egress. Then work safely progressed, including replacement of emergency escape equipment per USCG requirements, the removal and disposal of hazardous material, gas detector system replacement, fire water system repair, installation of pressure gauges on wellheads, establishment of a well pressure monitoring program, and the removal of two inoperable rigs and their substructures (which is still ongoing), as well as many other facility upgrades.

Variance Order 2021-04-R was granted by the Hearing Board on March 3, 2021. Variance Order 2021-04-M1, extending coverage for Variance Order 2021-04-R, was granted by the Hearing Board on January 5, 2022. Variance Order 2021-04-M2, was granted by the Hearing Board on December 7, 2022, and modified the conditions and final compliance deadline for Variance Order 2021-04-M1. Variance Order 2021-04-M3, was granted by the Hearing Board on July 5, 2023, and modified the conditions and final compliance deadline for Variance Order 2021-04-M2. On May 23, 2024, the Petitioner submitted a Petition request for Modification of Conditions Increments of Progress and Modification of Final Compliance Date of Regular Variance Order 2021-04-M4.

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

Variance Order 2021-04-R: District Rules 325.E, 331.D - I, 359.D.2.b, and 206, Part 70 Permit to Operate 9109-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 2021-04-M1: District Rules 325.E, 331.D - I, 359.D.2.b, and 206, Part 70 Permit to Operate 9109-R4 Conditions 9.C.1.b.v, 9.C.1.b.vi, 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, and 9.C.9.

Variance Order 2021-04-M2: 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.b.iv, and 9.C.9.

Variance Order 2021-04-M3: District Rules 331.D, E, G.1, I, and 206, Part 70 Permit to Operate 9109-R5 Conditions 9.C.2.a, 9.C.2.b.i, and 9.C.2.b.ii.

The remaining increments of progress identified in Variance Order 2021-04-M3, are dependent on the Appeal Resolution. As a result, the same increments of progress are identified in Variance Order 2021-04-M4. In addition, a well rig is necessary to begin a well intervention program to repair the fugitive leaks from the wells. At the present time, the platform in its

current state, is not physically capable of receiving a well rig to begin the well intervention program. The risk of conducting repairs in the well bay or on the well heads, without a suitable well rig available for intervention may create a worse situation and may result in increased emissions.

4.0 PERMITTING HISTORY: The Petitioner has undergone several permitting actions. These actions are described below.

- The Petitioner submitted an application for transfer of owner operator for Part 70 Permit to Operate (PT 70/PTO) 9109-R4 on November 20, 2020. The transfer of owner operator application was deemed complete on November 30, 2020, and issued on December 9, 2020. A permit reevaluation application was submitted on March 20, 2020, for PT 70/PTO 9108-R5 and PTO 70/PTO 9109-R5 was issued on February 27, 2024.
- On December 6, 2021, the Petitioner submitted a permit modification application to modify PT 70/PTO 9109-R4. The permit modification application (PTO Mod 9109-04) was deemed complete on December 7, 2021 and issued final on November 9, 2022.
- On April 1, 2022, the Petitioner submitted an application to increase crew and supply boat carbon monoxide (CO) emission factors. The permit application (PTO 15894) was deemed complete on February 14, 2023, and was rolled into the re-evaluation permit PT 70/PTO 9109-R5, issued on February 27, 2024
- On October 18, 2022, the Petitioner submitted a permit exemption application to install a portable crane to remove and install stationary cranes for the platform south crane overhaul. The permit exemption was issued on November 4, 2022.
- On January 17, 2023, the Petitioner submitted an application (PT 70 ADM 16049), to change the responsible official and was rolled into the re-evaluation permit PT 70/PTO 9109-R5, issued on February 27, 2024.
- On June 7, 2023, the Petitioner submitted an application to operate additional crew and supply boats and the Authority to Construct 15929 permit was issued final on June 20, 2023.
- On August 25, 2023, the Petitioner submitted a permit application for PTO 15977 (see ATC 15977 above, installation is complete and equipment is operational) and was rolled into the re-evaluation permit PTO 70/PTO 9109-R5, issued on February 27, 2024.

5.0 COMPLIANCE HISTORY: No NOV's have been issued to the facility within the last three years.

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 9109-R5, Condition 9.C.2.a, 9.C.2.b.i and 9.C.2.b.ii (Fugitive Hydrocarbon Emissions Components)**

C.2 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>
102718	Components -- Controlled (4,984 component leak paths)
102719	Components -- Unsafe (301 component leak paths)
	<i>Gas/Light Liquid Service Components</i>
102717	Components -- Controlled (1,317 component leak paths)
105826	Components -- Unsafe (116 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 9109)
- (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 Houchin 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 – Fugitive Emissions Inspection and Maintenance (see Attachment 4 for District Rule 331)**

7.0 **EMISSIONS ANALYSIS**: Since the granting of the initial variance, Variance Order 2021-04-R, the Petitioner has returned the flare to service. To reduce fugitive emissions, the wells are periodically bled down and vented through the operational flare. The emissions associated with the operational flare are expected to be within the permitted limits.

Monthly reports submitted by the Petitioner indicated “no excess emission through the flare stack” occurred. However, after further review the Petitioner was not accurately reporting the excess emissions that were associated with the leaks in the well bay. As a result, the District has requested the Petitioner resubmit the excess emissions for each monthly report using the correlation equation for calculation fugitive hydrocarbon emissions. On June 7, 2024, the Petitioner provided the excess emissions for quarters 1 and 2 (January through June) 2024 using the correlations equation. The Petitioner noted the reports were generated only for well head components that have been found leaking during Method 21 surveys. The Petitioner reported excess emissions for quarter 1 as 14.57 lbs/day ROC (0.66 tons/qtr) and 18.29 lbs/day ROC (0.83 tons/qtr) for quarter 2. Based on this information, the average expected emissions for 1 year (or the duration of variance coverage) are 1.98 tons/year ROC. As a result, the excess emissions associated with the granted of Variance Order 2021-04-M4 are expected to be approximately 2.98 tons/year ROC using the correlation equation.

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 state of the Platform 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 – United States Department of the Interior, Bureau of Safety and Environmental Enforcement Letter to the District, dated June 1, 2024
- Attachment 4 – District Rule 331 – Fugitive Emissions Inspection and Maintenance
- Attachment 5 – Variance Order 2021-04-M3
- Attachment 6 – Variance Order 2021-04-M3 Monthly Updates
- Attachment 7 – Draft Modification Variance Order 2021-04-M4



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Compliance Division

June 14, 2024
Date