


ATTACHMENT 7

Draft Modification Variance Order 2021-05-M4

July 3, 2024

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	2021-05-M4	07/03/2024
	Petitioner	Beacon West Energy Group, LLC	
	Permit #	9108-R5	
	Date Rec'd	05/23/2024	
	Time Rec'd	1548 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 9108-)
 R5, Conditions 9.C.2.a, 9.C.2.b.i and)
 9.C.2.b.ii.)

H.B. Case No. 2021-05-M4

VARIANCE FINDINGS

AND ORDER

Beacon West Energy Group, LLC (Petitioner) filed a Petition for a Modification of Increments of Progress and Modification of Final Compliance Date of Regular Variance 2021-05-M3 on May 23, 2024. A hearing of the Modification of Increments of Progress and Modification of Final Compliance Date of Regular Variance was held on July 3, 2024, in accordance with Health and Safety Code section 40808. Tricia Winterbauer 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 Hogan located on offshore lease tract OCS-P-0166, approximately 8 miles southeast of 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. On October 14, 2020, Signal Hill sent a Relinquishment of Federal Oil and Gas Lease to the Bureau of Ocean Energy Management (BOEM). At that time, the United States Department of the Interior, Bureau of Safety and Environmental Enforcement (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.
6. 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.
7. 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.
8. 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. 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.

9. 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).
10. 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.
11. 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.
12. In BSEEs 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.
13. 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 does not have 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.
14. On July 5, 2023, Variance Order 2021-05-M3, was granted by the Hearing Board for relief from fugitive hydrocarbon component emission limits, operational limits, and 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 9108-R4 Conditions 9.C.2.a and 9.C.2.b from July 31, 2023 through July 29, 2024, or the date compliance is achieved, whichever occurs first.

15. During the variance period covered by Regular Variance 2021-05-M3, the Petitioner monitored the well gauges and repaired wellhead fugitive leaks when safe, completed structural upgrades to support the use of the portable cranes, installed portable cranes and completed refurbishment of existing Unit 500 crane, and removed the existing dilapidated rig, BOP, sub-structure and Kill Water tank.
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. In BSEEs June 1, 2024, letter to the Hearing Board, BSEE restated the order recipients have invested extensive resources into the maintenance and restoration of the platform facilities under the Partial Stay Agreement. BSEE has confirmed the ongoing work has far exceeded the terms of the Partial Stay Agreement through inspections and quarterly updates by the Petitioner. BSEE also stated well abandonment operations for 51 shut-in wells and subsequent conductor removals must be completed before decommissioning can commence, and are beyond the requirements in the Partial Stay Agreement. Once started, the well abandonment and conductor removal programs may take 3 to 4 years to complete. In addition, the conductor removal program will require an Environmental Assessment to be prepared prior to this work being initiated.
18. 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.
19. 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 Increments of Progress and Modification of the Final Compliance Date of Variance Order 2021-05-M3 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 9108-R5, 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.

A well rig is necessary to begin a well intervention program and repair the fugitive leaks from the wells. At the present time, it is not physically feasible to install a well rig on Platform

Hogan. Therefore, it is beyond the reasonable control of the Petitioner to comply and would result in an arbitrary or unreasonable taking of property (the District permit).

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 in increased emissions. It is physically infeasible to install a well rig on Platform Hogan at this time.
4. The Petitioner has considered curtailing operations; however, the facility is not currently operating and is pending platform decommissioning, therefore there are no additional operations to curtail.
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. Additionally, the wells will periodically be bled down and vented through the operational flare. Compliance will be constantly assessed and modifications including removal and/or replacement of equipment will be done in compliance with 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. The excess emissions, if any, will be calculated and reported using the correlation equation.

THEREFORE, THE HEARING BOARD ORDERS, as follows:

That a Modification of Increments of Progress and Modification of Final Compliance Date of Regular Variance 2021-05-M3 be granted for relief from fugitive hydrocarbon component emission limits, operational limits, and 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 9108-R5, Conditions 9.C.2.a, 9.C.2.b.i and 9.C.2.b.ii from July 30, 2024 through July 29, 2025, or the date compliance is achieved, whichever occurs first, with the following conditions:

1. The Petitioner shall meet the following Increments of Progress:
 - a. Identify well rig(s) necessary for fugitive leak repair within 6 months of the Appeal Resolution.
 - b. Complete platform deck alterations necessary for the well rig(s) within 18 months of the Appeal Resolution.

- c. Begin well bay fugitive leak repairs within 20 months of the Appeal Resolution.
 - d. Complete 100% of well bay fugitive leak repairs within 38 months of the Appeal Resolution.
2. The Petitioner shall submit monthly written reports to the Hearing Board and District, to variance@sbcapcd.org, starting on August 15, 2024, and on the 15th of every month thereafter for the duration of the variance period. 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 by using the correlation equation.
 - 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, 2025, or within 30 days from the date compliance is achieved, whichever occurs first. This report shall include a summary of all monthly reports and the final state of Platform Hogan with respect to compliance with this variance and the District Operating Permit 9108-R5.

4. The 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, Hearing Board Fees, 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