

STAFF REPORT
COUNCIL MEETING DATE
February 13, 2012

ITEM FOR COUNCIL CONSIDERATION

Comment letter concerning the scope of potential environmental impacts to be studied by the State Lands Commission and Bureau of Ocean and Energy Management for the Carpinteria Offshore Field Redevelopment Project (Carone Petroleum Corporation)

Report prepared by:
Jackie Campbell, Community Development Director


Signature

Reviewed by:
Dave Durflinger, City Manager


Signature

STAFF RECOMMENDATION

Action Item X ; Non-Action Item

Consider public comments and submit a comment letter on the scope of potential environmental impacts that should be studied in association with the proposed Carpinteria Offshore Field Redevelopment Project proposed by Carone Petroleum Corporation

Motion: I move to authorize the Mayor to sign the comment letter to be transmitted to the State Lands Commission and Bureau of Ocean Energy Management on or before Tuesday, February 21, 2012.

I. BACKGROUND

The California State Lands Commission, in coordination with the U.S. Department of the Interior Bureau of Ocean Energy Management, is preparing a joint Environmental Impact Report/ Environmental Impact Statement (EIR/EIS) for the Carpinteria Offshore Field Redevelopment Project proposed by Carone Petroleum Corporation. The environmental document will assess potential environmental effects of the proposal to develop offshore oil and gas resources in state

tidelands near the City of Carpinteria from Platform Hogan, an existing oil and gas platform located in federal waters south of the City.

The State Lands Commission and Bureau of Ocean Energy Management have prepared a Notice of Preparation/Notice of Intent (NOP/NOI – “Notice”) in compliance with the requirements of the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) to analyze the environmental effects of the project. The Notice was released in December 2011 for a public comment period which closes on February 21, 2012. The Notice initiates the public scoping process to solicit public and agency comments regarding issues and concerns, including a range of alternatives, of the human and marine resources that could be affected, the nature and extent of the potential impacts to those resources and appropriate mitigation measures that should be addressed in the EIR/EIS.

Of particular concern to the City of Carpinteria will be the extent to which the proposed project creates direct impacts to the City. Impacts to Carpinteria may occur through future use of the Carpinteria Processing Facility (CPF) as a personnel and equipment staging area, through the use of Casitas Pier to transport employees or equipment to and/or from Platform Hogan or through potential upset conditions that could affect the City if a spill or other release occurred. Given that the project is in the early stages of the environmental review process and many of the details of the project implementation have not been released, it is not clear from the project description whether the City will have a discretionary approval to grant. This threshold question affects the City’s standing as an agency commenting on the environmental review process or as a responsible agency with a more formal role in the process. Questions regarding the scope of the project activities at the CPF or elsewhere in the City of Carpinteria are included in the draft comment letter on the scope of potential environmental impacts warranting study under the EIR/EIS. The discussion below provides background information regarding the existing regulatory setting over the CPF and Casitas Pier.

The City regulates the CPF under a Development Plan Permit issued as Ordinance No. 75, approved by the City in May 1969 and incorporating by reference various County-approved permits issued prior to incorporation of the City in 1965. The permit specifically allows “storage or staging of supplies incidental to the normal conduct of the facilities” to occur on the property between the railroad tracks and the ocean. The specified area is currently used for those activities as well as parking for employees working on the offshore platforms. Oil and gas operations are a permitted use in the Coastal Industrial District (M-CD). Section 14.30.030 of the Carpinteria Municipal Code (CMC) defines the M-CD zone and provides (in part) for the following uses:

1. Onshore facilities necessary for the exploration, development, production and/or transportation of offshore oil and gas resources including:
 - a. Pipelines and any necessary equipment, buildings, apparatus or appurtenances incidental thereto;
 - b. Structures, equipment or facilities necessary and incidental to dehydration and/or separation of oil, gas, condensate and other liquid products from gas or water, obtained from an offshore hydrocarbon area, for the purpose of shipping and transporting, recycling, repressurizing, or reinjection of the offshore oil, gas, condensate and/or water for underground disposal in connection with enhanced recovery operations in an offshore producing oil and gas field;

- c. Staging areas and piers established for shipping equipment, supplies and personnel to offshore sites during offshore exploratory and development drilling;

All of these uses are subject to a Development Plan as regulated by CMC Section 14.68.020:

Applicability. A development plan shall be required for all development on property in any zoning district which is subject to the provisions of this chapter, except that the planning director may waive the requirements of this section if the project involves only minor alterations, addition, or replacement to an existing structure and is in conformance with a previously approved development plan on file in the community development department.

The Casitas Pier is located within the City boundary and is managed by the City through a lease agreement with Venoco as operator of the pier. The pier is owned by the state given its location in state tidelands. Permitting authority for development and use of the pier is regulated by the California Coastal Commission as the pier is located within the Commission's retained permit jurisdiction, authorizing that agency to issue any Coastal Development Permit (CDP) for the pier. An exhibit showing the City boundary extending offshore is attached as Attachment 1.

Once more information regarding the project description is provided through the environmental review process, the City will be able to discern whether it has discretionary approval power over any aspect of the proposal relative to changes or increases in intensity of use at the CPF or modifications to the existing Casitas Pier lease agreement. If so, then the City would be a responsible agency under CEQA. If not, then the City will continue to participate in the review process as an interested public agency. Other local public agencies that have already been determined to have responsible agency status include the Santa Barbara County Air Pollution Control District, the Ventura County Air Pollution Control District and the Ventura County Resource Management Agency, Planning Division; each of those agencies must issue a discretionary permit for the proposed project. There are also several state and federal agencies that will also act as responsible agencies, including the California Coastal Commission, Central Coast Regional Water Quality Control Board, the National Marine Fisheries Service and the U.S. Fish and Wildlife Service. The attached draft scoping comment letter reflects this concern as to the project details that would affect the determination as to whether or not the City is a responsible agency.

II. PROJECT INFORMATION

The following project description was taken from the Notice of Preparation/Notice of Intent and provides an overview of the proposed project to be studied in the environmental review process.

Carone Petroleum Corporation (Carone) proposes to develop the state portion of the Carpinteria Offshore Field oil and gas reserves from Platform Hogan, which is located in federal waters approximately 3.7 miles offshore of the City of Carpinteria. The Carpinteria Offshore Field covers two federal leases (OCS-P 0166 and OCS-P 0240) and two state leases (PRC 4000 and 7911) assigned to Carone and one state lease (PRC 3133) that the State Lands Commission would assign to Carone if the proposed Plan of Development (POD) is approved. Attachment 2 shows a graphic representation of the existing oil and gas facilities in the area and the subject lease areas to be accessed from the proposed Platform Hogan wells.

As many as 25 new extended-reach production or injection wells would be drilled to develop resources. Oil and gas produced from the project would be metered separately from the ongoing resource development from the federal lease areas then comingled on Platform Hogan and sent via existing pipelines to the La Conchita Processing Facility in Ventura County.

Current oil production from Platform Hogan is approximately 219 barrels per day (bbl/day). As of August 2011, 11 wells were producing with an average daily rate of 21 bbl/day per well. If the project proceeds as proposed, the average rate of oil and gas production is estimated to be approximately 150 bbl/day per well, with peak platform production estimated to be approximately 3,500 bbl/day.

All drilling muds and cuttings would be disposed of using an existing dedicated injection well on Platform Hogan. All solid waste from the platform would continue to be transported onshore for pick-up by Consolidated Disposal Services and taken to the City of Oxnard dump site.

Oil and water emulsion would continue to be transported to shore, treated to existing National Pollutant Discharge Elimination System (NPDES) Permit standards, transported back to Platform Hogan and discharged into the ocean in federal waters.

No new platforms, pipelines or onshore facilities would be constructed. The proposed project would use the existing infrastructure with the following changes:

- The existing diesel drill rig on Platform Hogan would be replaced with an all-electric drill rig.
- Minor equipment modifications or additions would be needed on Platform Hogan including a new three-phase separator, a new Automated Well Tester, new metering and modification of an existing two-phase separator to a three-phase separator.
- Minor modifications at the La Conchita facility to accommodate increased volumes of produced water including returning two retention tanks to service, replacement of flotation tanks, two additional media filters, potentially a smaller Salt Water Disposal Vessel might be needed, and finally, the injection pumps would have to be modified.

Carone estimates that production of state lease resources would continue until production of federal oil and gas resources is no longer economical. The proposed state lease Plan of Development has been developed to complement the Outer Continental Shelf (OCS) production operations and would not extend the life of the existing OCS production operations beyond what can economically and safely be recovered. Once federal and state production has reached its economic life, all wells would be plugged and abandoned in accordance with state and/or federal requirements and the related offshore and onshore facilities would be decommissioned.

III. SCOPING PROCESS

The purpose of the scoping process is to create an open forum for identifying significant environmental issues related to a proposed project. Scoping also provides an opportunity to identify appropriate mitigation measures and alternatives to a proposed project. Applicable agencies will need to use the EIR/EIS prepared by State Lands and BOEM when considering related permits or other approvals for a specific project, so it is important that the scope and content of that document meet the needs of all responsible and trustee agencies.

In order to provide ample time for the public and agencies to submit comments, 60 days has been allowed for this proposed project. Written comments must be received by State Lands and BOEM by Tuesday, February 21, 2012. Responses to the NOP/NOI should contain specific details regarding how, in terms of scope and content, the EIR/EIS should treat environmental information germane to the statutory responsibilities of the responsible agency or other public agencies consulted. Each response to the NOP/NOI must state whether the responding agency is a responsible agency, a trustee agency or some other public agency. The response should also identify the significant environmental issues and reasonable alternative and mitigation measures that the agency needs to have explored in the draft EIR/EIS. A generalized list of concerns not related to the specific project does not constitute an adequate response. Responsible agencies' comments responding to NOP/NOI documents should address only "those activities involved in a project which are within an area of expertise of the agency or which are required to be carried out or approved by the agency."

A responsible agency is defined by the California Environmental Quality Act (CEQA) Guidelines as an agency that has "discretionary approval power" over some aspect of the overall project for which a lead agency is conducting CEQA review. As stated above in the Background section of this staff report, it is not clear from the project description that the City of Carpinteria has permit authority over any aspect of the proposed project.

IV. PUBLIC MEETINGS

The State Lands Commission and the Bureau of Ocean and Energy Management hosted two public hearings on the Notice in the City Hall Council Chamber on Thursday, January 19th. Approximately 60 people attended each meeting to learn more about the project and provide verbal comments on the scope of the environmental review. Public comments addressed many topics, including the need to address aging facilities, potential impacts to the ocean and marine life, air quality, groundwater and geologic resources. Commenters also addressed the potential for oil and/or gas seeps and whether hydraulic fracturing would be used and what chemicals that would entail if it is used. Another theme common to the public concerns was the expected life of the project and how abandonment would be managed and what financial assurances would be required. And, as discussed above, the public also had questions about the project description and wanted to know specifically how the project will affect Carpinteria in terms of use of the Carpinteria Processing Facility and the Casitas Pier for any staging or construction employee transportation to Platform Hogan and future re-drilling work (e.g., traffic and noise, impacts to harbor seals). Comments were also made regarding new technologies that may be available in the future and the potential for cumulative impacts if the Paredon Project moves forward. Finally, questions were raised regarding which regulations, state or federal, would be followed relative to injection of produced water and how the issue of financial assurances would be addressed. In terms of the scope of alternatives to be addressed in the EIR/EIS, it was suggested that alternative sources of renewable energy be considered. These comments have been incorporated into the City's official comments as outlined in the attached draft comment letter (Attachment 3).

Several comments were also made that the proposed project provides local jobs and helps the nation by reducing dependence on foreign oil sources.

Future public meetings on the draft environmental document will be held in Carpinteria during the public comment period for the Draft EIR/EIS. At that time, the public and the City will have the opportunity to review the environmental document and proposed project alternatives at a much more detailed level. The draft document is expected to be released in December 2012 or

January 2013, with the draft environmental document hearing occurring during the 60-day public comment period.

V. ENVIRONMENTAL ISSUES

The Notice of Preparation/Notice of Intent indicates that the following environmental issues will be addressed in the draft EIR/EIS:

- air quality and greenhouse gas emissions
- marine/coastal resources
- geological resources
- public health and safety
- aesthetics
- energy resources
- recreational resources and tourism
- environmental justice

The document will also address cumulative impacts, growth inducing impacts, irreversible/irretrievable commitment of resources and two alternative project scenarios in addition to the proposed project and the no project alternative.

The attached draft comment letter (Attachment 3) addresses the analysis provided within the NOP/NOI and provides specific comments intended to frame the scope of the analysis in the EIR/EIS. The draft letter is included as an attachment to this report and will be finalized and transmitted once reviewed and signed by the Mayor after public comment and Council discussion.

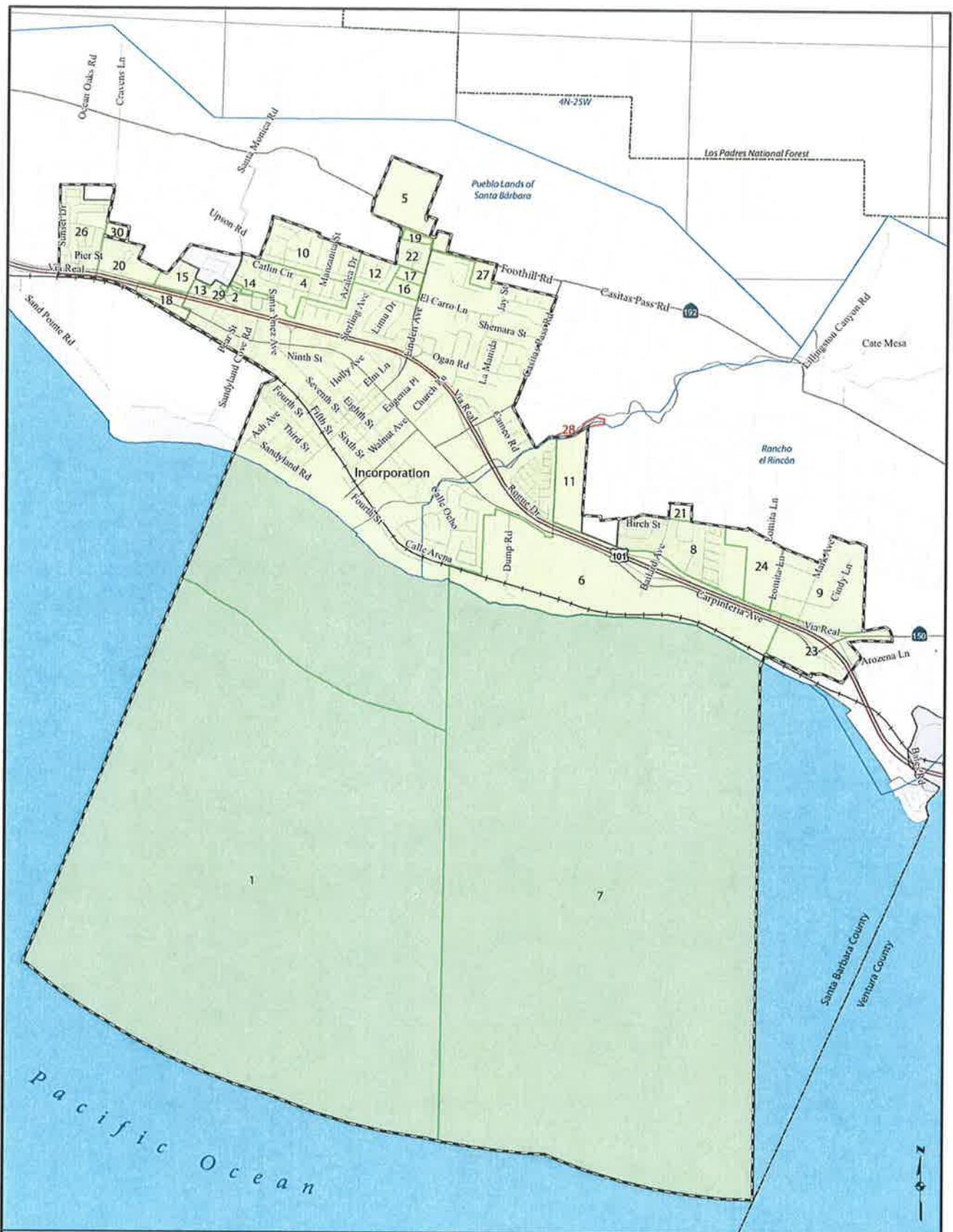
VI. ATTACHMENTS

1. City Boundary Map
2. Proposed Project Map
3. Draft Scoping Comments Letter dated February 13, 2012

Attachment 1
City of Carpinteria Boundary

Carpinteria Offshore Field Redevelopment Project
Carone Petroleum Corporation
NOP/NOI Comments

City Council Hearing
February 13, 2012



City of Carpinteria

Compiled by the Office of the County Surveyor in December of 2011.
 Incorporated 9/27/1965 by County Resolution 24988.
 Last Action: 30, Green Heron Springs Annex., LAFCO 09-04, 07/08/2010.
 Sphere: 11/4/2010. See Boundary Activity Table at
<http://www.countyofsb.org/pwd/pwsurveyor.aspx?id=5118>

A missing number means no completion information was found for a proposed boundary change.
NOTICE OF DISCLAIMER: This data is for reference only. Although every effort has been made to ensure the accuracy of information, errors and conditions originating from physical sources used to develop this database may be reflected in this data. Santa Barbara County shall not be liable for any errors, omissions, or damages that result from inappropriate use of this document. No level of accuracy is claimed for the boundary lines, stream names and lines should not be used to obtain coordinate values, bearings or distances.

Legend

- Freeways
- Highways
- Roads
- Railroads
- Parcels
- Sections
- Ranchos and Townships
- Los Padres National Forest
- County Boundary
- Sphere of Influence
- Annexation
- Incorporation
- Detachment

GRAPHIC SCALE

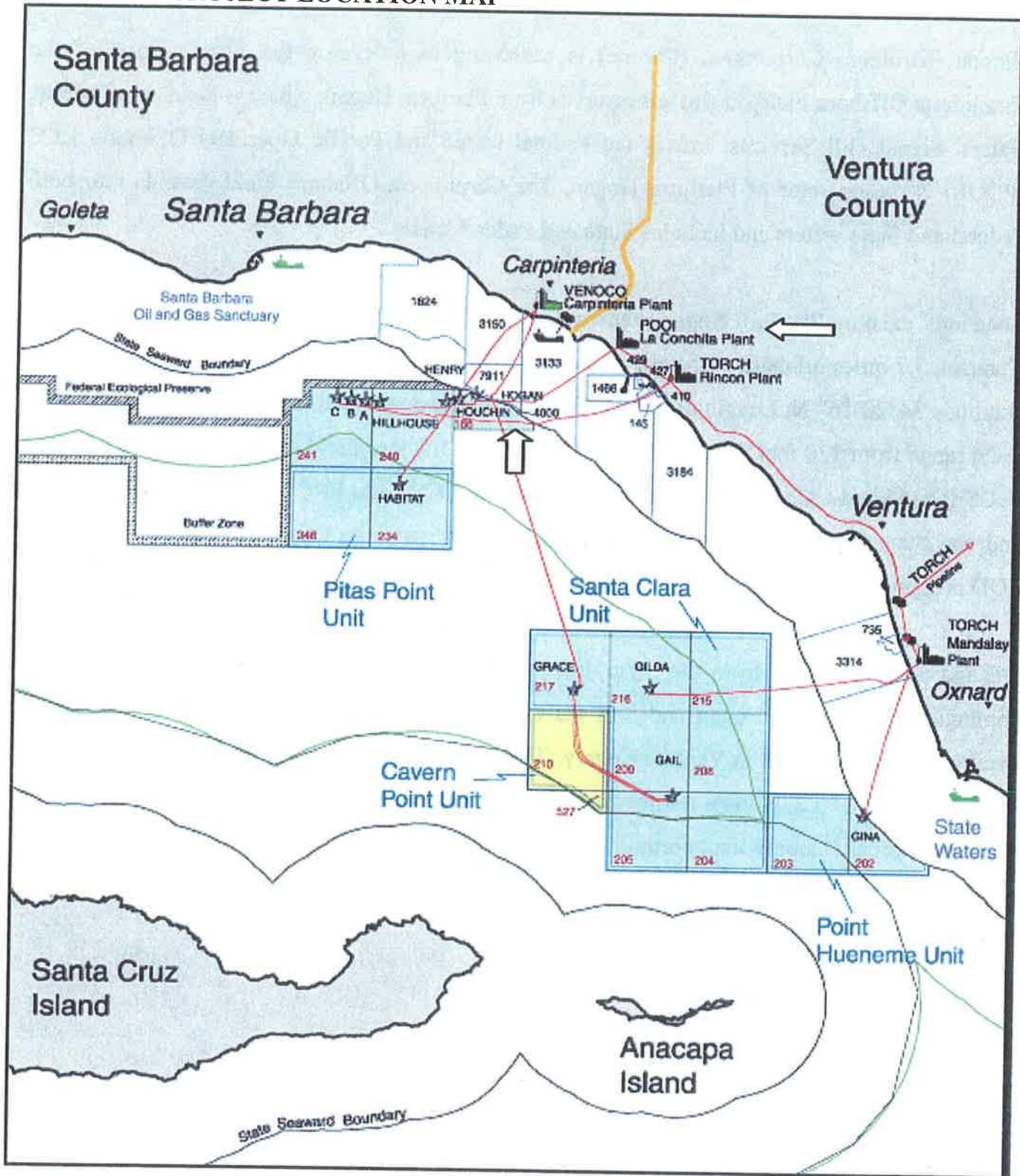


Attachment 2
Proposed Project Map

Carpinteria Offshore Field Redevelopment Project
Carone Petroleum Corporation
NOP/NOI Comments

City Council Hearing
February 13, 2012

PROPOSED PROJECT LOCATION MAP



Attachment 3
Draft NOP/NOI Comment Letter

Carpinteria Offshore Field Redevelopment Project
Carone Petroleum Corporation
NOP/NOI Comments

City Council Hearing
February 13, 2012

February 13, 2012

Cy R. Oggins, Chief
California State Lands Commission
Division of Environmental Planning and Management
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825

RE: Carpinteria Offshore Field Redevelopment Project
Carone Petroleum Corporation

Dear Mr. Oggins:

Thank you for the opportunity to comment on the Notice of Preparation/Notice of Intent (NOP/NOI) for the Carpinteria Offshore Field Redevelopment Project. The City of Carpinteria is very interested in the proposed project and intends to remain very active in the review process. However, without a more thorough project description, it is unclear whether the City will be a responsible agency. Therefore, in addition to our comments on the scope of the environmental review, we have several questions that relate directly to the project description. We also reserve the option of asserting responsible agency status later in the process when more information regarding the proposed project is available.

Project Description Questions

1. **Carpinteria Processing Facility:** Will proposed operations occur in the City of Carpinteria, e.g., employee parking, vehicle traffic, equipment staging, crew boat activity? Is more activity proposed to occur at the Carpinteria Processing Facility? Can these activities be quantified into number of trips, type of vehicles making trips, number of vehicles parking at the facility, number of employees during construction and operations phases? Is there an exhibit showing where employee vehicles or equipment staging would occur?
2. **Casitas Pier:** Is a lease amendment needed for the proposed project to allow Carone to increase activities at the Casitas Pier currently operated by Venoco? If so, an increase in pier use should be included in the project description and associated impacts must be disclosed in the EIR/EIS.
3. **Solid Waste:** Where is the solid waste transported to onshore? How is it transported? How frequently? Will this be affected during the construction phase when more employees are working on the platform?
4. **Emulsion:** How is the oil and water emulsion transferred to shore? Where is it treated? How is it transported back to Platform Hogan?

5. **Wastewater:** How is wastewater on the platform to be treated and disposed? Is there adequate capacity in the existing system(s) to accommodate the increase in employees associated with proposed construction and any increase associated with the expansion?
6. **Hydraulic Fracturing:** What specific recovery technique(s) will be used to produce the reserves? Will the process of hydraulic fracturing be used? If so, what chemicals will be used in conjunction with "fracking?"
7. **Abandonment:** Will abandonment be more fully described in the project description before the draft EIR/EIS is prepared? What financial assurances will be required to ensure proper facility abandonment? Given that Platform Hogan would be producing from both federal and state waters, are there different parameters for determining when and how abandonment should occur?
8. **Construction Timing:** What is the anticipated schedule for development of the proposed project? How long would the construction phase be expected to last? What frequency of well work-overs can be expected over the life of the project?
9. **Expected Life of Project:** Has a specific sunset date or a range of time for construction and production relative to the estimated economic life of the project been determined? How is "economic life" determined? Would one lease area be shut-in while the other continued to produce? How is this coordinated between the two regulatory agencies of the SLC and BOEM? Does national policy have the potential to impact the life of the project in terms of mandates on minimum resource recovery? Does State policy have similar potential effects? How are these potentialities factored into the environmental analysis? Are there other reservoirs that could be accessed from Platform Hogan that would also affect the estimated life of the project?

Scoping Comments

1. **Aesthetics/Visual Resources:** The project description and discussion of aesthetics/visual resources does not describe whether any construction equipment storage is proposed to occur at the Carpinteria Processing Facility as part of the project. Any new development or increase in intensity of use within this sensitive view corridor area should be analyzed for aesthetic/visual resources impacts. Also, will the platform be flaring? If so, this should be analyzed as night-time flaring creates a visual impact from all areas of Carpinteria.
2. **Air Quality Resources:** The EIR/EIS should quantify the anticipated number of construction employee traffic trips at Casitas Pier and include those in the overall air quality analysis, including the greenhouse gas analysis. The analysis also should consider air quality impacts associated with any increased use of diesel trucks and other vehicles and flaring. The source of power used to provide electricity to the drill

rig to be converted from diesel will also generate air quality emissions that should be taken into consideration in the EIR/EIS.

3. **Biological Resources/Ocean and Marine Life:** The Santa Barbara Channel supports many species of marine mammal, most of them protected by federal regulations. The EIR/EIS should analyze potential impacts to the ocean and marine life from proposed construction, operations, abandonment and from any risk of upset conditions that could occur during any of these three phases. Impacts can result from noise and vibration as noted above and is especially important relative to the harbor seal haul-out area adjacent to Casitas Pier.
4. **Land Use:** The City's land use objectives establish the priority of well planned development that protects coastal resources within Carpinteria and the natural environment surrounding Carpinteria. The City seeks to maintain its small beach town character by supporting compatible development and revitalization. Land Use should be included as an issue area in the EIR/EIS and should consider and evaluate the project's consistency with applicable City of Carpinteria General Plan/Local Coastal Land Use Plan objectives, goals and policies such as those noted in this letter. The City's planning documents such as the General Plan/Coastal Land Use Plan and Zoning Code, which contain these objectives, goals and policies, can be found on the City website at www.carpinteria.ca.us.
5. **Noise:** The analysis of noise impacts must adequately consider the potential impacts of additional staging and vehicle traffic along Dump Road and at the Casitas Pier parking lot. Noise impacts at the pier parking lot have the potential to impact environmental sensitive habitat areas such as the adjacent harbor seal haul-out area and they can also create a nuisance for nearby residents and park and beach visitors.
6. **Traffic/Circulation:** A quantitative analysis in the form of a traffic study should be provided to estimate the number of additional vehicle trips to the parking lot at Casitas Pier that would result from the proposed project and that could impact area streets and intersections. The traffic/circulation impact discussion should quantify the potential parking demand and area required for equipment staging that could reduce the available number of parking spaces.
7. **Groundwater Resources:** The EIR/EIS should discuss the potential impacts of drilling and reinjection on groundwater resources. This includes a thorough analysis of the risks associated with chemicals that would be used to facilitate hydraulic fracturing if that technique is employed to extract oil and gas resources. Also, please analyze how groundwater resources are impacted over time by additional production from the subject reservoir.
8. **Aging Facilities:** Aging facilities are a major concern due to the potential for upset conditions caused by mechanical failures, particularly over the long term. Careful analysis of the integrity of the existing platform, pipelines and the La Conchita

Processing Facility is mandatory to any review, especially as this relates directly to the potential for upset conditions. This issue is of utmost importance given that the existing platform is nearly 50 years old and it is unknown how long the proposed project could extend the life of Platform Hogan and its associated pipelines to shore.

- 9. Injection of Produced Water:** The EIR/EIS should disclose which regulations will be followed relative to the disposal of produced water such as will this activity be subject to state or federal standards and why. If the waste is to be disposed of onshore, where would that occur?
- 10. Oil and Gas Seeps:** The EIR/EIS should discuss the potential for oil and gas seeps to result from increasing or decreasing reservoir pressure as the oil and gas resources are developed. What are the impacts associated with increased seeps on the ocean floor or onshore?
- 11. Risk of Upset:** Carpinteria is located upcoast from the proposed drilling and pipeline locations but it is highly likely that impacts from an upset condition would affect the City, especially if an event were to occur during summer months. Given the City's existing sensitive and unique natural resources and coastal-dependent tourist economy, impacts from an offshore oil spill would be severe if they occurred along the City's beaches. An inventory of the sensitive resources and the potential for impacts from hazardous conditions must be evaluated in the document. Also, what mitigation is available in the event of a spill to return an area to its pre-spill conditions? The risk analysis must take into consideration the aging facilities proposed to be used in this project as well as this particular operator's past performance that may affect "normalized" industry standards for risk analysis. Does the risk analysis also include the potential to develop additional deeper reservoirs that may involve more severe risks?
- 12. Expected Life of Project:** What is the expected life of the project in terms of time? Is this expectation based on current oil and gas prices and current technology or is consideration given to increasing prices and more efficient technology that may develop in the future?
- 13. Utilities/Infrastructure:** The effect of the proposed project on utilities should be included in the EIR/EIS. There will be increased activity at the platform and onshore during the construction and operations phases that affect utilities, including during well work-overs or redrilling, throughout the life of the project. Utilities and service systems should be evaluated to ensure that adequate capacity exists to support the proposal over time. Also, infrastructure impacts should be evaluated to ensure that impacts to the physical condition of roadways are addressed and mitigated if large trucks transporting heavy equipment will use City streets, particularly through the construction phase.

14. Cumulative Impacts: The Carone Project must be considered relative to the potential for the combined impacts from other existing and proposed oil and gas projects (e.g., Paredon).

15. Alternatives: In addition to the range of alternatives identified in the NOP/NOI, the EIR/EIS should look at the option of developing alternative or renewable energy sources rather than developing the offshore oil and gas resources at this time. What alternatives are selected for evaluation will depend on how the project objective is defined. The document should give careful consideration to crafting an appropriate project objective that takes into account both public and private interests.

We thank you for the opportunity to comment on the Notice of Preparation/Notice of Intent for this important project. Should you have any questions or wish to discuss this letter in more detail, please feel free to contact Community Development Director Jackie Campbell at (805) 684-5405 ext. 451 or via email at jackiec@ci.carpinteria.ca.us.

Sincerely,

Al Clark, Mayor

cc: Susan Zaleski, Bureau of Ocean Energy Management, Pacific OCS Region, Office of Environment, 770 Paseo Camarillo, CA 93010-6064
Jackie Campbell, Community Development Director