



DEPARTMENT OF PLANNING AND BUILDING

Promoting the Wise Use of Land – Helping to Build Great Communities

TO: Planning Commission Members

FROM: John McKenzie

DATE: October 22, 2015

SUBJECT: Continued Hearing on Freeport-McMoRan Oil and Gas (FMOG) conditional Use Permit (DRC2015-00002) Hearing Continuance - Requested Information

At the September 10, 2015, Hearing for this item, the Planning Commission requested staff provide additional information to consider as part of the continued hearing. Based on that discussion and direction from the Commission additional information is provided on the following items:

- Current Operations
- Phase IV - Final EIR;
- Phase IV - Conditions and Compliance relating to Traffic, Noise and Odors;
- County Revenues from the Arroyo Grande Oil Field;
- Peripheral Permitting Activities – Additional Information
 - U.S. Environmental Protection Agency (USEPA) Aquifer Exemption (AE) process
 - Phillips 66 connecting pipeline
 - Phase V status

Current Operations

To provide a short summary of the current operations, the following lists the more significant aspects of the existing operation:

- Existing active wells (238 total)
 - 187 extraction wells
 - 51 dedicated injector wells
 - Of the 238 total active wells, 81 are outside of existing Aquifer Exemption (AE) boundary (8 dedicated injector wells and 73 extraction wells); the extraction wells have the potential for periodic 'cyclic' injection (but primary use is extraction; there are an additional 6 injector wells outside of the AE that are not active
- Remaining Phase IV approved wells (not yet installed) – 31 total
 - 21 extraction wells
 - 10 dedicated injector wells
- One Water Reclamation Plant (can process 50,000 barrels/day)-operational in 2012
- One Gas Plant
- One Cogeneration Plant
- 7 Steam generators/H₂S scrubbers

Phase IV - Final EIR

At the September hearing, a couple of Commissioner's stated they had either not fully reviewed the Phase IV Final EIR and/or requested better access to the documents. Shortly after the meeting, staff provided the electronic links to the Phase IV Final EIR or a CD with this information (as requested by an individual Commissioner). Furthermore, a link or CD of the Water Treatment Plant Final EIR was also provided as additional information.

Phase IV - Conditions and Compliance relating to Traffic, Noise and Odors

The Commission requested that staff provide additional information relating to traffic, noise and odors. They requested a list be provided of measures relating to these issues, along with documentation of compliance of these issues.

As an overview on subsequent permitting and compliance, the conditions include a 'Notice to Proceed' (NTP) process for new wells approved under Phase IV. Typically, this has been done on a yearly basis. Furthermore, each of these new wells and related infrastructure may also require individual permits (e.g. building permit, grading permit). County staff reviews the information submitted with the NTP request for compliance with Phase IV conditions of approval (COA). An outside monitoring firm, Firma, has assisted County staff to verify compliance with numerous field COAs, such as confirming protection measures being in place and that good housekeeping practices are being used during the approved work. Over the last 32 months, Firma, along with its sub consultants (e.g., archeology, biology, etc.), has accrued 2,875 hours towards the monitoring of this project. Firma has helped document for the County that the operator has done an excellent job in compliance of the Phase IV COAs. Over the last 10 years, two non-compliance items were identified, which include the impact and removal of 3 oak trees and a single unauthorized stockpiling event. Both were addressed quickly to the satisfaction of the County.

- **Traffic** – The Phase IV Conditional Use Permit (CUP) includes 3 conditions relating to traffic (COA #9, #10 and #11). These include delivery, hauling and transportation trucks being scheduled outside of peak hour periods, construction traffic using on-site oil field roads, and the placement of warning signs on Price Canyon Road when there is a construction project.

To date, no complaints have been received by the Planning Department or Public Works Department regarding non-compliance of these measures. The environmental monitor, Firma, has not identified any non-compliance of these measures over the last 10 years.

The applicant has conducted maintenance efforts at all access points to Price Canyon Road to maintain good sight distance for vehicle ingress and egress. During construction periods, such as for the construction of the water treatment plant, warning signs were placed onto Price Canyon Road to alert travelers of slow-moving vehicles entering and leaving the site.

In speaking with Public Works regarding traffic conditions for Price Canyon Road, they have provided the following information:

- In reviewing accident history along Price Canyon Road (between Highway 227 and the City of Pismo Beach), it is identified as 'below average'; the same rating applies to the intersection of Ormonde Road and Price Canyon Road;
- During the PM 'peak hour' (heaviest traffic period) Price Canyon Road currently operates at an acceptable LOS 'C'. However, this is projected to reach an LOS 'D' in 2019. Road widening of Price Canyon Road between Highway 227 and Ormonde Road is expected to start next Spring (2016).

- **Noise** – With regards to noise, the CUP includes one measure (COA #31) specifying:
 - 1) except for drilling activities, no heavy equipment or trucks will be used between 7 pm and 7 am, and
 - 2) drilling at 2 locations would require the use of temporary noise attenuation methods (e.g., noise blankets, etc.). The oil field operators have adhered to this measure.

Over the last 10 years, the County is aware of one complaint regarding noise. Once the operator was made aware of the complaint, they determined the source and installed a temporary noise wall and were able to modify field practices to further reduce noise.

- **Odors** – With regards to odors, the CUP includes one measure (COA #19) specifying the preparation of an Odor Monitoring and Complaint Response Plan that included review and approval by the Air Pollution Control District (APCD). This Plan includes recognition of facility improvements, describes existing procedures and a process to add additional measures if a certain number of complaints are received (four complaints in a day). APCD has been the primary agency to respond to odor complaints. In speaking with APCD, they have provided a complaint log that covers the last 8 years. The following is a summary of that log:

- Over this time period there have been 10 complaints regarding odors.
 - Of these, two and possibly up to four, were related to the nearby Cold Canyon Landfill.
 - Two were related to a break in a natural gas line at FMOG, which was promptly fixed.
 - With regards to the balance, no strong odors were noted when APCD staff went out in the field to follow-up on the complaint.

Furthermore, during this period there have been approximately 146 on-site inspections by APCD to evaluate air quality, including odors. During this period one Notice of Violation was issued but was related to a procedural misstep and not an odor violation.

It should also be noted that FMOG field staff wear H₂S measuring devices, as well as having placed remote sensors at key locations to alert operations of unhealthy levels of H₂S gas.

County Revenues from the Arroyo Grande Oil Field

The Commission requested information regarding county revenues associated with this project. In talking with the Tax Assessor's office, the County does not collect royalties or excise tax. However, the property taxes paid by FMOG are reassessed every year, where they factor in barrels of oil extracted yearly, remaining reserves and the current price of oil. According to the latest Auditor Controller's Office information (for fiscal year 2013-2014), Freeport was identified as the 3rd largest property tax contributor (accounting for 19% of all County property tax revenues).

Peripheral Permitting Activities – Additional Information

The Commission requested additional permit status information regarding three items that relate to the oil field, including the U.S. Environmental Protection Agency (EPA) Aquifer Exemption process, the connecting oil pipeline and the proposed Phase V expansion.

- **USEPA Aquifer Exemption process** – Please refer to the September 10, 2015 Planning Commission Hearing staff report for the background of this pending state and federal process to consider changing the aquifer exemption boundaries of the oil field that were established in 1982.

On September 21, 2015 the California Division of Oil, Gas and Geothermal Resources (DOGGR) and State Water Resources Control Board (SWRCB) held a joint Public Information Meeting to solicit public input as they are considering changing the boundaries of the Aquifer Exemption area. The meeting was well attended and the public expressed a range of concerns. At the meeting they added one additional week to receive comments. These comments will be considered by the agencies and they will determine if they have enough information to make a recommendation to USEPA or if more information is appropriate.

- **Phillips 66 connecting pipeline** – An oil pipeline connecting the Arroyo Grande oil field (Freeport) and the Phillips 66 processing facility was proposed by Phillips 66. The Minor Use Permit was approved on November 7, 2014, with work beginning approximately 2 months ago. At this point, the trenching and pipe installation is complete along the Ormonde Road segment. The active work area is currently along Old Oak Park Road and in a southerly direction towards the City of Arroyo Grande. The applicant expects the pipeline work to be completed by the end of the year. The project is subject to a number of conditions of approval. Planning staff has conducted periodic field visits to review for condition compliance. A Public Works inspector conducts a visit to the construction area 2 to 3 times a week (sometimes more) to make sure work is proceeding according to their encroachment permit requirements. Public Works has received several complaints with merit. Once the work crew was informed of the problems by Public Works, they were responsive and timely in making the corrections.
- **Phase V status** – a Conditional Use Permit has been submitted by Freeport-McMoRan to expand the existing oil field. The application includes 350 new wells and 100 ‘redrills’ or replacement wells. An environmental impact report (EIR) is currently under preparation. The applicant has requested that completion of the DEIR be put on hold until the State’s Aquifer Exemption (AE) process is completed. Once the AE process has been completed, the Draft EIR will be completed and released for public review and comment.