

CALIFORNIA STATE LANDS COMMISSION
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DEC 22 2011

CITY OF CARPINTERIA

December 20, 2011

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SUBJECT: CARPINTERIA OFFSHORE FIELD REDEVELOPMENT PROJECT

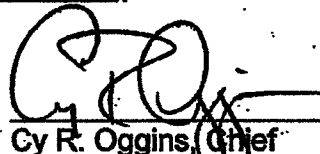
Dear Responsible, Trustee and Cooperating Agencies and Interested Parties:

The California State Lands Commission (CSLC) announces its intent to prepare, in coordination with the U.S. Department of the Interior Bureau of Ocean Energy Management (BOEM), a joint Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for the Carpinteria Offshore Field Redevelopment Project. The EIR/EIS will be used to identify and assess potential environmental impacts and mitigation measures associated with a proposal to develop offshore oil and gas resources, located in California state waters near the city of Carpinteria, from an existing oil and gas platform located in federal waters.

The attached Notice of Preparation/Notice of Intent (NOP/NOI) and notice of public scoping meetings has been published in accordance with section 15802 of the California Environmental Quality Act (CEQA) Guidelines (Cal. Code Regs., tit. 14, §15000 et seq.) and section 102(2)(C) of the National Environmental Policy Act (NEPA) of 1969, as amended (42 United States Code [U.S.C.] 4321 et seq.), the implementing regulations at 40 Code of Federal Regulations (CFR) section 1501.7. The CSLC will be the CEQA Lead Agency and BOEM will be the NEPA Lead Agency.

Carone Petroleum Corporation (Carone) is proposing to redevelop the state portion of the Carpinteria Offshore Field oil and gas resources from federal Platform Hogan. Signal Hill Services, Inc. is the federal lessee, and Pacific Operators Offshore, LLC (POOL) is the operator of Platform Hogan. The CSLC reviews the Plan of Development (POD) for state leases that delineate the long-term plans of Carone and its designated Carpinteria Field operator, POOL.

See the attached NOP/NOI for detailed information about the proposed Carpinteria Offshore Field Redevelopment Project and date, location and times for the EIR/EIS scoping meetings. If you have any questions or would like any additional information, contact Cy Oggins at (916) 574-1880 or via e-mail at cy.oggins@slc.ca.gov. Copies of the NOP/NOI will also be available at the public scoping meetings and on the CSLC website via the following internet link: www.slc.ca.gov (under the "Information" tab and "CEQA Updates" link).



Cy R. Oggins, Chief
Division of Environmental Planning and
Management

**NOTICE OF PREPARATION / NOTICE OF INTENT
OF A DRAFT ENVIRONMENTAL IMPACT REPORT /
ENVIRONMENTAL IMPACT STATEMENT,
NOTICE OF MEETING, AND REQUEST FOR PUBLIC COMMENTS**

DATE: December 20, 2011

TO: Responsible, Trustee and Cooperating Agencies and Interested Parties

FROM: U.S. DEPARTMENT OF THE INTERIOR
Bureau of Ocean Energy Management

CALIFORNIA STATE LANDS COMMISSION

PROJECT: Carpinteria Offshore Field Redevelopment Project

APPLICANTS: Carone Petroleum Corporation (Applicant)
Pacific Operators Offshore, LLC (Field Operator)
Signal Hill Services, Inc. (Federal Lessee)

PROJECT

LOCATION: Drilling from existing Federal Platform Hogan (Federal Lease OCS-P 0166), which lies in the Santa Barbara Channel, 3.7 miles offshore the City of Carpinteria, Santa Barbara County, California, in 154 feet of water (Latitude 34°20'16" N; Longitude 119°32'29" W) to develop resources in California state waters (State Oil and Gas Leases PRC 4000, PRC 7911, and PRC 3133). Oil and gas production to be transferred by existing pipeline to the existing La Conchita Processing Facility in Ventura County.

STATE CLEARINGHOUSE #: 2011121068

SUMMARY: This Notice of Preparation/Notice of Intent (NOP/NOI) and notice of public scoping meetings is published in accordance with section 102(2)(C) of the National Environmental Policy Act (NEPA) of 1969, as amended (42 United States Code [U.S.C.] 4321 et seq.), the implementing regulations at 40 Code of Federal Regulations (CFR) section 1501.7, and section 15802 of the California Environmental Quality Act (CEQA) Guidelines (Cal. Code Regs., tit. 14, §15000 et seq.).

The California State Lands Commission (CSLC) will be the CEQA Lead Agency. The U. S. Department of the Interior, Bureau of Ocean Energy Management (BOEM) will be the NEPA

Lead Agency. The CSLC and BOEM are jointly reviewing the proposed project under the CEQA and NEPA, respectively, and will prepare a joint Environmental Impact Report/Environmental Impact Statement (EIR/EIS) to identify and assess potential environmental impacts and mitigation measures associated with a proposal to develop offshore oil and gas resources, located in California state waters, from an existing oil and gas platform located in federal waters.

Publication of this notice initiates the public scoping process to solicit public comment regarding the full spectrum of issues and concerns, including a suitable 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 the appropriate mitigation measures that should be addressed in the EIR/EIS.

Carone Petroleum Corporation (Carone) is proposing to redevelop the state portion of the Carpinteria Offshore Field oil and gas resources from Platform Hogan, which is located in federal waters. Signal Hill Services, Inc. is the federal lessee, and Pacific Operators Offshore, LLC (POOL) is the operator of Platform Hogan. The Carpinteria Offshore Field extends into both federal and state waters and includes state and federal leases.

The CSLC reviews the Plan of Development (POD) for state leases that delineate the long-term plans of Carone and its designated Carpinteria Field operator, POOL. The POD is based on all state lease wells being physically drilled from Platform Hogan through subsurface operations.

The BOEM reviews the Development and Production Plan (DPP) and revised DPP, pursuant to the Outer Continental Shelf (OCS) Lands Act, as amended, and the implementing regulations at 30 Code of Federal Regulations (CFR) section 550.283 and section 550.285, which address the procedures and requirements for submitting revised DPPs. The BOEM decides whether these revised plans should be approved, disapproved or modified to be consistent with the provisions of the lease, the OCS Lands Act and the implementing regulations. A Right-of-Use and Easement is also needed for this proposed project pursuant to 30 CFR section 550.160-166. The revised DPP would also be submitted to the California Coastal Commission (CCC) to ensure its consistency with the California Coastal Management Plan.

FOR FURTHER INFORMATION REGARDING THE DPP CONTACT: Ms. Susan Zaleski, Bureau of Ocean Energy Management, Pacific OCS Region, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone (805) 389-7558, fax (805) 389-7874 or e-mail at Susan.Zaleski@boem.gov

FOR FURTHER INFORMATION REGARDING THE POD CONTACT: Mr. Cy Oggins, California State Lands Commission, 100 Howe Avenue, Suite 100-South, Sacramento, CA 95825-8202; phone (916) 574-1880, fax (916) 574-1885, or email at Cy.Oggins@slc.ca.gov

PROPOSED PROJECT

The proposed project would be conducted by Carone, its designated Carpinteria Offshore Field operator, POOL and Signal Hill Services as the federal lease holder by using extended-reach drilling.¹ As many as 25 new production or injection wells would be drilled to develop resources in existing state oil and gas leases from the existing Platform Hogan (Federal Lease OCS-P 0166), which lies in the Santa Barbara Channel, 3.7 miles offshore of the city of Carpinteria, Santa Barbara County, in 154 feet of water (Latitude 34°20'16" N; Longitude 119°32'29" W). The exact number of wells to be drilled is unknown until sufficient wells are completed and evaluated to determine the amount and location of the oil and gas resources. The Carpinteria Offshore Field extends into two federal leases (OCS-P 0166 and OCS-P 0240), two state leases (PRC 4000 and PRC 7911) assigned to Carone and one state lease (PRC 3133) that the CSLC would assign to Carone if Carone's proposed POD is approved.

Oil and gas production from the state and federal leases would be metered separately then comingled on Platform Hogan and sent via existing pipelines to the La Conchita Processing Facility, which is located in Ventura County. This facility lies at the base of the coastal hills in a narrow strip of land 3,000 feet northwest of the community of La Conchita, one mile east of the Santa Barbara County line, north of U.S. Highway 101 and the Union Pacific Railroad right-of-way, and approximately 150 feet from the shoreline. Refer to Attachment 1 for the location of the proposed project.

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 (well production ranges from 39 bbl/day to 8 bbl/day). 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.

No new platform(s), pipelines or onshore facilities would need to be constructed to develop the resources in the Carpinteria Offshore Field. The proposed project would use the existing infrastructure currently used to develop Federal Lease OCS-P 0166—including Platform Hogan, subsea and onshore pipelines from the platform to the La Conchita onshore processing facility, and the onshore processing facility—with the following proposed 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 (AWT), new metering and modification of an existing two-phase separator to a three-phase separator. Because Platform Houchin produces oil, gas and water, which is currently comingled with Platform Hogan production, similar modifications would have to be made as a part

¹ Extended-reach drilling involves drilling wells that extend both vertically and horizontally from the platform and allows the development of distant areas of a reservoir from a single facility.

of this project. These minor modifications on Platform Hogan would be new metering (oil, gas and water) for the federal lease wells that are producing from Platform Houchin for each phase from a three-phase federal production separator and modification of an existing two-phase separator to a three-phase separator for the Federal Lease OCS-P 0166 well(s).

- All drill muds and cuttings associated with drilling the state leases would be disposed of using an existing dedicated injection well on Platform Hogan. As proposed, all solid waste (other than drill muds and cuttings) from the platform would continue to be transported onshore to be picked up by Consolidated Disposal Services and taken to the Oxnard dump site under the management of Del Norte Division, City of Oxnard.
- Minor modifications would be required at the La Conchita facility to accommodate increased volumes of produced water from the state wells. The existing free-water knockout would have to be modified, two retention tanks would need to be returned to service, the flotation tanks would need to be replaced with more efficient devices (e.g., units manufactured by WEMCO), two additional media filters would need to be added, a smaller Salt Water Disposal vessel might be required to increase the retention time. Finally, the injection pumps would have to be modified. Prior to initiation of a waterflood, all produced water would be discharged into the ocean. Once water injection wells are completed, the produced water would be injected back into the producing Pico Sands formation, California state waters (State Oil and Gas Leases PRC 4000 and PRC 7911). Oil/water emulsion is transported to shore, treated to existing National Pollutant Discharge Elimination System (NPDES) Permit standards (General Permit No. CAG 280000, issued December 2004, which can be viewed at the following link, <http://www.epa.gov/region09/water/npdes/permits.html#watersca>), transported back to Platform Hogan, tested to ensure NPDES permit compliance and discharged into the ocean, in federal waters.

Carone estimates that production of state lease resources would continue until economic production of federal oil and gas resources is no longer economical. The proposed state lease POD has been developed to complement the 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.

Permits and Permitting Agencies

In addition to actions by CSLC and BOEM, the proposed project may require permits and approvals from reviewing authorities and regulatory agencies that may have oversight over aspects of the proposed project activities, including but not limited to the following:

Local	<ul style="list-style-type: none"> • Santa Barbara County Air Pollution Control District (SBCAPCD) • Ventura County Air Pollution Control District (VCAPCD) • Ventura County Resource Management Agency, Planning Division
State	<ul style="list-style-type: none"> • California Coastal Commission (CCC) • Division of Oil, Gas and Geothermal Resources (DOGGR), California Department of Conservation • Office of Spill Prevention and Response (OSPR), California Department of Fish and Game (CDFG) • Central Coast Regional Water Quality Control Board (RWQCB) • State Fire Marshal
Federal	<ul style="list-style-type: none"> • U.S. Coast Guard (USCG) • U.S. Environmental Protection Agency (US EPA, Region 9) • National Oceanic and Atmospheric Administration (NOAA) National Marine Fisheries Service (NMFS) • U.S. Army Corps of Engineers (USACE) • U.S. Fish and Wildlife Service (USFWS)

Purpose of the Public Scoping Process

Scoping is an open process used for identifying significant environmental issues related to the proposed project. Scoping also provides an opportunity to identify appropriate mitigation measures and alternatives to the proposed project. Applicable agencies will need to use the EIR/EIS when considering related permits or other approvals for the proposed project.

Due to the time limits mandated by California state law and to allow the public a maximum time to examine the attached information, written comments must be sent within 60 days of the publication date of this notice and must be received or postmarked by **February 21, 2012**. All interested persons, organizations and agencies wishing to provide comments, suggestions or relevant information may submit written comments to either or both of the following agencies by mail, email, or fax:

<p>Cy R. Oggins, Chief California State Lands Commission Division of Environmental Planning and Management 100 Howe Avenue, Suite 100-South Sacramento, CA 95825</p> <p>Phone: (916) 574-1880 Fax: (916) 574-1885 email: CarpinteriaRedevelopment@mrsenv.com</p>	<p>Susan Zaleski Bureau of Ocean Energy Management Pacific OCS Region Office of Environment 770 Paseo Camarillo Camarillo, CA 93010-6064</p> <p>Phone: (805) 389-7558 Fax: (805) 389-7874 email: CarpinteriaRedevelopment@mrsenv.com</p>
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Before including your address, telephone number, email address or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made publicly available at any time (including in the EIR/EIS and posted on the Internet). Please note that requests to withhold personal identifying information should be made prominently at the beginning of your submission. While you may ask CSLC/BOEM to withhold your personal identifying information from public review, CSLC/BOEM cannot guarantee that it will be able to do so. The CSLC/BOEM will make available for inspection, in their entirety, all comments submitted by organizations or businesses or by individuals identifying themselves as representatives of organizations or businesses.

If you would like a copy of the NOP/NOI, please contact either of the above agencies. Copies of this NOP/NOI will also be available on the CSLC web page at www.slc.ca.gov (under the “Information” tab and “CEQA Updates” link) and on BOEM web page at <http://www.boem.gov/Carpinteria.aspx>

Pursuant to California Code of Regulations, Title 14, §15083, two public scoping meetings will be conducted for the proposed project to receive oral and/or written testimony at the times and place listed below:

DATE: Thursday, January 19, 2012
TIME: 1:00 – 3:00 p.m. and 5:00 – 7:00 p.m. PST
LOCATION: Carpinteria City Council Chambers
5775 Carpinteria Avenue
Carpinteria, California 93013-2697
Telephone: (805) 684-5405

A sign language interpreter will be provided upon advance notification of need. Such notification should be made as soon as possible prior to date of the scoping meetings. If you need reasonable accommodation for a disability, as defined by the Federal Americans with Disabilities Act and the California Fair Employment and Housing Act, to conduct business with CSLC and BOEM staff conducting the scoping meetings, please contact Cy Oggins at (916) 574-1880 or Susan Zaleski at (805) 389-7558 at least 7 days in advance of the scoping meetings to arrange for such accommodation.

Scope of the EIR/EIS

The EIR/EIS for Carpinteria Offshore Field Redevelopment Project will discuss, among other issues: the purpose and need for the project, project alternatives including the no action/no project alternative, the affected environment/baseline, the environmental impacts of the proposed project and alternatives, and proposed mitigation measures. The EIR/EIS will assess the impacts of the project and alternatives on the environment, including approving or not approving (no action/no project alternative) the state lease and the federal approval to construct and operate the project. Environmental issues that may require detailed analysis include, but are not necessarily limited to the following.

- **Air Quality and Greenhouse Gas (GHG) Emissions** - potential for onshore and offshore construction and operation emission impacts on regional air quality, potential health risks from increased air pollutant emissions, potential impacts of GHG emissions.
- **Marine/Coastal Resources** - potential for oil spills, gas leaks or other upsets associated with drilling and/or transport of oil and gas that would significantly affect marine resources; potential for produced water discharges from Platform Hogan to impact water quality, sediment quality and marine resources. The EIR/EIS will: (a) include an oil spill trajectory analysis, (b) evaluate potential impacts to Essential Fish Habitat, threatened and endangered species, marine protected areas, refuges, preserves and marine sanctuaries and local estuaries, (c) evaluate secondary impacts to commercial and recreational fisheries, (d) analyze potential noise, vibration and lighting impacts on marine mammals and birds, (e) analyze the potential for entrainment and/or impingement of marine species due to any pumping and processing of seawater at Platform Hogan, and (f) analyze the effects of vessel traffic creating a potential for an encounter with marine mammals and sea turtles.
- **Geological Resources** - potential for increasing geological impacts from seismic activity, landslides and tsunamis on the proposed facilities.
- **Public Health and Safety** - potential discharge of hazardous materials (e.g., oil field chemicals commonly used during the production of oil and natural gas) and oil into the environment, the potential for an accident/explosion and the potential for a worst case discharge spill scenario. Issues associated with the ageing infrastructure of the existing facilities will also be evaluated.
- **Energy Resources** - potential for the proposed project to impact state energy resources, restrictions on the future availability of exploitable oil and gas resources, as well as the beneficial impacts of additional energy supply.
- **Aesthetics** - The facilities associated with the proposed project are already part of the visual baseline. However, it is possible that the project could result in an increased probability of an oil spill, with potential impacts of an oil spill on aesthetics and visual resources.
- **Recreational Resources and Tourism** - potential for the proposed project to impact recreational resources in the area and potential impacts on regional tourism. The project area provides substantial recreational opportunities, and local economies are highly dependent on recreation-related businesses.
- **Other Issues: Environmental Justice** - focus on whether the proposed project would have the potential to disproportionately affect area(s) of high-minority population(s) and low-income communities disproportionately.

Issue Areas Determined to Have No Significant Impacts Due to the Project

Based on a preliminary review, the proposed project/action would have a less than significant impact or no impact on the following environmental issue areas: Agricultural Resources, Cultural Resources, Onshore Hydrology and Water Resources, Land Use and Planning, Mineral

Resources, Onshore Community Noise, Population and Housing, Public Services, Transportation and Traffic, and Utilities and Service Systems. The proposed project will also have no impact on military operations in the region. The primary reasons for this preliminary determination are as follows:

- The project would use the existing infrastructure associated with the development of Federal Lease OCS-P 0166.
- The proposed project-related activities are similar to current activities associated with the development of the federal lease, and proposed modifications to the existing equipment will not affect the issue areas identified above.
- State lease redevelopment would not extend the life of the platform or processing facility due to ongoing, concurrent development opportunities on the federal lease. If the proposed project were to be denied, both the platform and the processing facility would remain in place.

Special Impact Areas

Cumulative Impacts - The cumulative analysis in the EIR/EIS will cover past, present and reasonably foreseeable activities in the area of the proposed project.

Growth-Inducing Impacts - CEQA requires a discussion of the ways in which a proposed project could be an inducement to growth. The State CEQA Guidelines, section 15126.2, subdivision (d) identify a project to be growth-inducing if it fosters or removes obstacles to economic or population growth, provides new employment, extends access or services, taxes existing services or causes development elsewhere. The EIR/EIS will contain a discussion of potential growth-inducing impacts of the proposed project.

Irreversible/Irretrievable Commitment of Resources - The EIR/EIS will discuss the development of oil and gas resources in relation to the commitment of these resources.

Alternatives

Alternatives will include (1) the proposed project/Action of drilling up to 25 wells from Federal Platform Hogan to develop resources in California State Leases PRC-4000, PRC-7911 and PRC-3133, (2) No Project/Action, (3) accessing the oil and gas resources in the state leases from a new platform in state waters or using subsea completions, and (4) accessing the oil and gas resources in the state leases by drilling from one of several locations onshore. Other possible alternatives may arise from the scoping process and may include variations on the proposed action.

Attachment 1- Proposed Project Location

