

 <p>air pollution control district SANTA BARBARA COUNTY</p>	Case No / Date	2021-04-M5	07/02/2025
	Petitioner	DCOR, LLC.	
	Permit #	9109-R5	
	Date Rec'd	05/28/2024	
	Time Rec'd	1012 hours	
	FOR OFFICIAL USE ONLY		

BEFORE THE HEARING BOARD OF THE SANTA BARBARA COUNTY AIR POLLUTION CONTROL DISTRICT

In the Matter of the Application of)
 DCOR, LLC for a Modification of)
 Regular Variance from 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.)
)

H.B. Case No. 2021-04-M5

VARIANCE FINDINGS

AND ORDER

DCOR, LLC (Petitioner) filed a Petition for a Modification of Regular Variance and Modification of Final Compliance Date of Regular Variance 2021-04-M4 on May 28, 2025. A hearing of the Modification of Regular Variance and Modification of Final Compliance Date was held on July 2, 2025, in accordance with Health and Safety Code section 40808. Heather Carreno represented the Petitioner, and Aimee Long and Kaitlin McNally 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.

HISTORICAL BACKGROUND

1. On July 3, 2024, the Hearing Board granted Variance Order 2021-04-M4, which provides relief through July 29, 2025, or the date compliance is achieved whichever comes first.
2. The Petitioner operates the equipment described in the Petition at Platform Houchin located on offshore lease tract OCS-P-0166, approximately 7 miles southeast from the City of Santa Barbara, California.
3. 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).
4. 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.
5. 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.
6. 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.
7. On November 6, 2020, BSEE issued an Order to the 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.
8. 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.

9. Pending a decision by the IBLA on the appeal of the Order, on November 29, 2020, BSEE, BOEM, and the Order Recipients executed a Partial Stay Agreement, effective upon execution and continuing until the Order Recipients' appeal(s) to the IBLA is or are fully and finally resolved (Appeal Resolution). The Partial Stay Agreement requires the former lease holders to perform certain maintenance and monitoring activities reasonably necessary 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 Partial Stay Agreement in February 2021. The parties now await the IBLA's decision.
10. The Partial Stay Agreement does not include implementation of a comprehensive well intervention program because the "owner or operator" of the Lease is under appeal. A comprehensive well intervention program is necessary to address the ongoing fugitive leaks due to the state of disrepair of the wells and associated piping. Repair of the fugitive leaks involves intrusive access and operation of the wells and its related equipment.
11. On November 6, 2020, ConocoPhillips notified Beacon West Energy Group, LLC they could begin platform "maintenance and monitoring" work under the Partial Stay Agreement. During the evaluation process, it was discovered the platforms are significantly deteriorated causing safety concerns. Before the decommissioning process can begin, platform safety concerns need to be addressed.
12. In a June 5, 2023 letter from BSEE 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, and 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 former lease holders 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. In 2024, BSEE confirmed 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 former lease holders do 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, BSEE confirmed there are no other responsible parties available to conduct this fugitive leak repair work.

14. On July 3, 2024, Variance Order 2021-04-M4, 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-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.
15. The parties are still awaiting the IBLA's decision on the legal liability for decommissioning of the facility and upholding the Partial Stay Agreement to perform certain maintenance and monitoring activities, maintain safety and environmental protection and to preserve the lease assets for decommissioning.

RECENT ACTIVITIES

1. During the variance period covered by Regular Variance 2021-04-M4 (July 2024 through July 2025), the following was accomplished:
 - a. Installed the Portable Nautilus 280 B craned and commissioned on pipe rack skid rails.
 - b. Initiated flushing, purging and cleaning out former production vessels to remove residual hydrocarbons and potential emission sources.
 - c. Initiated repairs/upgrades to the firewater and detection systems.
 - d. Removed marine growth from jacket legs and conducted underwater structural inspection on jacket to ensure infrastructure integrity.
 - e. Continued to address Level 1 repairs for decking, coating, grating replacements, hatch covers, stairways and railings as possible with available equipment.
 - f. Completed well remediation analysis and evaluation.
 - g. Repaired the platform helideck and converted it to a medivac hoisting location for medical emergencies.
 - h. Removed the existing rig, BOP and substructure to make room for future equipment.
2. On May 8, 2025, the District received an application to add DCOR, LLC (Petitioner) as an additional operator on the permit, since they were contracted to continue the monitoring and maintenance activities necessary to ensure a safe working environment for the plugging and abandonment (P&A) activities. As a result, DCOR, LLC submitted the Petition for the continued relief at the facility.
3. The Petitioner, on behalf of one or more former lease holders, will move forward with the P&A operations once the platform is physically capable of accepting a well rig. In addition, P&A activities on Platform Houchin cannot commence until the P&A is completed on Platform Hogan.
4. Beacon West Energy Group, LLC, the previous Petitioner, will continue to complete platform modifications, repairs and maintenance to prepare for future P&A activities.

5. Because Platform Houchin was in worse condition, compared to Platform Hogan, there are significant repairs remaining. The Petitioner estimates the facility repairs and upgrades necessary for safe conditions for decommissioning activities to occur may take up to a year or more.
6. The following safety items need to be completed in order for the Platform to be physically capable of accepting a well rig necessary for the P&A process:
 - a. Complete the firewater and detection system upgrades.
 - b. Complete the Level 1 repairs on decking, coating, grating replacement, hatch cover installation, stairway and railings in number locations.
 - c. Remove the remaining components from the previous rig, including mud pumps and SCR house.
 - d. Remove the Manitowoc from the pedestal to eliminate crane operation obstructions and safety/environmental hazards.
 - e. Complete the flushing, purging and cleaning of former production vessels and headers of residual hydrocarbons.
 - f. Remove of production piping from the well bay.
 - g. Refurbishment and repairs to the emergency generator components and switching systems.
 - h. Install new potable water system.
 - i. Install new marine sanitation system.
 - j. Engineer, design and construction of structural, electrical and safety systems repairs/upgrades to support installation and operation of new living quarters.
 - k. Remove uninhabitable existing buildings.
 - l. Define lighting requirements to support 24/7 operations and complete required repairs and upgrades.
7. The new living quarters and associated P&A equipment will be transferred to Platform Houchin, once the P&A process is complete on Platform Hogan.
8. The Petitioner will consider options to safely resolve fugitive emissions ahead of completion of a full P&A Program, in parallel to the necessary work, which is expected to take the duration of the variance period.
9. The Petitioner will implement anything learned during the P&A process on Platform Hogan to Platform Houchin. This includes eliminating fugitive emissions from Platform Houchin without a rig, ahead of P&A activities, where safely feasible.
10. The P&A operations cannot be conducted simultaneously on Platforms Hogan and Houchin, even if Platform Houchin was physically capable of accepting a well rig, due to the specialty equipment associated with the P&A process.

11. Once the Platform is physically capable of accepting a well rig, the P&A of the existing 35 wells is anticipated to take 1 – 2 years to complete.
12. 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.
13. 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 Regular Variance and Modification of Final Compliance Date of Regular Variance 2024-04-M4, to perform work to make the platform safe and physically capable of accepting a well rig in preparation for the P&A process.

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 9109-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.

The conditions beyond the reasonable control of the Petitioner are that a well rig is absolutely necessary to repair the fugitive leaks in the well bay on Platform Houchin, and currently it is not physically possible to accept a well rig and conduct P&A work at the platform. However, as soon as the specialty P&A equipment is finished at Platform Hogan and Platform Houchin is physically capable of accepting a well rig and having P&A work conducted, that work will commence to repair the fugitive leaks.

Regarding the arbitrary or unreasonable taking of property, District Rule 201 (Permits Required) “applies to any person who builds, erects, alters, replaces, operates or uses any article, machine, equipment, or other contrivance which may cause the issuance of air contaminants”. As a result, the Petitioner operates the facility under District Permit, Part 70 Permit to Operate 9109-R5. Without Part 70 Permit to Operate 9109-R5, the Petitioner would be in violation of District Rule 201.

Pursuant to California Health and Safety Code Section 42307, the Air Pollution Control Officer (APCO) may petition the Hearing Board to determine whether a permit should be revoked, if the APCO finds the permit holder is in violation any applicable order, rule, or regulation of the District or any applicable provision of this division.

Without variance coverage, the Petitioner would be in violation and therefore subject to permit revocation. A permit to operate is needed to operate the equipment located at the Petitioner's facility (e.g., cranes, flare, etc.) and for ancillary equipment (e.g., supply boats). Therefore, requiring compliance 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 lease holders 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 Houchin 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 emission, if any, will be calculated and reported using the correlation equation.

THEREFORE, THE HEARING BOARD ORDERS, as follows:

That a Modification of Regular Variance and Modification of Final Compliance Date of Regular Variance 2021-04-M4 be granted for the 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 9109-R5 Conditions 9.C.2.a, 9.C.2.b.i and 9.C.2.b.ii from July 30, 2025 through December 31, 2027, or the date compliance is achieved, whichever occurs first, with the following conditions:

1. The Petitioner shall meet the following Increments of Progress:
 - a. Complete removal of remaining components associated with the inoperable rig (mud pumps, SCR house, etc.) by October 31, 2025.
 - b. Remove Manitowoc from pedestal by November 30, 2025.
 - c. Complete flushing, purging and cleaning of former production vessels and headers of residual hydrocarbons to eliminate potential emissions source locations by November 30, 2025.
 - d. Define lighting requirements to support 24/7 operations and complete required repairs and upgrades by January 31, 2026.
 - e. Remove production piping from the well bay by March 31, 2026.
 - f. Complete all other work necessary for Platform Houchin to be physically capable of accepting a well rig by December 31, 2027.
2. The Petitioner shall submit monthly written reports to the Hearing Board and District, to variance@sbcapcd.org, starting on August 15, 2025, and on the 15th of every month for the duration of variance coverage. 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. Fugitive emissions inspection log records specified in District Rule 331.G.4 (Fugitive Emissions Inspection and Maintenance – Recordkeeping and Reporting section).
 - e. List of actions completed during the past month.

- f. List of actions to be taken in the next month.
 - g. 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.
 - h. Monthly excess emissions, if any, calculated in lbs. and tons of ROCs by using the correlation equation.
- 3. The Petitioner shall submit a written summary report to the Hearing Board and District, to variance@sbcapcd.org, by January 15, 2027, 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 Houchin with respect to compliance with this variance and the District Operating Permit 9109-R5, and any reevaluations thereof.
 - 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. The 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