



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: PC 17-101, **Version:** 1

PLN160146 - PORTER ESTATES COMPANY BRADLEY RANCH LLC (TRIO PETROLEUM)

Public hearing to consider approval of a Use Permit to allow temporary production testing for oil and gas at four (4) sites in the Hames Valley.

Project Location: Hames Valley, Bradley

Proposed CEQA Action: Adopt Mitigated Negative Declaration

RECOMMENDATION:

It is recommended that the Planning Commission:

- 1) Adopt the Mitigated Negative Declaration;
- 2) Approve a Use Permit to allow temporary production testing for oil and gas at four (4) sites in the Hames Valley; and
- 3) Adopt the Mitigation Monitoring and Reporting Program.

The attached resolution includes findings and evidence for consideration (**Exhibit B**). Staff recommends approval subject to 39 conditions of approval including 14 mitigation measures.

PROJECT INFORMATION:

Agent: Steven A. Rowlee, President

Applicant: Trio Petroleum

Property Owner: Porter Estates Company Bradley Ranch LLC

APNs: 424-081-046-000, 424-081-050-000, 424-111-001-000, 424-081-084-000

Zoning: F/40 and PG [Farming 40 acres per unit and Permanent Grazing]

Plan Area: South County Area Plan

Flagged and Staked: No

SUMMARY/DISCUSSION:

Project Overview

The proposed project includes site preparation, drilling, and production testing (exploration) for oil and gas at four new well sites in Hames Valley (HV). The project is an exploratory effort to assist the applicant in determining whether oil is available in commercial quantities at the project location. Potential future production wells would be subject to additional environmental review and permitting.

The project would involve construction of four exploratory well sites (Hames Valley [HV] #1, #2, #3, and #4, see Figure 2 in Exhibit F) to drill, and production test one exploratory oil and gas well at each proposed site. The project site includes four parcels (424-081-046-000, 424-081-050-000, 424-111-001-000, 424-081-084-000); one well site would be located on each parcel. The depth of each test well would reach between 4,000 to 6,500 feet. No hydraulic fracturing or enhanced oil recovery is proposed.

Well site HV #2 does not have an existing access road so the project also includes construction of a 0.2-mile long access road to the well site from an existing driveway and farm access road near Nacimiento Lake Drive. The other well sites would be accessed via existing agriculture and ranch access roads. Table 1 below includes the total area for each well site and the total acreage for all four well sites.

Table 1 Project Disturbance Area

Well Site	Area (acres)
HV # 1	1.0
HV # 2	2.2 ¹
HV # 3	1.1
HV # 4	1.5
Total	5.8

¹Includes 0.5 acre of access route construction.

Each well site would contain a 105 foot-tall drilling rig with a mud pit, mud pump, pipe trailer, drawworks, water and fuel tank, generator house, pipe rack area, dog house, cat walk, 500-gallon fresh water tank, diesel tank, and tool house.

Construction and Testing. The project would involve the drilling and production testing of up to four wells. One well would be drilled at a time. The Use Permit would expire 18 months from the date construction is started on the fourth and final well. Each of the three other wells may not be tested more than 18 months from the date that construction is started on the well. Testing of each site could last for up to 18 months, such that all four wells could potentially be tested at the same time. Drilling of the first well is anticipated to start shortly after permit approval and condition compliance.

Site Preparation. Site preparation would include clearing of grasses and other vegetation, minor grading, and compaction. No trees would be removed at any site and existing drainage patterns would be maintained. An earthen berm would be constructed around the perimeter of each well site to ensure that any unintended fluid discharge during drilling or production testing is confined within the well site. The earthen berm at each site would be approximately 1.5 feet tall and located around the exterior limits of each site, with smaller berms as necessary around all tanks and separating facilities. Where appropriate, material rolls would also be laid around the footprint of specific facilities within each well site. Site preparation, which would occur during the summer, would require four to seven days to complete for each site. An erosion control plan has been prepared for each well site to control sedimentation associated with project construction. All grading, erosion control, and site preparation activities would be performed in accordance with applicable federal, State and local regulations.

Drilling Phase. The drilling phase for each proposed well would last approximately 19 days with drilling activity occurring 24 hours a day. A 105-foot tall drilling rig and temporary facilities, such as crew support trailers and portables generators, would be brought in for drilling. Portable lighting would be used only as needed during drilling. Hazardous materials common to drilling operations, including diesel fuel, motor oil, transmission oil, and nitrogen, would be used and stored on site according to applicable Federal, State, and local regulations.

Production Testing Phase. The project would include production testing (exploration) for oil and gas 24 hours a day. Set up of the temporary tanks and pumping unit would take approximately two to three days. Production testing operations for each well may require up to 12 months, with the option to test for an additional six months. Once the target depth of each well is reached, it would be tested and evaluated to determine whether to place the well in production or plug and abandon the well. Initially a production rig would be moved on site to complete the well and prepare for production testing. The rig would operate 10 hours a day for five days.

During production testing, briny water (produced water) and oil will be recovered. Separated crude oil and produced water would be stored on site in four to six 500-barrel portable, enclosed steel tanks for transportation to off-site facilities. An acid wash may be used during production testing and disposed of at a licensed

hazardous waste facility.

Project Issues

Monterey County issues use permits to allow exploration for oil and gas. These entitlements allow the drilling of test wells that will be used for production testing to determine if the well can produce commercial quantities of oil and gas. The permit is conditioned to expire 18 months from the date that construction is started on the fourth and final well. Each of the three other wells may not be tested more than 18 months from the date that construction is started on the well. If it is certain the well will not produce commercial quantities of oil and gas, it will be abandoned and restored to the sites predevelopment state. Therefore, each well may not be tested for more than 18 months.

Exploration for oil and gas. Any long-term production would require subsequent environmental review and permitting by federal, State, and local agencies, including a use permit from the County. Additionally, the citizen-sponsored initiative, Measure Z, was passed in November 2016. Measure Z amends the Monterey County General Plan to: (1) prohibit the use of land within the County's unincorporated (non-city) areas for hydraulic fracturing treatments ("fracking"), acid well stimulation treatments, and other well stimulation treatments; (2) prohibit new and phase out existing land uses that utilize oil and gas wastewater injection and impoundment; and (3) prohibit the drilling of new oil and gas wells in the County's unincorporated areas. Measure Z makes similar amendments to the Fort Ord Master Plan and Local Coastal Program, if certified respectively by the Fort Ord Reuse Authority and California Coastal Commission. Litigation challenging Measure Z is currently pending, and Measure Z's effective date is currently stayed. Accordingly, at present, Measure Z does not prohibit the County from processing and approving this use permit for exploratory wells. However, the stay can be lifted by order of the Monterey County Superior Court or with six months' notice from the County of Monterey. If the stay is lifted and if Measure Z is upheld, Measure Z may impact the applicant's ability to drill new wells, convert the exploratory wells to production wells, or may otherwise limit or curtail the potential production at the exploratory test well sites, or other regional sites. Potential future well operations would continue to be regulated by the State of California, Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR), as well as subject to permitting pursuant to the Monterey County Code, and local land use authority, including Measure Z.

Recommended Conditions of Approval

The recommended conditions (Conditions 34, 35 and 36, **Exhibit B**) indicate that the Use Permit shall expire 18 months from the date that construction is started on the fourth and final well. Each of the three other wells may not be tested more than 18 months from the date that construction is started on the well. If the applicant does find commercial quantities of oil, the applicant would be required to apply for a subsequent use permit to develop the site for full oil production, which would require further environmental review and may or may not be allowable, depending upon the status of Measure Z. Should the owner/applicant not obtain a subsequent Use Permit for full production of oil and gas, all wells must be abandoned, all temporary facilities must be removed, and the sites must be restored to their predevelopment state as permanent grazing/non-native grasslands. A performance bond or security in the amount of 100% of the estimated cost of well abandonment and site restoration must be submitted to the County prior to commencement of use.

The recommended conditions also require the applicant to submit and maintain an up-to-date Business Response Plan and ensure the maintenance of above ground storage tanks and the disposal of hazardous waste, including compliance with state and federal regulations related to handling of production fluids. Additionally, the applicant will be required to adhere to state and local standards for grading, erosion control, and geological hazards.

CEQA

An Initial Study-Mitigated Negative Declaration was prepared for the project that considered the project and the reasonably foreseeable impacts of long term production, if commercially viable quantities of oil and gas were found at the site. The following environmental factors were analyzed: aesthetics, agricultural and forest resources, air quality, biological resources, cultural resources, geology/soils, greenhouse gas emissions, hazards/hazardous materials, hydrology/water quality, land use/planning, mineral resources, noise, population/housing, public services, recreation, transportation/traffic, tribal cultural resources, utilities/services systems. Evaluation of these impacts resulted in the determination that, with the exception of air quality and biological resources, the project as proposed would not result in significant impacts to any of the analyzed environmental factors. Conditions of approval have been incorporated into the project requiring the applicant to enter into a mitigation monitoring and reporting program for the implementation of 14 mitigation measures. These mitigation measures require the applicant to use EPA Tier 4 construction equipment, comply with Monterey Bay Air Resources District (MBARD) Best Management Practices, consult with MBARD regarding the use of portable engines, register portable engines with MBARD, provide a Worker Environmental Awareness Program materials and training to all employees onsite, conduct pre-construction surveys to ensure no special-status species are in the project vicinity, protect trees, implement work area delineation and/or flagging, implement avoidance and minimization measures for San Joaquin kit fox, American badger, and special-status bat species, removal of micro-trash, relocation of reptiles out of the work area, and implementation of condor best management practices.

Comments received on the IS-MND

MBARD provided three comments on the project, none of which change staff's analysis of the project. The comment letter includes suggestions to rename the reference to the Air Quality Management Plan, request to apply Best Management Practices to reduce air quality, and request to consult the MBARD Compliance Division regarding portable engines. Suggestions regarding nomenclature were incorporated into the IS-MND and Mitigation Measure AQ-2 was added requiring consultation and registration with MBARD for use of portable engines. MBARD Best Management Practices were added as Mitigation Measure AQ-3 to reduce air quality emissions. Addition of Mitigation Measures AQ-2 and AQ-3 to the IS-MND would not change the project air quality findings because air quality construction impacts were already determined to be less than significant with mitigation. As stated in Section 15073.5(c) of the *State CEQA Guidelines*, measures or conditions of project approval may be added to an IS-MND after circulation if they are not required by CEQA, do not create new significant environmental effects, and are not necessary to mitigate an avoidable significant effect. Mitigation Measures AQ-2 and AQ-3 entail construction BMPs and consultation requested by MBARD and meets the requirements of Section 15073.5(c).

Recommendation

Staff recommends that the Planning Commission adopt the IS-MND and Mitigated Monitoring and Reporting Program (MMRP), and approve the use permit for temporary production testing, subject to the conditions of approval in **Exhibit B**, to allow production testing for oil and gas at four sites in the Hames Valley.

OTHER AGENCY INVOLVEMENT:

The following agencies and departments reviewed this project:

Environmental Health Bureau
RMA-Environmental Services

Conditions recommended by RMA-Planning, RMA-Environmental Services, and the Environmental Health Bureau have been incorporated into the Compliance/Mitigation Monitoring and Reporting Program attached to

the draft resolution (**Exhibit B**).

The proposed project was referred by the South County Land Use Advisory Committee (LUAC) on July 20, 2016. The LUAC voted 5-1-0-0 to recommend approval of the project. (**Exhibit C**). One member expressed concerns relative to petroleum projects instead of supporting renewable energy projects in the County.

Prepared by: Bob Schubert, Senior Planner x5183

Reviewed by: Brandon Swanson, RMA Planning Services Manager

Approved by: John M. Dugan, RMA Deputy Director
Carl P. Holm, AICP, RMA Director

The following attachments are on file with the RMA:

Exhibit A - Project Data Sheet

Exhibit B - Draft Resolution, including:

- Conditions of Approval and Mitigation Monitoring and Reporting Program
- Site Plans and Elevations

Exhibit C - LUAC Minutes

Exhibit D - Project Location

Exhibit E - Initial Study/Mitigated Negative Declaration

Exhibit F - Biological Assessment

Exhibit G - Comments on Mitigated Negative Declaration

cc: Front Counter Copy; Cal Fire South County Fire Protection District; RMA-Public Works Department; RMA-Environmental Services; Environmental Health Bureau; Water Resources Agency; Brandon Swanson, RMA Planning Manager; Porter Estate Company Bradley Ranch LLC, Owner; The Open Monterey Project (Molly Erickson); LandWatch (Amy White); John H. Farrow; Janet Brennan; Project File PLN160146