



Permit to Operate 08240 - 01

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EQUIPMENT OWNER:

Pacific Coast Energy Company LP

300000

EQUIPMENT OPERATOR:

Pacific Coast Energy Company LP

EQUIPMENT LOCATION:

Newlove Lease, Orcutt Hill Oilfield, Santa Barbara County, California

STATIONARY SOURCE/FACILITY:

Pacific Coast Energy Company- Orcutt Hill
Newlove Lease

SSID: 02667
FID: 03321

AUTHORIZED MODIFICATION:

Revise PTO 8240-R8 Condition C.7.(c).ix to require gas sampling at the gas blending skid only. Gas samples were originally required to be obtained immediately upstream of each steam generator at the Newlove Lease. With the installation of the gas blending skid, all produced gas is blended at the skid and sent directly to each steam generator. This is a sampling point change and does not affect emissions.

EQUIPMENT DESCRIPTION:

The equipment subject to this permit is listed in the table at the end of this permit.

PROJECT/PROCESS DESCRIPTION:

Oil, water and gas are produced from one hundred thirty wells on the Newlove Lease. Ninety-six wells are produced without steam enhancement. Thirty-four wells are part of the Diatomite project, which uses steam injection to enhance oil production. Oil produced by the Diatomite project is not commingled with other oil produced from the lease.

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Well steaming for the Diatomite project consists of injecting steam into several wells in each pod for three to five days. The steam then "soaks" in the wells for one to two days before the wells are returned to production. While the first wells are soaking, steam injection is moved to the next set of wells in the pod. This process continues until all wells in the pod have been steamed, after which the cycle is repeated. A water polishing system provides water for the steam generators.

Crude oil production from the Diatomite project is sent to a tank farm, metered at a LACT unit and shipped from the lease via a pipeline. Produced gas is comingled with the Orcutt field gas, is compressed and distributed back to the field by the Orcutt Compressor Plant for fuel gas purposes.

CONDITIONS:

9.A Standard Administrative Conditions

The following federally-enforceable administrative permit conditions apply to the Newlove Lease:

A.1 Compliance with Permit Conditions.

- (a) The permittee shall comply with all permit conditions in Sections 9.A, 9.B and 9.C.
- (b) This permit does not convey property rights or exclusive privilege of any sort.
- (c) Any permit noncompliance constitutes a violation of the Clean Air Act and is grounds for enforcement action; for permit termination, revocation and re-issuance, or modification; or for denial of a permit renewal application.
- (d) It shall not be a defense for the permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.
- (e) A pending permit action or notification of anticipated noncompliance does not stay any permit condition.
- (f) Within a reasonable time period, the permittee shall furnish any information requested by the Control Officer, in writing, for the purpose of determining:
 - (i) compliance with the permit, or whether or not cause exists to modify, revoke and reissue, or terminate a permit or for an enforcement action. [Re: 40 CFR Part 70.6, District Rules 1303.D.1]
- (g) In the event that any condition herein is determined to be in conflict with any other condition contained herein, then, if principles of law do not provide to the contrary, the

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condition most protective of air quality and public health and safety shall prevail to the extent feasible.

- A.2 **Emergency Provisions.** The permittee shall comply with the requirements of the District, Rule 505 (Upset/Breakdown rule) and/or District Rule 1303.F, whichever is applicable to the emergency situation. In order to maintain an affirmative defense under Rule 1303.F, the permittee shall provide the District, in writing, a “notice of emergency” within 2 days of the emergency. The “notice of emergency” shall contain the information/documentation listed in Sections (1) through (5) of Rule 1303.F. [*Re: 40 CFR 70.6, District Rule 1303.F*]
- A.3 **Compliance Plan.**
- (a) The permittee shall comply with all federally-enforceable requirements that become applicable during the permit term, in a timely manner, as identified in the Compliance Plan.
 - (b) For all applicable equipment, the permittee shall implement and comply with any specific compliance plan required under any federally-enforceable rules or standards. [*Re: District Rule 1302.D.2*]
- A.4 **Right of Entry.** The Regional Administrator of USEPA, the Control Officer, or their authorized representatives, upon the presentation of credentials, shall be permitted to enter upon the premises where a Part 70 Source is located or where records must be kept:
- (a) To inspect the stationary source, including monitoring and control equipment, work practices, operations, and emission-related activity;
 - (b) To inspect and duplicate, at reasonable times, records required by this Permit to Operate;
 - (c) To sample substances or monitor emissions from the source or assess other parameters to assure compliance with the permit or applicable requirements, at reasonable times. Monitoring of emissions can include source testing. [*Re: District Rule 1303.D.2*]
- A.5 **Permit Life.** The Part 70 permit shall become invalid three years from the date of issuance unless a timely and complete renewal application is submitted to the District. Any operation of the source to which this Part 70 permit is issued beyond the expiration date of this Part 70 permit and without a valid Part 70 operating permit (or a complete Part 70 permit renewal application) shall be a violation of the CAAA, § 502(a) and 503(d) and of the District rules.

The permittee shall apply for renewal of the Part 70 permit not later than 6-months before the date of the permit expiration. Upon submittal of a timely and complete renewal application, the Part 70 permit shall remain in effect until the Control Officer issues or denies the renewal application. [*Re: District Rule 1304.D.1*]

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- A.6 **Payment of Fees.** The permittee shall reimburse the District for all its Part 70 permit processing and compliance expenses for the stationary source on a timely basis. Failure to reimburse on a timely basis shall be a violation of this permit and of applicable requirements and can result in forfeiture of the Part 70 permit. Operation without a Part 70 permit subjects the source to potential enforcement action by the District and the USEPA pursuant to section 502(a) of the Clean Air Act. [*Re: District Rules 1303.D.1 and 1304.D.11, 40 CFR 70.6*]
- A.7 **Prompt Reporting of Deviations.** The permittee shall submit a written report to the District documenting each and every deviation from the requirements of this permit or any applicable federal requirements within 7 days after discovery of the violation, but not later than 180-days after the date of occurrence. The report shall clearly document 1) the probable cause and extent of the deviation, 2) equipment involved, 3) the quantity of excess pollutant emissions, if any, and 4) actions taken to correct the deviation. The requirements of this condition shall not apply to deviations reported to District in accordance with Rule 505. *Breakdown Conditions*, or Rule 1303.F *Emergency Provisions*. [District Rule 1303.D.1, 40 CFR 70.6(a) (3)]
- A.8 **Reporting Requirements/Compliance Certification.** The permittee shall submit compliance certification reports to the USEPA and the Control Officer every six months. These reports shall be submitted on District forms and shall identify each applicable requirement/condition of the permit, the compliance status with each requirement/condition, the monitoring methods used to determine compliance, whether the compliance was continuous or intermittent, and include detailed information on the occurrence and correction of any deviations (excluding emergency upsets) from permit requirement. The reporting periods shall be each half of the calendar year, e.g., January through June for the first half of the year. These reports shall be submitted by September 1 and March 1, respectively, each year. Supporting monitoring data shall be submitted in accordance with the "Semi-Annual Monitoring/Compliance Verification Report" condition in section 9.C. The permittee shall include a written statement from the responsible official, which certifies the truth, accuracy, and completeness of the reports. [*Re: District Rules 1303.D.1, 1302.D.3, 1303.2.c*]
- A.9 **Federally-Enforceable Conditions.** Each federally-enforceable condition in this permit shall be enforceable by the USEPA and members of the public. None of the conditions in the District-only enforceable section of this permit are federally-enforceable or subject to the public/USEPA review. [*Re: CAAA, § 502(b)(6), 40 CFR 70.6*]
- A.10 **Recordkeeping Requirements.** Records of required monitoring information shall include the following:
- (a) The date, place as defined in the permit, and time of sampling or measurements;
 - (b) The date(s) analyses were performed;
 - (c) The company or entity that performed the analyses;
 - (d) The analytical techniques or methods used;
 - (e) The results of such analyses; and
 - (f) The operating conditions as existing at the time of sampling or measurement;

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The records (electronic or hard copy), as well as all supporting information including calibration and maintenance records, shall be maintained for a minimum of five (5) years from date of initial entry by the permittee and shall be made available to the District upon request. [Re: *District Rule 1303.D.1.f, 40CFR70.6(a)(3)(ii)(A)*]

- A.11 **Conditions for Permit Reopening.** The permit shall be reopened and revised for cause under any of the following circumstances:
- (a) **Additional Requirements:** If additional applicable requirements (e.g., NSPS or MACT) become applicable to the source which has an unexpired permit term of three (3) or more years, the permit shall be reopened. Such a reopening shall be completed no later than 18 months after promulgation of the applicable requirement. However, no such reopening is required if the effective date of the requirement is later than the date on which the permit is due to expire, unless the original permit or any of its terms and conditions has been extended. All such re-openings shall be initiated only after a 30-day notice of intent to reopen the permit has been provided to the permittee, except that a shorter notice may be given in case of an emergency.
 - (b) **Inaccurate Permit Provisions:** If the District or the USEPA determines that the permit contains a material mistake or that inaccurate statements were made in establishing the emission standards or other terms or conditions of the permit, the permit shall be reopened. Such re-openings shall be made as soon as practicable.
 - (c) **Applicable Requirement:** If the District or the USEPA determines that the permit must be revised or revoked to assure compliance with any applicable requirement including a federally-enforceable requirement, the permit shall be reopened. Such re-openings shall be made as soon as practicable.

Administrative procedures to reopen and revise/revoke/reissue a permit shall follow the same procedures as apply to initial permit issuance. Re-openings shall affect only those parts of the permit for which cause to reopen exists.

If a permit is reopened, the expiration date does not change. Thus, if the permit is reopened, and revised, then it will be reissued with the expiration date applicable to the re-opened permit. [Re: *40 CFR 70.7, 40 CFR 70.6*]

- A.12 **Grounds for Revocation.** Failure to abide by and faithfully comply with this permit or any Rule, Order, or Regulation may constitute grounds for the APCO to petition for permit revocation pursuant to California Health & Safety Code Section 42307 *et seq.*
- A.13 **Consistency with Analysis.** Operation under this permit shall be conducted consistent with all data, specifications and assumptions included with the application and supplements thereof (as

documented in the District's project file), and with the District's analyses under which this permit is issued as documented in the Permit Analyses prepared for and issued with the permit.

- A.14 **Compliance.** Nothing contained within this permit shall be construed to allow the violation of any local, State or Federal rule, regulation, ambient air quality standard or air quality increment.

9.B. Generic Conditions

The generic conditions listed below apply to all emission units, regardless of their category or emission rates. In case of a discrepancy between the wording of a condition and the applicable federal or District rule(s), the wording of the rule shall control.

- B.1 **Circumvention (Rule 301).** A person shall not build, erect, install, or use any article, machine, equipment or other contrivance, the use of which, without resulting in a reduction in the total release of air contaminants to the atmosphere, reduces or conceals an emission which would otherwise constitute a violation of Division 26 (Air Resources) of the Health and Safety Code of the State of California or of these Rules and Regulations. This Rule shall not apply to cases in which the only violation involved is of Section 41700 of the Health and Safety Code of the State of California, or of District Rule 303. [*Re: District Rule 301*]
- B.2 **Visible Emissions (Rule 302).** The permittee shall not discharge into the atmosphere from any single source of emission any air contaminants for a period or periods aggregating more than three minutes in any one hour which is:
- (a) As dark or darker in shade as that designated as No. 1 on the Ringlemann Chart, as published by the United States Bureau of Mines, or
 - (b) Of such opacity as to obscure an observer's view to a degree equal to or greater than does smoke described in subsection B.2.(a) above. [*Re: District Rule 302*]
- B.3 **Nuisance (Rule 303).** No pollutant emissions from any source at the permittee shall create nuisance conditions. Operations shall not endanger health, safety or comfort, nor shall they damage any property or business. [*Re: District Rule 303*]

9.C Requirements and Equipment Specific Conditions

NOTE: The conditions below revise the existing permit conditions in Part 70/APCD PTO 8240-R8 for Newlove Lease (issued June 2012). All conditions and tables in the Part 70/APCD PTO 8240-R8 for Newlove Lease not addressed in this PTO Mod 8240-01, remain intact and in full force.

- C.7 **Diatomite Project Equipment.** The following equipment are included in this emissions category:

Dev No	Equipment Name; Capacity, Size
109530	Steam Generator, 625. MMBtu/hr
109488	Crude Tank, 2100 bbls
109487	Wash Tank, 5480 bbls
109489	Reject Tank, 2100 bbls
109486	Produced Tank, 2800 bbls
109516	Valves, Connectors, Flanges, etc., 5995 comp
113481	Sand Bin
113482	Sand Bin

- (c) **Monitoring.** The permitted equipment is subject to the following monitoring requirements:
- ix. The H₂S concentration of the PUC utility gas blended with Orcutt Hill Field produced gas burned by the steam generator shall be measured weekly using detector tubes. In addition, sampling and lab analysis for total sulfur shall be conducted quarterly by ASTM 1072 or an alternative District-approved analysis method. Sampling shall occur at the gas blending skid.

D. APCD-Only Conditions

The following section lists permit conditions that are not enforceable by the USEPA or the public. However, these conditions are enforceable by the District and the State of California. These conditions are issued pursuant to APCD Rule 206 (*Conditional Approval of Authority to Construct or Permit to Operate*).

- D.1 **Permit Activation.** All aspects of this permit are enforceable by the District and the State of California upon the issuance date stamped below. The Part 70 aspects of this permit are not final until:
- (a) The USEPA has provided written comments to the District and these comments require no modification to this permit. The District will issue a letter stating that this permit is a final Part 70 permit. The effective date that this permit will be considered a final Part 70 permit will be the date stamped on the District's letter.
 - (b) After the USEPA has provided the District written comments that require a modification to this permit, the District will modify this permit to address the USEPA's comments and issue the Part 70 permit as final. The re-issued permit will supersede this permit in its entirety.

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- D.2. **Compliance.** Nothing contained within this permit shall be construed as allowing the violation of any local, state or federal rules, regulations, air quality standards or increments.
- D.3 **Grounds for Revocation.** Failure to abide by and faithfully comply with this permit or any Rule, Order, or Regulation may constitute grounds for revocation pursuant to California Health & Safety Code Section 42307 et seq.



AIR POLLUTION CONTROL OFFICER

MAR 18 2013

DATE

Attachment:

- Fee Statement

Notes:

- Reevaluation Due Date: June 1, 2013
- Stationary sources are subject to an annual emission fee (see Fee Schedule B-3 of Rule 210).
- Annual reports are due by March 1st of each year.

FEE STATEMENT

PTO No. 08240 - 01

FID: 03321 Newlove Lease / SSID: 02667



**Santa Barbara County
Air Pollution Control District**

Permit Fee

Admin Change

395.00

Fee Statement Grand Total = \$395

Notes:

- (1) Fee Schedule Items are listed in District Rule 210, Fee Schedule "A".
- (2) The term "Units" refers to the unit of measure defined in the Fee Schedule.



**Santa Barbara County
Air Pollution Control District**

MAR 18 2013

Certified Mail 7011 3500 0002 7299 1441
Return Receipt Requested

John Fox
Pacific Coast Energy Company LP
1555 Orcutt Hill Road
Orcutt, CA 93455

FID: 03321
Permit: PM 08240 - 01
SSID: 02667

Re: Final Permit to Operate 08240 - 01
Fee Due: \$ 395

Dear Mr. Fox:

Enclosed is the final Permit to Operate (PTO) No. 08240 - 01 for your modification to the gas sampling location at the Newlove Lease.

Please carefully review the enclosed documents to ensure that they accurately describe your facility and that the conditions are acceptable to you. Note that your permitted emission limits may, in the future, be used to determine emission fees.

You should become familiar with all District rules pertaining to your facility. This permit does not relieve you of any requirements to obtain authority or permits from other governmental agencies.

This permit requires you to:

- Pay a fee of \$395, which is due immediately and is considered late after 30 calendar days from the date stamped on the permit. Pursuant to District Rule 210.IV.B, no appeal shall be heard unless all fees have been paid. See the attached invoice for more information.

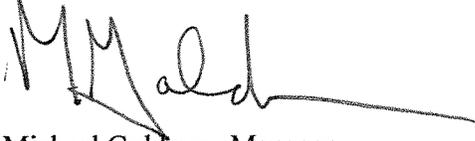
Follow the conditions listed on your permit. Pay careful attention to the recordkeeping and reporting requirements.

- Ensure that a copy of the enclosed permit is posted or kept readily available near the permitted equipment.
- Promptly report changes in ownership, operator, or your mailing address to the District.

If you are not satisfied with the conditions of this permit, **you have thirty (30) days from the date of this issuance to appeal this permit to the Air Pollution Control District Hearing Board** (ref: California Health and Safety Code, §42302.1). Any contact with District staff to discuss the terms of this permit will not stop or alter the 30-day appeal period.

Please include the facility identification (FID) and permit numbers as shown at the top of this letter on all correspondence regarding this permit. If you have any questions, please contact Brian Kato of my staff at (805) 961-8898.

Sincerely,

A handwritten signature in black ink, appearing to read "M Goldman", with a long horizontal flourish extending to the right.

Michael Goldman, Manager
Engineering Division

enc: Final PTO 08240 - 01
Final Permit Evaluation
Invoice # PM 08240 - 01
Air Toxics "Hot Spots" Fact Sheet District Form 12B

cc: Newlove Lease 03321 Project File
ECD Chron File
Accounting (Invoice only)
Brian Kato (Cover letter only)

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**Santa Barbara County
Air Pollution Control District**

260 N San Antonio Rd, Suite A
Santa Barbara, CA 93110-1315

Invoice: PM 08240 - 01
Date: **MAR 18 2013**
Terms: Net 30 Days

300000/6600/3280

INVOICE

BILL TO:

Accounts Payable
Pacific Coast Energy Company LP (103494)
600 Travis Street, Suite 4800
Houston, TX 77002

FACILITY:

Newlove Lease
03321

Permit: Permit to Operate (PTO) No. 08240 - 01

Fee Type: Permit Evaluation Fee (see the Fee Statement in your permit for a breakdown of the fees)

Amount Due: \$ 395

REMIT PAYMENTS TO THE ABOVE ADDRESS

Please indicate the invoice number PM 08240 - 01
on your remittance.

**IF YOU HAVE ANY QUESTIONS REGARDING YOUR INVOICE PLEASE CONTACT
OUR ADMINISTRATION DIVISION AT (805) 961-8800**

The District charges \$25 for returned checks. Other penalties/fees may be incurred as a result of returned checks and late payment (see District Rule 210). Failure to pay this Invoice may result in the cancellation or suspension of your permit. Please notify the District regarding any changes to the above information