

BEFORE THE HEARING BOARD  
OF THE  
VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT  
STATE OF CALIFORNIA

In the matter of the application of:

Carbon California Operating Company  
270 Quail Ct, Suite B  
Santa Paula, CA 93060

For a variance from:

Rule 29.C, Conditions on Permits –  
Violation of Condition 4

APCD Permit to Operate No. 990

Hearing Board Case No. 893

ORDER  
GRANTING  
REGULAR VARIANCE

Granted: July 31, 2024

Effective to: July 30, 2025

On April 25, 2024, PETITIONER CARBON CALIFORNIA OPERATING COMPANY (Carbon), filed with this Hearing Board petitions for Interim and Regular Variances pursuant to California Health and Safety Code Section 42350(a). On May 7, 2024, the Hearing Board granted Interim Variance Number 892, from the Air Pollution Control District (hereinafter "APCD" or the "District") Rule 29.C, Conditions on Permits – Violation of Permit to Operate (PO) No. 990, Condition 4, flare gas consumption totals.

Petitioner requests a regular variance to continue operating the permitted 262.5 MMBTU/hr Mactronic Waste Gas flare at the Sespe Compressor Plant with excess emissions of the flare gas consumption total until compliance is achieved. Notice of the application and hearing was given for at least 30 days.

On July 31, 2024, a hearing on the petition for regular variance was held. The District was represented by Mr. Keith A. Macias, Compliance Manager, and Mr. Edward Swede, Air Quality Engineer. The Petitioner was represented by Mr. Scott Price, President, Carbon, Mr. Luke Faith, Area Manager, Carbon, and Mr. Rob Dal Farra, Vice President, Sespe Consulting. All persons, including the public, were given the opportunity to give testimony or make comment.

The Hearing Board declared the hearing closed after receiving testimony and took the matter under submission for decision. The Hearing Board made the following findings of fact.

EQUIPMENT AND LOCATION

1. Petitioner is in the business of producing and separating crude oil and natural gas. Carbon's Sespe Field Leases are located north of the city of Fillmore in Ventura County, California.
2. The subject equipment consists of a 262.5 MMBTU/hr Mactronic Waste Gas flare at the Sespe Compressor Plant. The Operations at the Sespe Leases are authorized by PO No. 990. The total permitted flaring limits include emergency use of the flares. Emergency use is defined as disposal of process gases in the event of unavoidable process upsets.
3. Petitioner intends to come into compliance by the repair of the pipeline, bringing it back into full service, and meeting the 12-month flare gas consumption limit. The gas consumption limit is expected to take about six months of monthly gas consumption totals to meet the 12-month limit.

BACKGROUND

Carbon California operates the Sespe oil field, which is north of the city of Fillmore in Ventura County. Oil and natural gas are produced from oil and gas wells on-site and is shipped to the market via pipeline. There are two natural gas compressors that ship the gas through the pipeline. This pipeline runs down from the Sespe mountains and through the city of Fillmore.

Natural gas is a byproduct of crude oil production. Gas may be collected from oil wells and storage tanks, compressed, and sent to sales via a pipeline. When it is not possible to sell the natural gas, due to sales pipeline problems or electrical failure, the produced gas must be flared, or the entire facility must be shut down.

During June of 2023, one of the compressors sustained a major mechanical failure. From June 2023 until March 2024 the facility had one compressor operating. The Petitioner was able to sell approximately 65 percent of the field gas and was forced to flare the remainder. The Petitioner was confident that repairs of the non-operational compressor would be completed prior to reaching the permitted flaring limits in PO No. 990, Condition No. 4. The Petitioner completed the repair in March 2024, without exceeding the permitted flaring limits.

On March 29, 2024, the Petitioner's gas pipeline sustained major damage due to a landslide caused by flooding from the prolific rainfall that occurred in the area in the first few months of 2024. The Petitioner's pipeline was immediately shut down due to the damage and the Petitioner was forced to flare the entirety of the field gas until repairs could be completed.

On April 4, 2024, Petitioner reported a breakdown to the District due to the damage sustained to the pipeline to the Sespe oil fields from a landslide. The damaged pipeline services the entire oil field. It was shut down for safety and repairs to be performed. At that time the only option was to flare all of the field gas produced. This unavoidable process upset caused an exceedance of the permit limits.

On April 11, 2024, Carbon determined that the shutdown of the only pipeline available for the Sespe oil field leases caused the Petitioner to exceed the flare gas consumption limit at the Sespe Compressor Plant and applied for an emergency variance which was granted by the Chairman of this Board on April 11, 2024. Carbon must repair the pipeline before they can resume sale through the pipeline. Continuous compliance with the gas consumption limits in PO No. 990, Permit Condition No. 4 is not possible while the pipeline is shutdown. Carbon had no other alternative means to dispose of the produced gas. This Emergency Variance order was effective for 30 days or until a hearing for an interim variance could be held.

On May 7, 2024, a hearing on the petition for interim variance was held and the Hearing Board granted the variance, which was effective for 90 days or until a hearing for a regular variance could be held. The interim variance authorized the Petitioner to continue operating the Sespe leases while the pipeline was being repaired.

In order to come back into compliance with the flaring limit the Petitioner acted by replacing a section of the damaged pipeline. The Petitioner repaired the pipeline, bringing it back into full service on June 7, 2024. Shipping gas via the pipeline has resumed and the field gas no longer is required to be excessively flared. Under these full-service operational conditions, the monthly flare gas consumption limit will come into compliance over time. The Petitioner will continue to monitor flare gas consumption and report the flare gas consumption to the District pursuant to a schedule established by the District.

#### RULE REQUIREMENTS AND VIOLATIONS

The operations at the facility are subject to California statutes and District Rules and Regulations. The following District Rule and Permit Condition is applicable to this Regular Variance:

1. District Rule 29.C.2 – Violation of Permit Conditions - Any violation of the conditions of an Authority to Construct or a Permit to Operate issued pursuant to these Rules shall constitute a violation of these Rules. Any such violation is subject to the penalties provided for in Part 4 of Division 26 of the California Health and Safety Code.
2. PO No. 990, Condition No. 4 states: “Gas consumption at the 262.5 MMBTU/hr Mactronic Waste Gas flare at the Sespe Compressor Plant shall not exceed 234.0 million cubic feet per year. In order to demonstrate compliance with this condition, the permittee shall maintain monthly records of flare gas consumption. The monthly flare gas consumption shall be summed for the previous 12 months. Flare gas consumption totals for any of these 12-month periods in excess of the specified limit shall be considered a violation of this condition.”
3. If Carbon continues to operate the oil production equipment at the Sespe Field Leases, natural gas will be produced and must be controlled through flaring. The shutdown of the damaged pipeline for the facility has resulted in violations of the gas consumption limit in Permit Condition No. 4.

#### FINDINGS OF FACT

The Hearing Board found that there was good cause to grant a regular variance because pursuant to Health and Safety Code Section 42352, and District Rule 123, “Findings, Variance or Abatement Order,” the following findings have been made:

1. The petitioner is, or will be, in violation of Health and Safety Code Section 41701 or District Rule 29.C.

The petitioner is in violation of District Rule 29.C, Conditions on Permits – Violation of Permit to Operate No. 990, Condition 4, flare gas consumption totals.

2. The violation is 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 Sespe Field Leases pipeline damage and “force majeure” event was unexpected and completely out of Carbon’s control and has resulted in gas consumption exceedance. The condition is the result of a large landslide that damaged a section of the Sespe gas pipeline. The landslide and subsequent damage were caused by flooding that occurred county-wide.

Requiring immediate compliance would result in either an arbitrary or unreasonable taking of property or the practical closing of a lawful business. If immediate compliance with the rule was required and operations were stopped approximately \$1.5 million in monthly revenue would be lost, which is approximately 50 percent of the Petitioners total monthly revenue. This could potentially result in business closure and/or a layoff of 12 company personnel and 15 contract personnel. If Carbon has to shut in all the well casings to prevent further flaring of the produced gas until such time that the higher months of flared gas drop off from the rolling 12-months, it will cause approximately \$60,000 in daily economic loss for all of the affected fields as well as lost time for operations staff and contractors.

3. Closing the business or taking property would be without a corresponding benefit in reducing air contaminants.

Requiring immediate compliance would result in shut down of the pipeline and shutting in producing wells that would cause additional exhaust emissions attendant to the servicing equipment that would be necessary to address these well issues during shutdown and start-up.

4. Petitioner has given consideration to curtailing operations in lieu of obtaining a variance.

Petitioner is unable to curtail operations in lieu of obtaining a variance because that would result in possible irreversible damage to well bores field wide. Closing in the field would result in unsafe conditions due to increased pressure on field equipment and safety devices. In addition, shutting in the producing wells can result in a buildup of corrosion, scale, and, when the well is brought back online, there is a high risk of sand entering the well bore, which can cause mechanical problems with the pump. The cost to correct each aforementioned issue can range from \$30,000 - \$50,000 per well.

5. Petitioner will reduce excess emissions to the maximum extent feasible during the variance period.

Petitioner repaired the pipeline on June 7, 2024, bringing it back into full service, stopping excessive flaring. All efforts will be made to minimize field gas from select high producing gas wells during the period of variance to ensure excess emissions are reduced to the maximum extent feasible. Carbon will monitor natural gas consumption during the variance and report this data to the District. Excess emissions reported to the District and excess emission fees will be based on the data submitted in this report.

6. Petitioner will monitor or otherwise quantify emission levels from the equipment during the variance period, if requested to do so by the District, and report these emission levels to the District pursuant to a schedule established by the District.

The petitioner will monitor emission levels from Sespe Lease flare equipment and will provide monthly reports to the District submitted on the first Friday of each month until compliance is achieved. Reports shall include the current flaring consumption totals per month in 12-month increments.

7. A nuisance as specified in District Rule 51 is not expected to occur as a result of this variance.

The District has not received complaints about the Sespe field leases since the breakdown occurred to the pipeline.

8. Continued operation is not likely to create an immediate threat or hazard to public health or safety.

The continued operation of the 262.5 MMBTU/hr Mactronic Waste Gas flare at the Sespe Compressor Plant during the variance is not likely to create an acute threat or hazard to public health or safety. The pipeline was repaired and brought back into full service on June 7, 2024.

9. The increments of progress specified in this Order are reasonable.

They enable Petitioner to continue operating while the flare consumption limits come back into compliance and the District to monitor progress. The increments are expeditious as practicable. (H&SC 42362)

#### CONCLUSIONS AND ORDER

NOW, THEREFORE, the HEARING BOARD FINDS AND CONCLUDES THAT GOOD CAUSE HAS BEEN SHOWN AND ORDERS that Carbon is granted a Regular Variance from Rule 29, Conditions on Permits, Section C, Violation of Permit Condition 4 for its 262.5 MMBTU/hr Mactronic Waste Gas flare at the Sespe Compressor Plant. This order will remain in effect from July 31, 2024, to July 30, 2025, or until compliance is demonstrated, whichever is sooner. This variance is subject to the following conditions:

THE PETITIONER SHALL:

- A. Increments of Progress

1. Provide an estimated timeline of events required to achieve compliance with the flare gas consumption limits.
2. Provide monthly reports to the District submitted on the first Friday of the month until compliance is achieved or July 30, 2025, whichever comes first. If a Friday is a holiday, the report shall be due on the following regular workday. Reports shall include current gas consumption flaring totals provided by month. The first report is due by Friday, September 6, 2024.
3. Continue monitoring the flared gas via a total flow meter and quantify the emissions via emission factors for a flare.
4. Perform a higher heating value analysis for the flare gas monthly and report the results to the District.
5. Perform a sulfur analysis for the flare gas monthly and report the results to the District.

B. Reporting Requirements

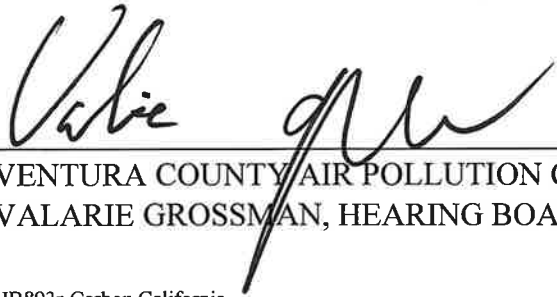
1. Carbon will monitor natural gas consumption during the variance and report this data to the District on a monthly basis starting September 6, 2024. Excess emissions and excess emission fees will be based on the data submitted in this report.
2. As required by District Rule 42.N, "Flaring Excess Emission Fee," payment of excess emission fees shall be submitted to the District no later than 60 days after receiving the bill.
3. The Petitioner shall provide progress reports every first Friday of the month that include:
  - a. current gas consumption flaring totals provided by month
  - b. higher heating value analysis for the flare gas
  - c. sulfur analysis for the flare gas
4. All submittals and notifications to the District pursuant to this Variance Order shall be made to Mr. Keith A. Macias (keith@vcapcd.org), via email or mail to the following address: Ventura County Air Pollution Control District, 4567 Telephone Road, 2nd Floor, Ventura, CA 93003.

All submittals and notifications to the District pursuant to this Variance Order shall be made to Mr. Keith A. Macias (keith@vcapcd.org), via email or mail to the following address: Ventura County Air Pollution Control District, 4567 Telephone Road, 2<sup>nd</sup> Floor, Ventura, CA 93003.

C. General

1. Except as provided in this order, compliance with this Order shall not relieve Petitioner from liability under the District's Rules for any violation, thereof, and shall not preclude the District from pursuing remedies in accordance with the Health and Safety Code in the event of any violation.
2. The failure to abide by any condition of this decision and Order shall subject Carbon to penalties set forth in Health and Safety Code Section 42402.
3. Each day during which a violation occurs is a separate offense.
4. Petitioner shall retain the obligation to comply with all other local, state and federal regulations not specifically referenced in this Variance Order.
5. Petitioner shall pay the Hearing Board fees specified in District Rule 41.

Victor Kamhi	<u>Yes</u>
Dr. Lewis Kanter, M.D.	<u>Yes</u>
Kathleen Paulson, P.E.	<u>Yes</u>
Michael D. Stubblefield	<u>Yes</u>
Valarie Grossman, Esq.	<u>Yes</u>

  
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 VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT  
 VALARIE GROSSMAN, HEARING BOARD CHAIR

July 31, 2024  
 DATE