SAN LUIS OBISPO COUNTY
DEPARTMENT OF PLANNING AND BUILDING

VICTOR HOLANDA, AICP
DIRECTOR

August 20, 2009

Kit Matlick
Excelaron, LLC
679 Monterey Street
San Luis Obispo, CA 93401

Subject: ***DRC2009-00002, Excelaron (Mankins) Conditional Use Permit/Re-Establishment of Drilling for an Oil Field***

Dear Mr. Matlick:

Your application has been reviewed by the Department of Planning and Building, and the information that is on the attached list is required before it can be accepted as complete for processing, as required by California Government Code Section 65943.

You can help expedite the review process by making sure all the above information is submitted at one time, and that the re-submittal package has the project number on a cover sheet. If the requested information is not received within 90 days of this letter, your application will be deemed withdrawn (pursuant to Section 22.64.030B of the Land Use Ordinance).

Upon the submittal of this information, your application can be accepted as complete for processing and staff will begin the Environmental Impact Report (EIR) process, which will begin with preparation of a Request for Proposals from EIR consultants.

If you have any questions concerning these requirements, please contact me at (805) 781-5452.

Sincerely,

John McKenzie
Senior Environmental Planner

C - Howard Mankins
1005 El Camino Real
Arroyo Grande, CA 93420
-Carol Florence, Oasis & Associates
-Ellen Carroll, Environmental Coordinator
-Art Trinidad, Code Enforcement

1. Please have a Hazardous Site Assessment (starting with a Phase I report) prepared by a qualified individual.
   This request is due to the previous permit not meeting conditions and the incomplete removal/ closure of the test wells. In conferring with other potential permitting agencies (DOGGR, RWQCB, Environmental Health, County Code Enforcement) the current condition of the previously-used well pads is in violation of the previous county conditions of approval. When such conditions exist and a land use permit is proposed, no application "shall be approved, except where the application incorporates measures proposed by the applicant to correct the violation, and correction will occur before establishment of the new proposed use". After reviewing the various elements potentially out of compliance, all but one (see #2 below) were preliminarily identified as having very low risk to negatively affect off-site human health in the near term (e.g., containers and tanks left on-site, above-ground piping, potential drilling mud sumps near well heads, etc.). Therefore, completion of the HSA was determined appropriate to assess the improperly vacated site. Please note, any recommended remedial work will need to occur prior to new drilling.
2. With regards to the existing seep adjacent to the Shipping Site area, please submit the following:
   a. Completion of a water quality analysis by a qualified individual that includes TPH (hydrocarbon chain) and B-techs panels to help determine the potential hazard of this hydrocarbon source.
   b. Conduct one or more of the following to determine oil well presence/absence, hand auger down to seven feet from surface; use of a magnetometer over the seep area, or use ground penetrating radar over the seep area. If well determined present, subsequent trenching around well head (or other comparable method approved by County/ DOGGRs) shall be performed to determine source of water/leak. County staff and DOGGRs shall be notified prior to work beginning with the intent to observe the outcome.

   The above requirements are based on the following: the need to establish if this is a man-made or natural seep; determine the potential toxicity of the seep; if man-made, to begin working with the appropriate agencies to determine appropriate remedial measures. While Cleath's report has identified the seep as being associated with previous well drilling efforts (and not a natural seep as stated in the previous application), in speaking with DOGGRs, additional information is needed to document that the seep is associated with a leaking well head and not a naturally-caused seep.
3. Please have a county-approved hydrogeologist 1) determine the best available water wells to use for monitoring purposes of groundwater constituents (e.g., well is down-gradient from the proposed oil well locations, etc.), and 2) obtain water quality samples from these water wells that test for TPH (hydrocarbon chain) and B-techs panels to help determine the potential for hydrocarbons. This will help to establish a groundwater baseline condition. This shall be done prior to DOGGRs proposed remedial work later this year.
4. Please identify the other two local refineries referenced (Santa Maria, Nipomo Mesa) and their respective truck haul routes.
5. One permanent supervising employee has been identified to be on site at all times. Please describe if there will be any other part-time employees or contract help to conduct any post-construction work (i.e., operational or maintenance) on a regular basis.

If there will be additional personnel, please specify in what capacity and how often it is expected they will be on-site.

6. Please provide the anticipated amount of production water to be handled by the proposed re-injection well. If there is a substantial increase in production water (e.g., higher than anticipated ratio of water to oil, etc.) that exceeds reinjection well capacity, please describe how that would be handled. Please include in that explanation the process used should this well stop working, or related piping not function properly, and how excess produced water would be handled in those situations.
7. As the cell phone reception is expected to be unreliable in this area, please describe the employee's means of communication for an emergency or other need to contact someone out of the area, or measures proposed to ensure reliable reception at the shipping site.
8. Please either provide revised plans showing the location of an on-site septic system, or where in the UBC or UPC that allows for portable facilities to serve a permanent use. Per the Building Division's septic system expert, a portable facility is not an acceptable method for permanent employees. Please provide soil borings in an area with less than 20% slopes, away from any blue line creek, and that shows there is sufficient soil depth for such a system in the shipping site area.
9. Please identify what method(s) will be used of the three stated in your project description (fee, easement, on-site replanting) to mitigate the oak trees being impacted or removed. If on-site planting is proposed, substantial areas will need to be identified, as well as watering requirements for possibly 7 years. Such an area needs to be identified. Please also calculate water requirements and water source.
10. In reviewing the Mankins Tree & Road Plan, while it provides a total number for "impacted" and "to-be-removed" trees, when looking more closely at the proposed grading and relation to "bolded" and "non-bolded" trees, it makes little sense. The proposed grading shows that entire trees are within the area to be graded in multiple locations, a clear indication the tree would have to be removed to accomplish the proposed grading. Yet only two trees are identified for removal. Secondly some tree outlines are bolded and others not without an indication of why. A number of the non-bolded trees' driplines are well within the areas to be graded. Please provide revised plans that IDs which trees are to be removed and which will be impacted. Please also either remove bolding feature or explain intent and make sure it accurately matches plans.
11. Also, please identify the "Key Viewing Vegetation" to be protected from impacts/ removal for Well Pad #2.
12. How will "Key Viewing vegetation" (which includes larger shrubs) be able to remain in place around well pad #2 based on the location of the wells and blending tank, given that CalFire will require 30 to 100-foot vegetation clearance? Plans already show 30-foot clearance. If possible, please move "highest risk" equipment as far from this area with the intent of being able to avoid fuel modification requirements by CalFire.
13. The latest botanical report (Sage, 7/21/09) identified leafy tarplant (*Deinandra increscens* ssp. *foliosa*) as being a sensitive plant (CNPS Inventory of Rare and Endangered Plants of California - List 1B.2 plant) found within the project boundaries. No information was provided on the general potential for success of the "scoop and drop" measure proposed, nor the potential for success in placing this topsoil on the undefined re-graded road banks. These deficiencies can be evaluated during the EIR consultant's peer review of this and other biological reports submitted.
14. Please clarify that the Sage report evaluated CalFire clearance areas along access roads and around well pads. If this analysis did not, please submit revised report at a time when the leafy tarplant is identifiable.

15. During the Testing and exploration phase, please provide greater detail on the testing procedures, such as:
    a. Will there be importation of heated water to inject into the new well(s)? How much?
    b. When extracting the oil/water mix, will there be a temporary facility to separate the two? What will be done with the oil (stored for a period? Loaded directly into tanker?)? What will be done with the produced water (reinjection well not proposed until production phase)?
    c. While it is understood the well drilling aspect will occur 24/7 until the proper depth of a well is achieved, what will be the hours of operation for other noise generating aspects of the testing phase (e.g., will all other activities using loud equipment (e.g., heating water, oil/water separating process, etc.) need to run between 10 pm and 7 am)? Can certain noise-generating activities be limited to between 7 am and 10 pm? Please specify. Are any measures being proposed to attenuate loud equipment?
16. Please explain the intent of the Nesbitt easement – it appears to be an alternate access road to Huasna Townsite Road.
17. Please explain the water source for firewater tanks, as well as how they will be kept full (e.g., trucked in, well, etc.). Please clarify if processed water would be used for this purpose.
18. Please clarify if 1000 bbl water tank is for potable water or processed water.
19. Please provide colors to be used for all equipment and tanks on well pad #2.
20. On above-ground piping, please provide a description on how this would be installed. Please include a "reasonable worst case" discussion on the amount of grading expected and brush clearance area required. Also please describe the type of equipment needed to install piping and anchors. Please clarify if the estimated 71,500 square feet of disturbance includes the area required to install these pipes, as well as the 30-foot vegetation CalFire "clearance areas" around pads. If not, please amend the amount accordingly.
21. Please discuss the drilling process in the context of how many "dry" holes you anticipate necessary to create one producing well with references to verify your explanation. Also, please explain what will be done with those dry holes to avoid connecting groundwater encountered with non-productive hydrocarbon-laden layers. If more than one hole is needed to establish a production well, has that been factored into the air quality modeling or noise assessment included in the submittal packet?
22. Assuming you reach 12 production wells, and then one or more stop producing sufficient quantities to continue operation, are you anticipating that a new county permit would be needed for the "13th" production well, or are you assuming that you are allowed to do additional drilling to get you back to twelve production wells?
23. Please provide official documents that provide a chain of title to the current mineral right owners of the two properties being proposed for oil well development. Please provide documentation that shows Excelaron is a lessor of these mineral rights and is authorized to act on the behalf of all lessors of these properties.
24. Access road specifies 15-foot width. CalFire typically requires a minimum of 16 feet. Please revise to 16 feet or provide document from CalFire stating 15-foot width is adequate.
25. Please estimate the amount of cut and fill required, and if it is intended to balance on-site.