

## **Appendix B. Communications**

## CALIFORNIA COASTAL COMMISSION

45 PREMONT, SUITE 2000  
SAN FRANCISCO, CA 94105-2219  
VOICE AND IDD (415) 904-5200  
FAX (415) 904-5400



May 14, 2003

Thomas Dunaway  
United State Department of the Interior  
Minerals Management Service  
Pacific OCS Region  
770 Paseo Camarillo  
Camarillo, California 93010-6064

Robert E. Huguenard  
Arguello, Inc.  
17100 Calle Mariposa Reina  
Goleta, California 93117-9737

Re: **Consistency Certification CC-042-03 - Arguello Inc.'s Proposal to Develop Eastern Half of Lease OCS-P 0451**

Dear Mr. Dunaway and Mr. Huguenard:

On April 22, 2003, the Coastal Commission staff received from the Minerals Management Service ("MMS") Arguello Inc.'s proposed revisions to the Point Arguello Development and Production Plans ("DPPs") to develop the eastern half of Lease OCS-P-0451, and an accompanying consistency certification meeting the requirements of 15 CFR § 930.76(d). After reviewing the submittal, we have determined that the information contained in the proposed DPP revisions does not satisfy the requirements of regulations that implement the Coastal Zone Management Act ("CZMA") (15 CFR §§ 930.76(b), 930.58). The submittal is therefore inadequate to enable the Commission to determine whether the proposed DPP revisions are subject to the consistency review requirements of the CZMA<sup>1</sup> and, if so, whether such revisions are consistent with the enforceable policies of California's Coastal Management Program ("CCMP").

Section 930.58(a)(3) provides that the necessary data and information to accompany a consistency certification include "a set of findings relating the coastal effects of the proposal ... to the relevant enforceable policies of the management program." Pursuant to section 307(f) of the CZMA (16 USC § 1456(f)) and 15 CFR § 923.45, numerical discharge and other

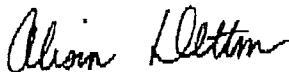
<sup>1</sup> The Commission will resolve this threshold jurisdictional issue pursuant to standards set forth in sections 930.71 and 930.51(b)(3) of the CZMA regulations. The question before the Coastal Commission is whether the activities proposed in the DPP revisions will "cause an effect on any coastal use or resource substantially different than those originally reviewed by [the Commission]."

requirements contained in the California Ocean Plan (COP)<sup>2</sup> are incorporated into, and constitute enforceable policies of, the CCMP. Although Arguello Inc.'s submittal addresses the consistency of its produced water and drill mud and cuttings discharges with the federal water quality discharge standards contained in General NPDES Permit CA0110516, it does not include a finding and supporting information that the discharges will conform to COP requirements. We therefore request that Arguello, Inc. submit an analysis of the project's conformity with COP discharge requirements.

Pursuant to 15 CFR §§ 930.77(a)(1) and 930.60(a), the Commission's review of Arguello Inc.'s consistency certification will not commence until Arguello, Inc. submits the information and analysis requested in this letter.

If you have any questions, please call me at 415/904-5205.

Sincerely,



ALISON J. DETTMER  
Manager  
Energy and Ocean Resources Unit

Cc. John Peirson, Marine Research Specialists  
Cathy Hoffman, Minerals Management Service  
Luis Perez, County of Santa Barbara Energy Division

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<sup>2</sup> In 1972, the State Water Resources Control Board adopted the California Ocean Plan in accordance with Section 303(c)(1) of the federal Clean Water Act (33 USC § 1313(c)(1)) and Section 13170.2 of the California Water Code. The California Ocean Plan was amended in 1978, 1983, 1988, 1990, 1997, and 2001.

**Hill, Maurice**

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**From:** James J. Menno [MennoJ@sbcapcd.org]

**Sent:** Wednesday, May 14, 2003 3:13 PM

**To:** 0451 Comments

**Cc:** Brian P. Shafritz; Ron L. Tan

**Subject:** Santa Barbara County APCD Comments on Pt. Arguello Rocky Point Project

Enclosed please find a copy of a letter to Arguello, Inc. and a Memorandum to the Santa Barbara County Energy Division issued by the SBCAPCD that summarize our comments regarding the subject project. These comments are based on a review of the Environmental Evaluation and Development and Production Plan documents submitted by Arguello, Inc. dated February 12, 2003. Please contact me at the number listed below with any questions or comments.

Jim Menno  
Santa Barbara APCD  
805.961.8825

<<APCD March 25 Letter to Arg.doc>> <<RonTan March 18 Memo to PD.doc>>

March 26, 2003

Mr. Glenn Oliver  
Arguello, Inc.  
17100 Calle Mariposa Reina  
Goleta, California 93117

Re: Rocky Point Project

Dear Mr. Oliver:

The purpose of this letter is to inform you that the APCD is evaluating whether an authority to construct may be required for the Rocky Point Project. Based on our review of the Environmental Evaluation document for this project dated February 12, 2003 and your project application submitted to the Santa Barbara County Planning and Development Department (P&D) we require the following additional information to make this determination:

1. As you are aware, the APCD intends to evaluate each proposed well separately with respect to the Rule 202 de minimis exemption. Please note that the fugitive emissions associated with all platform equipment required to be installed and/or modified for this project must be included with the emissions from the first well. The documents provided to P&D indicate that this equipment consists of an oil stabilizing unit, reboiler and modifications to the V-8 unit on Platform Hidalgo. Thus, for the purpose of estimating project emissions, please provide a detailed listing of all fugitive components, leakpaths and emission estimates associated with these equipment items, including all piping modifications.
2. Recent semi-annual reports for the Point Arguello stationary source list the stationary source de minimis total as 16.48 lb/day. This includes 0.42 lb/day from the GOHF. We note that the de minimis total for the GOHF was previously reported as 4.81 lb/day in a February 1999 spreadsheet provided by Arguello summarizing the stationary source de minimis totals. Subsequent quarterly and semi-annual compliance reports indicate reduced de minimis totals however, there is no explanation for the reductions. Thus, please describe and provide documentation to support what specific actions were taken to reduce the GOHF de minimis total to 0.42 lb/day.
3. The drilling equipment emission estimates indicate that the potential exists to exceed the 25-ton exemption threshold in Rule 202.F.6 if the slurry pumps are used. Additionally, we note that the NO<sub>x</sub> emissions are based on emission factors that reflect a 40% reduction for timing retardation. Standard APCD practice allows a 15% reduction for 4<sup>o</sup> timing retardation. Greater reductions are available for additional control measures such as increased timing retardation, turbocharging/intercooling, enhanced intercooling, etc. Thus, if Arguello intends to use these pumps, revised emission calculations reflecting appropriate reductions for engine controls on drilling equipment and revised emission totals for these drilling related engines will be required. A full description and documentation of all controls applied to each engine must accompany these revised emissions.

We understand that Arguello intends to begin drilling by the end of 2003 and therefore believe it is important to resolve any permitting issues as soon as possible. Please provide the requested information by April 14, 2003. You can contact me at 805.961.8825 with any questions. Thank you for your cooperation in this matter.

Sincerely,

J. Menno  
Project Manager

cc: Arguello, Inc. Rocky Point Project file  
GSD/MSD Chron file

## MEMORANDUM

TO: Luis Perez and Erik Nagy, Energy Division

FROM: Ron Tan, APCD (x8812)

SUBJECT: Proposed Arguello Inc. for the Eastern Part of OCS Lease P-0451 (aka Rocky Point Junior)

DATE: 18 March 2003

cc: Jim Menno, APCD

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### Background

Arguello Inc., operator of both Point Arguello Unit and the eastern half of OCS-P 0451, is proposing to drill a maximum of eight development wells from Platforms Hermosa and Hidalgo for development of the eastern half of lease OCS-P 0451 reserves. It is projected that five wells will be drilled from Platform Hermosa and three wells from Platform Hidalgo. All wells will be directionally drilled using an electric drill rig and existing well slots on the platforms. In order to accommodate the oil and gas production from the eastern half of lease OCS-P 0451, a new oil stabilizer may be needed on Platform Hidalgo. Depending on the operational power needs at Platform Hermosa, it may be necessary to temporarily exchange a turbine between Platform Hidalgo to Platform Hermosa during the drilling phase. The turbine exchange may be needed to assure that there is sufficient back up power in the event that one of the turbines on Platform Hermosa has to be shutdown.

As such Arguello Inc. is requesting a modification to its Final Development Plan (85-FDP-032CZ) to allow for this project to proceed. Condition A-13 of the FDP requires Arguello Inc. to "obtain a new or modified permit, or authority to continue operation under the existing permit, prior to undertaking any of the following activities which may, in the judgment of the County, result in significant changes to the impacts on the County." These changes could include but are not limited to (1) "major facility modifications", (2) "major changes in facility throughput", (3) "introduction of production from sources other than those described (in the Area Study EIR/EIS)" and (4) "production from platforms located within the Area Study whose design is significantly different from that evaluated in the EIR/EIS". At this juncture, P&D has concluded that Arguello Inc.'s proposed project constitutes changes that would introduce" production from platforms located within the Area Study whose design is significantly different from that evaluated in the EIR/EIS". Thus there a discretionary permitting action will be taken by the County and some nature of environmental documentation would have to be prepared.

Arguello Inc. prepared an environmental evaluation where they essentially claim that the project will not have any additional air quality impacts because all project emissions (1) were analyzed

in the 1984 EIR/EIS prepared for the original Point Arguello Project, (2) mitigated by offsets already provided pursuant to existing APCD permits, (3) will be mitigated by additional offsets yet to be provided (e.g., supply boat and fugitive emissions) or (4) are below thresholds that trigger APCD permitting (i.e., the 25 tons/year drilling threshold). The relevant tables (Tables 4.19, 4.20, 4.21 and 4.22) from their environmental evaluation are included herein. I have examined but have yet to review them in detail.

### Issues

1. The turbine exchange between Platforms Hidalgo and Hermosa will not require an APCD permit even though there will be an actual *physical* exchange of turbines. Thus emissions from equipment used in the exchange will not be subject to APCD offset requirements. Note that Arguello Inc. proposes to only *temporarily* exchange the turbines. Thus there would also be emission associated with returning the turbines to their respective original platforms. While Arguello Inc. did not provide estimates for the exchange, it is likely the NO<sub>x</sub> emissions will exceed 25 lb/day, the County's CEQA significance threshold.
2. Arguello Inc.'s *de minimis* exemption is at approximately 16 lb/day of ROC. The APCD regards each well as a separate project until Arguello Inc. exceeds the 24 lb/day threshold when APCD would permit the entire project. Please note that an individual well emits approximately 1.5 lbs/day of ROC.
3. Drilling emissions are exempt from APCD permit unless they exceed 25 tons/year. Arguello Inc. claims drilling emissions will be 24.21 tons/year (see Table 4.20). This assumes a controlled emission factor of 8.4 grams NO<sub>x</sub> per brake-horsepower hour for the engines. If they cannot achieve this rate, the drilling emissions may exceed 25 TPY. On the other hand, if they do not use the slurry pump (i.e., do not use oil/synthetic based muds) then the NO<sub>x</sub> drilling emissions will be less than 25 TPY, regardless of the NO<sub>x</sub> emission factor since the slurry pump accounts for over 20 TPY. However the daily NO<sub>x</sub> emissions from drilling even absent the slurry pump are 138.89 lb/day (287.04 – 148.15 lb/day).
4. We do not know whether Arguello Inc. can stay within the APCD permitted limits for supply boat trips if there will be an increase in trips due to the drilling activities (including transporting the drill rig to and between the platforms).

### Conclusion

Given the County's CEQA air quality significance thresholds are 25 lbs/day for NO<sub>x</sub> or ROC and the daily NO<sub>x</sub> emissions from drilling operation are projected to be at least 138 lb/day which are not subject to APCD permit, there is the potential for a significant air quality impact (this does not account for emissions from the turbine exchange operation). When Arguello Inc. concluded the project would not have any air quality impacts, they only examined the APCD's 25 TPY permitting threshold for drilling and failed to consider the County's CEQA threshold.



**Table 4.19 Estimated Turbine Emission Increase from the Proposed Drilling Operations**

<b>Turbine Drilling Emissions</b>	<b>NO<sub>x</sub></b>	<b>ROC</b>	<b>CO</b>	<b>SO<sub>x</sub></b>	<b>PM</b>	<b>PM<sub>10</sub></b>
<b><i>Platform Hermosa</i></b>						
lbs./hr	5.14	0.54	3.39	0.21	0.07	0.07
lbs./day	123.36	12.89	81.28	5.01	1.79	1.79
tons/qr	5.63	0.59	3.71	0.23	0.08	0.08
tons/yr <sup>1</sup>	22.51	2.35	14.83	0.91	0.33	0.33
<b><i>Platform Hidalgo</i></b>						
lbs./hr	5.14	0.54	3.39	0.21	0.07	0.07
lbs./day	123.36	12.89	81.28	5.01	1.79	1.79
tons/qr	5.63	0.59	3.71	0.23	0.08	0.08
tons/yr <sup>2</sup>	19.70	2.06	12.98	0.80	0.29	0.29
<b><i>Total Drilling Emissions (tons)</i></b>						
Eastern Half of OCS-P 0451 <sup>3,4</sup>	52.53	5.49	34.61	2.13	0.76	0.76

**Notes:**

1. Tons/yr assumes drilling occurs for 12 consecutive calendar months on Platform Hermosa (3.43 wells).
  2. Tons /yr assumes drilling occurs for 10.5 consecutive calendar months on Platform Hidalgo (3 wells).
  3. Assumes 3 wells at Hidalgo and 5 at Hermosa.
  4. Assumes each well takes 3.5 months to complete.
- See Attachment D for the detailed emission calculations and assumptions.

**Table 4.20 Estimated Emissions from Drilling Operation Support Equipment Engines**

<b>Support Equipment Drilling Emissions</b>	<b>NO<sub>x</sub></b>	<b>ROC</b>	<b>CO</b>	<b>SO<sub>x</sub></b>	<b>PM</b>	<b>PM<sub>10</sub></b>
<i>lbs/hr</i>						
Well Logging Unit	1.85	0.25	0.67	0.05	0.22	0.22
Acidizing Pump	1.85	0.25	0.67	0.05	0.22	0.22
Emergency Generator	25.00	3.39	9.02	0.63	2.98	2.98
Cement Pump	3.70	0.50	1.34	0.09	0.44	0.44
Slurry Pump <sup>1</sup>	18.52	2.51	6.68	0.46	2.20	2.20
<b>Total Hourly Emissions</b>	<b>50.93</b>	<b>6.91</b>	<b>18.37</b>	<b>1.27</b>	<b>6.06</b>	<b>6.06</b>
<i>lbs/day</i>						
Well Logging Unit	44.45	6.03	16.03	1.11	5.29	5.29
Acidizing Pump	14.82	2.01	5.34	0.37	1.76	1.76
Emergency Generator	50.00	6.79	18.04	1.25	5.95	5.95
Cement Pump	29.63	4.02	10.69	0.74	3.53	3.53
Slurry Pump <sup>1</sup>	148.15	20.11	53.44	3.70	17.64	17.64
<b>Total Daily Emissions</b>	<b>287.04</b>	<b>38.96</b>	<b>103.54</b>	<b>7.18</b>	<b>34.17</b>	<b>34.17</b>
<i>tons/qr</i>						
Well Logging Unit	0.67	0.09	0.24	0.02	0.08	0.08
Acidizing Pump	0.04	0.01	0.01	0.00	0.00	0.00
Emergency Generator	0.08	0.01	0.03	0.00	0.01	0.01
Cement Pump	0.09	0.01	0.03	0.00	0.01	0.01
Slurry Pump <sup>1</sup>	5.19	0.70	1.87	0.13	0.62	0.62
<b>Total Quarterly Emissions</b>	<b>6.05</b>	<b>0.82</b>	<b>2.18</b>	<b>0.15</b>	<b>0.72</b>	<b>0.72</b>
<i>tons/yr</i>						
Well Logging Unit	2.67	0.36	0.96	0.07	0.32	0.32
Acidizing Pump	0.15	0.02	0.05	0.00	0.02	0.02
Emergency Generator	0.30	0.04	0.11	0.01	0.04	0.04
Cement Pump	0.36	0.05	0.13	0.01	0.04	0.04
Slurry Pump <sup>1</sup>	20.74	2.81	7.48	0.52	2.47	2.47
<b>Total Annual Emissions</b>	<b>24.21</b>	<b>3.29</b>	<b>8.73</b>	<b>0.61</b>	<b>2.88</b>	<b>2.88</b>
<b>Total Drilling Emissions (tons)</b>						
Eastern Half of OCS-P 0451 <sup>2,3</sup>	56.49	9.58	25.47	1.77	8.41	8.41

**Notes:**

1. The slurry pump would only be needed if the oil/synthetic based muds are injected at the platforms.
2. Assumes 3 wells at Hidalgo and 5 at Hermosa.
3. Assumes each well takes 3.5 months to complete.

**Table 4.21 Estimated Emissions from the Mud Handling Equipment**

Source	ROC Emissions				Total <sup>1</sup> (lbs)
	lbs/hr	lbs/day	lbs/well	lbs/yr	
Mud-gas Separator/Mud Degasser Vent	0.041	0.980	19.590	68.099	158.897
Fugitives from Mud Tanks	0.001	0.020	0.400	1.390	3.243
Total Emissions	0.042	0.999	19.990	69.489	162.140

1. Assumes 3 wells at Hidalgo and 5 at Hermosa.  
See Attachment D for detailed emission calculations.

**Table 4.22 Estimated Emissions from Drilling Supply Boat Trips**

Estimated Supply Boat Emissions	NO <sub>x</sub>	ROC	CO	SO <sub>x</sub>	PM	PM <sub>10</sub>
<i>Drill Rig Transport from Port Hueneme to the Platforms (round-trip)<sup>1</sup></i>						
lbs./hr <sup>2</sup>	127.18	5.20	19.79	9.13	7.79	7.48
lbs./day <sup>3</sup>	1,631.60	58.04	241.19	117.97	98.01	94.09
tons/qr <sup>4</sup>	11.09	0.58	2.41	1.18	0.98	0.94
tons/yr <sup>4</sup>	11.09	0.58	2.41	1.18	0.98	0.94
<i>Drill Rig Transport Between Platforms (round-trip)<sup>5</sup></i>						
lbs./hr <sup>2</sup>	127.18	5.20	19.79	9.13	7.79	7.48
lbs./day <sup>3</sup>	288.34	13.17	46.90	20.58	17.97	17.25
tons/qr <sup>4</sup>	2.16	0.13	0.47	0.21	0.18	0.17
tons/yr <sup>4</sup>	2.16	0.13	0.47	0.21	0.18	0.17
<i>Drilling Operations<sup>6</sup></i>						
lbs./hr <sup>2</sup>	127.18	5.20	19.79	9.13	7.79	7.48
lbs./day <sup>3</sup>	1,631.60	58.04	241.19	117.97	98.01	94.09
tons/qr <sup>4</sup>	7.21	0.38	1.57	0.77	0.64	0.61
tons/yr <sup>4</sup>	28.84	1.51	6.27	3.07	2.55	2.45

1. Drill rig transport based on 20 round trips total over a 30-day period.
2. lbs/hr maximum based on all engines running simultaneously, and assumes uncontrolled main engines.
3. Assumes one round trip per day, and assumes uncontrolled main engines.
4. Assumes that uncontrolled main engines are used 10% of the time. (Same assumption as PTOs 9103, 9104, and 9105.)
5. Drill rig transport based upon 20 round trips over a 1-day period.
6. Supply boat trips for operations assume 1 round trip per week for 52 weeks per year.

Numbers may not add up due to rounding.

See Attachment D for the basis and detailed emission calculations.

May 14, 2003

7300

Memorandum

To: Field Supervisor, Ventura Fish and Wildlife Office, Fish and Wildlife Service,  
Ventura, California

From: J. Lisle Reed, Regional Director, Pacific OCS Region, /S/ P. Tweedt for  
Minerals Management Service, Camarillo, California

Subject: Proposed oil and gas development of the eastern half of Lease OCS-P 0451 off  
Point Conception and Point Arguello, California.

On April 1, 2003, the Minerals Management Service (MMS) received Arguello Inc.'s proposed revisions to the Point Arguello Field Development and Production Plans to develop the eastern half of Lease OCS-P 0451 off Point Conception and Point Arguello, California. The MMS previously consulted with the Fish and Wildlife Service (FWS) under Section 7(a)(2) of the Endangered Species Act (ESA) on oil and gas activities proposed for the eastern half of Lease OCS-P 0451 as part of the proposed Rocky Point Unit (RPU) project. The eastern half of Lease OCS-P 0451 has been contracted out of the Rocky Point Unit and is no longer unitized with the undeveloped leases of that Unit.

The MMS submitted a biological evaluation of the proposed RPU project to the FWS on July 26, 2000. On December 21, 2001, the FWS issued a biological opinion, which concluded that the proposed action would not be likely to jeopardize the continued existence of the brown pelican, California least tern, western snowy plover, or the southern sea otter and would not be likely to adversely modify the critical habitat of the western snowy plover.

As currently proposed, the development project for the eastern half of Lease OCS-P 0451 differs somewhat from that originally analyzed for the Rocky Point Unit. The differences include a decrease in the number of proposed production wells, from 14-20 to 8; proposed drilling from Platforms Hidalgo and Hermosa only; and a decrease in the estimate of recoverable oil reserves from 34-50 million bbl to 25 million bbl. The decrease in estimated recoverable reserves lowers the calculated oil spill probabilities for the proposed project, but does not substantially alter the oil spill risk scenario analyzed in the biological evaluation.

The MMS believes that the level of activities associated with the proposed development of the eastern half of Lease OCS-P 0451 will result in fewer potential impacts to threatened and endangered species in the project area than previously described in the biological evaluation for the RPU development project and that the FWS's December 21, 2001, biological opinion is valid for the proposed development of the eastern half of Lease OCS-P 0451.

If you have any questions, please address them to Dr. Mark Pierson (805-389-7863).

May 14, 2003

7300

Dr. Rodney R. McGinnis  
Acting Regional Administrator  
NOAA Fisheries  
Southwest Regional Office  
501 West Ocean Boulevard, Suite 4200  
Long Beach, CA 90802-4213

Dear Dr. McGinnis:

On April 1, 2003, the Minerals Management Service (MMS) received Arguello Inc.'s proposed revisions to the Point Arguello Field Development and Production Plans to develop the eastern half of Lease OCS-P 0451 off Point Conception and Point Arguello, California. The MMS previously consulted with NOAA Fisheries under Section 7(a)(2) of the Endangered Species Act (ESA) on oil and gas activities proposed for the eastern half of Lease OCS-P 0451 as part of the proposed Rocky Point Unit (RPU) project. The eastern half of Lease OCS-P 0451 has been contracted out of the Rocky Point Unit and is no longer unitized with the undeveloped leases of that Unit.

On July 26, 2000, MMS submitted a biological evaluation of the proposed RPU project to NOAA Fisheries concluding that the proposed action would not adversely affect federally endangered and threatened species. NOAA Fisheries responded with letters of concurrence with that conclusion on November 14, 2000, and, after minor modifications to the project, on June 22, 2000.

As currently proposed, the development project for the eastern half of Lease OCS-P 0451 differs somewhat from that originally analyzed for the RPU. The differences include a decrease in the number of proposed production wells, from 14-20 to 8; proposed drilling from Platforms Hidalgo and Hermosa only; and a decrease in the estimate of recoverable oil reserves from 34-50 million bbl to 25 million bbl. The decrease in estimated reserves lowers the calculated oil spill probabilities for the proposed project, but does not substantially alter the oil spill risk scenario analyzed in the biological evaluation.

The MMS believes that the level of activities associated with the proposed development of the eastern half of Lease OCS-P 0451 will result in fewer potential impacts to threatened and endangered species in the project area than were described in the biological evaluation for the RPU development project, and will not change the original conclusion that the proposed activities may affect, but are not likely to adversely affect federally threatened and endangered species in the Santa Maria Basin and Santa Barbara Channel. Thus, MMS believes that NOAA Fisheries' November 14, 2000, and June 22, 2001, letters of concurrence are valid for the proposed development for the eastern half of Lease OCS-P 0451.

Following completion of the RPU project consultation, the white abalone (*Haliotis sorenseni*) was listed as an endangered species under the ESA on June 28, 2001, (66 FR 29046). Based on the species' very low densities and identified depth distribution in the area and the extremely low probability that an oil spill associated with the proposed project would contact areas where the species may occur at shallower depths, MMS concluded that the proposed development of the eastern half of Lease OCS-P 0451 would have no effects on the white abalone. In an e-mail message dated May 5, 2003, Melissa Neuman, the White Abalone Recovery Coordinator at NOAA Fisheries' Southwest Regional Office, concurred with that conclusion. She requested that

MMS and NOAA Fisheries continue to communicate in order to ensure that minimal interaction occurs between the project and future out-planting efforts for the white abalone.

If you have any questions, please address them to Dr. Mark Pierson (805-389-7863).

Sincerely,

/S/ P. Tweedt for

J. Lisle Reed  
Regional Director

cc: Tina Fahy, NOAA Fisheries, Southwest Regional Office  
Melissa Neuman, NOAA Fisheries, Southwest Regional Office

May 15, 2003

7300

Dr. Rodney R. McGinnis  
Acting Regional Administrator  
NOAA Fisheries  
Southwest Regional Office  
501 West Ocean Boulevard, Suite 4200  
Long Beach, CA 90802-4213

Dear Dr. McGinnis:

On April 1, 2003, the Minerals Management Service (MMS) received Arguello Inc.'s proposed revisions to the Point Arguello Field Development and Production Plans to develop the eastern half of Lease OCS-P 0451 off Point Conception and Point Arguello, California. The MMS previously consulted with NOAA Fisheries on essential fish habitat (EFH) under the Magnuson-Stevens Fishery Conservation and Management Act on oil and gas activities proposed for the eastern half of Lease OCS-P 0451 as part of the proposed Rocky Point Unit (RPU) project. The eastern half of Lease OCS-P 0451 has been contracted out of the Rocky Point Unit and is no longer unitized with the undeveloped leases of that Unit.

On July 26, 2000, MMS submitted an EFH assessment of the proposed RPU project to NOAA Fisheries. In its November 14, 2000 concurrence letter, NOAA Fisheries made several EFH conservation recommendations for MMS's consideration. The MMS responded on February 8, 2001, acknowledging NMFS' concerns and agreeing to their recommendations. After minor modifications were made to the RPU project, NOAA Fisheries responded on June 22, 2001, with concurrence on the EFH consultation.

As currently proposed, the development project for the eastern half of Lease OCS-P 0451 differs somewhat from that originally analyzed for the RPU. The differences include a decrease in the number of proposed production wells, from 14-20 to 8; proposed drilling from Platforms Hidalgo and Hermosa only; and a decrease in the estimate of recoverable oil reserves from 34-50 million bbl to 25 million bbl. The decrease in estimated reserves lowers the calculated oil spill probabilities for the proposed project, but does not substantially alter the oil spill risk scenario analyzed in the biological evaluation.

The MMS believes that the level of activities associated with the proposed development of the eastern half of Lease OCS-P 0451 will result in fewer potential impacts to EFH in the project area and that NOAA Fisheries' November 14, 2000, and June 22, 2001, letters of concurrence are valid for the proposed development for the eastern half of Lease OCS-P 0451.

If you have any questions, please address them to Dr. Mark Pierson (805-389-7863).

Sincerely,

/S/ P. Tweedt for

J. Lisle Reed  
Regional Director

cc: Brian Chesney, NOAA Fisheries, Southwest Regional Office  
Mark Helvey, NOAA Fisheries, Southwest Regional Office





UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

75 Hawthorne Street  
San Francisco, CA 94105-3901

May 22, 2003

Maurice Hill  
Office of Environmental Evaluation  
Minerals Management Service  
770 Paseo Camarillo  
Camarillo, CA 93010-6064



**Subject:** Scoping for an Environmental Assessment (EA) for Revisions to the Point Arguello Field Development and Production Plans to Include Development of the Eastern Half of OCS-P 0451.

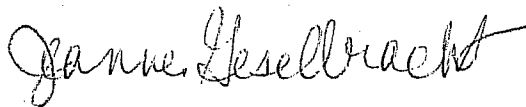
Dear Mr. Hill:

The U.S. Environmental Protection Agency (EPA) has received your request for comments and reviewed the supporting information for Revisions to the Point Arguello Field Development and Production Plans to Include Development of the Eastern Half of OCS-P 0451. Our scoping comments are provided pursuant to the National Environmental Policy Act (NEPA), the Council on Environmental Quality's NEPA Implementation Regulations at 40 CFR 1500-1508, and Clean Air Act Section 309.

We understand that this new EA will be tiered to the Point Arguello Development and Production Plan Environmental Impact Statement/Environmental Impact Report (EIS/EIR), which was published in 1984 by the Minerals Management Service (MMS), County of Santa Barbara, and California Coastal Commission. The EA should discuss any existing conditions of the affected environment that have changed since 1984, and explain how resources, both changed and unchanged, will be affected by the new activities. The EA should also describe and discuss permit provisions and standards that will be required and identify any that differ from, or are inconsistent with, the 1984 EIS. Cumulative impacts should be thoroughly addressed in the EA, especially in light of updated knowledge regarding the existing conditions and existing and foreseeable future activities in the affected area. MMS should also ensure that the EIS/EIR to which the current project is tiered is available to the public for review. Our specific comments and recommendations for issues that should be addressed in the EA are attached.

We appreciate the opportunity to comment on this scoping notice. Please send a copy of the EA to this office when it becomes available. If you have any questions, or if we can be of any assistance, please call me at (415) 972-3853.

Sincerely,

A handwritten signature in cursive script that reads "Jeanne Geselbracht". The signature is written in black ink and is positioned above the printed name.

Jeanne Geselbracht  
Federal Activities Office

Enclosures

cc: Ron Tan, Santa Barbara County Air Pollution Control District  
Alison Dettmer, California Coastal Commission  
Tina Fahy, National Marine Fisheries Service  
Diane Noda, U.S. Fish and Wildlife Service  
Lt. J. Wade Russell, U.S. Coast Guard

## **General Comments**

The EA should describe and discuss the direct, indirect, and cumulative impacts associated with the proposed project, as well as the cumulative impacts of foreseeable future development. Because the EA will be tiered to the 1984 Point Arguello EIS/EIR, MMS should ensure that the discussions in the EA of the affected environment and direct, indirect, and cumulative impacts are up to date and make the EIS/EIR available to the public for review.

In the analysis of relative environmental sensitivity and marine productivity, MMS should address the sensitivity of the water column, the benthic environment, and specific species to oil and gas development activities, potential spills, discharges, and cumulative effects. The analysis should identify and discuss any sensitive areas which could be affected, including National Marine Sanctuaries and Study Areas; State Areas of Special Biological Significance; State Ecological Reserves; EPA National Estuary Program Areas; National Estuarine Marine Research Reserves; National Park Service Coastal Units; Fish and Wildlife Service Coastal Refuges; UNESCO Biosphere Reserves; National Seashores; pinniped haulouts and rookeries; wetlands; sea otter ranges; and breeding areas for sea birds and commercial fisheries. The EA should include a map depicting all specially designated areas within the area of cumulative impact.

The EA should describe and discuss all of the permits from and consultations with local, State, and Federal agencies that will be needed by the applicants or MMS. In addition, we strongly recommend that the permitting, consultation, and California Environmental Quality Act (CEQA) processes, where applicable, be dovetailed with the NEPA process to the extent possible so that the EA clearly identifies any mitigation measures and/or alternatives that must be included to demonstrate compliance with permit provisions or environmental regulations.

## **Purpose and Need**

The EA should identify and discuss the purpose and need for the project. The economic analysis in the EA should recognize and include external costs, such as impacts to fish and wildlife habitats/migratory pathways and air quality, that perhaps cannot be quantified.

## **Consistency with Outer Continental Shelf Oil and Gas Leasing Program**

The EA should describe and discuss in detail the lease stipulations, mitigation measures and other commitments made by MMS in lease OCS-P 0451, as well as the 1984 Point Arguello EIS/EIR and Record of Decision (ROD), and the Outer Continental Shelf (OCS) Oil and Gas Leasing Program EIS and ROD, which would apply to the proposed action. The EA should

describe and discuss any stipulations, mitigation measures, and other commitments for the proposed project that differ from, or are inconsistent with, these documents.

### Air Quality

The EA should describe and discuss the potential direct, indirect, and cumulative impacts to air quality in coastal counties adjacent to the project sites. The EA should also discuss Prevention of Significant Deterioration (PSD) increments applicable to air quality in the project area and describe the impacts to the PSD increments from estimated emissions of the project. The EA should summarize the PSD increment consumption analysis that was conducted by the Santa Barbara County Air Pollution Control District (SBCAPCD) for the proposed Point Arguello activities. PSD increments are highly protective of air quality in Class I areas such as wildernesses and national parks. The PSD increments for PM10 in Class I areas are 4 ug/m<sup>3</sup> and 8 ug/m<sup>3</sup>, for the annual and 24-hour standards, respectively; and the nitrogen dioxide annual increment is 2.5 ug/m<sup>3</sup>. The EA should identify any Class I PSD areas located within at least 100 kilometers of the proposed project site. Class I areas even further away could potentially be affected as well. MMS should consult with the U.S. Forest Service and the National Park Service for a determination of which areas could be adversely affected by the proposed action. Potential impacts to Class I PSD areas, including visibility impacts, should be discussed.

The EA should explain whether and how modifications to the existing air permit, issued by SBCAPCD, would be triggered by the proposed project (e.g., after the first wells are drilled and Arguello Inc. continues to develop more wells). The discussion should include best available control technology and other mitigation measures that may be required if permit modifications are necessary. The EA should also discuss how such a modification would affect the predicted air emissions.

Since the Clean Air Act prohibits federal approval of a project for which conformity with the State Implementation Plan (SIP) cannot be assured, the EA should explain how the proposed project is in conformity with the Santa Barbara County SIP.

### Water Quality

You have received separate comments from Eugene Bromley in EPA Region 9's Water Division, via a May 14, 2003, e-mail message to David Panzer. Those comments address specific information that is in the Development and Production Plan supporting documents and are also enclosed here. For clarification purposes, please note that the OCS National Pollutant Discharge Elimination System general permit referred to in Mr. Bromley's first comment is expected to be finalized by the end of this year. When it becomes finalized, the project will be subject to the new permit provisions. We also offer the following more general recommendations.

The Supporting Information Volume provides a description of the existing physical and biological characteristics of water bodies in the planning area. Identification of potentially affected waters on maps clarifies the relationships between local waters and proposed project activities. The EA should clearly demonstrate that project implementation will comply with state and federal Water Quality Standards, including an antidegradation analysis, as specified in the Antidegradation Policy (40 CFR 131.12). The EA should provide a quantitative basis to judge whether physical and chemical parameters will be kept at levels that will protect and fully support designated uses and meet Water Quality Standards under each of the alternatives. Baseline water quality data at the project level are key in the evaluation of projected impacts. Therefore, data from relevant sampling efforts should be included as part of the "affected environment" discussion. The discussion should identify the amount and quality of available resource information, including data gaps and needs.

The EA should discuss the likelihood of petroleum releases into the area through the wells and address impacts on sensitive biological habitats and species (for example marine mammals, fish, benthic communities, primary producers) from oil spills and other OCS activities. The EA should also address direct and cumulative water quality and ecological impacts attributable to long-term discharges of drilling muds, produced waters, and miscellaneous discharges; impacts on commercial fishing, including damage to gear, seismic testing effects, contamination of commercial species from oil spills or discharges; and secondary impacts upon coastal communities.

### **Biological Resources**

The EA should show the extent to which wildlife habitat could be impaired by project activities, including direct and indirect effects. The analysis should disclose whether the project will cause any reductions in habitat capability or impair designated uses. Affected environment sections should include current quality and capacity of habitat.

If proposed activities could affect threatened or endangered species, the EA should include the Biological Assessment and the associated U.S. Fish and Wildlife Service (FWS) or National Marine Fisheries Service (NMFS) Biological Opinion or formal concurrence. The Endangered Species Act consultation process can result in the identification of mandatory, reasonable, and prudent measures which can significantly affect project implementation. Both the Biological Assessment and the EA must disclose and evaluate the potential impacts of the proposed action on listed species. The NEPA evaluation and the consultation process are instrumental in analyzing the effectiveness of project alternatives and mitigation measures. The full disclosure mandate of NEPA suggests that the consultation be initiated as soon as possible. Thus, a final decision on this project should not be completed prior to the completion of Endangered Species Act consultation. Treating the consultation process as a separate parallel process that is not

closely involved with the NEPA process represents a risk because during the consultation FWS and/or NMFS could identify additional impacts, new mitigation measures, or changes to the preferred alternative.

The EA should specifically describe and include maps of the sea floor in all areas that would be drilled. It is important to characterize the extent of hard bottom areas and topographic highs, which are vital to the biological communities they can support, including heavy fish concentrations, food species, and possibly rare or sensitive species. The EA should also describe and discuss impacts of drilling and operations on the sea floor. Include mitigation measures to reduce impacts of drilling and operation to sensitive species.

It is clear that there have been major changes in fish populations and fishing use in recent years. In order to correctly predict project effects and identify useful mitigation, it will be important to have up-to-date information on important fish and invertebrate populations, as well as fishing patterns. Changes in year- to-year and seasonal ocean weather patterns can radically affect fish, invertebrate, marine mammal and seabird populations. A plan for concurrent monitoring of those populations and uses most likely to be affected may be necessary to ensure adequate protection.

The EA should briefly describe the protection provided by the Endangered Species Act; Marine Mammal Protection Act; Fish and Wildlife coordination Act; Marine Protection, Research and Sanctuaries Act, and all international treaties affecting migratory species evaluated in this EA.

The EA should discuss how timing of the drilling could be used to minimize impacts/threats to valuable habitat in the project area by limiting activities to time of minimal upwelling so that any sediments are transported off-shore. Also discuss how timing would be used to avoid adverse impacts to migrating marine mammals, birds, fish, or other wildlife.

### **Spills and Blow-Outs**

The potential adverse impacts from oil spills could be lessened by an effective containment and cleanup operation. However, the effectiveness and efficiency of the cleanup up equipment and technology can be tied directly to oceanic and meteorologic conditions that occur in the leasing area. Mechanical cleanup equipment becomes nonfunctional between sea states 3 and 4 and in moderate to high winds. Since winds are the driving force that determines where spilled oil moves, a general discussion of the seasonal wind patterns is needed in order to understand where spilled oil could move. Visibility is another factor that is important when discussing spilled oil. Heavy fog would hamper mobilization and deployment of equipment and work crews. The existing environment discussion should contain information on the frequency of sea states greater than 3, wind conditions (direction and speed) and poor visibility situations.

Even under the best of conditions, mechanical recovery seldom 'recovers' greater than 30% of spilled crude. Thus, natural resource impacts should be considered with the expectation that any crude oil that is spilled will cause some impact regardless of whether there is an attempt to recover or disperse it. Crude oils that are not mechanically recovered will most likely either affect those resources within the water column (natural or chemical dispersion in the water column) and/or get blown out into open waters (more natural dispersion) and/or impact shoreline resources (birds, mammals, recreation, welfare, etc.) and/or surface resources (sheen on surface can impact birds, mammals, recreation, boating, etc.). When considering potential spill impacts, one must keep in mind that the deployment of most response options (mechanical recovery and chemical countermeasures included) are not without their own impacts as well. Thus, in addition to the potential resource impacts resulting from the spilled oil itself, the relative effectiveness of recovery and cleanup efforts and their impacts on the environment should also be discussed in the EA.

### **Bonding**

The EA should itemize bonded activities and amounts that MMS will require to ensure compliance with the terms and conditions of the lease, including well closure activities. The EA should also identify the types of bonds that would be acceptable to MMS.

### **Mitigation and Monitoring**

The EA should describe and discuss the monitoring that would be conducted to ensure protection of water and air quality and biological resources. The EA should describe the baseline monitoring, effectiveness monitoring and implementation monitoring to be conducted for the proposed project, and identify who would be responsible for each monitoring activity.

The EA should describe and discuss all mitigation measures and Best Available Control Technology (BACT) that would be used, identify who would be responsible for implementing them, indicate how implementation of these measures would be assured (e.g., permit stipulations, bonding, etc.), and identify contingency measures should mitigation measures fail.

### **Cumulative Impacts**

The EA should address potential cumulative impacts to resources, considering the proposed project in the context of past, current, and reasonably foreseeable future activities in the project vicinity. The analysis should include a discussion of impacts to water and air quality, wildlife, and biodiversity.

The Council on Environmental Quality's report, *Considering Cumulative Effects Under the National Environmental Policy Act*, contains useful information which MMS could use to craft an effective cumulative impacts section. Cumulative effects analysis, as described in that publication, should include past present and future actions, including all federal, non-federal, and private actions. The description of the affected environment should focus on each affected resource or ecosystem. Determination of the affected environment should not be based on a predetermined geographic area, but rather on perception of meaningful impacts and natural boundaries.



Eugene Bromley

05/14/2003 11:10 AM

To: David.Panzer@mms.gov

cc:

Subject: Re: P 0451 DPP Revisions Comments

Here are some comments on the DPP revisions (environmental evaluation):

Page 6 - Drilling Muds/Cuttings volumes - The proposed general permit includes annual discharge volume limits for muds/cuttings/excess cement. The proposed drilling schedule shows 3 wells drilled over a one year period at Hidalgo with 43,000 bbls discharged. That would exceed the permit limit of 23,000 bbls/year. Cuttings would also exceed the annual limit. It looks like Hermosa could have trouble as well.

Page 14 - Produced water discharges: I can't tell from my copy what the produced water dilutions are for the platforms; the different shades of gray are too close to distinguish (dilution data is available later in Table 4.12). It would be of interest to compare effluent data for parameters (such as benzene) with proposed permit limits. Several parameters are not limited in the existing permit but are limited in the proposed permit. Also, state criteria would be of interest; at this time, we can't be sure what will apply in the future.

Page 21 - The intent of the evaluation seems to be to evaluate impacts not considered or greater than those considered in the 1984 EIS. In Table 3.1, the DPP mentions increases in mud discharges and produced water discharges. But it also says that these would be less than estimated for the Point Arguello Project since fewer wells would be drilled. It's unclear whether the new drilling would result in total discharges greater than those considered in 1984. The extended reach drilling seems to result in larger quantities of mud discharges per well than may have been assumed in 1984.

page 62 - the DPP says that adverse impacts from muds would not be expected from the new drilling project even though the new drilling would result in larger discharges than the previous drilling. Table 4.11 shows the new drilling discharges are smaller than the previous discharges. Are they talking about total discharges being larger?

page 64 - would be helpful to mention how far away the southern boundary of the Monterey Bay Sanctuary is. The discussion suggests that the Sanctuary is closer to the platforms than it is.

page 71 - in Table 4.12, it's not clear what the end-of-pipe concentrations are for produced water at the platforms; presumably they're using the Table 2.6 concentrations for both platforms and the difference in dilution is due to differences in volume. It would be helpful to add the end-of-pipe concentrations to Table 4.12 so you can see the dilution factor.

page 73 - the discussion of produced water dismisses the chances of exceeding NPDES permit limits outside the mixing zone. That appears to be true for the parameters regulated under the existing general permit. However, for the new permit, there are potential problems with benzene (if state criteria ultimately apply at 100 meters) and for PAHs such as chrysene at Hermosa even using the EPA criteria.

Page 75 - the DPP indicates that produced water would be diluted by a factor of several

thousand at 100 meters. I don't see where this is derived, and it appears too high to be the centerline dilution. The centerline dilution in Table 4.12 (assuming end-of-pipe numbers from Table 2.6) is not that much.

I didn't find a cumulative effects discussion in the DPP. The DPP should discuss the cumulative effects of the proposed discharges and other regional discharges such as those from Platform Irene and Harmony/Heritage.

**Hill, Maurice**

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**From:** John.C.Malone@spl01.usace.army.mil

**Sent:** Thursday, May 22, 2003 4:04 PM

**To:** 0451 Comments

**Subject:** USACE Regulatory comments

Due to workload and staff constraints, the Corps has not had the opportunity to review the Development and Production Plan Revisions for the Point Arguello Unit Eastern Half of Lease OCS-P 0451 Pacific OCS Region. The Corps does regulate certain activities on the outer continental shelf and appreciates MMS solicitation of comments even though we are unable to comment on this project at present.

Jack Malone, Ph.D.

Regulatory Branch, Ventura Field Office

U.S. Army Corps of Engineers

2151 Alessandro Drive, Suite 110

Ventura, CA 93001

(805) 585-2146

(805) 585-2154 fax

# PXP

## ARGUELLO INC.

June 11, 2003

Mr. Nabil Masri  
Chief, Office of Facilities, Safety and Enforcement  
Minerals Management Service  
770 Paseo Camarillo  
Camarillo, CA 93010-2219

Re: Revisions to Point Arguello Field Development and Production Plans (DPP) to Include Development of the Eastern Half of OCS-P 0451

Dear Mr. Masri:

In response to the Fish and Wildlife Service Biological Opinion on the captioned project, we are submitting this letter to address specific terms and conditions dealing with reasonable and prudent measures discussed in the opinion.

The Point Arguello Unit Oil Spill Response Plan (OSRP) will be amended with a description of what measures will be taken by platform personnel if oiled wildlife (including listed species e.g. brown pelican, California least tern, western snowy plover, and southern sea otter) is encountered. The amendment will include phone numbers for local wildlife rescue organizations, the California Office of Spill Prevention and Response, and the Ventura Fish and Wildlife Service office if not currently listed in the OSRP.

Arguello Inc. will provide annual wildlife training for platform operators by a qualified biologist. The training shall include up-to-date information on the brown pelican, California least tern, western snowy plover, and southern sea otter. The training will include their life histories, their physical characteristics, habitat areas in the Point Arguello Unit area, general ecology, reasons for their species decline, and reasons for their vulnerability to oil spills (e.g., hypothermia, ingestion, etc.). In addition, the training will cover what to do in the event an oiled species is encountered. Arguello Inc. will list and describe this training in our OSRP per 30 CFR 254.29 and will keep records of the personnel trained per 30 CFR 254.41.

These changes will be submitted to MMS for approval not later than 30 days after final approval of the DPP revision. If you have any questions or comments, please contact me at (805) 567-1608.

Sincerely,



David Rose  
Supervisor,  
Environmental, Safety and Regulatory Compliance

# PXP

## ARGUELLO INC.

June 12, 2003

from the desk of:  
Robert E. Huguenard  
Project Manager

Ms. Allison J. Dettmer  
Manager, Energy and Ocean Resources Unit  
California Coastal Commission  
45 Fremont, Suite 2000  
San Francisco, CA 94105-2219

Mr. Nabil Masri  
Chief, Office of Facilities, Safety and Enforcement  
Minerals Management Service  
770 Paseo Camarillo  
Camarillo, CA 93010-6064

RE: Response to CCC Incompleteness Letter Dated May 14, 2003 on the Development and Production Plan Revisions for the Point Arguello Platforms -- Modification to Project Description

Dear Ms. Dettmer and Mr. Masri:

This is in response to correspondence dated May 27, 2003, wherein the California Coastal Commission (Commission) staff communicated that our submittal did not provide adequate information to allow the Commission to determine whether the above captioned proposed Development and Production Plan (DPP) revisions are subject to the consistency review requirements of CZMA and, if so, whether such revisions are consistent with the enforceable policies of the California Coastal Management Program (CCMP). Specifically, it was requested that we provide an analysis of the project's conformity with California Ocean Plan (COP) discharge requirements.

We believe this request can be best addressed by Arguello Inc. modifying the project description for development of the eastern half of OCS-P 0451 to incorporate the relevant requirements of the latest Commission-approved version of the USEPA proposed National Pollution Discharge Elimination System (NPDES) permit (No. CAG 280000). This proposed permit includes provisions of the COP in a manner that has proven to be satisfactory to the Commission. With this change to the project description, the proposed development activities comply with the State of California's approved costal management program and will be conducted in a manner consistent with such program. (See the February 12, 2003 supporting information volume, submitted to MMS for a detailed Coastal Zone Consistency Analysis).

The Commission has concurred with the consistency certification made by the USEPA for general National Pollution Discharge Elimination System (NPDES) permit CAG280000<sup>1</sup>. For various reasons, this permit, although proposed by USEPA and found by the Commission to be consistent with the Coastal Act, has not been put into effect. As a result, we are continuing to discharge under the existing administratively extended general NPDES permit (No. CA0110516).

During the consistency process for permit CAG280000, changes were agreed to by USEPA to provide as discharge effluent standards for produced water either the State water quality criteria set forth in the COP or the national 304(a) criteria, whichever is more protective of applicable beneficial uses. This provision is included in the version that has been found by the Commission to be consistent with the CCMP, therefore we

<sup>1</sup> Concurrence with consistency certification CC-126-00 was given on January 9, 2001, and again on revised findings in support of the Commission's earlier concurrence, on December 12, 2001

Ms. Allison J. Dettmer and  
Mr. Nabil Masri  
June 11, 2003  
Page 2

believe by incorporating the applicable requirements of this proposed permit into the project description for development of the eastern half of OCS-P 0451, Arguello Inc. has addressed the CCC staff request regarding conformity with the COP.

Attachment A, an edited version of permit CAG28000, is a detailed description of an agreement that Arguello Inc. has added to the project description for the development of the eastern half of OCS-P 0451 covering discharges from Platforms Hermosa and Hidalgo, which are the two platforms that will be used for the development of the eastern half of OCS-P 0451.

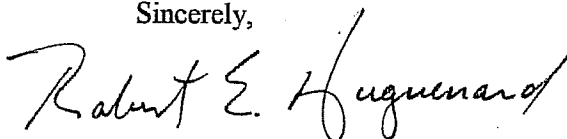
We have several minor caveats to this project description modification:

In the above described NPDES permit approval process, Arguello submitted a letter dated January 31, 2002 (Attachment B) in which we noted to USEPA that our earlier estimates for produced water volumes had been made in error. This error occurred when our temporary reservoir engineer had made some erroneous calculations that resulted in our submittal of incorrect volume estimates that USEPA published in the permit. When we discovered these errors, we immediately requested that the USEPA correct these errors. Attachment A includes the produced water volumes stated in our January 31, 2002 letter to USEPA. It is our understanding that USEPA (Eugene Bromley) has accepted these changes to the produced water volumes.

Arguello Inc. is voluntarily modifying the project description for development of the eastern half of OCS-P 0541 to include all of the applicable provisions of the proposed USEPA NPDES permit CAG280000 as detailed in Attachment A. However, this should not be construed as an acceptance or acquiescence by Arguello of the Commission's assertion that the COP is part of the enforceable policies of the CCMP, or that the COP provisions are enforceable outside of the territorial waters of the State. Notwithstanding the foregoing reservation of rights, Arguello Inc. hereby waives any rights it may have to institute a legal challenge in any administrative or judicial forum to the Coastal Commission's favorable decision with regard to this project, but such waiver is only applicable to the above stated arguments. We hope that this letter along with Attachment A adequately addresses the points raised by Commission staff, and look forward to a determination from Commission staff that the submittal of our application for Development of the eastern half of OCS-P 0451 is complete, and if required that the consistency review of this project can be completed as quickly as possible.

Should you have any questions please feel free to contact myself at (805) 567-1634 or David Rose at (805) 567-1608.

Sincerely,



Robert E. Huguenard  
Project Manager

cc: ~~Ms.~~ Catherine Hoffman, Minerals Management Service  
Mr. Terry Oda, USEPA

Attachment

Attachment is not included in this appendix.