

EXHIBIT G-3

Tranquillon Ridge Oil and Gas Development Project (06RVP-00000-00001)

Adopted by the County Board of Supervisors on October 7, 2008

STATEMENT OF OVERRIDING CONSIDERATIONS

The Final EIR for the Tranquillon Ridge project identifies significant, unavoidable impacts to marine and terrestrial biological resources and water quality, fishing, recreational, and cultural resources due to oil spills and spill clean-up efforts, and significant public safety risks associated with truck transport of gas liquids from the Lompoc Oil and Gas Plant. Several mitigation measures have been adopted to reduce these impacts, but not all significant impacts can be mitigated to less than significant levels. The benefits listed below warrant approval of the project notwithstanding that all identified significant adverse impacts are not fully mitigated.

The Tranquillon Ridge project now proposed by PXP offers unique benefits. Having balanced these benefits, based upon the best available information, against the significant and unavoidable adverse impacts of the project, the Board hereby determines that these significant and unavoidable impacts are acceptable in light of the project's benefits described below. Pursuant to CEQA Section 15043, 15092, and 15093, any remaining significant effects on the environment are acceptable due to these overriding considerations. This statement is supported by substantial evidence in the record that includes the certified EIR, staff report and analyses, and oral and written testimony.

Use of Existing Coastal-Dependent Infrastructure without Extending Its Life

The proposed project, as revised, offers the best alternative to access Tranquillon Ridge oil and gas reserves, utilizing existing coastal-dependent and coastal-related infrastructure over the next 14 years with a definitive early termination date that reduces risk of mishap generally associated with aging infrastructure. The recovered reserves, in turn, provide an interim source of domestic oil and gas production, while California implements strategies to reduce the State's dependence on fossil fuels and associated greenhouse gas emissions. Recovery of these reserves from an alternative location, such as onshore Vandenberg Air Force Base, would result in operation of two individual production projects at the same time where one will suffice.

Termination Date: PXP has revised its proposal so that operation of the Tranquillon Ridge project will permanently cease by December 31, 2022. This project revision is reflected in Final Development Plan Condition A-6 of the staff-recommended revised permit attached to the August 19, 2008 Board agenda letter. As of December 31, 2022, PXP will cease operations of the Tranquillon Ridge project. This project end-date coincides with the outer range of the estimated remaining project life for the existing Point Pedernales project. By limiting the Tranquillon Ridge operations to the same project life as the Point Pedernales project, PXP will avoid extending significant environmental impacts beyond the life of the existing operations. Importantly, this specific end-date identifies a clearly defined limit to increased oil and gas production and transportation due to the Tranquillon Ridge project and its associated impacts, and is unprecedented for this kind of project in Santa Barbara County.

In adopting the December 31, 2022 end date, the Board has relied on PXP's written request dated April 14, 2008 to incorporate this end date into the Tranquillon Ridge project, information in the Tranquillon Ridge EIR (specifically regarding "extension of life" impacts associated with the originally proposed Tranquillon Ridge project), and the Planning

EXHIBIT G-3

Commission's deliberations and findings. The Board has not relied on any private, undisclosed agreements PXP may have executed with other parties, notwithstanding the publicity such agreements may have received in the media and in comments made to the Planning Commission and to the Board in written or oral testimony in the public hearings on the project.

Continued Use of an Existing Coastal-Dependent Industrial Facility: The current Point Pedernales project, that would provide the physical infrastructure to produce the Tranquillon Ridge field, is consistent with all but one applicable Coastal Act and County policies, the exception being Coastal Act Policy 30232. However, the Coastal Act provides leeway as regards this exception via Policy 30260 as discussed below. Platform Irene and associated pipelines are considered a coastal-dependent use that "requires a site on, or adjacent to, the sea to be able to function at all" (Coastal Act Section 30101). Section 30260 of the Coastal Act guides the Coastal Commission and local coastal jurisdictions as to the benefits of limiting coastal-dependent development to existing sites, such as Platform Irene, as follows:

Coastal-dependent industrial facilities shall be encouraged to locate or expand within existing sites and shall be permitted reasonable long-term growth where consistent with this division. However, where new or expanded coastal-dependent industrial facilities cannot feasibly be accommodated consistent with other policies of this division, they may nonetheless be permitted in accordance with this section and Sections 30261 and 30262 if (1) alternative locations are infeasible or more environmentally damaging; (2) to do otherwise would affect the public welfare; and (3) adverse environmental effects are mitigated to the maximum extent feasible.

The EIR did not draw a conclusion as to whether the conceptual "VAFB Onshore Alternative" or the Tranquillon Ridge project would be environmentally preferable overall because significant impacts would occur in both similar and different issue areas when compared to the Tranquillon Ridge project. We acknowledge that a significant impact associated with the Tranquillon Ridge project related to marine oil spills would be reduced if the resource were to be developed from an onshore site. However, other Class I impacts would still occur and construction-related impacts would be greater for a new onshore facility and the onshore alternative still results in significant adverse impacts from oil spills, thereby resulting in greater environmental impacts to the environment. A new onshore drilling and production facility clearly would involve more construction-related impacts, some of them significant and potentially unavoidable, than the Tranquillon Ridge project. With an onshore drilling and production site, significant impacts from an oil spill originating offshore would be eliminated, but some impacts to marine biota and water quality would still be likely in the event an onshore spill reached the ocean. Other significant impacts from both construction and operation would be likely to occur with an onshore production site. The Board found (Finding 1.6, above) that potentially feasible alternative locations for the facilities necessary to develop the Tranquillon Ridge Field reserves would not be less environmentally damaging than the Tranquillon Ridge project, primarily due to the type and amount of new construction that would be needed to implement the alternatives.

If the Tranquillon Ridge project were not approved (the "No Project Alternative" in the EIR), the resource could still be developed in the future. If this development occurred after Platform Irene is decommissioned, new construction potentially would result in significant impacts. Operational impacts would be similar to those for the Tranquillon Ridge project, several of them significant and unavoidable. In addition, as approved, the Tranquillon Ridge project will operate for, at most, 15 years. The price of crude oil recently was at all time highs, but has since been lowered significantly. The price, however, could fluctuate and return to higher levels in the foreseeable future. Given these market conditions, it is reasonable to assume that any new facilities built to develop the Tranquillon Ridge resources

EXHIBIT G-3

would remain in operation for substantially longer than 15 years, perhaps 30 years or more. Significant and unavoidable impacts that would occur from such development would thus be extended well into the future. For these reasons, the Board finds that the public welfare is better served by developing the Tranquillon Ridge reserves using the existing facilities for a defined period of time, as approved herein.

Continued Use of Existing Coastal-Related Facilities: The LOGP is zoned M-CR, Coastal-Related Industry, and is contained within the boundaries of the onshore Lompoc Oil Field, inland of the Coastal Zone. Coastal-related development refers to uses that are “dependent on a coastal-dependent development or use” (Coastal Act Section 30101.3). This Coastal Act policy is not applicable to the LOGP due to the facility’s location outside of the Coastal Zone, however, the pipelines connecting Platform Irene and the LOGP traverse lands both within and outside of the Coastal Zone. The LOGP is not designated as Coastal-Dependent, nor is it a Consolidated Oil and Gas Processing Facility, but it does serve offshore oil and gas development and is the only existing facility in northern Santa Barbara County that is approved for this purpose. It has operated since 1987 as an oil processing facility, and since 1997 as a gas processing facility as well. All of these existing facilities will be used to implement the Tranquillon Ridge project. New project components associated with the Tranquillon Ridge project are limited to the potential addition of booster pumps at Valve Site #2, which is at the eastern boundary of the Coastal Zone, and installation of additional power lines and poles and possibly a new substation to operate the new pumps. The substation and many of the power poles would be located outside of the Coastal Zone.

The County has long-standing policies encouraging consolidation of industrial facilities within the County where possible. The project adjustments PXP has made will allow it to develop the Tranquillon Ridge oil and gas reserves without extending the life of its existing facilities and without incurring environmental impacts associated with significant new construction. As approved, the Tranquillon Ridge project will use existing facilities almost entirely and only minor new construction would occur. No other existing facilities in the region could develop the Tranquillon Ridge reserves with fewer impacts. Production of the Tranquillon Ridge reserves from any other site would require construction of a new platform or onshore drilling and production facility, new pipelines, and potentially a new gas processing plant. The Tranquillon Ridge EIR assessed the relative impacts of (1) constructing a new oil and gas drilling and production site and using the existing LOGP for processing, and of (2) constructing a new onshore oil and gas processing plant in the Casmalia Oil Field and new pipelines from the LOGP site to this plant. The EIR concluded that this “Casmalia East Alternative” would not reduce significant impacts of the proposed project and would result in additional environmental damage, primarily from construction.

Interim Source of Domestically Produced Oil and Gas: California is undertaking serious efforts to reduce its greenhouse gas emissions to 1990 levels by the year 2020, as enacted in the California Global Warming Solutions Act of 2006 (Health and Safety Code §§ 38500 *et. seq.*). Reducing the State’s dependence on fossil fuels is part-and-parcel of this effort, and will be accomplished through several strategies, including promotion of clean-energy alternatives to fossil fuels, energy conservation, and more efficient use of energy. In the interim, development of the Tranquillon Ridge oil and gas reserves between now and the year 2022 helps California to meet short-term demand for fossil fuels from domestic supplies as the State implements strategies to reduce its carbon footprint by reducing dependence on fossil fuels. In doing so, the Tranquillon Ridge project has the potential to avoid some greenhouse gas emissions into the atmosphere should this oil and gas reduce demand for imported crude oil and natural gas, or reduce demand for domestic production that that relies on high CO₂-emitting enhanced oil recovery methods to extract heavy crude oil.

EXHIBIT G-3