

**Responses to CAP Comments on the 2013 Amended Annual Drilling Plan**

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# John M. Kuechle

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December 18, 2012

Ms. Rena Kambara  
County of Los Angeles  
Department of Regional Planning  
320 West Temple Street  
Los Angeles, CA 90012

Re: Baldwin Hills Oil Field, Amended 2013 Annual Drilling Plan

Dear Rena,

This letter sets forth my comments to the proposed 2013 Amended Annual Drilling Plan, and more specifically to the Mid-Zone Supplement that was included with the original 2013 Drilling Plan and referred to in the 2013 Amended Plan.

The Settlement Agreement requires PXP to “use commercially reasonable efforts to locate new mid-zone wells and well pads away from Sensitive Developed Areas ....”

In the comment letter I submitted to the original 2013 Drilling Plan I objected to PXP’s argument that since it would cost a lot of money to relocate the pad for the Stocker 3468 well, such a relocation could not be done with “commercially reasonable efforts.” I argued then, and still maintain, that there must be a clear test for determining the line between reasonable and unreasonable, and that it is incumbent upon PXP to propose where such a line should be drawn, rather than to simply assert that whatever the cost might happen to be in a particular case is too high to be reasonable.

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The County, in its response to my previous letter, indicated that it is still reviewing the Mid-Zone Supplement, and I applaud this.

However, the County went on to say that “[c]ommercially reasonable efforts is a term incapable of a precise definition and will vary depending on the context in which it is used.”

While it may be true that there cannot be a single definition of “commercially reasonable efforts” in all conceivable contexts, there is only one context for the term in the Settlement Agreement - namely the amount of effort that must be exerted (and the amount of funds that must be expended) to relocate a well pad. In such a limited context, it is simply not acceptable for the County to allow PXP to make ad hoc decisions for each Mid-Zone well it may decide to drill over the next decade.

The County also made the statement that “[c]ommercially reasonable does not mean the same thing as economically infeasible.”

While I do not maintain that the two terms must always have the same meaning, I continue to believe that in the limited context of the Settlement Agreement, there is no other logical place to draw the line between reasonable and unreasonable than to say that it commercially unreasonable to relocate a well pad to a safer location only if the cost of drilling at that site will be so high that a reasonable business person would conclude he would be better off with no well at all.

The County mentioned another potential guideline for drawing the line between reasonable and unreasonable, when it referred to “what a similar person would do as judged by the standards of the applicable business community.” However, upon reflection, this standard does not provide any guidance at all. Many (if not most) reasonable members of the business community believe they should be able to do whatever they want on their own property, subject only to limitations imposed by law and private contract. To interpret a provision of the Settlement Agreement that is specifically intended to limit PXP’s conduct on the oil field, by reference to the standard proposed by the County, leads to a circular argument that ultimately provides no guidance whatsoever.

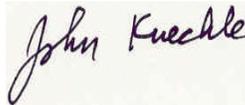
Finally, I would like to point out that unlike the Community Standards District ordinance, which was ultimately adopted by the County and imposed upon PXP, the language of the Settlement Agreement was negotiated, and largely drafted, by PXP. PXP should not now be allowed to argue that the language it helped write to resolve a lawsuit is so ambiguous that it effectively has virtually no meaning.

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Ms. Rena Kambara  
December 18, 2012  
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The County should require PXP to either relocate Stocker 3468, or revise its analysis to show that the actual cost of moving the well to a safer site would be so great that a reasonable person would conclude he would be better off without the well than paying the anticipated cost.

Sincerely yours,

A handwritten signature in black ink on a light-colored rectangular background. The signature reads "John Kuechle" in a cursive, slightly slanted script.

John M. Kuechle

P.S. I have heard that in the specific case of the Stocker 3468 well, it may be the case that the only technologically viable alternative pad location is only a few feet from the current location. Although I do not have any standards to propose, I do agree that the County would not be abusing its discretion to decline to require the expenditure of hundreds of thousands of dollars to move the pad a few inches.

cc: Culver Crest Neighborhood Association  
Ken Kutcher, Esq.  
Mr. John Peirson  
Robert Garcia, Esq.  
Mr. David McNeill  
Ms. Karly Kartona  
Ms. Lark Galloway-Gilliam  
Carol Schwab, Esq.  
Mr. Damon Nagami

## Responses to John Kuechle Comments on 2013 Amended Annual Drilling Plan

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1. As stated in the Settlement Agreement, The County is the agency responsible for approving any request for a well as part of a mid-zone or deep-zone supplement. As such, the County will need to make the determination of “commercially reasonable”, not PXP.

The County is still working on the review of the mid-zone supplement and is looking at a number of factors that will be taken into account in determining whether or not to approve the mid-zone supplement. These factors fall into three main categories:

- Technical limitations for the well,
- Changes in environmental impacts, and
- Economic considerations.

The County will weigh each of these factors in making the final determination whether to approve the requested mid-zone supplement.

The language of the Settlement Agreement was not largely drafted by PXP. After reaching a tentative settlement, County Counsel drafted the initial settlement agreement. The draft agreement was reviewed and commented on by both PXP and the petitioners. All parties had an equal hand in the drafting the final Settlement Agreement.



December 20, 2012  
4209 Jackson Avenue  
Culver City, CA 90232

Rena Kambara-Planner  
Zoning Enforcement West Section  
Department of Regional Planning  
320 W. Temple Street  
Los Angeles, CA 90012

Rena,

The Citizens Coalition for a Safe Community takes the position that no drilling should be permitted for 2013 until such time that Los Angeles County Planning finishes making its final determination regarding their assessment of the Psomas/Fugro Ground Movement Survey conclusion, that being that the continued increases in uplift and subsidence in the Baldwin Hills/Culver City area cannot be attributed to Plains Exploration & Productions ongoing expansion of Inglewood oil field operations.

Secondly, DOGGR is required to make their own assessment of the UIC programs administration at the Inglewood field under the EPA program. Ken Carlson, of DOGGR Cypress, told me that they have not finished that EPA\_UIC assessment.

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DOGGR is also supposed to determine whether they agree with the Los Angeles County Public Works conclusions regarding the Psomas/Fugro study. Given that this still has not been finished or submitted we believe that the County in allowing the drilling program to move forward at this time would be abrogating its responsibility of Duty of Care and is endangering the community's health and safety in allowing continuing fault slip and uplift and subsidence to continue that could be directly connected to oil drilling completion and injection practices at the Inglewood oil field without agency and independent evaluation.

It also again appears that the Windsor Hills and Ladera Heights areas that are slated for the heaviest impacts given the scheduling. What isn't included in the drilling plan assessment is the inclusion of the scheduling of the eight reworking and unlimited number of maintenance rigs that are allowed by the CSD to be operating with the two new well drilling rigs. The Windsor Hills area has seen an almost constant appearance of these additional rigs on a monthly basis.

2

It is also unclear at this time how many of the 24 wells slated for 2013 are also planned for high pressure gravel packing completions as well as multiple zone extraction which could be exacerbating the ground movement that is causing structural damage to homes surrounding the oil field. The increase of 29 injectors could play a part in this as well. Our position is that until all the required safeguards that are written in the Community Standards District have been completed required of County, DOGGR and the operator, the drilling plan for 2013 should not be allowed to move forward.

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Thank you.  
Sincerely,  
Citizens Coalition for a Safe Community

## Responses to CCSC Comments on Amended 2013 Annual Drilling Plan

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1. The Annual Drilling Plan required by the CSD is an informational document that has to provide specific information regarding the proposed drilling, redrilling, and well abandonment activities planned for each calendar year. The Annual Drilling Plan does not approve any drilling; it only approves the plan for the calendar year. Each individual well is approved by the County via a site plan review as required by the CSD.

The County Department of Public Works ("Public Works") reviewed all of the Psomas/Fugro Ground Movement Survey reports, and has requested DOGGR to provide input on the conclusions of the study. This is a separate issue from the Annual Drilling Plan, and is not a requirement of said plan. As required by the CSD, Public Works issued a letter to DOGGR on December 27, 2012 asking DOGGR to look at the ground rupture/earth cracking in the vicinity of Overhill Drive, Stocker Street, and La Brea Avenue and determine if adjustments to the oil field operations are needed or if additional ground movement monitoring is warranted. As specified in the CSD, DOGGR should conduct their review based upon the Public Works' request and determine if the ground movement in this area is a result of oil field operations. If DOGGR determines that the ground movement in this area is a result of oil field operations, then DOGGR must determine whether adjustments to these rates may alleviate the ground movement, and if so, where in the oil field such adjustments should be made. If DOGGR determines that adjustments are needed, then the operator shall implement whatever adjustments in the rates of fluid injection and/or withdrawal that DOGGR determines are necessary and appropriate to alleviate any ground movement damage. There is no provision in the CSD that limits drilling based upon the results of the ground movement studies.

DOGGR conducts its assessment of the underground injection control (UIC) program at the oil field as part of their Area of Review (AOR) process. It is the County's understanding that DOGGR is only issuing injection well permits for areas of the field where it has completed its AOR review and PXP has implemented any required corrective measures.

2. The identification of workover rigs and well maintenance activities are not a requirement of the Annual Drilling Plan. The CSD does limit the number of workover rigs, but does not place any limit on equipment for well maintenance or abandonment.
3. The Annual Drilling Plan does not require the inclusion of the completion procedures for each well. It is likely that almost all of the wells planned for 2013 would require the use of high pressure gravel packs as part of the completion process.

December 20, 2012

Ms. Rena Kambara  
County of Los Angeles  
Department of Regional Planning  
320 West Temple Street  
Los Angeles, CA 90012

Re: Baldwin Hills Oil Field, Amended 2013 Annual Drilling Plan

Dear Ms. Kambara:

According to PXP's amended drilling plan, the CSD and the Settlement Agreement allows for a maximum of 53 wells to be drilled and re-drilled. This number is derived from the 35 wells initially agreed upon and the 18 bonus wells for which PXP claims credit, but the math does not quite add up. On page 12, mention is made of 13 bonus well credits, then, mysteriously, PXP had allotted themselves 18 bonus wells. The math simply does not add up.

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Secondly, the drilling by PXP has been permitted to occur within 20 feet from public roadways and 400 feet from developed areas. The latter includes residential, commercial, industrial and office structures. However, I do not see anywhere that the County would be reimbursed for any damage to public roadways it would end up repairing as a consequence of drilling occurring in such close proximity to its structures.

2

Thirdly, as a resident of Culver Crest for twenty two years, I am disturbed to see three drilling sites adjacent to our neighborhood. The drilling sites appear to be approximately 2000 feet away from Marycrest Manor which is a nursing home. The residents of this nursing home are the least able to mobilize themselves in the event of a drilling mishap. As such, serious re-consideration is in order to modify the drilling plans so that they are further away from residential structures that are perched on precariously high grounds and would be most vulnerable to the ground being weakened around them from drilling activity.

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Sincerely,

Khin Khin Gyi, M.D., Ph.D.  
10733 Kelmore Street  
Culver City, CA 90230

Cc: Culver Crest Neighborhood Association  
Carol Schwab, Esq.

## Responses to Dr. Gyi Comments on 2013 Amended Annual Drilling Plan

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1. As shown in Table 5 of the Amended Annual Drilling Plan, PXP has earned 14 bonus well credits as of the end of October 2012. They have drilled five (5) bonus wells, which would leave a total of nine (9) available bonus wells at the end of October 2012. PXP has completed abandonment of two more wells, but has not yet requested the bonus well credits from the County for these wells. Once these requests are submitted to the County PXP will have a total of 13 bonus well credits. This is where the “13” comes from on page 8 of the Amended Drilling Plan. The remaining six (6) bonus well credits needed for the 2013 Amended Drilling Plan would come from three (3) well abandonments that are part of the 2013 Amended Annual Plan. These six (6) additional bonus wells would not be approved by the County until the planned well abandonments have occurred and PXP has applied for and received approval from the County for the additional bonus wells. This is fully explained on page nine of the 2013 Amended Drilling Plan.
2. The CSD contains bonding and other provisions that could be used to recover costs for any public roadway repairs that were determined to be a direct result of oil field operations.
3. The nearest drilling site to Culver Crest is about 2,000 feet away. This is well beyond the distanced set in the CSD, which limit drilling within 400 feet of developed areas. In addition, the Settlement Agreement, places additional limits on mid and deep-zone wells within 800 feet of sensitive developed area. All of the wells proposed in the 2013 Amended Drilling Plan are consistent with the requirements of the CSD and the Settlement Agreement.