Memorandum

Date: December 2, 2015
To: Timothy Stapleton, LA County DRP

From: Luis Perez, MRS
Phone: 805.289.3930

Subject: Baldwin Hills CSD Settlement Agreement Requirements
Revised 2015 Annual Compliance Report

Background
Pursuant to the Settlement Agreement, Section 29, dated July 15, 2011, regarding the County approval of the Baldwin Hills CSD and associated Environmental Impact Report, the County is required to schedule a public discussion at the CAP concerning the status of the compliance with the Settlement Agreement on an annual basis. The first such discussion was completed with a compliance handout at the July 26, 2012 CAP meeting and follow-up discussion at the September 27, 2012 CAP meeting. In early 2013 the County initiated the CSD Periodic Review process, pursuant to CSD Provision G.7, with subject discussion beginning with the April 2013 CAP meeting. Compliance discussion, including the requirements of the Settlement Agreement, continued as an agenda item during the remaining 2013 CAP meetings. The Draft Periodic Review was released to the public in February 2014. As such, a separate presentation and public discussion on the compliance status of the Settlement Agreement was deemed unnecessary in 2013 since it had been discussed as part of the periodic review discussions. The 2014 compliance year was discussed in a CSD Settlement Agreement Requirements 2014 Compliance Report memo dated December 8, 2014.

The following summary may serve as the basis for the 2015 discussion on the terms of the Settlement Agreement and documents the current status and/or implementation status. MRS finds that FM O&G has complied with the applicable Settlement Agreement terms at this time. MRS will continue to assist the County with enforcement of all applicable provisions of the Settlement Agreement and the CSD.

Status of Compliance with Settlement Agreement Terms
(Numbers correlate to the numbered paragraphs in the Settlement Agreement)

1. *Slant Drilling*
   The 2015 Annual Drilling Plan was approved by the County on October 23, 2014. The Annual Drilling Plan approval documents compliance with Settlement Agreement Sections 1.a through 1.d. The drill rig was removed from the field in June 2014 for use elsewhere and has not returned to the oil field. Therefore, as of the date of this memo report, no new wells were drilled in the calendar year 2015.

Sections 1.e, 1.f, and 1.g, provide guidance on definitions, environmental consideration, and non-interference, respectively, in support of the other requirements of Section 1 of the Settlement Agreement.

2. *Noise*
   Noise monitoring to date has not identified any violations associated with oil field operations above the baseline levels of the noise limits set forth in the Settlement Agreement. However, noise levels above the maximum criteria have been documented during drilling, redrilling, or well reworking activities in past years. The data associated with these peak noise readings were investigated and analyzed by the County noise expert. Results of the analysis determined the cause to be emergency vehicles, motorcycles, airplanes, and portable equipment used for landscaping thus confirming compliance with the noise requirements of the Settlement Agreement.

3. *Number of Drill Rigs*
   The Settlement Agreement allows for the use of two drill rigs at any one time. To date, FM O&G did not drill any wells in 2015 and the drill rig (Rig Ensign 516) was removed from the oil field in June 2014. No drill rigs have been used at the oil field during 2015.

4. *Number of Wells*
   The limit of no more than 500 new wells stipulated in Settlement Agreement Section 4.a. has not been reached to date. After reaching the 50th new or redrilled well milestone in September 2011, FM O&G applied for and received approval by the Director in December 2011 to drill or redrill up to 35 wells per calendar year excluding any bonus wells. This approval is consistent with Section 4.b of the Settlement Agreement. To date for the calendar year 2015, FM O&G has not drilled any new wells and a drill rig has not been on the oil field since June 2014. Therefore; FM O&G is in compliance with the Settlement Agreement.

5. *Health Assessment and Environmental Justice Study*
   The Department of Public Health completed this study in May 2012 ahead of the Settlement Agreement deadline of June 2012. The study was made available to the public on the DRP website and was presented to the CAP on July 26, 2012.

6. *Clean Technology Assessment*
   FM O&G addresses this requirement with the submittal of the Annual Drilling Plan as required under CSD Provision E.26.f. Section 10 of the 2015 Annual Drilling Plan, approved in October 2014, provides a discussion on the latest equipment and technology that can reduce the environmental impacts of drilling activities. The discussion includes an applicability overview of electric rigs, coil tubing rigs, diesel-electric rigs, and natural gas-electric rigs along with the potential feasibility of their use at the Inglewood Oil Field.

7. *Electrical Distribution Study*
   The Settlement Agreement required the County to facilitate an Electrical Distribution Study to review opportunities to streamline and consolidate electrical lines at the Inglewood Oil Field. The study was to be funded jointly by Southern California Edison (SCE), LA Department of Water and Power (DWP), PXP

(operator at the time), and the County. Both SCE and DWP declined to participate with respect to funding the study and the County is exploring other funding options.

8. *Air Quality Monitoring*
   The Settlement Agreement required a supplemental air quality monitoring study to address stakeholder concerns on potential acute and chronic exposure to air contaminants from the Inglewood Oil Field. Sonoma Technology Inc. was selected by the County to perform the study which commenced June 2012 consistent with the Settlement Agreement deadline of July 15, 2012. The Draft Final Baldwin Hills Air Quality Study Report was completed in April 2014 and submitted to the County and SCAQMD for review with the final report completed in December 2014.

9. *Back-Up Flare*
   Installation of the new gas plant back-up flare was completed in 2012. The old gas plant flare remains and is maintained as a back-up equipment as allowed for by CSD Provision L.5.b and the Settlement Agreement. FM O&G has complied with the requirement that only one flare be in operation at one time at the oil field, no flaring has occurred to date in 2015.

10. *Well Plugs*
    The Settlement Agreement requires that for all wells that are abandoned subsequent to the Settlement Agreement, a 150 foot cement surface plug shall be used rather than the 25 foot cement plug required by DOGGR. FM O&G complies with the 150 foot cement plug requirement for abandoned wells as verified by DOGGR via well abandonment plan approvals and inspections.

11. *Landscaping*
    The landscaping plan for the Inglewood Oil Field was phased in 7 components, status as of the data of this memo is provided in the following table.

Phase	Plan	Landscaping
1 – Ladera Crest View-shed North	Approved 5/11/11	Completed 10/20/11
2 – Windsor Hills/ La Brea View-shed	Approved 10/11/11	Completed 6/12/12
3 – La Brea View-shed East/La Cienga Blvd.	Approved 6/6/13	Scheduled for after completion of Phases 6 &7
4 - La Cienga Roadway	Approved 6/6/13	Installation initiated, under construction
5 – La Cienga Roadway	Approved 6/6/13	Completed November 2014
6 – Fairfax Avenue Roadway	Approved by DRP 10/21/15 DPW Approval Outstanding	DPW Approval Outstanding Waiting on Final DPW review for final County approval
7 – Stocker Street Roadway	Approved by DRP 10/21/15 DPW Approval Outstanding	DPW Approval Outstanding Waiting on Final DPW review for final County approval

The Settlement Agreement requires that all landscaping be completed within three years of approval by the County of the final phase plan, therefore since final

approval of Phases 6 and 7 has not been completed, this requirement has not been triggered to date.

12. *Clean-up Plan*
    PXP, the operator at the time, submitted an unused or abandoned equipment removal plan in 2009 which was subsequently approved and implemented. The *Unused or Abandoned Equipment Removal Plan Inglewood Oil Field* detailed the 64 pieces of equipment that were removed in 2008 and 2009. The plan was updated in 2012 with the updated plan document listing the removal of four tanks from the oil field.

13. *Fracking Study*
    The *Hydraulic Fracturing Study – Inglewood Oil Field* was completed in July 2012 with the final report dated October 10, 2012 consistent with the requirements of the Settlement Agreement. The report is available to the public on the Inglewood Oil Field web site.

14. *CSD Review Based on Reduced Production*
    The intent of this requirement, and the associated CSD Provision E.35, is to assist in the determination of the end of the project life of the oil field; this condition has not been triggered to date.

15. *CSD Provisions*
    The requirements of the CSD and the Settlement Agreement remain in full effect. Pursuant to CSD Provision G.7, *Periodic Review*, the compliance review was completed by the County in 2015 with the *Periodic Review Final Report* dated September 2015. Results of the Periodic Review document the oil field is being operated in compliance with all provisions of the CSD and the Settlement Agreement.

29. *Public Notice*
    The Settlement Agreement is posted on the County Baldwin Hills Community Standards District Webpage. The County will discuss 2015 compliance with the Settlement Agreement at a forthcoming CAP meeting and continue to do so on an annual basis.

30. *Remedies for Breach*
    The County continues to monitor and enforce the terms of the Settlement Agreement and the CSD. As documented in the Periodic Review and this analysis, FM O&G is in compliance with the Settlement Agreement and the CSD at this time.

The following sections of the Settlement Agreement relate to legal and logistical issues and include provisions regarding the interpretation of the Settlement Agreement and are not linked to operational issues at the oil field:

16. *General Releases between Petitioners and County*
17. *General Releases between Petitioners and PXP (FM O&G)*
18. *Settlement of Claims for Attorney's Fees and Costs*
19. *Parties Bound*
20. *Integration*
21. *Non-Assignment of Claims*

22. Settlement of Disputed Claims
23. Additional terms
24. Modifications
25. Execution
26. Authority to Execute
27. Covenant Not to Sue
28. Dismissal of Consolidated Cases
31. Governing Law
32. Captions and Headings
33. Survival
34. Good Faith Provision