

**TWO-YEAR EXTENSION OF
CONDITIONAL USE PERMIT 97-03
APPROVED CONDITIONS OF APPROVAL**

TYPE OF BUSINESS: **CONSOLIDATED DRILLING AND OIL PRODUCTION SITE**

LOCATION: **SEVEN CONSOLIDATED DRILLING AND OIL
PRODUCTION SITES AND GAS PROCESSING FACILITY
(LEGALLY DESCRIBED IN EXHIBITS A & B)**

APPLICANT: **SIGNAL HILL PETROLEUM**

TERM: **TWO YEARS WITH AN EXPIRATION DATE OF JULY 30,
2023**

General Conditions

1. Operation of the Consolidated Drilling and Oil Production Sites will be consistent with the applications dated July 31, 1997, and August 15, 2002, on file with the Department of Community Development.
2. Any substantial modification to the approved plans, or any amendment to the conditions of approval, as determined by the Director of Community Development, shall be referred to the Planning Commission and City Council for review and approval.
3. A "Consolidated Drilling and Oil Production Site," or "Drill Site," means an area where the operator may drill, re-drill or produce wells for removing oil and/or gas, or for injecting water or other approved substances to assist with the recovery of oil and/or gas and where said products may be gathered, distributed and/or separated (i.e., processed) under conditions specified in a City approved conditional use permit.
4. "Discontinuation" of a Consolidated Drilling and Oil Production Site means an operator no longer intends to use the area for drilling, re-drilling, producing, injecting or processing and has informed the City of said intent in writing.

Enforcement

5. Buildings and additions are subject to Signal Hill Municipal Code Chapter 20.52, entitled, "Site Plan and Design Review." A fence or decorative masonry block wall shall enclose all Consolidated Drilling and Oil Production Sites. Gates shall complement the appearance of the fence or wall as determined by the Director of Community Development. The operator shall maintain fences,

walls and gates, and remove or paint over graffiti and excessive staining as directed by the Oil Services Coordinator.

6. No structures, including tanks, shall exceed forty (40) feet except that the height of the emissions stack for the gas turbine power plant at 1215 29th Street shall not exceed forty-five (45) feet and no pumping unit shall exceed fifty (50) feet in height above existing grades.
7. The operator shall notify the City of any proposed change in operator at least thirty (30) days before said change takes effect.
8. The operator shall allow the Oil Services Coordinator or his designee access to all sites subject to this Conditional Use Permit as required by Signal Hill Municipal Code Section 16.04.060, entitled, "Right-of-Entry." All drilling, redrilling, producing, injecting or processing facilities shall be subject to inspection by the Oil Services Coordinator. At least one time per year, the Oil Services Coordinator shall inspect every consolidated drill site for compliance with these Conditions of Approval. In the event that a violation is found, the Coordinator shall provide the operator written notice to correct the violation. The operator shall have thirty (30) days to correct the violation, unless the violation is a health or safety concern, in which case, the order shall require correction in such time as may be appropriate. The Coordinator may grant an extension to complete corrections if the operator shows good cause and has made progress toward compliance. Failure to correct violations may be grounds to revoke the CUP. In the event of a violation of any of the items hereof, or failure to comply with any provision of the Signal Hill Municipal Code, in lieu of commencing a revocation proceeding, the Director of Community Development may impose a penalty for each day the violation continues. The penalty shall be twenty-five dollars (\$25) per day, unless the violation is deemed a major violation, in which case, the penalty shall be seventy-five dollars (\$75) per day. A major violation shall be one which affects adjacent property or health and safety of persons. In the event City proposes to assess a penalty for a violation under this condition, then following the initial notice and the operator's failure to cure, a second 30-day notice shall be given which shall specify that the violator shall be subject to the penalty following a failure to timely cure the violation. Applicant may appeal the assessment of any penalty to the City Council, who may reverse, modify, or uphold the decision of the Director of Community Development. In making this decision, the City Council shall determine whether the violation exists and whether the amount of the penalty is appropriate under the circumstances. The City Council may direct the commencement of a revocation process in the alternative pursuant to Condition 10.
9. As security for payment of any financial obligations of Applicant hereunder, Applicant shall record a security instrument against one Consolidated Drilling and Oil Production Site with lien rights, subject to foreclosure by the City for failure to pay any amount when due. This security shall be in a first position

on a Drill Site approved by the City Attorney. The single drill site shall serve as security for violations at any of the seven drill sites. The security instrument shall be in a form approved by the City Attorney. The City may proceed against the security, if Applicant fails to pay any obligation hereunder within thirty (30) days, following the City's written request for payment. In the event Applicant pays under protest, Applicant shall have the appeal rights as listed in Condition No. 8.

10. Violation of any conditions of approval shall constitute grounds for this Conditional Use Permit to be revoked following notice and a public hearing before the Planning Commission. Any decision of the Planning Commission regarding revocation of the Conditional Use Permit may be appealed to the City Council and the City Council has the final decision making authority.

Operating Conditions

11. The following conditions apply to the operations of Consolidated Drilling and Oil Production Sites:

- a) The operator shall notify the Oil Services Coordinator of any work for which a permit is required and obtain all required permits as required by Signal Hill Municipal Code Section 16.04.050, entitled, "Inspection," and Signal Hill Municipal Code Section 16.12.020, entitled, "Permits Required." The operator may maintain an annual electrical permit as prescribed.
- b) The operator shall maintain access roads so as to minimize erosion as required by Signal Hill Municipal Code Section 16.16.040, entitled, "Drill Site Grading, Drainage and Surfacing," and Signal Hill Municipal Code Section 16.20.010, entitled, "Grading Drainage and Surfacing."
- c) During drilling operations, the operator shall maintain a minimum of five off-street parking spaces at each Consolidated Drilling and Oil Production Site as required by Signal Hill Municipal Code Section 16.16.050, entitled, "Off-Street Parking."
- d) The operator shall, during drilling operations, maintain sanitary facilities at the Consolidated Drilling and Oil Production Site as required by Signal Hill Municipal Code Section 16.16.060, entitled, "Sanitary Facilities."
- e) The operator shall maintain signs at each Consolidated Drilling and Oil Production Site as required by Signal Hill Municipal Code Section 16.16.080, entitled, "Signs," and Signal Hill Municipal Code Section 16.16.060, entitled, "Signs and Identification."
- f) The operator shall, during drilling operations, maintain blow out prevention equipment in accordance with Signal Hill Municipal Code Section 16.16.090, entitled, "Blow-out Prevention," and all applicable State requirements.

- g) The operator shall maintain cellars free of oil, water and debris and in safe and working order as required by Signal Hill Municipal Code Section 16.16.100, entitled, "Cellars," and Signal Hill Municipal Code Section 16.20.080, entitled, "Cellars and Stumps."
- h) The operator shall arrange light fixtures so that light is not directed at neighboring property owners or tenants. All lighting shall be consistent with Signal Hill Municipal Code Section 16.20.070, entitled "Lighting."
- i) The operator shall maintain paint on all equipment. Equipment and tanks shall be painted a neutral color. Any change in color is subject to approval by the Director of Community Development. Tanks and equipment shall be repainted periodically as reasonably necessary and as determined by the Oil Services Coordinator.

Noise

12. The following conditions have been added to mitigate the level of noise from operation of the Consolidated Drilling and Production sites.

- a) The operator shall only deliver to or remove equipment and materials from any of the Consolidated Drilling and Oil Production Sites between the hours of 7:00 a.m. and 7:00 p.m. except emergencies.
- b) The operator shall use electric motors to power equipment. Vehicle motors, including portable service or drilling rigs, may use internal combustion engines.
- c) The Director of Community Development may approve internal combustion engines for gas processing equipment if noise levels as measured at the Drill Site boundaries can be maintained within the noise levels allowed by the Signal Hill Municipal Code Chapter 9.16.
- d) The operator shall provide noise controls as required by Signal Hill Municipal Code Sections 16.16.110, entitled, "Soundproofing," et seq. and Section 16.20.100.

Existing Tenants

13. Tenants at Drill Sites 5 and 7 are existing non-conforming business uses. Existing tenants, Global Solutions, Inc., an office use at Drill Site No. 5, and Platt Security, an auto parking and storage use at Drill Site No. 7, may remain, but may not be expanded, enlarged, or transferred in any way that would increase the nonconformity. The operator shall not rent or lease any part of the Consolidated Drilling Sites for storage, office, or any other businesses or activity not related to oil and gas production or processing.

Specific Consolidated Drilling and Production Site Conditions

14. The operator shall complete the construction of the following improvements within four (4) months following the approval of the 30-month Conditional Use

Permit. All construction and landscaping shall be reviewed and approved by the Director of Community Development.

- a) Site No. 1 - The operator shall plant three additional trees along the east side of the drill site to improve the public view of the facility.
- b) Site No. 2 - The operator shall remove the dead trees from the Orange Avenue (west) and east sides of the facility. The operator shall remove weeds from the ground-covered areas along Orange Avenue and new ground cover planted as needed. The operator shall plant new trees along the east side of the site. The operator shall design and install a new landscaped area on 29th Street including an automatic irrigation system.
- c) Site No. 3 - The operator shall install new trees and shrubs along the east side of the facility to complement the landscaping proposed for the Town Center North development. The operator shall install an automatic irrigation system.
- d) Site No. 4 - The operator shall paint and repair the entry gates on Combellack Drive. Repairs shall include the removal of a pine tree that has overgrown the westerly pilaster, repair and repainting of chipped and cracked pilasters, and repainting of the metal gates to match the original colors. The operator shall remove dead trees from the east and south sides of the facility and repair or construct an automatic irrigation system.
- e) Site No. 5 - The operator shall remove dead trees and shrubs and weeds from the landscaped setbacks along Combellack Drive and Temple Avenue, repair the existing or install a new automatic irrigation system, and plant new shrubs and/or ground cover to present a uniform landscape treatment. The operator shall remove dead trees on the west and south sides of the facility.
- f) Site No. 6 - The operator shall remove weeds from landscaped areas along Grant Street, and plant new trees along the west side of the facility to replace missing trees.
- g) Site No. 7 - The operator shall repair the chain link fence along the west side of the facility and replace broken wood slats. The operator shall remove pallets and debris from the site. The operator shall repair the broken wall near the gate and improve landscaping by adding trees, shrubs and ground cover.

Gas Processing Facility Construction Related Conditions

15. The operator shall obtain permits and install the gas processing equipment at Site No. 2 within one year of approval of this Conditional Use Permit.
16. After the operator installs the gas processing equipment, the operator shall test the level of noise at the property line generated by the equipment. If the noise level is greater than 70 dB, then the operator shall prepare and submit a Noise Mitigation Plan to the Director of Community Development for review.

and approval. The plan may include the construction of sound walls or any other method both feasible and reasonable that would reduce the noise level to 70 dB or below at the property line. The operator shall within three months design and successfully install measures to mitigate noise levels to 70 dB or below.

Term

17. This permit shall be valid for a period of two years, unless earlier terminated due to a violation of these conditions, or the Signal Hill Municipal Code, or another law or regulation of any entity with appropriate jurisdiction in accordance with Condition 10.

Resource Study

18. In accordance with the City's General Plan, the City and operator desire to maintain essential access to oil resources (Policy 2.10, Land Use Element) while attracting commercial and industrial development to the City, which will provide economic and employment benefits to the community (Policy 1.10, Land Use Element). It is understood that the Consolidated Drilling and Oil Production Sites are a critical component in maintaining essential access to oil resources. In addition, these sites provide measures by which development can be made compatible with existing oil operations (Policy 1.17, Land Use Element). Specifically, the sites allow for the consolidation of certain oil wells and facilities to assist with making land available for development and help to ensure a compatible interface between oil operations and development.

However, the City finds that the continued operation of the Drill Sites does impose development constraints on surrounding property, not only due to impacts on adjacent property emanating from the Drill Sites themselves, but also because several of the Drill Sites are the center of a network of wells which spread across the City, affecting the properties immediately adjacent. As part of ongoing operations, and during the term of this CUP, the Applicant plans to conduct studies of various parts of the oil reservoir to assist with a more efficient recovery of oil and gas. In an effort to help the City better understand oil operations, an oil and gas consultant hired by the City, and mutually agreed upon by both parties, may periodically review said studies conducted by Applicant. The consultant shall be required to sign a confidentiality agreement with Applicant prior to commencing this review work and any interpretations, results, conclusions or other information related to the Applicant's operations and/or studies documented by the consultant shall be forwarded to Applicant in their entirety and shall be subject to the limitations of said confidentiality agreement.

Gas Turbine Power Plant Construction and Operation

19. Within two months after the operator completes the construction of the gas turbine power plant at 1215 29th Street, West Unit Processing Facility, the applicant's acoustical engineer shall test and document the level of noise generated by the operation of power plant at the surrounding property lines of the facility. If the noise level exceeds 70 dB at the property lines, the acoustical engineer shall prepare a Noise Mitigation Plan for review and approval by the Director of Community Development. The plan may include the construction of sound walls or any other feasible noise mitigation measures both feasible and reasonable that would reduce the noise level to 70 dB. The operator shall within three months following the approval of the Noise Mitigation Plan design and install any noise mitigation deemed necessary by the plan to comply with this condition.
20. The emissions stack shall be painted a neutral color before operation of the plant subject to the approval of the Director of Community Development.
21. The power plant shall operate in compliance with all South Coast Air Quality Management District rules and regulations applicable to the facility.
22. The applicant shall, before operation of the power plant, repair and restore the landscaping surrounding the West Unit Processing Facility subject to the approval of the Director of Community Development.
23. The operator agrees to continue to cooperate with the City's efforts to establish an electrical utility including:
 - The operator shall contribute 50% of the cost to hire a consultant to prepare an electric utility study to evaluate the feasibility of establishing a City electric utility.
 - The operator shall cooperate and share facilities and related equipment within the West Unit Processing Facility as a possible location for a City gas turbine power plant, or provide similar support for a City power plant located on an alternative site adjacent to the West Unit Processing Facility as shown on the site plan attached to the related environmental documents.
 - The operator shall cooperate with the City and share other related equipment of operator, including, but not limited to operator's electrical distribution system, to assist in the operation of a municipal electric utility.

Landscape Maintenance and Upgrade:

24. The operator shall install and maintain landscaping at all seven drill sites to the satisfaction of the Planning Commission, improving on the

specifications of condition number 14 from the previous conditions of approval for CUP 97-03.

25. The operator shall install the landscaping no later than January 24, 2014 and maintain it to the satisfaction of the Planning Commission. Landscape maintenance is part of the annual review for CUP 97-03.

End of conditions.

I HAVE READ, UNDERSTAND AND AGREE TO ABIDE BY THE AFOREMENTIONED CONDITIONS OF APPROVAL AS HEREIN STATED.

Applicant Signature

Date

Applicant Print Name