



California Regional Water Quality Control Board

Central Coast Region



Linda S. Adams
Secretary for
Environmental
Protection

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Arnold Schwarzenegger
Governor

April 8, 2008

Ms. Susan Whalen
Greka Oil & Gas, Inc.
6527 Dominion Road
Santa Maria, California 93454

Certified Mail 7004 1350 0003 9877 2408
Return Receipt Requested

Mr. Randeep Grewal
Greka Energy
630 Fifth Avenue, Suite 1501
New York, NY 10111

Certified Mail 7004 1350 0003 9877 2415
Return Receipt Requested

Dear Ms. Whalen and Mr. Grewal:

NOTICE OF VIOLATION - SITE CLEANUP PROGRAM: CLEANUP AND ABATEMENT ORDER NO. R3-2006-0054

Greka Oil & Gas, Inc. (Greka) is required to remove stockpiles of petroleum-impacted soil on Greka leases and fee properties in the Casmalia, Cat Canyon, Santa Maria Valley, and Zaca Oilfields. Discharges of petroleum-impacted soil to land for storage, treatment or disposal are discharges of waste as defined by the California Water Code, and are subject to regulation under Title 27, California Code of Regulations, Division 2. Discharges of hazardous waste are subject to regulation under Title 23, California Code of Regulations, Division 3, Chapter 15. The Central Coast Regional Water Quality Control Board's (Central Coast Water Board) requirements to remove the stockpiles of petroleum-impacted soil were detailed in the Central Coast Water Board's December 20, 2006 Cleanup and Abatement Order (CAO) No. R3-2006-0054 (**Attachment 1**). This Notice of Violation is intended to inform you of Greka's violations of that order, and of the associated liabilities that accrue for each day of violation.

CAO Deadlines

CAO No. R3-2006-0054 established the following deadlines for the removal of the stockpiles of petroleum-impacted soil from the Casmalia, Cat Canyon, Santa Maria Valley, and Zaca Oilfields:

1. Discharger shall remove all piles of petroleum-impacted soil, which the Central Coast Water Board has not approved for beneficial reuse, from its leases in the Casmalia, Cat Canyon, Santa Maria Valley, and Zaca Oilfields by transporting this material under manifest to an authorized waste disposal facility, by **January 31, 2007**.

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2. If the Discharger intends to reuse any of the stockpiled soil, Discharger shall submit one or more applications for the operation of waste pile management facilities by **December 30, 2006**. Stockpiles potentially eligible for beneficial reuse shall be placed in authorized waste pile management facilities while additional chemical characterization is in progress within **30 days** of the Executive Officer's approval of the waste pile management facility applications.
3. Discharger shall complete all additional analyses required to determine whether petroleum-impacted soil in waste piles is eligible for beneficial reuse and submit new revised applications for beneficial reuse by **February 28, 2007**, or remove these piles from the site by **February 28, 2007**.
4. Discharger shall submit a work plan to assess potential impacts to underlying soil at the location of each removed soil pile by **January 31, 2007**. Discharger shall propose surface sampling and/or soil borings to evaluate whether underlying soil has been impacted by the improper storage of petroleum-impacted soil, and if so, to assess the lateral and vertical extent of impacts to the subsurface (soil and groundwater) at each location.
5. Dischargers shall submit a list of addresses of all property owners within 500 feet of each removed waste pile by **January 31, 2007**.
6. Discharger shall submit a technical report verifying completion of the site characterization work described in Item 4¹, above, and all sampling data within **90 days** of the Executive Officer's acceptance of the site characterization work plan. As part of this report, the Discharger shall provide the results of a feasibility study analysis evaluating technologies to clean up the pollution. The feasibility study analysis must be consistent with the requirements of the State Water Resources Control Board Resolution No. 92-49 (Policies and Procedures for Investigation and Cleanup and Abatement of Discharges under Water Code Section 13304).

January 2007 Extension of Deadlines

In a meeting with Greka personnel on January 11, 2007, Central Coast Water Board staff orally agreed to establish new deadlines for the completion of some of the required tasks. The new deadlines were documented in Greka correspondence dated January 31, 2007 (Attachment 2), and were as follows:

1. Discharger shall provide a schedule for disposition of the stockpiles by **April 30, 2007**.

¹ Please note that the reference to Item 2 stated in Item 6 of the CAO is a typo. As shown here, the correct reference is to Item 4.



2. Discharger shall submit applications for the operation of waste pile management facilities by **February 28, 2007**.
3. Discharger shall submit additional analyses required to determine beneficial reuse eligibility for all piles not yet determined to be eligible by **February 28, 2007**.
4. Discharger shall submit a work plan to assess potential impacts to underlying soil at the location of each removed soil pile by **March 30, 2007**.
5. Discharger shall submit a list of addresses of all property owners within 500 feet of each removed waste pile by **March 30, 2007**.

Greka submitted an application for the operation of waste pile management facilities on February 28, 2007, and the Central Coast Water Board approved the application on April 13, 2007. The list of property owners was submitted on April 9, 2007. A draft work plan to assess potential impacts to underlying soil at the location of each removed soil pile was submitted on September 24, 2007.

October 11, 2007 Meeting

On October 11, 2007, at a meeting with Central Coast Water Board staff, Greka personnel agreed to submit a schedule for disposing of two waste piles known as the Blochman 29 and Morganti Tank Battery piles by October 26, 2007. Analytical testing has confirmed that these piles contain hazardous waste. A vague schedule of waste pile disposal was emailed to Central Coast Water Board staff by Greka's environmental consultant on October 26, 2007 (**Attachment 3**). The proposed schedule indicated that Greka "could be moving the stockpiles around the first of the year." In addition, the October 26, 2007 email from Greka's environmental consultant indicated Greka would submit progress updates every two weeks. The waste piles were not disposed of, and no progress reports were submitted.

Violations

Disposal of Waste Piles of Hazardous Materials: CAO No. R3-2006-0054 required Greka to remove waste piles of petroleum-impacted soil from its leases in the Casmalia, Cat Canyon, Santa Maria Valley, and Zaca Oilfields by transporting this material under manifest to an authorized waste disposal facility no later than January 31, 2007. At the January 11, 2007 meeting, Central Coast Water Board staff orally extended this deadline to allow Greka to construct permitted waste pile management facilities and use any eligible stockpiled material in a beneficial reuse program. At the October 11, 2007 meeting, Central Coast Water Board staff again extended the deadline, and Greka orally agreed to begin removing two stockpiles of hazardous waste (Blochman 29 and Morganti Tank Battery) by January 1, 2008, that are not eligible for beneficial reuse. Failure to remove stockpiles of hazardous waste constitutes a threat to water quality and is in violation of CAO No. R3-2006-0054. Using only the extended compliance date



of January 1, 2008, Greka's failure to remove the Blochman 29 and Morganti Tank Battery waste piles, as well as all other waste piles subject to disposal requirements, subjects Greka to liability for no less than 88 days of violation as of March 28, 2008.

Waste Pile Management Facility Applications and Implementation: CAO No R3-2006-0054 required Greka to submit an application for the operation of waste pile management facilities by December 30, 2006, and to move waste piles potentially eligible for beneficial reuse to the authorized facilities within 30 days of the Executive Officer's approval of the application. At the January 11, 2007 meeting, Central Coast Water Board staff agreed to extend the application deadline to February 28, 2007. Greka submitted the application on February 28, 2007, and the Central Coast Water Board approved it on April 13, 2007, thereby establishing May 13, 2007, as the 30-day due date to move materials to the management facilities. Failure to move the waste piles to management facilities constitutes a threat to water quality and is a violation of CAO No. R3-2006-0054. Using only the extended compliance date of May 13, 2007, Greka's failure to move the waste piles subjects it to liability for no less than 320 days of violation as of March 28, 2008.

Waste Pile Characterization for Potential Beneficial Reuse: CAO No R3-2006-0054 required Greka to complete all additional analyses required to determine whether petroleum-impacted soil in waste piles is eligible for beneficial reuse and to submit new revised applications for beneficial reuse by February 28, 2007, or remove these piles from the site by February 28, 2007. Greka completed the analysis for only some of the waste piles, with seven piles still requiring complete characterization. Greka's failure to either completely analyze all potentially reusable waste piles, or appropriately dispose of them, by February 28, 2007, subjects Greka to liability for no less than 394 days of violation as of March 28, 2008.

Work Plan to Assess Impacts to Soils Underlying Waste Piles: CAO No R3-2006-0054 required Greka to submit a workplan to assess the potential impacts to underlying soil at the location of each removed soil pile by January 31, 2007. At the January 11, 2007 meeting, Central Coast Water Board staff agreed to extend this deadline to March 30, 2007. Greka submitted a draft workplan on September 24, 2007, subjecting Greka to liability for 178 days of violation.

We expect Greka to take immediate steps to come into compliance with CAO No. R3-2006-0054. Pursuant to California Water Code Section 13350, Greka's violations of CAO No. R3-2006-0054 subject it to administrative civil liability of up to \$5,000 per day for each day in which each violation occurs. As of March 28, 2008, Greka's violations subject it to no less than 980 days of violation and a maximum liability of \$4,900,000. Each day of continued violation subjects Greka to additional monetary liability. The Central Coast Water Board reserves the right to take any enforcement action authorized by law, including the imposition of liability from the original due dates in CAO No. R3-2006-0054.



If you have any questions, please contact Rich Chandler at (805) 542-4276 or Chris Adair at (805) 549-3761.

Sincerely,



Roger W. Briggs
Executive Officer

- Attachments:**
1. Cleanup and Abatement Order No. R3-2006-0054
 2. Greka correspondence dated January 31, 2007
 3. Email from Greka's environmental consultant dated October 26, 2007

cc via email:

Ms. Frances McChesney
Office of Chief Counsel
State Water Resources Control Board

Mr. Reed Sato
Director, Office of Enforcement
State Water Resources Control Board

cc:

Assembly Member Pedro Nava
Office of Assembly Member Pedro Nava
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Mr. Ed Brannon
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Mr. Mike Zimmer
Santa Barbara County Planning and
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