



California Regional Water Resources Control Board

Central Coast Region



Linda S. Adams
Secretary for
Environmental Protection

Internet Address: <http://www.waterboards.ca.gov/centralcoast>
895 Aerovista Place – Suite 101, San Luis Obispo, CA 93401-7906
Phone (805) 549-3147 • FAX (805) 543-0397

Arnold Schwarzenegger
Governor

May 19, 2010

[Certified Mail]

Ms. Susan Whalen
Greka Oil & Gas, Inc.
P. O. Box 5489
Santa Maria, CA 93456

Dear Ms. Whalen:

ORDER NO. R3-2010-0034 ON STIPULATION AND SETTLEMENT REGARDING SOIL PILE CLEANUP; SANTA BARBARA COUNTY

On May 13, 2010, the Central Coast Regional Water Quality Control Board (Water Board) adopted Order No. R3-2010-0034 on Stipulation and Settlement (attached), thereby approving the terms and conditions of Settlement Agreement Administrative Civil Liability Complaint No. R3-2008-0063 (attached).

Within 30 days of the date of the Order, Greka shall pay the assessed liability as follows:

A check in the amount of \$200,000 made payable to State Water Resources Control Board and mailed to:

Central Coast Regional Water Quality Control Board
Attn: Todd Stanley
895 Aerovista Place, Suite 101
San Luis Obispo, CA 93401-7906

A check in the amount of \$200,000 made payable to the Bay Foundation of Morro Bay and mailed to:

Cynthia Milhem
Morro Bay National Estuary Program
601 Embarcadero, Suite 11
Morro Bay, CA 93442

with a copy mailed to:

Central Coast Regional Water Quality Control Board
Attn: Todd Stanley
895 Aerovista Place, Suite 101
San Luis Obispo, CA 93401-7906

California Environmental Protection Agency

If you have any questions, please contact Richard Chandler at (805) 542-4627 (email: rhandler@waterboards.ca.gov) or Sheila Soderberg at (805) 549-3592.

Sincerely,


for Roger W. Briggs
Executive Officer

Attachments: 1. Order No. R3-2010-0034 on Stipulation and Settlement
 2. Settlement Agreement Administrative Civil Liability Complaint No. R3-2008-0063

cc: See pages 3-4 for Interested Persons List

H: Public Notices/GrekaStipulationandSettlement5-19-10/Transmittal Ltr/ch



Interested Persons List for Greka Oil & Gas, Inc.
Administrative Civil Liability Complaint No. R3-2008-0063
May 19, 2010

<p>Ms. Susan Whalen Greka Oil & Gas, Inc. P. O. Box 5489 Santa Maria, CA 93456 smw@greka.com</p>	<p style="text-align: center;">-Certified Mail-</p> <p>Michael Thomas Assistant Executive Officer Central Coast Water Board 895 Aerovista Place – Suite 101 San Luis Obispo, CA 93401 mthomas@waterboards.ca.gov</p>
<p>James L. Meeder Allen, Matkins, Leck, Gamble, Mallory & Natsis LLP Attorneys at Law Three Embarcadero Center, 12th Floor San Francisco, CA 94111-4074 jmeeder@allenmatkins.com</p>	<p>Cristian Carrigan Senior Staff Counsel Office of Enforcement State Water Resources Control Board P.O. Box 100 Sacramento, CA 95812 ccarrigan@waterboards.ca.gov</p>

CC by Email or by Mail if no email address:

Frances McChesney
Senior Staff Counsel
State Water Resources Control Board
Office of Chief Counsel
1001 I Street, 22nd Floor
Sacramento, CA 95814
Fmcchesney@waterboards.ca.gov

Assembly Member Pedro Nava
Office of Assembly Member Pedro Nava
101 W. Anapamu Street, Suite A
Santa Barbara, CA 93101
No email address

John Holland
Department of Fish and Game
Office of Spill Prevention & Response
P.O. Box 944209
Sacramento, CA 94244
Jholland@ospr.dfg.ca.gov

Robert Wise
U.S. Environmental Protection Agency, Region 9
75 Hawthorne Street
San Francisco, CA, 94105
wise.robert@epa.gov

Pat Abel
Department of Conservation,
Division of Oil & Gas & Geothermal
Resources, District 3
5075 S. Bradley Road, Suite 221
Santa Maria, CA 93455-5077
Pat.Abel@conservation.ca.gov

Kate Sulka
County of Santa Barbara Fire Department
Protection Services Division, Hazardous Materials Unit
195 West Highway 246, #102
Buellton, CA 93427
kate.sulka@sbcfire.com



Mike Zimmer
Santa Barbara County Planning and
Development, Petroleum Office
123 East Anapamu Street
Santa Barbara, CA 93101
Mzimmer@co.santa-barbara.ca.us

Congresswoman Lois Capps
301 E. Carrillo Street, Suite A
Santa Barbara, CA 93101
No email address

Mr. Randeep Grewal
Greka Energy
630 Fifth Avenue, Suite 1501
New York, NY 10111
No email address

Senator Abel Maldonado
1356 Marsh Street
San Luis Obispo, CA 93401
No email address

City of Santa Maria
Public Works Dept
110 E. Cook Street
Santa Maria, CA, 93454
dwhitehead@ci.santa-maria.ca.us

Santa Barbara County Board of Supervisors
105 E Anapamu St. - # 406
Santa Barbara, CA 93101-2074
SupervisorCarbajal@sbcbos1.org
jwolf@sbcbos2.org
dfarr@countyofsb.org
jgray@co.santa-barbara.ca.us
jcenteno@co.santa-barbara.ca.us

Kevin Ready, Sr.
Senior Deputy County Counsel
County of Santa Barbara
105 East Anapamu St, Suite 201
Santa Barbara, CA 93101
ready@countycounsel.com

Ms. Pamela McNulty
County of Santa Barbara
Office of Planning and Development
624 West Foster Road
Santa Maria, CA 93455
pmcnult@co.santa-barbara.ca.us



**CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
CENTRAL COAST REGION**

In the matter of:

**Greka Oil & Gas, Inc.
First Amended Complaint in
No. R3-2008-0063**

**Order No. R3-2010-0034
On Stipulation and Settlement**

This Order on Stipulation and Settlement Agreement ("Order") is issued in connection with the Administrative Civil Liability Complaint No. R3-2008-0063, dated July 21, 2008 ("Complaint"), as amended on May 3, 2010 ("First Amended Complaint"), which was set for hearing before the California Regional Water Quality Control Board, Central Coast Region ("Water Board") on May 13, 2010. The Enforcement Staff, appointed by the Water Board to prosecute this matter, and alleged discharger, Greka Oil & Gas, Inc. ("Greka"), are the "Parties."

WHEREAS, on May 3, 2010, the Parties entered into a written settlement agreement which resolved the allegations in the First Amended Complaint (the "Settlement Agreement");

WHEREAS, pursuant to the Settlement Agreement, Greka has agreed to pay \$200,000 in civil liabilities, \$200,000 toward a supplemental environmental project approved by the Water Board, and an additional \$800,000 in civil liabilities in the event it does not reuse the existing soil piles located on its facilities as provided for in the Settlement Agreement, for a total civil liability of \$1,200,000 ("Total Civil Liability");

WHEREAS, the Assistant Executive Officer and the Enforcement Staff believe that the Settlement Agreement is in the public interest in that it ensures compliance by Greka with the Water Code and the provisions of Water Board Order No. R3-2005-005, promotes the beneficial reuse of crude oil, non-hazardous impacted soils, which would otherwise be disposed of in a landfill, and constructively resolves disputed issues between the Parties without the need for an evidentiary hearing; and

WHEREAS, within 30 days of the Water Board's approval of the Settlement Agreement, Greka shall pay \$200,000 to the Water Board's approved supplemental environmental project known as the Low Impact Development Services Project funded via an endowment by the Water Board and administered via contract with the UC Davis Center for Water and Land Management;

WHEREAS, the supplemental environmental project is consistent with the State Water Resources Control Board's Statewide Policy on Supplemental Environmental Projects (adopted February 3, 2009); and

WHEREAS, the Water Board, having reviewed and considered the allegations in the First Amended Complaint and the terms of the Settlement Agreement;

THE CENTRAL COAST WATER BOARD NOW HEREBY MAKES THE FOLLOWING FINDINGS:

1. Notice of the Settlement Agreement and this Order, which advised the public of the review period and solicited comments, was provided to the public by publication on the Water Board's website on or before May 3, 2010.
2. The analysis of the Assistant Executive Officer set forth in the First Amended Complaint of the penalty factors identified in Water Code section 13327 and his recommended liability assessment has been duly considered and determined to be adequate and proper to resolve the alleged violations in the First Amended Complaint and thus warrants Water Board approval.
3. Issuance of this Order is exempt from the provisions of the California Environmental Quality Act (Public Resources Code, sections 21000 et seq.), in accordance with Section 15321(a)(2), Title 14, of the California Code of Regulations.

ACCORDINGLY, IT IS HEREBY ORDERED, pursuant to California Water Code section 13350 and Government Code section 11415.60, that:

1. The Settlement Agreement is approved;
2. Greka shall pay the Total Civil Liability as provided for in the Settlement Agreement and otherwise comply with its terms and conditions;
3. The Executive Officer of the Water Board is authorized to refer this matter directly to the Attorney General for enforcement if Greka fails to perform any of its obligations under the Settlement Agreement; and
4. Fulfillment of Greka's obligations under the Settlement Agreement constitutes full and final satisfaction of any and all liability for each claim alleged in the Complaint and First Amended Complaint in accordance with the terms of this Order and the Settlement Agreement.

I, Roger Briggs, Executive Officer, do hereby certify that the foregoing is a full, complete, and correct copy of an Order adopted by the California Regional Water Quality Control Board, Central Coast Region, on May 13, 2010.


for _____
Roger Briggs
Executive Officer

**CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
CENTRAL COAST REGION**

**SETTLEMENT AGREEMENT
ADMINISTRATIVE CIVIL LIABILITY COMPLAINT NO. R3-2008-0063**

**In the Matter of
GREKA OIL & GAS, INC.
Santa Barbara County**

The Assistant Executive Officer of the California Regional Water Quality Control Board, Central Coast Region ("Water Board"), and the Enforcement Staff appointed to prosecute Administrative Civil Liability Complaint R3-2008-0063, issued on July 21, 2008 ("Complaint"), as amended on May 3, 2010 ("First Amended Complaint"), and Greka Oil & Gas, Inc. ("Greka") have agreed to settle the allegations in the First Amended Complaint as follows (the "Agreement"):

I. Background

A. On September 5, 2006, Greka, which owns and operates oil production facilities, including wells, pipelines, separation and storage facilities, in Santa Barbara County, submitted three applications pursuant to Water Board Order R3-2005-005, for the beneficial reuse of crude oil, non-hazardous impacted soil generated in its oil fields known as the North Cat Canyon Area, the South Cat Canyon Area, and the Union Sugar Lease. Greka's applications also sought approval to reuse a number of existing soil plies, many of which had been inherited from prior operators ("Existing Soil Piles").

B. A dispute arose regarding the completeness of Greka's reuse applications and thus the Assistant Executive Officer issued on December 20, 2006, Cleanup and Abatement Order R3-2006-0054 ("CAO"), and thereafter the Complaint on July 21, 2008.

C. Since the Complaint was issued, the Enforcement Staff and Greka (the "Parties") have engaged in extensive informal and formal discovery in good faith to identify those material facts which are not in dispute, and, if possible, resolve the alleged violations of the CAO set forth in the Complaint. This effort included multiple meetings, further site investigations, the informal exchange of information, the production of documents, the depositions of the Parties' anticipated witnesses, and the exchange by the Parties' counsel of proposed statements of undisputed facts and lists of issues resolved.

D. As a result of this effort, the Parties reached agreement on almost all facts material regarding the allegations in the Complaint, and the Assistant Executive Officer issued on May 3, 2010, the First Amended Complaint, which dismissed two of the four alleged violations of the CAO set forth in the Complaint and substantially modified the remaining alleged violations.

E. With the consent of Chair Jeffrey Young and the approval of Water Board Advisory Staff member Frances McChensey, the Parties then requested Executive Officer Roger Briggs to facilitate their efforts to settle their remaining differences. In late March and early April 2010, the Parties and the Executive Officer met on multiple occasions to discuss settlement. On April 9, 2010, the Parties reached a settlement of all remaining disputes, the terms of which are set forth below in Section II.

F. On May 3, 2010, the Executive Officer approved Greka's beneficial reuse applications for its North Cat Canyon Area, South Cat Canyon Area, and Union Sugar Lease, and enrolled Greka in the beneficial reuse program under Water Board Order No. R3-2005-005. The reuse of the Existing Soil Piles was also approved.

II. Terms of Settlement

A. This Settlement Is In The Public Interest

The Parties agree that the settlement of this matter is in the public interest. It ensures compliance by Greka with the Water Code and the provisions of Water Board Order No. R3-2005-005. It promotes the beneficial reuse of crude oil, non-hazardous impacted soils, which would otherwise be disposed of in a landfill, and it constructively resolves disputed issues between the Parties without the need for an evidentiary hearing.

B. Civil Liability

1. Greka agrees to pay \$400,000 in civil liabilities, \$200,000 of which will be paid toward the supplemental environmental project ("SEP") described below, \$400,000 in civil liabilities in the event it does not beneficially reuse one half of the Existing Soil Piles as provided for in paragraph II. C.1, below ("First Suspended Liability"), and an additional \$400,000 in civil liabilities if it does not beneficially reuse the remaining one half of the Existing Soil Piles as provided for in paragraph II.C. 2., below ("Second Suspended Liability"), for a total civil liability of \$1,200,000 ("Total Civil Liability").

2. Within 30 days of issuance of the Water Board's order approving the Agreement, Greka shall pay \$200,000 in civil liabilities into the State Water Resources Control Board Cleanup and Abatement Account. Within 30 days of the Water Board's approval of the Agreement, Greka shall pay \$200,000 to the Central Coast Water Board's approved SEP known as the Low Impact Development Services Project funded via an endowment by the Water Board and administered via contract with the UC Davis Center for Water and Land Management.

3. Greka's obligation to pay the First and Second Suspended Liabilities is subject to its compliance with the terms and conditions set forth in Section II.C., below.

C. Reuse of Existing Soil Piles

1. On or before March 31, 2012 (one construction year from May 13, 2010), Greka shall reuse no less than 34,500 cubic yards (approximately one half) of its Existing Soil Piles. On or before May 31, 2012, Greka shall submit to Water Board staff a report verifying compliance with this obligation. Within 30 days thereafter, the Executive Officer shall confirm whether Greka has complied with this obligation. Upon confirmation, Greka's obligation to pay the First Suspended Penalty shall be permanently waived.

2. On or before December 31, 2014 (one construction year from March 31, 2012), Greka shall reuse the remainder (approximately 34,500 cubic yards) of its Existing Soil Piles. On or before February 28, 2015, Greka shall submit to Water Board staff a report verifying compliance with this obligation. Within 30 days thereafter, the Executive Officer shall confirm whether Greka has complied with this obligation. Upon confirmation, Greka's obligation to pay the Second Suspended Penalty shall be permanently waived.

3. If Greka fails to timely reuse or remove the Existing Soil Piles as set forth in paragraph II. C.1., above, Greka shall pay the First Suspended Penalty into the State Water Resources Control Board Cleanup and Abatement Account and transfer the applicable Existing Soil Piles to an authorized waste disposal facility within 30 days of written demand by the Executive Officer. If Greka fails to timely reuse or remove the Existing Soil Piles as set forth in paragraph II. C.2., above, Greka shall pay the Second Suspended Penalty into the State Water Resources Control Board Cleanup and Abatement Account and transfer the applicable Existing Soil Piles to an authorized waste disposal facility within 30 days of written demand by the Executive Officer.

4. Within 30 days of the Water Board's approval of the Agreement, Greka shall re-test the Morganti Tank Battery and Blochman 29 Existing Soil Piles as directed by Water Board staff and in accordance with the testing protocol set forth in Greka's September 22, 2009, Proposed Analytical Suite for New/Future Greka Crude-Impacted Piles ("Sampling Plan"). Within 30 days of Greka's submission of the re-test data to Water Board staff for review, Water Board staff shall confirm whether these two soil piles are eligible for reuse as authorized by Water Board Order R3-2005-005. If Water Board staff confirms that either, or a portion of either, of these two soil piles is not eligible for beneficial reuse, Greka shall within 90 days of notice thereof transport the soil not eligible for reuse to an authorized waste disposal facility.

5. Within 30 days of Water Board staff's approval of Greka's proposed Fullerton Biopile and Related Soil Closure Plan to Water Board staff, which was submitted on September 22, 2009, Greka will begin implementation of that plan.

6. On or about September 22, 2009, Greka submitted its Proposed Sampling Plan for 18 additional soil piles located in its North Cat Canyon Area, the South Cat Canyon Area, and the Union Sugar Lease, which were identified during the Parties' settlement discussions. Within 30 days of the Water Board's approval of the

Agreement, Greka shall sample the additional 18 soil piles pursuant to the Sampling Plan and submit the results to Water Board staff for review. Within 30 days of Greka's submission of this data for review, Water Board staff shall determine whether the 18 additional soil piles are eligible for reuse as authorized by Water Board Order R3-2005-005. If Water Board staff determines that any, or a portion of any, of these soil piles are not eligible for beneficial reuse, Greka shall within 90 days transport the soil not eligible for reuse under to an authorized waste disposal facility.

7. Within 30 days of obtaining all agency approvals and permits and weather permitting, Greka shall commence construction of its Security Waste Pile Management Facility.

III. Miscellaneous

A. The Agreement settles and resolves all allegations in the First Amended Complaint.

B. Within 10 days of the Water Board's approval of the Agreement, the CAO shall be rescinded by the Executive Officer.

C. In settling this matter, Greka does not admit any of the allegations in the First Amended Complaint, or that it has been or is in violation of the CAO, the Water Code, or any other federal, state, or local law or ordinance.

D. The performance dates set forth in paragraphs II.C.1. and 2., above, are based on the assumption that Greka, with the support of Water Board staff, will be able to obtain within 90 days all necessary local agency approvals for the reuse of the Existing Soil Piles. In the event, these approvals take more time than 90 days to obtain, the Parties shall meet and confer and select new performance dates.

E. In the event a dispute arises under paragraphs II.C., or III.D., above, between the Parties, either Party may within 15 days of receipt of written notice of the dispute, request the Executive Officer to resolve that dispute. In connection therewith, the Executive Officer shall set the appropriate procedures for briefing and submission of the dispute for decision. The decision of the Executive Officer on any such dispute shall be final and binding on the Parties, unless one of the Parties files a request within 15 days with the Water Board to review the Executive Officer's decision. The Water Board decision shall be final and binding on the Parties, subject to the review provisions set forth in Water Code section 13323, subdivision (d).

F. The Assistant Executive Officer has the authority to settle this matter in accordance with Water Code section 13323 and Government Code section 11415.60. Susan M. Whalen, Senior Vice-President and General Counsel for Greka, warrants by signing below that she has the legal authority to bind Greka to the terms of the Agreement.

G. Greka has been informed of the rights provided by Water Code section 13323, subdivision (b), and, subject to the Water Board's approval of the Agreement, hereby waives its right to a hearing before the Water Board.

H. The Parties acknowledge that the Agreement and a proposed Water Board order approving the Agreement (collectively the "Settlement Documents") will be noticed for a 10-day public review period, following which the Water Board will consider the Agreement and the proposed order at a public meeting to be held May 13, 2010, in San Luis Obispo, California. In the event the Water Board does not approve the Agreement, the Parties agree to meet and confer concerning any objections raised to the Agreement during the public meeting.

I. Greka understands that payment in accordance with the Agreement is not a substitute for compliance with applicable laws, and that violation of and/or non-compliance with the terms of the Agreement or Water Board Order R3-2005-005 may subject it to enforcement, including administrative civil liability, and that any such enforcement shall be treated as a new matter.

J. The Agreement is severable; thus, should any provision be found invalid the remainder shall remain in full force and effect.

K. The Agreement may be executed in counterparts and by facsimile or electronic signature.

L. The Parties acknowledge that they are each represented by counsel and that the Agreement shall not be construed against the Party preparing it, but shall be construed as if the Parties prepared it jointly. Any uncertainty or ambiguity shall not be interpreted against any one Party.

M. The Agreement shall not be modified by any of the Parties by oral representation made before or after its execution. All modifications to the Agreement must be in writing and signed by all Parties.

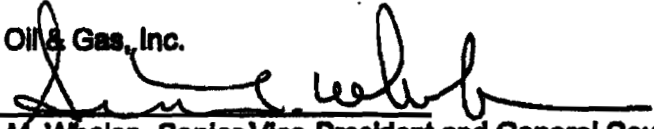
N. Each Party to the Agreement shall bear all attorneys' fees and costs arising from the Party's own counsel or staff in connection with the matters set forth herein.

IN WITNESS WHEREOF, the Parties hereto have caused the Agreement to be executed by their respective officers on the dates set forth, and the Agreement is effective as of the most recent date signed.

California Regional Water Quality Control Board
Central Coast Region

By: Michael Thomas
Michael Thomas, Assistant Executive Officer
Date: May 3, 2010

Greka Oil & Gas, Inc.

By: 
Susan M. Whalen, Senior Vice-President and General Counsel
Date: 5/3/10