

1 **OIL AND GAS EMISSION REDUCTION AGREEMENT 20160168**

2
3 This Oil and Gas Emission Reduction Agreement ("Agreement") is entered
4 into as of August 18th [date], 2016, by and between the COUNTY OF KERN
5 ("County") and the SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL
6 DISTRICT, an air pollution control district formed pursuant to California Health and
7 Safety Code section 40150, et seq. ("District").

8 **RECITALS**

9 **WHEREAS**, the County approved amendments to the Kern County Zoning
10 Ordinance regulating oil and gas production, including Chapter 19.98 and related
11 sections of the Zoning Ordinance ("Project" or "Ordinance"), and certified an
12 Environmental Impact Report ("EIR") for the Project, on November 9, 2015; and

13 **WHEREAS**, the Project requires compliance with the Ordinance and the
14 EIR mitigation measures, including but not limited to Air Quality Mitigation
15 Measures 4.3-1 to 4.3-8, attached hereto as Exhibit A, and incorporated herein
16 ("Emission Reduction Mitigation Measures"), in order to significantly reduce
17 Project air quality impacts associated with the Project; and

18 **WHEREAS**, despite incorporation of various emission reduction mitigation
19 measures, without additional emission reductions the Project would cause impacts
20 on air quality within the geographical boundaries of the San Joaquin Valley Unified
21 Air Pollution Control District, as depicted on Exhibit B attached hereto and
22 incorporated herein (the "District Boundaries"); and

23 **WHEREAS**, County has required in Mitigation Measure 4.3-8 that
24 applicants for County oil and gas permits issued under the Ordinance
25 ("Applicants") fully mitigate emissions of Nitrogen Oxide (NOx), Reactive Organic
26 Compounds (ROGs) and Particulate Matter 10 microns or less in size (PM₁₀) of
27 County-permitted applicant activities ("Applicant Activities") under the Ordinance
28 through emission reductions that are either: (1) implemented by the Applicant, with

1 the quantity of emission reductions verified by the District; or (2) funded by the
2 Applicant through the District's incentive programs, as described below; and

3 **WHEREAS**, the District is an air pollution control district formed by the
4 counties of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and
5 Tulare, pursuant to California Health and Safety Code section 40150, et seq.; and

6 **WHEREAS**, District is responsible for developing and implementing air
7 quality control measures within the District Boundaries, including air quality control
8 measures for stationary sources, transportation sources, and indirect sources; and

9 **WHEREAS**, the District has developed emission reduction incentive
10 programs that have been designed around several core principles, including cost-
11 effectiveness, integrity, effective program administration, excellent customer
12 service, the efficient use of District resources, fiscal transparency and public
13 accountability; and

14 **WHEREAS**, the District's incentive programs and regulatory activities are
15 regularly audited by independent outside agencies including professional
16 accountancy corporations on behalf of the federal government, the California Air
17 Resources Board (ARB), the California Department of Finance and the California
18 Bureau of State Audits; and

19 **WHEREAS**, the District has determined that with appropriate funding,
20 where necessary, the District can provide: (1) protocols for measuring and verifying
21 emission reductions achieved by Applicants to offset emission increases; and (2)
22 reductions of emissions through District incentive programs to achieve emission
23 reductions in sufficient quantities to comply with Mitigation Measure 4-3-8; and

24 **WHEREAS**, consistent with their lead and responsible agency roles under
25 CEQA, the County and the District will consult, and the District will provide the
26 County with its expert advice, as to the emission reductions in greenhouse gas
27 emissions (GHG) that can be achieved from GHG emission reduction proposals
28 by Applicants and/or by other third parties as part of the implementation and

1 monitoring of Greenhouse Gas Mitigation Measure (GHG-2a), but that this
2 Agreement does not encompass GHG Mitigation Measures; and

3 **WHEREAS**, County and District desire to enter into this Agreement in order
4 to assure implementation of Mitigation Measure 4.3-8, with per well emission
5 reductions in the amounts set forth in Exhibit C (“Per Well Emission Schedule”).
6 As a result of the implementation of this Agreement, the development of the Project
7 will result in no net increase in these designated criteria emissions from the oil and
8 gas production activities regulated by the Ordinance.

9 **AGREEMENT**

10 **NOW THEREFORE**, in exchange of the mutual covenants herein
11 contained, County and District hereby agree as follows:

12 **1. Mitigation of Project-Related Impacts on Air Quality**

13 Project-related Criteria Pollutant Emissions not required to be offset per
14 District rules shall be fully mitigated by achieving surplus, quantifiable and
15 enforceable emission reductions for ROG, NOx, and PM₁₀ (collectively, “Mitigation
16 of Criteria Pollutants”). “Surplus” emission reductions are reductions that are not
17 otherwise required by laws or regulations. The determination of whether proposed
18 emission reductions are surplus shall be performed by the District.

19 **1.1 Required Emission Mitigation**

20 County shall require Applicants to mitigate Criteria Pollutants for each well
21 for which Site Conformity Review is required under Section 19.98.070 of the Kern
22 County Zoning Ordinance (“County Permit Process”), in the amounts set forth in
23 Exhibit C, and as adjusted annually per Paragraph 1.2(b).

24 **1.2 Required Emission Mitigation Fee**

25 (a) County shall require Applicants to pay to the County, as part
26 of the County Permit Process, an Emission Mitigation Fee (“Mitigation Fee”).

27 (b) The Mitigation Fee amount due to the County from each
28 Applicant shall be calculated by multiplying the applicable Per Well Emission

1 Factor by the per ton emission reduction cost average ("Cost Effectiveness") as
2 reported by the District in the most recently published annual San Joaquin Valley
3 Air Pollution Control District Indirect Source Review Program Report ("ISR
4 Report"). The Cost Effectiveness as set forth in the District's 2015 ISR Report is
5 \$7,231 per ton.

6 (c) The County shall deposit all Mitigation Fee payments received
7 in a dedicated account which includes the identity of each Applicant paying a
8 Mitigation Fee, and shall transfer such funds to the District quarterly to fund
9 emission reduction projects or programs pursuant to this Agreement.

10 (d) If an Applicant pays a Mitigation Fee in accordance with
11 Section 1.2(a), above, but does not commence construction or drilling activities
12 before expiration of the County permit authorizing such work, then the Mitigation
13 Fee will be refunded by the County to such Applicant within 180 days of the
14 County's receipt of written notice from the Applicant of the expiration of such well
15 permit; provided, however, that the County shall not refund any Mitigation Fee for
16 a well for which any construction or drilling activities have been commenced.

17 **1.3 Use of Mitigation Fees to Reduce Emissions**

18 (a) The County and District agree that cost-effectiveness should
19 be a key consideration in selecting among emission reduction projects to be
20 funded through mitigation fees ("Mitigation Fee Projects"), and emission reduction
21 projects in Kern County should be prioritized ahead of Mitigation Fee Projects
22 elsewhere in the District. The Parties agree to balance these policy goals as
23 follows:

24 (b) The County will engage in outreach efforts to identify
25 Mitigation Fee Projects in Kern County, and will list such projects for review by the
26 District. The District and County shall regularly meet and confer regarding
27 potential projects, and regarding the final selection of Mitigation Fee Projects.

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1 (c) In selecting emission reduction projects, the District shall use
2 the following criteria:

3 (i) If Kern County Mitigation Fee Projects are the most cost-
4 effective and achieve the required emission reductions, then all Mitigation Fee
5 Projects shall be in Kern County.

6 (ii) If Kern County Mitigation Fee Projects are not the most
7 cost-effective, then Kern County projects costing up to \$250 per ton more than the
8 most cost effective Mitigation Fee Projects outside Kern County shall nevertheless
9 be selected by the District to spend up to twenty percent of the Mitigation Fee funds
10 available for required emission reductions from Mitigation Fee Projects. If Kern
11 County Mitigation Fee Projects cost more than \$250 per ton more than the most
12 cost effective Mitigation Fee Projects in other counties within the District, then
13 Mitigation Fee Projects from outside the County may be selected by the District to
14 achieve the required emission reductions.

15 **1.4. Applicant-Sponsored Emission Reduction Projects**

16 (a) The EIR allows applicants required to obtain permits under
17 the Ordinance to propose and implement their own emission reduction projects in
18 lieu of paying some or all of an air quality Mitigation Fee ("Applicant Emission
19 Reduction Project"). Applicant(s), or an association representing two or more
20 Applicants, shall meet and confer with the County to explain a proposed project
21 and to provide the County an opportunity to help prioritize emission reductions from
22 such projects within Kern County.

23 (b) Applicant(s) or an association representing two or more
24 applicants (collectively, "Applicant") may propose an Applicant Emission
25 Reduction Project to the District, after County review, for the District's review and
26 validation of emission reduction quantities. Applicant shall enter into a separate
27 agreement with the District to pay the District's staff costs (or, if acceptable to
28 District, an approved outside consultant), to develop, review and approve emission

1 reduction quantities for Applicant Emission Reduction Projects. The District shall
2 consult with the County on the practical ability to implement Applicant Emission
3 Reduction Project as part of the District's review process, including but not limited
4 to appropriate accounting of emission reductions for projects that mitigate
5 emissions for multiple wells.

6 (c) The County shall credit Applicant Emission Reduction
7 Projects in emission reduction amounts approved by the District, and shall not
8 collect air emission Mitigation Fees to the extent that Applicant possess District-
9 approved emission reductions that offset emission increases from new well permits
10 based on the applicable Per Well Emission Schedule.

11 (d) For emission reductions approved by the District for a
12 completed Applicant Emission Reduction project that reduces emissions by
13 retrofitting or making other changes to existing wells, or other existing equipment
14 or activities, the quantity of emission reductions approved by the District may be
15 transferred by the Applicant possessing such reductions ("Transferor") to a
16 different Applicant holding or seeking a permit under the County Permit Process
17 ("Transferee"). To effect a valid emission reduction transfer under this section of
18 the Agreement, the Transferor must first notify the County and District in writing of
19 the proposed transfer ("Transfer Notice"). Following receipt of a Transfer Notice,
20 the County, in consultation with the District, will assign the transferred emission
21 reduction amount to the Transferee and deduct this amount from the Transferor.

22 (e) The County shall be responsible for confirming that the
23 District-approved Applicant Emission Reduction Project has been implemented,
24 unless District agrees to do so pursuant to Applicant-District agreement.

25 **1.5 Per Well Emission Factor Adjustments**

26 (a) Other than the annual adjustment specified in paragraph
27 1.2(b), no modification of the per ton Mitigation Fee amount is authorized.

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1 Additionally, no modification of the Per Well Emission Schedule is authorized
2 except as set forth below:

3 (i) the County approves a revised air quality impact
4 assessment, which is reviewed as required under CEQA and is approved by the
5 District, that demonstrates that Project-related air quality impacts are less than
6 originally quantified, and accordingly, that Exhibit C should be revised; or

7 (ii) the District's rules or regulations change such that Project-
8 related emissions that are not, as of the effective date of this Agreement, required
9 to obtain offsets under District stationary source permitting rules, are subsequently
10 by modified District rules or regulations required to obtain such offsets, at which
11 point Applicant Activities for which, and to the extent which, offsets are required by
12 such future District rules and regulations shall be subtracted from the Per Well
13 Emission Schedule as approved by the District and County; or

14 (iii) an alternate per well emission schedule ("Alternate
15 Schedule") associated with development of cleaner technology is approved for
16 emission reductions from Applicant Activities. An Applicant, association of
17 Applicants, or other group of Applicants seeking approval of an Alternate Schedule
18 ("Alternate Schedule Applicant") shall first seek approval from the County, and
19 upon County concurrence, may enter into an agreement with the District, to
20 develop an Alternate Schedule of emission estimates for well construction
21 activities that reflect additional variables not considered in the Per Well Emission
22 Schedule and result in lower emissions. As of the effective date of this Agreement,
23 the County has concurred that early deployment of lower or zero emission
24 construction equipment and related engines are eligible for consideration by the
25 District for development of an Alternate Schedule for Alternate Schedule
26 Applicants that volunteer to use lower emission construction equipment in advance
27 of applicable regulatory deadlines. An Alternate Schedule Applicant shall pay the
28 District's staff costs (or, if acceptable to District, an approved outside consultant),

1 to develop, review and approve any Alternate Schedule approved by the County
2 for District. The District shall consult with the County to assure the practicality of
3 implementation by the County of any Alternate Schedule as part of the District's
4 schedule review process. Upon County and District approval of such an Alternate
5 Schedule, that schedule may be selected by an Alternate Schedule Applicant in
6 the County Permit Process to calculate the emission reduction quantity component
7 of the Air Mitigation Fee calculation. An Alternate Schedule approved for use by
8 an Alternate Schedule Applicant may be used by another Applicant only upon
9 submittal to the County and District of the written consent of the Alternate Schedule
10 Applicant, and only if the District and County concur that the Applicant has met all
11 applicable technology and other required eligibility criteria for use of the Alternate
12 Schedule.

13 (b) Any adjustments to Per Well Emission Schedule made pursuant
14 to subsections (i) or (iii) above shall be reported annually as set forth in Section 2
15 below.

16 **1.6. Matching Funds**

17 Nothing in this Agreement precludes, and the Parties encourage, the use of
18 Mitigation Fees paid under this program as matching fees to fund emission
19 reduction projects which are partly funded by a federal or state agency.
20 Determination of the amount of emission reduction credits for these partially-
21 funded emission reduction projects shall be made by the District in consultation
22 with the federal or state grantor agency.

23 **1.7. District Administration Costs**

24 As of the effective date of this Agreement, the County shall add and collect
25 from applicants a four percent (4%) administrative charge to the Mitigation Fee to
26 pay for the District's administrative costs in implementing this Agreement. The
27 County is not charging for its additional administrative oversight costs under this
28 Agreement. The District's 4% administrative charge does not apply to Applicant

1 Emission Reduction Projects, or for review of Applicant-initiated Alternate
2 Schedule proposals, which Applicants must fund by separate agreement with the
3 District.

4 **2. Annual Reporting of Emission Reductions**

5 The District will annually report on total tons of emission reductions
6 achieved pursuant to this Agreement, inclusive of Applicant Emission Reduction
7 Projects and emission reductions from Mitigation Fee Projects. Any adjustments
8 to Per Well Emission Schedule completed under Section 1.5 above shall also be
9 reported annually by the District. The annual emission report data will be used by
10 the County and disclosed to the public as part of the County's Mitigation Monitoring
11 and Reporting Program.

12 **3. Excess Emission Reductions**

13 County shall be credited with all emission reductions achieved by District
14 through this Agreement that exceed the amount of required emission reductions
15 for the Project ("Excess Emission Reduction"). Nothing in this Agreement shall
16 prohibit future agreements by the District and County regarding other distributions
17 of Excess Emission Reductions.

18 **4. Compliance with District Rules and Regulations**

19 County acknowledges that notwithstanding this Agreement, Applicants
20 remain subject to and are required to comply with all applicable District rules and
21 regulations.

22 **5. CEQA Compliance**

23 The County shall remain fully responsible as the lead agency for enforcing
24 the Ordinance and monitoring to assure implementation of the Mitigation Measures
25 included in the EIR, and for preparing annual reports pursuant to the County's
26 Mitigation Monitoring and Reporting Program.

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1 **6. Additional District Obligations**

2 District shall ensure that the owners/operators of equipment subject to
3 funding agreements for District Incentive Program Emission Reductions perform
4 all obligations to be performed on the part of such parties under said funding
5 agreements.

6 **7. Subsequent Litigation, Legislation and/or**
7 **Administrative Action/Credit to County**

8 In the event that despite this Agreement, the County is required as a result
9 of a final judgment or District Approved Settlement (as defined below) in any third
10 party litigation, to pay air quality mitigation funds in addition to the Air Quality
11 Mitigation Fees paid under Paragraph 1 above, then District shall acknowledge
12 and credit the County with emission reductions achieved pursuant to Paragraph
13 1, and any additional emission reductions achieved to mitigate the Project-related
14 impacts on air quality that will result from payment of such additional monies. For
15 purposes of this Paragraph, a "District Approved Settlement" shall mean a
16 settlement of a lawsuit filed pursuant to CEQA, the National Environmental
17 Policy Act or other applicable environmental law which: (i) provides for the
18 County's (or an Applicant(s)') payment of monies or commitment to spend a
19 specified dollar amount on emission mitigation in exchange for a dismissal of such
20 lawsuit, (ii) provides for the use of such monies in such a manner as to further
21 reduce Project-related air emissions, and (iii) is approved in writing by District. The
22 District shall have no authority to settle, or otherwise, commit the Air Quality
23 Mitigation Fees in any settlement of, a third party lawsuit without the County's
24 consent.

25 **8. Term of Agreement and Periodic Review/Revision Process**

26 This Agreement shall be effective upon the date first written above, and
27 shall remain in effect indefinitely, unless or until terminated or amended by a party.

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1 Because this is a new County permit program rather than a single-
2 facility/single-developer VERA permit model, it is anticipated that periodic review
3 and potential revisions to the implementation procedures of the Agreement will be
4 needed over time.

5 As part of the periodic review, the parties shall consider whether the
6 average per ton emission reduction cost achieved by Mitigation Fee Projects is
7 substantially superior to the average per ton emission reduction cost identified in
8 the ISR Report, taking into account both Indirect Source and Voluntary Emission
9 Reduction Agreement emission reduction cost data. If so, the parties shall
10 consider utilizing the average per ton emission reduction cost achieved by
11 Mitigation Fee Projects for purposes of item 3.3.

12 County may, at any time by written notice to District, terminate this
13 Agreement, whereupon, (i) District shall acknowledge in writing to the County that
14 County has mitigated air quality impacts of the Project to the extent and in the
15 types and quantities brought about by Funding Agreements and Mitigation
16 Measures, (ii) District shall refund to County any unused portion of County's
17 Mitigation Fee funds less any unpaid administrative costs incurred; and (iii) neither
18 County nor District shall have any further rights or obligations under this
19 Agreement except as expressly provided. District's obligations to oversee
20 implementation of funding agreements pursuant to Paragraph 6 (Additional District
21 Obligations), shall remain effective for as long as necessary to ensure that the
22 anticipated emission reductions associated with each funding agreement continue
23 to be achieved for the life of the agreement, to the extent such agreement was
24 funded by County's Mitigation Fee funds.

25 **9. Representations, Covenants and Warranties**

26 **9.1. County's Representations, Covenants and Warranties.**

27 County represents, covenants and warrants to District, as of the date of this
28 Agreement, as follows:

1 (a) The undersigned representatives of County are duly
2 authorized to execute, deliver and perform this Agreement, and upon County's
3 execution and delivery of this Agreement, this Agreement will have been duly
4 authorized by County.

5 (b) Upon execution and delivery of this Agreement by County,
6 County's obligations under this Agreement shall be legal, valid and binding
7 obligations of County, duly enforceable at law and in equity in accordance with the
8 terms and conditions of this Agreement.

9 (c) There is no lawsuit, legal action, arbitration, legal or
10 administrative proceeding, legislative quasi-legislative or administrative action or
11 claim existing, pending, threatened or anticipated which would render all or any
12 portion of this Agreement invalid, void or unenforceable in accordance with the
13 terms and conditions thereof.

14 (d) Other than the execution and delivery of this Agreement by
15 the undersigned representatives of County, there are no approvals, consents,
16 confirmations, proceedings, or other actions required by County or any third party,
17 entity or agency in order to enter into and carry out the terms, conditions and intent
18 of the parties with respect to this Agreement, except as required to enter Funding
19 Agreements.

20 **9.2. District's Representations, Covenants and Warranties**

21 District represents, covenants and warrants to County, as of the date of this
22 Agreement, as follows:

23 (a) The undersigned representatives of District are duly
24 authorized to execute, deliver and perform this Agreement, and upon District's
25 execution and delivery of this Agreement, this Agreement will have been duly
26 authorized by District.

27 (b) Upon execution and delivery of this Agreement by District,
28 District's obligations under this Agreement shall be legal, valid and binding

1 obligations of District, duly enforceable at law and in equity in accordance with the
2 terms and conditions of this Agreement.

3 (c) There is no lawsuit, legal action, arbitration, legal or
4 administrative proceeding, legislative, quasi-legislative or administrative action or
5 claim existing, pending, threatened or anticipated which would render all or any
6 portion of this Agreement invalid, void or unenforceable in accordance with the
7 terms and conditions thereof.

8 (d) Other than the execution and delivery of this Agreement by
9 the undersigned representatives of District, there are no approvals, consents,
10 confirmations, proceedings, or other actions required by District or any third party,
11 entity or agency in order to enter into and carry out the terms, conditions and intent
12 of the parties with respect to this Agreement, except as required to enter Funding
13 Agreements.

14 (e) Upon the approval of this Agreement by the governing board
15 of District, the Air Pollution Control Officer of District, or equivalent representative,
16 or a delegee of such officer, shall have the authority to approve, deliver, verify,
17 enter into, acknowledge and/or accept any communication, notice, notification,
18 verification, agreement and/or other document to be issued or entered into by
19 District under the terms and conditions of this Agreement, without further approval
20 of the governing board of District.

21 **10. Recitals Incorporated**

22 The recitals set forth hereinabove are hereby incorporated into this
23 Agreement and acknowledged, agreed to and adopted by the parties to this
24 Agreement.

25 **11. Further Assurances**

26 County and District agree to execute and deliver any documents and/or
27 perform any acts which are reasonably necessary in order to carry out the intent
28 of the parties with respect to this Agreement.

1 **12. No Joint Venture or Partnership**

2 District and County agree that nothing contained in this Agreement or in any
3 document executed in connection with this Agreement shall be construed as
4 making District and County joint venturers or partners.

5 **13. Notices**

6 Any notices or communications relating to this Agreement shall be given in
7 writing and shall be deemed sufficiently given and served for all purposes when
8 delivered, if (a) in person, (b) by facsimile (with the original delivered by other
9 means set forth in this paragraph, or (c) by generally recognized overnight courier
10 or (d) by United States Mail, certified or registered mail, return receipt requested,
11 postage prepaid, to the respective addresses set forth below, or to such other
12 addresses as the parties may designate from time to time by providing written
13 notice of the change to the other party.

14	COUNTY	DISTRICT
15	Lorelei Oviatt,	Seyed Sadredin
16	Director, Kern County Planning	Executive Director/APCO
17	& Natural Resources Department	San Joaquin Valley Unified APCD
18	2700 "M" Street	1990 E. Gettysburg Ave.
19	Bakersfield, CA 93301	Fresno, CA 93726
20	Phone: (661) 862-8866	Phone: (559) 230-6000
21	Fax: (661) 862-8601	Fax: (559) 230-6061

22 **14. Entire Agreement**

23 The terms of this Agreement, together with all attached exhibits, are
24 intended by the parties as the complete and final expression of their agreement
25 with respect to such terms and exhibits and may not be contradicted by evidence
26 of any prior or contemporaneous agreement. This Agreement specifically
27 supersedes any prior written or oral agreements between the parties with respect
28 to the subject matter of this Agreement.

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1 **15. Amendments and Waivers**

2 No addition to or modification of this Agreement shall be effective unless
3 set forth in writing and signed by the party against whom the addition or
4 modification is sought to be enforced. The party benefited by any condition or
5 obligation may waive the same, but such waiver shall not be enforceable by
6 another party unless made in writing and signed by the waiving party.

7 **16. Invalidity of Provisions**

8 If any provision of this Agreement as applied to either party or to any
9 circumstance shall be adjudged by a court of competent jurisdiction to be void or
10 unenforceable for any reason, the same shall in no way affect (to the maximum
11 extent permissible by law) any other provision of this Agreement, the application
12 of any such provision under circumstances different from those adjudicated by the
13 court, or the validity or enforceability of this Agreement as a whole. The parties
14 further agree to replace any such invalid, illegal or unenforceable portion with a
15 valid and enforceable provision, which will achieve, to the maximum extent legally
16 possible, the economic, business or other purposes of the invalid, illegal or
17 unenforceable portion.

18 **17. Construction**

19 Unless otherwise indicated, all paragraph references are to the paragraph
20 of this Agreement and all references to days are to calendar days. Whenever,
21 under the terms of this Agreement the time for performance of a covenant or
22 condition falls upon a Saturday, Sunday or California state holiday, the time for
23 performance shall be extended to the next business day. The headings used in
24 this Agreement are provided for convenience only and this Agreement shall be
25 interpreted without reference to any headings. Wherever required by the context,
26 the singular shall include the plural and vice versa, and the masculine gender shall
27 include the feminine or neuter genders, or vice versa. This Agreement may be
28 executed in one or more counterparts, each of which shall be deemed an original,

1 but all of which together shall constitute one and the same instrument. The
2 language in all parts of this Agreement shall be construed as a whole in
3 accordance with its fair meaning, and shall not be construed against any party
4 solely by virtue of the fact that such party or its counsel was primarily responsible
5 for its preparation.

6 **18. Governing Law**

7 **18.1 California Law Governs**

8 The rights and obligations of the parties and the interpretation and
9 performance of this Agreement shall be governed in all respects by the laws of the
10 State of California.

11 **18.2 Venue**

12 Venue for any action arising out of or relating to this Agreement shall be in
13 Kern County, California.

14 **19. Exhibits**

15 The exhibits attached to this Agreement shall be deemed to be a part of this
16 Agreement and are fully incorporated herein by reference.

17 **20. Force Majeure**

18 The time within which any party shall be required to perform under this
19 Agreement shall be extended on a day-per-day basis for each day during which
20 such performance is prevented or delayed by reason of events reasonably outside
21 of the control of the performing party, including, without limitation, acts of God,
22 events of destruction, acts of war, civil insurrection, strikes, shortages,
23 governmental delays, moratoria, civil litigation and the like, and/or delays caused
24 by the non-performing party's act or omission.

25 IN WITNESS WHEREOF, County and District have executed this
26 Agreement and agree that it shall be effective as of the date first written above.

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COUNTY


Board of Supervisors
County of Kern

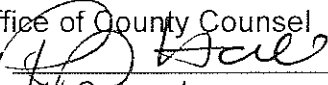
JUL 26 2016

By: 
Chairman, Board of Supervisors

MICK GLEASON
Recommended for approval

Kern County Planning and Natural
Resources Department

By: 
Lorelei H. Oviatt, AICP Director

APPROVED AS TO FORM
Office of County Counsel
By: 
County Counsel

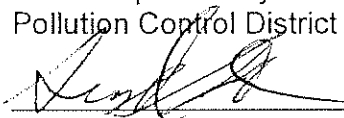
DISTRICT

San Joaquin Valley Unified Air
Pollution Control District


Governing Board Chair

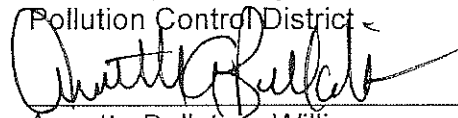
Recommended for approval:

San Joaquin Valley Unified Air
Pollution Control District


Seyed Sadredin
Executive Director/APCO

Approved as to legal form:

San Joaquin Valley Unified Air
Pollution Control District


Annette Ballatore-Williamson
District Counsel

Approved as to accounting form:


Mehri Barati
Director of Administrative Services

For accounting use only:

San Joaquin Valley Unified Air
Pollution Control District

Program: _____
Account No: _____

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EXHIBIT A

AIR QUALITY MITIGATION MEASURES 4.3-1 TO 4.3-8

MM 4.3-1	Consistent with the requirements of the San Joaquin Valley Air Pollution Control District Regulation II-Permits, the Applicant shall obtain an Authority to Construct permit and a Permit to Operate for any facility or equipment requiring a permit from the San Joaquin Valley Air Pollution Control District, such as stationary sources required to obtain permits pursuant to District Rule 2010. All emissions increases from permitted equipment shall comply with District Rule 2201.
MM 4.3-2	<p>The Applicant shall develop and implement a Fugitive Dust Control Plan in compliance with San Joaquin Valley Air Pollution Control District fugitive dust suppression regulations to further reduce emissions, during construction, of particulate matter that is 10 microns or less and 2.5 microns or less in diameter. The Fugitive Dust Control Plan shall include:</p> <ul style="list-style-type: none">a. Name(s), address(es), and phone number(s) of person(s) responsible for the preparation, submission, and implementation of the plan.b. Description and location of operation(s).c. Listing of all fugitive dust emissions sources included in the operation.d. The following dust control measures shall be implemented:<ul style="list-style-type: none">1. All on-site unpaved roads shall be effectively stabilized using water or chemical soil stabilizers that can be determined to be as efficient as or more efficient for fugitive dust control than California Air Resources Board approved soil stabilizers, and that shall not increase any other environmental impacts including loss of vegetation.2. All material excavated or graded will be sufficiently watered to prevent excessive dust. Watering will occur as needed with complete coverage of disturbed areas. The excavated soil piles will be watered as needed to limit dust emissions to less than 20% opacity or covered with temporary coverings.3. Construction activities that occur on unpaved surfaces will be discontinued during windy conditions when winds exceed 25 miles per hour and those activities cause visible dust plumes. Construction activities may continue if dust suppression measures are used to minimize visible dust plumes.4. Track-out debris onto public paved roads shall not extend 50 feet or more from an active operation and track-out shall be removed or isolated such as behind a locked gate at the conclusion of each workday, except on agricultural fields where speeds are limited to 15 mph.5. All hauling materials should be moist while being loaded into dump trucks.6. All haul trucks hauling soil, sand, and other loose materials on public roads shall be covered (e.g., with tarps or other enclosures that would reduce fugitive dust emissions).7. Soil loads should be kept below 6 inches or the freeboard of the truck.8. Drop heights should be minimized when loaders dump soil into trucks.9. Gate seals should be tight on dump trucks.10. Traffic speeds on unpaved roads shall be limited to 25 miles per hour.11. All grading activities shall be suspended when visible dust emissions exceed 20%.

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	<p>12. Other fugitive dust control measures as necessary to comply with San Joaquin Valley Air Pollution Control District Rules and Regulations.</p> <p>13. Disturbed areas should be minimized.</p> <p>14. Disturbed areas should be re-vegetated as soon as possible after disturbance if area is no longer needed for oil and gas activities.</p>								
MM 4.3-3	<p>All off-road construction diesel engines not registered under California Air Resources Board's Statewide Portable Equipment Registration Program, which have a rating of 50 horsepower or more, shall meet, at a minimum, the Tier 3 California Emission Standards for Off-road Compression-Ignition Engines as specified in California Code of Regulations, Title 13, section 2423(b)(1) unless that such engine is not available for a particular item of equipment. In the event a Tier 3 engine is not available for any off-road engine larger than 100 horsepower, that engine shall be equipped with retrofit controls that would provide nitrogen oxides and particulate matter emissions that are equivalent to Tier 3 engine.</p> <p>a. All equipment shall be turned off when not in use. Engine idling of all equipment shall be limited to five minutes, except under exemptions specified in California Code of Regulations Title 13 Section 2449(d)(2)(A).</p> <p>b. All equipment engines shall be maintained in good operating condition and in proper tune per manufacturers' specifications.</p>								
MM 4.3-4	<p>To further reduce emissions of oxides of nitrogen from on-road heavy-duty diesel haul vehicles:</p> <p>a. 2007 engines or pre-2007 engines shall comply with California Air Resources Board retrofit requirements set forth in California Code of Regulations Title 13 Section 2025.</p> <p>b. All on-road construction vehicles, except those meeting the 2007/California Air Resources Board-certified Level 3 diesel emissions controls, shall meet all applicable California on-road emission standards and shall be licensed in the State of California. This does not apply to worker personal vehicles.</p> <p>c. All on-road construction vehicles shall be properly tuned and maintained in accordance with the manufacturers' specifications.</p>								
MM 4.3-5	<p>Construction:</p> <p>The Site Plan Application shall include a Site Vicinity Figure showing the location of any sensitive receptor(s) within 3,000 feet of the construction site (potential impact area) for the proposed new well or other ancillary facility or equipment (excluding pipelines).</p> <p>a. If there are no sensitive receptors within this potential impact area, then no construction mitigation measures shall be required.</p> <p>b. If there are sensitive receptors within the potential impact area, then additional information must be provided showing the setback from the closest edge of the well pad to the property line of the nearest sensitive receptor. The minimum distances shall be as follows:</p> <table border="1" data-bbox="560 1606 1380 1881"> <thead> <tr> <th>Well Depth (Feet)</th> <th>Minimum Setback Distance from Well Site to Adjacent Property Line of an Existing Sensitive Receptor (Feet)</th> </tr> </thead> <tbody> <tr> <td colspan="2">Western Subarea</td> </tr> <tr> <td>10,000</td> <td>367</td> </tr> <tr> <td>5,000</td> <td>116</td> </tr> </tbody> </table>	Well Depth (Feet)	Minimum Setback Distance from Well Site to Adjacent Property Line of an Existing Sensitive Receptor (Feet)	Western Subarea		10,000	367	5,000	116
Well Depth (Feet)	Minimum Setback Distance from Well Site to Adjacent Property Line of an Existing Sensitive Receptor (Feet)								
Western Subarea									
10,000	367								
5,000	116								

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2,000	NA
Central Subarea	
10,000	367
5,000	116
2,000	NA
Eastern Subarea	
10,000	296
5,000	NA
2,000	NA

- c. If the above setbacks cannot be met, and for existing wells, the Applicant shall provide a site-specific or other risk assessment to the San Joaquin Valley Air Pollution Control District, which may include implementation of one or more of the following risk minimization measures, or other such measures that are demonstrated by the Applicant to the San Joaquin Valley Air Pollution Control District, to achieve a level of risk less than the threshold risk level, and shall provide confirmation from the San Joaquin Valley Air Pollution Control District that the activity that is the subject of the application will not exceed the risk threshold:
1. Placement of engines in the potential impact area away from the sensitive receptors.
 2. Utilize directional drilling to locate rig away further from the sensitive receptor(s).
 3. Use of late-model engines, low-emission diesel products, alternative cleaner fuels (e.g., natural gas or liquefied petroleum gas), engine retrofit technology, add-on devices such as diesel particulate filters or oxidation catalyst, and/or other options as such become available to reduce emissions from off-road and other equipment.
 4. Utilize electricity line power if available.
 5. Shutdown all equipment when not in use, and otherwise minimize engine idling by limiting idling to 15 minutes.
 6. Use of automatic rigs.
 7. Assist and pay to relocate residents to temporary lodging during well construction, drilling, and completion activities, if such residents voluntarily agree to such relocation.

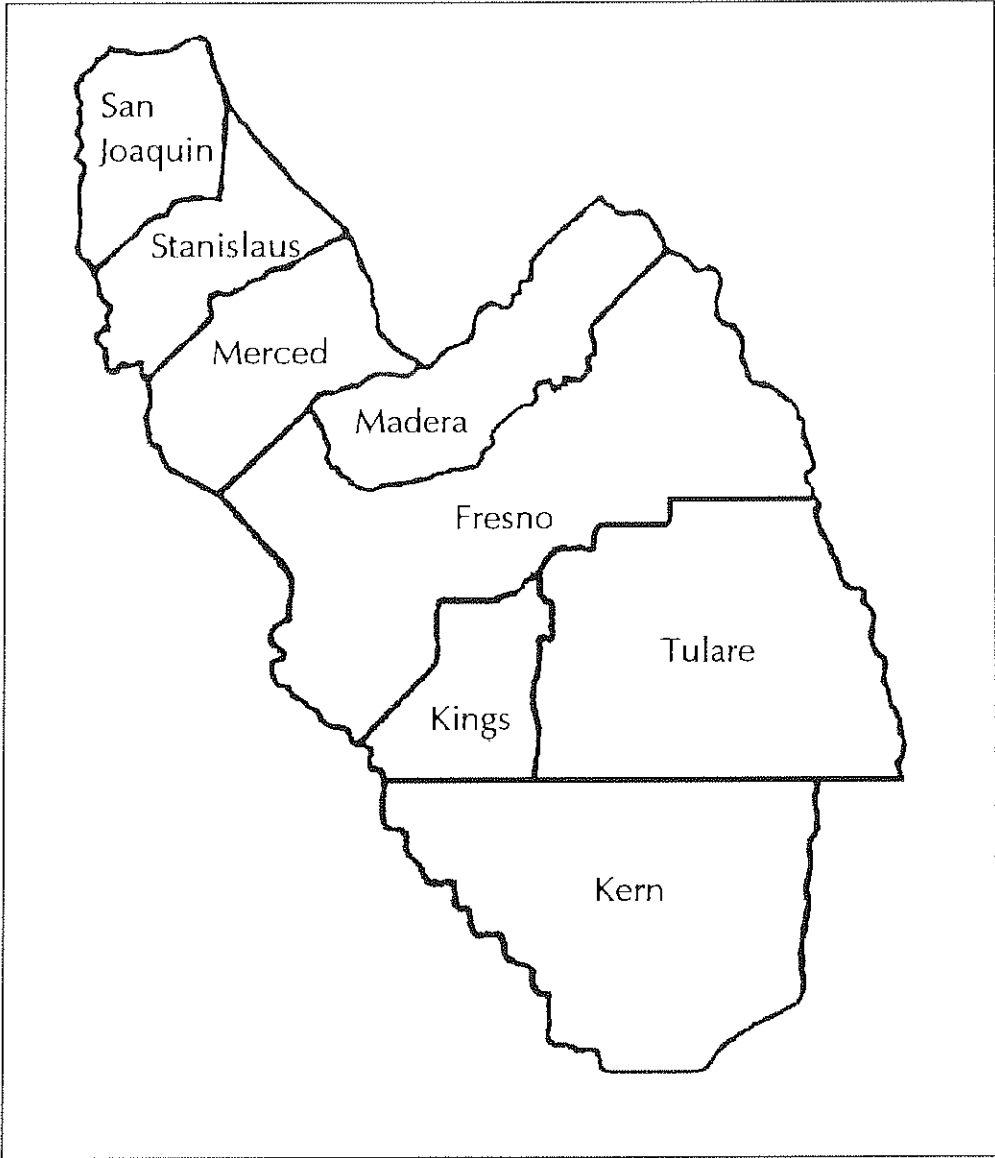
MM 4.3-6 Applicants shall include in their Worker Environmental Awareness Program information on how to recognize the symptoms of Valley Fever and to promptly report suspected symptoms of work-related Valley Fever to a supervisor. Workers exposed to fugitive dust shall be provided with the option of using a filter fitted over their nose and mouth, secured by a strap, including training for appropriate mask practices as part of the Worker Environmental Awareness Training Program.

MM 4.3-7 Applicant shall submit an Odor Complaint Management Plan to the County prior to receiving its first Site Plan conformity review approval. The Plan shall include a designated contact for odor complaints, creation of a log for odor complaints, and protocol for handling odor complaints. The Odor log and report files shall be available for public review upon request.

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MM 4.3-8	<p>For criteria emissions, not required to be offset under a District rule as described in MM 4.3-1, and for Project vehicle and other mobile source emissions, the County will enter into an emission reduction agreement with the San Joaquin Valley Air Pollution Control District, pursuant to which the Applicant shall pay fees to fully offset Project emissions of oxides of nitrogen, reactive organic gases, and particulate matter of 10 microns or less in diameter (including as applicable mitigating for reactive organic gases by additive reductions of particulate matter of 10 microns or less in diameter) (collectively, "designated criteria emissions") to avoid any net increase in these pollutants. The air quality mitigation fee shall be paid to the County as part of the Site Plan review and approval process, and shall be used to reduce designated criteria emissions to fully offset Project emissions that are not otherwise required to be fully offset by District permit rules and regulations.</p> <p>As an alternative to paying the fee, an Applicant may reduce emissions for one or more designated criteria emissions through actual reductions in air emissions from other Applicant sources, as submitted to the County and validated by the District. This Project offset requirement alternative shall be enforced by the County and verified by San Joaquin Valley Air Pollution Control District, and must be approved in advance by the San Joaquin Valley Air Pollution Control District. If a voluntary emission reduction agreement is not executed by the County and San Joaquin Valley Air Pollution Control District, then each Applicant must mitigate for the full amount of designated criteria pollutants as verified by the San Joaquin Valley Air Pollution Control District, with evidence of such District-verified offsets presented as part of the Site Plan Conformity Review application documentation.</p> <p>Examples of feasible air emission reduction activities that may be funded by air quality fees paid by Applicant or proposed and implemented by the Applicant under the emission reduction agreement include, but are not limited to, the following:</p> <ul style="list-style-type: none">a. Replacing or retrofitting diesel-powered stationary equipment such as motors on generators, pumps and wells with electric or other lower-emission engines that are not subject to Title V reductions.b. Replacing or retrofitting diesel-powered school, transit, municipal and other community mobile sources such as buses, car fleets, and maintenance equipment, with electric or other lower-emission engines.c. Reducing emissions from public infrastructure sources such as water and wastewater treatment and conveyance facilities, and reducing water-related emissions through water conservation and reclamation.d. Funding lower-emission equipment and processes for local businesses, schools, non-profit and religious institutions, hospitals, city and county facilities.
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EXHIBIT B
DISTRICT BOUNDARIES



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EXHIBIT C
PER WELL EMISSION SCHEDULE

Lorelei H. Oviatt, AICP, Director
2700 "M" Street, Suite 100
Bakersfield, CA 93301-2323
Phone: (661) 862-8600
Fax: (661) 862-8601 TTY Relay 1-800-735-2929
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**PLANNING AND NATURAL
RESOURCES DEPARTMENT**

Planning
Community Development
Administrative Operations

July 12, 2016

Proposed Per Well Emissions and Related Fees (Exhibit C)

The following table details the total emissions of all oil and gas activities on a per well basis. The table is segmented into 1000' well depth increments and the fee is calculated using \$7,231* per ton.

Total NOx, ROG, and PM Emissions Per Well By Subarea and Well Depth						
Measured Well Depth (Feet)	Emissions in Tons Per Well					
	Western Zone	Fee	Central Zone	Fee	Eastern Zone	Fee
Up to 1000	1.28	\$ 9,255.68	1.63	\$ 11,786.53	0.96	\$ 6,941.76
Up to 2000	1.52	\$ 10,991.12	1.94	\$ 14,028.14	1.15	\$ 8,315.65
Up to 3000	1.78	\$ 12,871.18	2.27	\$ 16,414.37	1.37	\$ 9,906.47
Up to 4000	2.03	\$ 14,678.93	2.59	\$ 18,728.29	1.57	\$ 11,352.67
Up to 5000	2.35	\$ 16,992.85	3.04	\$ 21,982.24	1.8	\$ 13,015.80
Up to 6000	3.98	\$ 28,779.38	4.81	\$ 34,781.11	3.33	\$ 24,079.23
Up to 7000	4.55	\$ 32,901.05	5.51	\$ 39,842.81	3.81	\$ 27,550.11
Up to 8000	5.36	\$ 38,758.16	6.52	\$ 47,146.12	4.49	\$ 32,467.19
Up to 9000	6.17	\$ 44,615.27	7.53	\$ 54,449.43	5.16	\$ 37,311.96
Up to 10000	7.47	\$ 54,015.57	9.16	\$ 66,235.96	6.23	\$ 45,049.13
Up to 11000	14.18	\$ 102,535.58	16.21	\$ 117,214.51	12.71	\$ 91,906.01
Up to 12000	16.56	\$ 119,745.36	19.06	\$ 137,822.86	14.77	\$ 106,801.87
Up to 13000	18.85	\$ 136,304.35	21.87	\$ 158,141.97	16.69	\$ 120,685.39
Up to 14000	22.08	\$ 159,660.48	25.77	\$ 186,342.87	19.47	\$ 140,787.57
Up to 15000	25.88	\$ 187,138.28	30.37	\$ 219,605.47	22.72	\$ 164,288.32
Up to 16000	33.67	\$ 243,467.77	39.23	\$ 283,672.13	29.79	\$ 215,411.49
Up to 17000	39.96	\$ 288,950.76	46.78	\$ 338,266.18	35.21	\$ 254,603.51
Up to 18000	47.84	\$ 345,931.04	56.26	\$ 406,816.06	41.99	\$ 303,629.69
Up to 19000	57.51	\$ 415,854.81	67.86	\$ 490,695.66	50.35	\$ 364,080.85
Up to 20000	69.76	\$ 504,434.56	82.57	\$ 597,063.67	60.91	\$ 440,440.21
Up to 21000	88.91	\$ 642,908.21	104.65	\$ 756,724.15	78.08	\$ 564,596.48
Up to 22000	108.45	\$ 784,201.95	127.92	\$ 924,989.52	95.05	\$ 687,306.55
Up to 23000	132.43	\$ 957,601.33	156.49	\$1,131,579.19	115.89	\$ 838,000.59
Up to 24000	161.51	\$1,167,878.81	191.23	\$1,382,784.13	141.1	\$1,020,294.10
> 24000	197.8	\$1,430,291.80	234.51	\$1,695,741.81	172.61	\$1,248,142.91

*Note: The dollar amounts on this Table will be adjusted annually based on the ISR report as described in Section 1.2(b) of the Agreement.