

Greka Oil and Gas Inc. Media Briefing

January 29, 2008

To Members of the Media:

Greka Oil & Gas Inc., the largest onshore, independent oil and gas operator in Santa Barbara County with more than 1,300 wells and over 200 employees, has been at the center of a great deal of recent media coverage. The purpose of this briefing paper is to provide you with a ready source of accurate background on Greka's environmental record and positions on the issues as you prepare your stories. Feel free to quote from it or contact us for further information. We'll update this paper as new developments warrant.

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Greka's Environmental Record

Investment – Over the past 10 years, since first acquiring its facilities, Greka has spent tens of millions of dollars for upgrades to the existing physical plant and installation of new equipment, including new alarm systems to monitor pumps, tanks and other installations and alert the company to problems.

Training – Greka established an in-house training program, with a full-time director and a dedicated field office, to provide its employees with continuing education in best oilfield practices. The company also provides ESL (English as a Second Language) classes for its Hispanic employees.

Audit of Operations – In 2003 and 2004 Greka cooperated with a special task force of state and local agencies in an inspection and audit of all of the company's Santa Barbara County facilities. These facilities were found to be in compliance, and permits to operate were issued. Greka is the only on-shore operator in Santa Barbara County that has ever participated in such total access to its operations.

The Facts About Emissions – Greka's actual air emissions are only a fraction of what the company is permitted to discharge. Nitrogen Oxide (NO_x) emissions from 2003-2007 were less than 19 percent of the permitted level. Reactive Organic Compound (ROC) emissions were less than 35 percent of the permitted level. And Sulfur Oxide (SO_x) emissions were less than 1 percent of the permitted level. (See **Chart - Emissions.**)

Spills Reduced – In 2007 Greka reduced oil spills by 35 percent. To offer just one contrasting example, in 2007 spills by the City of Santa Barbara increased 25 percent. It's also important to note that Greka has never been identified on the list of major California spills compiled by the state Department of Fish and Game. Moreover, when totaled, all of Greka's spills since 1999 are less than half of one percent of California spills reported to the Office of Spill Prevention and Response.

Greka Compared to Other Operators – Data provided by the county staff shows clearly that Greka is neither better nor worse than other operators when it comes to incidents. Greka operates approximately 40 percent of the wells in the County and is responsible for approximately 40 percent of the incidents. A more meaningful statistic, however, is incidents per well. Viewed in this way, the data shows that Greka is right in the middle of the pack. (See **Chart – Incidents Per Well.**)

Industrial Sabotage

Greka has found evidence that the recent spills at its facilities in December 2007 and January 2008 were the result of sabotage. The evidence was compiled by Tom Parker, a security consultant hired by Greka to investigate the incidents and other suspicious activities at company facilities. Parker, a former senior FBI agent and Deputy Chief of the Los Angeles Regional Office of the FBI, has been a corporate security consultant for 14 years and has conducted investigations worldwide, including in the oil and gas industry domestically and in Asia and South America.

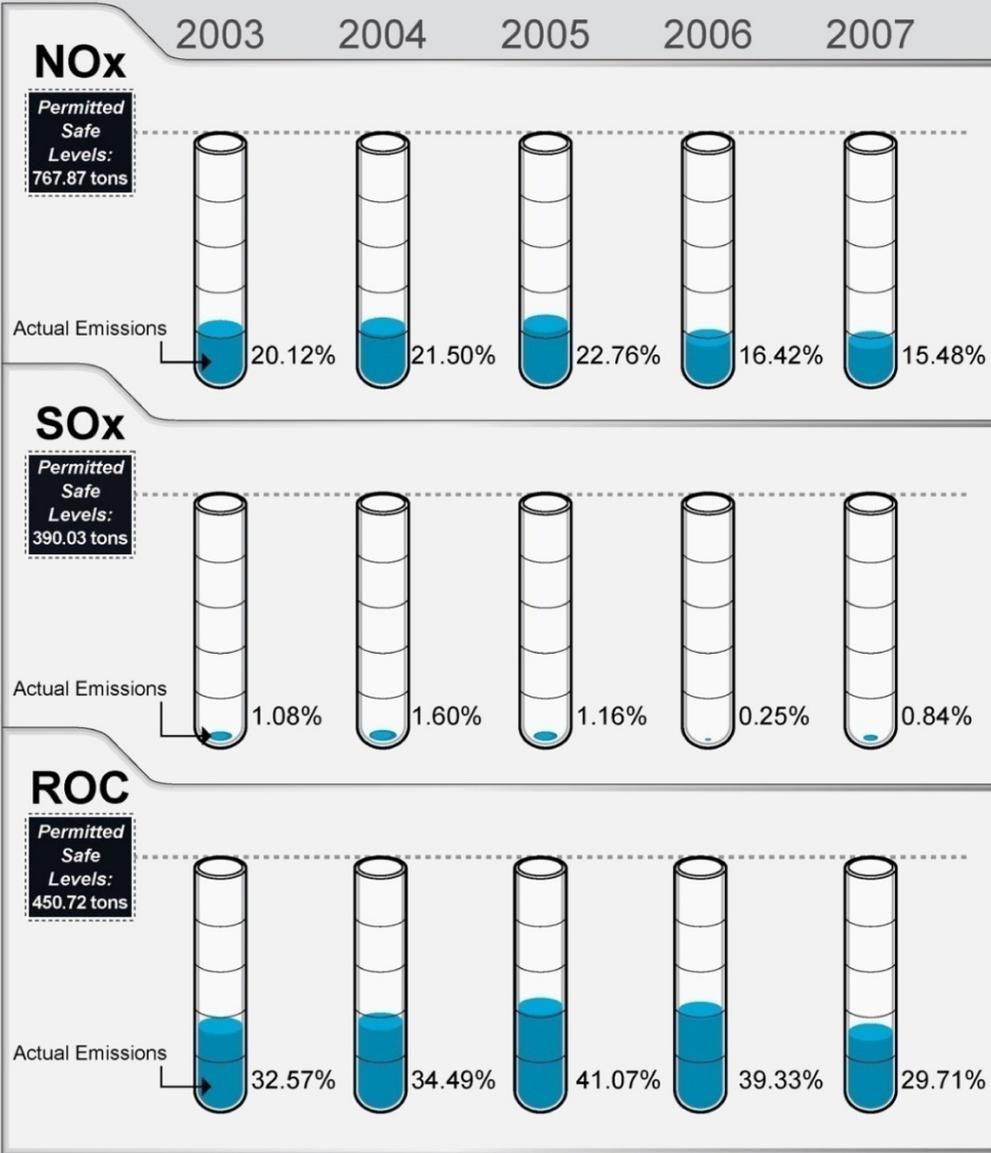
Parker said his investigation found evidence that someone tampered with a primary water injection pump at the Palmer Road facility, shutting it down and causing the Dec. 7, 2007 spill. In addition, Parker said there was also evidence that the alarm system, which should have alerted the company that the pump had shut down, was tampered with.

In regard to the Zaca spill, which occurred Jan. 5, 2008, Parker said his investigation determined that the motor of an injection pump, which had recently been tested and found to be working perfectly and which worked perfectly when tested after the spill, was apparently turned off intentionally. This caused the spill. The spilled oil and produced water would have been contained by a berm on the facility property but instead leaked through an abandoned underground pipe. Parker's investigation found that no current employees were even aware of the underground pipe, which had been sealed with a welded cap and abandoned in place. However, Parker and a metallurgical expert who examined the pipe determined that someone had cut open the welded cap, allowing the spill to escape.

Parker said his investigation also found a number of other highly suspicious events involving Greka facilities, seemingly timed to coincide with Assemblyman Pedro Nava's Dec. 18, 2007 announcement that he was convening a hearing to discuss Greka and the hearing itself on Jan. 4, 2008. (See **Timeline**.)

Chart – Emissions

Greka Emissions Are Significantly Below Permitted Safe Levels



Source: Permits to Operate issued by APCD, Annual Emissions and Fee Calculations Summary issued by APCD, NOV's issued by APCD

Chart – Incidents Per Well

Incidents Per Well: The Real Story

Companies highlighted represent the only companies producing in all 5 years

	Current S B Operators	Incidents	Total Wells	% Wells	% Incidents	Incident/Well
1	Aera Energy, LLC	3	1	0.03%	0.36%	3.00
2	B.E. Conway Energy Inc	0	73	2.16%	0.00%	0.00
3	Breitbart Energy Co.	15	280	8.28%	1.82%	0.05
4	Chevron USA Inc.	2	732	21.65%	0.24%	0.00
5	E & B Natural	8	401	11.86%	0.97%	0.02
6	Gato Corp	0	37	1.09%	0.00%	0.00
7	Gitte-Ten LLC.	0	18	0.53%	0.00%	0.00
8	Grayson Service Inc.	4	44	1.30%	0.49%	0.09
9	Greka Oil & Gas	355	1306	38.63%	43.19%	0.27
10	Phoenix Energy LLC.	19	63	1.86%	2.31%	0.30
11	Plains Exp.& Prod CO.	86	135	3.99%	10.46%	0.64
12	Pyramid Oil Co.	0	4	0.12%	0.00%	0.00
13	Richards Oil Co.	3	41	1.21%	0.36%	0.07
14	Santa Maria Pacific	3	41	1.21%	0.36%	0.07
15	Sierra Resources Inc.	1	96	2.84%	0.12%	0.01
16	Southern California Gas Co.	1	39	1.15%	0.12%	0.03
17	Vaquero Energy, Inc	0	3	0.09%	0.00%	0.00
18	Venoco Inc	99	67	1.98%	12.04%	1.48
19	Other	223		0.00%	27.13%	N/A
	Total	822	3,381			

Source: DOG/County Administrative Office

Time Line of Events

