

MINUTE ITEM

9/30/76
ADW

21. APPROVAL OF RESUMPTION OF DRILLING OPERATIONS ON STATE OIL AND GAS LEASES, PRC 1824.1, PRC 3150.1, AND PRC 4000.1, SANTA BARBARA COUNTY - W 9732.

In consideration of Calendar Item 21, attached, Mr. Donald J. Everitts, Manager, Energy and Mineral Resources Development, explained the background of the item. Commission-alternate Sid McCausland stated that while he has serious concerns about the ultimate protection of the environment, it is his opinion the Commission's responsibility in this case has been well met. At this time, he moved for adoption of the item.

Before the motion was seconded, Chairman Kenneth Cory asked if it is a common pipeline, or is there a separate pipeline from each platform. Mr. Everitts explained that there is a line connected to the two platforms. At this point, the lines sink and go ashore from that lease. Mr. Cory wanted the record to be clear that the platforms exist now, and this item would just put additional holes from the existing platforms. He then asked what kinds of protection and surveillance to avoid leakage are contemplated on the actual underwater lines going ashore. Mr. Everitts explained that the Division requires a weekly visual surface inspection to see if there is any oil disturbance. He stated the lines are annually inspected with divers. He went on to explain the details of the operation.

In connection with the pigging of the lines, Mr. Cory asked what Long Beach requires. Mr. W. M. Thompson, Manager, Long Beach Operations, stated they run an electric survey every six months to determine block up. Mr. Cory stated the staff should enter into discussions with Standard whereby the same measures of protection are taken in Santa Barbara. Mr. Everitts indicated he would be in touch with representatives from Standard. Mr. Cory explained he raised this point because the same standards should be used in all operations. At this point, the item was approved as presented. However, Ms. Lois Sidenberg, President, Carpinteria Valley Association, appeared to present comments on the final EIR. The Commission then rescinded their action.

Ms. Sidenberg stated it is their opinion the questions they raised with respect to the EIR were not resolved. The points she contended were not resolved are as follows:

1. With respect to the degrading visual impact of the unsightly platforms off Carpinteria and Summerland, they feel if no further production was permitted, the platforms could be removed.

1230

MINUTE ITEM 21 (CONTD)

2. The Division's response to their question concerning expansion of onshore facilities and putting idle oil treating equipment back into service was unsatisfactory and too indefinite.
3. The statement by the Division that there had been no oil spills of consequence since the platforms had been in operations is incorrect and that numerous small spills have been noted.
4. The response to their comments on the efficiency of the present oil spill containment and recovery equipment does not give assurance that any significant spill can be contained and recovered with present equipment. To date, they know of no demonstration proving the adequacy of the system. They feel strongly that greater safeguards should be guaranteed before issuing permits for further drilling.
5. The question of air pollution from platforms, etc. has never been adequately considered or answered.
6. The statement that the new platform and tanker operations would not increase noise levels in the area is false.

Ms. Sidenberg stated a recommendation is being made to use pipelines instead of tankers in the transportation of crude oil to Los Angeles refineries. She stated her organization supports this recommendation.

At the conclusion of her testimony, Ms. Sidenberg urged the action be postponed until a satisfactory resolution of the problems stated above has been made.

Commission-alternate Richard Thomson asked the staff to respond to Ms. Sidenberg's comment about the use of pipelines, instead of tankers, in transmitting oil to refineries. Mr. Everitts stated that could be done if the parties wanted to spend the money to build the pipelines.

Mr. Northrop pointed out that Santa Barbara County is pushing hard for the use of pipelines, particularly from the Federal offshore to the Santa Barbara area rather than using tankers. He stated the staff is in sympathy with the concept. However, in this case it is a matter of economic trade-off with the small amount of oil involved.

Mr. Steven Boyle, Director of Get Oil Out!, Inc. appeared. He stated that GOO opposes the resumption of drilling on this platform. In summary, Mr. Boyle felt there is no urgency to drill for the oil on the subject platform since

MINUTE ITEM 21 (CONTD)

there are other drilling activities in the Channel. He stated that unless these types of activities are stopped, the cumulative impact of petroleum in the channel at this time is going to be very significant.

At this point, Mr. Cory stated the Commission has a great deal of empathy for the opponent's position, but the Commission is legally bound to approve the item. The original decision was made incorrectly in the so-called Shell Cunningham Act, which called for bonus bid leasing for government property. He stated he is opposed to such a bid format. However, Standard was awarded the contract. Unless the Commission can find sufficient grounds of there being an adverse impact to the immediate health, welfare and safety of the environment, the Commission is obligated to approve the item or be in the position of being sued. He stated he could not find anything in the EIR which could stop Standard's contractual right which was extended to it by a prior Commission. At this point a lengthy discussion followed.

Mr. E. J. Taafe, representing Standard Oil Company, appeared. In answer to Ms. Sidenberg's question regarding noise abatement, he stated they would take every effort to curtail the disturbance.

Mr. Cory put Standard on notice that there are people who are disturbed about the noise abatement problem and if it can be avoided, it should be. Mr. Taafe agreed.

Mr. Peter Hall, Administrative Assistant for Assemblyman Ken MacDonald, appeared. He stated they have been in contact with Ventura County, who contends they were not notified by the State Clearinghouse or State Lands Commission on either of the hearings regarding the draft and final EIR. Due to the fact that Ventura County will receive the major brunt of air quality and spill impacts, they are requesting that they be allowed an opportunity to respond to the final EIR before the Commission acts on it. Mr. Cory then asked the staff to respond to Mr. Hall. Mr. Allen Willard, Supervising Mineral Resources Engineer, appeared. He stated that Assemblyman MacDonald was sent the notice and the EIR. He also stated the EIRs were sent to the State Clearinghouse and the Metropolitan Clearinghouse which have the responsibility for disseminating EIRs. Mr. Willard indicated he could only assume they had done their job. He also stated the notice was advertised in the local newspapers -- Santa Barbara News Press and Ventura Press. Mr. Hall said he personally reads every copy of the Star Free Press and he did not see the article.

MINUTE ITEM 21 (CONTD)

However, Mr. Willard reported it is his opinion the Commission has complied with its responsibility under the law by distributing the EIR to both the State and Metropolitan Clearinghouses and advertising in the local papers. At this point Mr. McCausland instructed a staff member to contact the State and Metropolitan Clearinghouses during this meeting to see if the EIR was sent correctly.

Mr. Bruce Rosenthal, Administrative Assistant for Senator Omer Rains, appeared, seconding Ventura County's request. Mr. Thomson asked if the Commission is under any legal compulsion to act now and if any promises were made. Mr. Northrop assured Mr. Thomson the Division never commits the Commission. Mr. McCausland stated he had no personal objection to putting the item over a month, except it is his opinion the evidence will not change.

Mr. N. Gregory Taylor, Assistant Attorney General, appeared. He stated this matter has been continued for more than two years with considerable public notice and controversy. Mr. Hall emphasized at this point that his request is not based on opposition to the item, but rather is in the nature of a common courtesy to be rendered by the State to the County of Ventura. He emphasized the extreme importance of this item to the County.

After discussing the matter further, Mr. McCausland moved that the item be deferred for one month, whereupon Mr. Thomson seconded the motion. Upon Mr. Taaffe's inquiry Mr. Cory stated action would be taken at the next meeting.

At the end of the discussion, the Commission deferred the item for one month.

Attachment: Calendar Item (6 pages)

CALENDAR ITEM
21.

9/76
W 9732
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APPROVAL OF RESUMPTION OF DRILLING OPERATIONS
ON STATE OIL AND GAS LEASES PRC 1824.1, PRC 3150.1
AND PRC 4000.1, SANTA BARBARA COUNTY

LEASES: PRC 1824.1, PRC 3150.1 and PRC 4000.1
LESSEE: Standard Oil Company of California (Operator)
Exxon Co. U.S.A.; and Atlantic Richfield Company.
COUNTY: Santa Barbara.
AREA: Summerland and Carpinteria Offshore Fields.

INTRODUCTION: On January 14, 1975, the State Lands Commission rescinded a resolution of November 21, 1974, which approved the resumption of drilling operations from existing facilities on State Oil and Gas Leases PRC 1824.1, PRC 3150.1 and PRC 4000.1. The Commission determined that the applications of Standard Oil Company, as operator of the three leases, for resumption of drilling operations under the subject leases would be considered only upon preparation of an environmental impact report in accordance with the California Environmental Quality Act (CEQA) and with State policies in effect at the time of such consideration. The Environmental Impact Report has been prepared and processed pursuant to requirements of CEQA, and Standard has resubmitted their application for resumption of drilling operations.

BACKGROUND: On February 1, 1969, in response to an oil and gas well blowout on Federal OCS in the Santa Barbara Channel, the State Lands Commission declared a moratorium on further drilling on State offshore oil and gas leases, and announced that no new wells would be approved pending a complete review of all offshore drilling regulations, techniques, and procedures.

On July 31, 1969, the Commission unanimously adopted a resolution rejecting the staff's recommendation that oil and gas drilling on State offshore leases be resumed. However, the resolution did provide that:

"Recommendations for drilling wells on existing leases may be brought to the Commission for consideration on a well-by-well basis if there are unique circumstances that justify and require such

A 36

S 24

CALENDAR ITEM NO. 21. (CONTD)

drilling." (Minutes, State Lands Commission, 1969, p. 867.)

In December 1974, the Commission authorized (1) the adoption of procedures for drilling and production operations from existing platforms, piers, and islands on existing offshore leases, and (2) the resumption of drilling operations on a lease-by-lease basis, such resumption to be predicated upon a review by the State Lands Division for compliance with the procedures, compliance with requirements of the California Environmental Quality Act, and upon final approval by the State Lands Commission.

Subsequent to its 1974 action, the Commission has authorized resumption of drilling operations on three leases in the Santa Barbara Channel (Atlantic Richfield's South Ellwood Leases PRC 3120 and PRC 3242, and Mobil's Rincon Pier Lease PRC 427), and two leases in the Orange County area (Standard's Island Esthen, PRC 3095, and Exxon's Belmont Island, PRC 186). In addition, applications have been filed by Aminoil to resume drilling operations from Platform Emmy offshore Huntington Beach, Cabot Oil and Gas Corporation from an existing pier and on the uplands at Rincon at Ventura County, and this application by Standard Oil Company of California.

PROJECT DESCRIPTION:

The purpose of the project is to complete the development of oil and gas reserves in known reservoirs underlying the subject leases from the four existing Platforms, "Hilda" and "Hazel", in the Summerland Field, and "Hope" and "Heidi" in the Carpinteria Field. The productive limits of these reservoirs and the geology of the lands underlying the developed portion of the leases in question are fully known as a result of prior drilling operations.

Present geological information establishes that the maximum number of new wells required to develop the known reservoirs in the Summerland and Carpinteria Fields would be 16 and 20, respectively. These wells can be drilled using existing well locations on the platforms. The proposed work would be accomplished with one drilling rig, which would be installed first at Platform Hilda and then sequentially to Hazel, Hope and Heidi. The project may

CALENDAR ITEM NO. 21. (CONTD)

require minimal expansion of existing artificial lift facilities and may require that some existing, but idle, oil-treatment equipment be put back into service.

ENVIRONMENTAL IMPACT:

On July 24, 1975, the Commission, after solicitation of proposals for preparation of the EIR, authorized the Executive Officer to execute a contract with Woodward-Clyde, Consultants, for its preparation, with all costs to be borne by Standard.

In accordance with the State Guidelines for Implementation of CEQA, a draft environmental impact report was prepared and circulated for comment. On May 8, 1976, a public hearing was held for the purpose of receiving comments on the draft report. The comments made at the hearing and all other written comments have been reviewed by the Consultant and the staff; those comments and the necessary responses have been incorporated into the final EIR No. 203. Mitigating measures, for the most part, involve oil spill prevention and control procedures. Such procedures include the use of appropriate safety equipment during drilling and production operations, in strict compliance with applicable laws and regulations of Federal, State, and local governmental agencies.

Approval of Standard's application would include requirements that all well drilling be conducted in accordance with the Commission's "Procedures for Drilling and Production Operations from Existing Facilities on Tide and Submerged Lands Currently Under State Oil and Gas Leases", including requirements for well casing, blowout prevention, drilling mud programs, facility safety inspections, and special training programs for operator personnel.

The platforms are equipped with integrated safety-control systems that will cause shut-in of all wells in the event of fire, pipeline failure, or other catastrophe. Well control training will be conducted daily until each crew is thoroughly trained, and, thereafter, at least once a week for each crew. The company drilling supervisor will be responsible for instructing all drilling crews in blowout prevention and State procedures for drilling operations. In addition, all Standard Oil Company and drilling contractor supervisory

CALENDAR ITEM NO. 21. (CONTD)

staff will be required to have attended, on an annual basis, a formal blowout control training school.

As an added safety measure, all critical drilling operations will be monitored by an on-site State Lands Division inspector empowered to shut down drilling operations, if, in his judgment, safety considerations so warrant.

The Division finds that the project will not have a significant effect on the environment.

AGREEMENTS FOR THE PROTECTION OF THIRD PERSONS:

With the assistance of the Office of the Attorney General, staff has prepared agreements, additional to present lease requirements and acceptable to the lessees, affording increased protection to third persons for any damages arising from operations conducted under the leases. These agreements provide:

1. Standard Oil Company will furnish the State Lands Commission with a certificate of insurance in the amount of \$10 million evidencing insurance against liability for damages to third persons.
2. Procedures shall be established for the prompt processing of all claims, and the prompt payment of uncontested claims.
3. To facilitate the settlement of contested claims by third persons without the necessity of litigation, Standard Oil Company will agree to mediation procedures approved by the Executive Officer after consultation with the Office of the Attorney General.

EXHIBITS: A. Location Map. B. EIR Summary.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT A FINAL ENVIRONMENTAL IMPACT REPORT HAS BEEN PREPARED FOR THIS PROJECT BY THE DIVISION FOLLOWING EVALUATION OF COMMENTS AND CONSULTATION WITH PUBLIC AGENCIES WHICH WILL ISSUE APPROVALS FOR THE PROJECT,

CALENDAR ITEM NO. 21. (CONTD)

2. CERTIFY THAT THE FINAL ENVIRONMENTAL IMPACT REPORT (EIR NO. 2030), HAS BEEN COMPLETED IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT OF 1970, AS AMENDED, AND THE STATE GUIDELINES AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
3. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
4. AUTHORIZE THE RESUMPTION OF DRILLING OPERATIONS FROM EXISTING FACILITIES ON STATE OIL AND GAS LEASES PRC 1824.1, PRC 3150.1, AND PRC 4000.1, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LEASES AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION, SUBJECT TO THE UNDERSTANDING THAT STANDARD OIL COMPANY OF CALIFORNIA, AS OPERATOR OF SAID LEASES, HAS AGREED TO THE FOLLOWING PROVISIONS:
 - A. STANDARD OIL COMPANY OF CALIFORNIA WILL FURNISH TO THE STATE LANDS COMMISSION A CERTIFICATE OF INSURANCE FROM A RECOGNIZED INSURANCE COMPANY, DOING BUSINESS IN CALIFORNIA, IN THE SUM OF \$10 MILLION, INCLUDING THE STATE AS A NAMED INSURED AND EVIDENCING INSURANCE AGAINST LIABILITY FOR DAMAGES TO THIRD PERSONS ARISING OUT OF ANY AND ALL DRILLING AND PRODUCTION ACTIVITIES UNDER SAID LEASES -- WHICH CERTIFICATE SHALL NOT BE CANCELABLE EXCEPT UPON 30 DAYS NOTICE AND STANDARD OIL COMPANY OF CALIFORNIA SHALL AGREE TO KEEP A CERTIFICATE OF INSURANCE MEETING THE ABOVE REQUIREMENTS IN EFFECT AT ALL TIMES UNTIL ALL DRILLING AND PRODUCTION FROM SAID LEASES SHALL HAVE TERMINATED AND ALL WELLS HAVE BEEN PROPERLY ABANDONED IN THE MANNER REQUIRED BY LAW;
 - B. SHOULD ANY EVENT OCCUR CAUSING A SUBSTANTIAL NUMBER OF CLAIMS FOR DAMAGES TO BE FILED AGAINST THE STANDARD OIL COMPANY OF CALIFORNIA, AS A RESULT OF OPERATIONS UNDER SAID LEASES, STANDARD OIL COMPANY OF CALIFORNIA SHALL, WITHIN TEN DAYS AFTER SUCH EVENT, CAUSE TO BE OPENED, OR OPEN, A CLAIMS OFFICE WITHIN THE CITY OF SANTA BARBARA STAFFED WITH SUFFICIENT PERSONNEL AND AUTHORITY TO PROCESS ALL CLAIMS AND TO SETTLE ALL UNCONTESTED CLAIMS -- BARRING UNUSUAL CIRCUMSTANCES, THE STAFFING OF SAID OFFICE SHALL BE SUFFICIENT TO PROCESS ALL CLAIMS AND SETTLE ALL UNCONTESTED CLAIMS WITHIN 60 DAYS OF THE ESTABLISHMENT OF SAID OFFICE; ALL DRILLING AND PRODUCTION SHALL BE CONDUCTED UNDER SAID LEASES IN ACCORDANCE WITH APPLICABLE LAW, THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION AND THE DIVISION OF OIL AND GAS, AND THE PROCEDURES HERETOFORE ADOPTED BY THE STATE LANDS COMMISSION, AND REFERRED TO OR DESCRIBED IN THE FINAL ENVIRONMENTAL IMPACT REPORT RELATING TO DRILLING OPERATIONS FROM EXISTING STANDARD OIL COMPANY OF CALIFORNIA PLATFORMS IN THE SANTA BARBARA CHANNEL ADOPTED BY THE STATE LANDS COMMISSION IN PART TWO OF THIS RESOLUTION;

CALENDAR ITEM NO. 21. (CONTD)

- C. STANDARD OIL COMPANY OF CALIFORNIA SHALL IMPLEMENT AND MAINTAIN PROPERLY AND EFFICIENTLY THE OIL-SPILL CONTINGENCY PLAN ON FILE IN THE OFFICE OF THE COMMISSION;
- D. TO FACILITATE THE SETTLEMENT OF CONTESTED CLAIMS BY THIRD PERSONS WITHOUT THE NECESSITY OF LITIGATION, STANDARD OIL COMPANY OF CALIFORNIA WILL AGREE TO MEDIATION PROCEDURES APPROVED BY THE EXECUTIVE OFFICER AFTER CONSULTATION WITH THE OFFICE OF THE ATTORNEY GENERAL.