

This Calendar Item No. 11
was approved as item 11
No. 19 by the State Lands
Commission by a vote of 2
to 0 at its 10-28-76
meeting.

MINUTE ITEM

10/28/76
ADW

19. 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.

During consideration of Calendar Item 19 attached, Mr. William F. Northrop, explained that at the last Commission meeting the County of Ventura indicated they had not been given sufficient time to comment on the Environmental Impact Report covering the proposed project. They therefore requested that the Commission defer acting on the item until this meeting, at which time they would have submitted their input. On that basis the item was put over and the County's comments were subsequently received. The comments and staff responses have been submitted to the Commission and will become a part of the final EIR.

Mr. Northrop noted for the record a telegram from Mrs. George Sidenberg, Jr., President of the Carpinteria Valley Association, protesting this item.

At this time, Acting Chairman Bell noted for the record the presence of Sid McCausland, Deputy Director of Finance. He indicated that he wanted to maintain continuity since Mr. McCausland sat in for him at the last meeting when this item was heard.

Mr. Jan Bush, Director of the Ventura County Air Pollution Control District, appeared. Mr. Bush stated that considering all the current and future drilling activities offshore Santa Barbara and Ventura Counties, there will be an adverse cumulative effect, especially with the use of tankers, as opposed to pipelines, as a means of transportation. He contended that the EIR did not reflect the air quality impacts which could occur in Ventura County from this project. He stated that the alternative of using a pipeline has not been adequately assessed. However, Mr. Bell pointed out that all the oil companies in the area would have to unite to make the pipeline a viable alternative.

Mr. Bush commented that the Office of Planning and Research has made studies indicating the use of pipelines would be economically feasible.

Mr. Northrop informed the Commission that he had been contacted by a staff member from the Santa Barbara County Board of Supervisors. The staff member advised him that the Board is planning a meeting in December with government and industry to address the pipeline problem. Mr. Northrop reported that the staff member asked that the Commission request its oil and gas lessees to participate in that meeting. It was decided that an amendment would be inserted in the resolution whereby the staff would request the lessees to participate in such a meeting.

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Mr. N. Gregory Taylor, Assistant Attorney General, noted for the record that the staff of the Division has prepared and supplied to the County of Ventura the written responses of staff and copies of those responses are before the Commission. Mr. Taylor noted that the subject drilling operations are from existing platforms and cover the remaining productive life of the leases. With regard to air quality, he stated the air quality will not exceed the present emission levels, except for very limited periods, during this operation and generally will be less. He indicated the pipeline alternative should be discussed when new platforms are being considered.

Mr. McCausland then stated for the record that Commission has taken this matter very seriously. With the discussions starting in 1969 and it now being 1976 suggests that it has not been an insignificant problem. He stated that deferring the item at last month's meeting to allow Ventura County more time in which to comment indicates their sincerity. However, he stated the Commission has found itself in a difficult position of having to administer contracts entered into in good faith. In addition, because this is the final development of this particular field, the damages which would occur if the State did not honor the contracts far outweigh the disadvantages. He also stated that the safeguards built into the proposed project have been addressed and impacts adequately mitigated.

Mr. Richard Thomson, Commission-alternate for Lieutenant Governor Mervyn M. Dymally, then requested staff to state specifically the issues on which the Commission is voting. Mr. Northrop then read the recommendation as presented. For the record, he added that Item 4 (A), (B), (C), and (D) were added to the contract by the existing Commission after the original drilling permit was entered into.

Mr. Bell also requested the word "adverse" be inserted in Recommendation No. 3 after the word "significant".

Upon motion duly made and carried, the following resolution, as amended, was adopted by a vote of 2-0:

THE COMMISSION:

1. DETERMINES THAT A FINAL ENVIRONMENTAL IMPACT REPORT HAS BEEN PREPARED FOR THIS PROJECT BY THE DIVISION FOLLOWING

MINUTE ITEM NO. 19. (CONTD)

EVALUATION OF COMMENTS AND CONSULTATION WITH PUBLIC AGENCIES WHICH WILL ISSUE APPROVALS FOR THE PROJECT.

2. CERTIFIES THAT THE FINAL ENVIRONMENTAL IMPACT REPORT (EIR NO. 203) 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. DETERMINES THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT ADVERSE EFFECT ON THE ENVIRONMENT.
4. AUTHORIZES 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

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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 OF CALIFORNIA PLATFORMS IN THE SANTA BARBARA CHANNEL ADOPTED BY THE STATE LANDS COMMISSION IN PART TWO OF THIS RESOLUTION.

- C. STANDARD OIL COMPANY OF CALIFORNIA SHALL IMPLEMENT AND MAINTAIN PROPERLY AND EFFICIENTLY THE OIL-SPILL CONTINGENCY PLANS 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.
- 5. DIRECTS THE STAFF TO REQUEST ALL OIL AND GAS LESSEES IN SANTA BARBARA AND VENTURA COUNTIES TO PARTICIPATE IN THE GOVERNMENT/INDUSTRY MEETINGS TO BE CONDUCTED BY THE COUNTY OF SANTA BARBARA TO DISCUSS THE USE OF PIPELINES AS AN ALTERNATIVE IN THE TRANSPORTATION OF CRUDE OIL FROM THE SANTA BARBARA CHANNEL.

Attachment:
Calendar Item 19 (6 pages)

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

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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 3220 and PRC 3242, and Mobil's Rincon Pier Lease PRC 427), and two leases in the Orange County area (Standard's Island Esther, 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

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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

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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.

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2. CERTIFY THAT THE FINAL ENVIRONMENTAL IMPACT REPORT (EIR NO. 203), 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.
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- 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.