

MINUTE ITEM -

This Calendar Item No. 1
was approved as Minute Item
No. 1 of the State Lands
Commission by a vote of 3
to 0 at its 12/22/82
meeting.

MINUTE ITEM

12/22/82
W 40185

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CONSIDERATION OF PROPOSED OIL AND GAS
LEASE PROGRAM - POINT CONCEPTION -
POINT ARGUELLO, SANTA BARBARA COUNTY

During consideration of Calendar Item 1 attached, the following
people testified:

1. Dr. Noele Davis
Chambers Consultants and Planners
2. Mr. Joe Caves
Representing Senator Gary Hart
3. Mr. Willis Edwards
NAACP
4. Mr. Patrick Heffernan
Resources Consultants
5. Mr. Kirk West
California Taxpayers Association
6. Supervisor DeWayne Holmdahl
Santa Barbara County Board of Supervisors
7. Ms. Elizabeth Byerly
League of Women Voters
8. Ms. Michele Perrault
Environmental Coalition on Lease Sale 53 and 73/
Sierra Club
9. Dr. Ruthann Corwin
Marin County
10. Mr. Allen Greenstadt
Pioneer Systems/Pioneer International Corporation
11. Ms. Martha Davis
Greenpeace
12. Ms. Jocelyn Kempe
Chairman, Sea Otter Task Force
Western Oil and Gas Association
13. Mr. Jim Kennedy
California Chamber of Commerce

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14. Ms. Naida West
California Council for Environmental
and Economic Balance
15. Ms. Carol Fulton
Friends of the Sea Otter
16. Mr. Clair Ghylin
Western Oil and Gas Association
17. Mr. Robert Burt
California Manufacturers Association

Written communications were received from the following:

1. Oceanic Society
San Francisco Bay Chapter
2. Dr. John Mohr
Scientific Review Committee
3. Ms. Maxine McCloskey
Whale Center
4. Mayor Melanie C. Billig
City of San Luis Obispo
5. Ms. Phyllis Faber
League for Coastal
Protection

After 5 hours of public testimony the Commission closed the hearing and discussed its options for a leasing program. The Commission then approved the following Recommendations, as amended, by a vote of 3-0:

THE COMMISSION:

1. FINDS THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED IN THE FEIR (EIR 308) AND RELATED MATERIALS BEFORE MAKING ITS DECISION ON THE PROPOSED PROJECT;
2. ADOPTS THE FINDINGS HERETO ATTACHED AS EXHIBIT "C" IN CONNECTION WITH THE PROJECT IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (PUBLIC RESOURCES CODE SECTION 21000 ET SEQ.) AND THE STATE EIR GUIDELINES;
3. FINDS THAT THE PROPOSED PROJECT MEETS REQUIREMENTS WITHIN THE PUBLIC RESOURCES CODE (SECTION 3000 ET SEQ.) AND THEREBY CONFORMS WITH PROVISIONS OF THE CALIFORNIA COASTAL ACT;
4. FINDS THAT THE PROJECT, AS MODIFIED BY PROPOSED MITIGATION MEASURES AND STIPULATIONS, IS CONSISTENT WITH THE USE CATEGORY ASSIGNED TO THE PROPOSED LEASE AREA WITHIN THE SIGNIFICANT LANDS INVENTORY COMPLETED PURSUANT TO SECTIONS 6370 ET SEQ. OF THE PUBLIC RESOURCES CODE;

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5. ADOPTS THE FINDINGS HERETO ATTACHED AS EXHIBIT "D" IN CONNECTION WITH THE PROJECT IN COMPLIANCE WITH SECTION 6318 OF THE PUBLIC RESOURCES CODE;
6. ADOPTS THE FINDINGS HERETO ATTACHED AS EXHIBIT "E" IN CONNECTION WITH THE PROJECT IN COMPLIANCE WITH SECTION 6873.2 OF THE PUBLIC RESOURCES CODE;
7. ADOPTS STIPULATIONS 1-15, AS OUTLINED IN EXHIBIT "F", TO BE INCLUDED IN THE SPECIAL OPERATING REQUIREMENTS OF THE PROPOSED LEASE FORMS;
8. AUTHORIZES THE STAFF TO SOLICIT BIDS FOR ALL EIGHT TRACTS AS FOLLOWS:

- A. IN THE TRACT LAYOUT SHOWN IN EXHIBIT 3 OF STAFF REPORT (EXHIBIT B);
- B. WITH BIDS TO BE RECEIVED ON AUGUST 15, 1983;
- C. ON THE BASIS OF NET PROFIT SHARE (NET PROFIT SHARE LEASE, EXHIBIT 6 OF EXHIBIT B) WITH A MINIMUM NET PROFIT SHARE BID OF 65% FOR TRACTS 1 AND 2, AND 50% FOR TRACTS 3 THROUGH 8;
- D. RENTAL PAYABLE ANNUALLY IN ADVANCE FOR THE FIRST THREE YEARS TO BE PAID ACCORDING TO THE FOLLOWING SCHEDULE:

TRACTS 1 AND 2	\$10,000,000
TRACT 5	\$4,000,000
TRACTS 3,4,6,7, and 8	\$2,000,000

AND THEREAFTER THE MINIMUM RENTAL PAYABLE ANNUALLY IN ADVANCE;

9. DELEGATES TO THE CHAIRMAN THE AUTHORITY TO APPROVE LEASE LANGUAGE NECESSARY TO CONFORM THE LEASE TO THE INTENT OF THE COMMISSION. THE CHAIRMAN SHALL REPORT BACK TO THE FULL COMMISSION AT THE NEXT MEETING SUBSEQUENT TO THESE NEGOTIATED CLARIFICATIONS.

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12/22/82
W 40185
Staff

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CONSIDERATION OF PROPOSED OIL AND GAS
LEASE PROGRAM - PT. CONCEPTION
PT. ARGUELLO, SANTA BARBARA COUNTY

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CONSIDERATION OF PROPOSED OIL AND GAS
LEASE PROGRAM - POINT CONCEPTION -
POINT ARGUELLO, SANTA BARBARA COUNTY

The State Lands Commission has developed a program which could enable the State to lease, by competitive bid, approximately 40,000 acres of State tidelands and submerged lands for oil and gas exploration and development. Following the 1969 blowout and oil spill from a Union platform on a Federal Outer Continental Shelf (OCS) lease, the Commission adopted a moratorium on additional leasing of, or drilling on State lands. Since 1973, the Commission has considered and authorized additional drilling on existing leases, but has not, until this time, considered the issuance of new leases.

The proposed lease area extends from Point Conception north to Point Arguello, Santa Barbara County (Exhibit A). At present, the Commission's active leases extend from an area east of Point Conception, leased in April 1962, southward through Santa Barbara, Ventura, Los Angeles and Orange Counties.

At its meeting of November 29, 1982, the Commission accepted a Draft Staff Report on Current Status of Proposed Pt. Conception/Pt. Arguello Oil and Gas Leasing Program and

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directed its circulation to the public. Nearly 300 copies of the report and material related to the Characterization of Marine Biota Between Pt. Conception and Pt. Arguello have been sent to interested parties.

A final version of the staff report has been prepared and contains additional information requested by the Commission, specifically on the state and capabilities of oil spill response equipment near the project area and modes of transportation available for any oil and gas produced from the proposed lease area. The report also responds to a number of issues raised by commentators such as muds and cuttings. The final staff report is attached hereto as Exhibit B and is incorporated herein by reference.

COASTAL ACT POLICIES:

Several sections of the Coastal Act are germane to the proposed project, i.e., the proposed lease of State tidelands and submerged lands between Pt. Conception and Pt. Arguello, Santa Barbara County for oil and gas activities. Among them are the following.

The Coastal Act section 30210 (PRC) guarantees maximum public access and provisions for recreational opportunities ". . .consistent with public safety needs and the need to

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protect public rights, rights of private property owners, and natural resource areas from overuse". The final EIR has recognized potential adverse impacts to aesthetics and recreation in the proposed project area. Findings and discussion relative to these issues are at page 66 and 95.

Sections 30230-30231 of the Act also require protection of biological resources that may be impacted by development activities. The final Environmental Impact Report (FEIR) recognizes and analyzes the project area as one of biological significance. In addition to the investigation of all known information related to the nature and extent of the biological resources in the area, original data were gathered at eighteen sites in the most sensitive intertidal zone from Pt. Conception to Pt. Arguello. Through such analyses, it was determined that additional information would assist the decision-making process. The Commission therefore authorized a Characterization of Marine Biota Between Pt. Conception and Pt. Arguello which has been reviewed by a scientific review panel, federal, State and local agencies and the public as described in the report in Exhibit "B". The FEIR and the characterization study provide the most comprehensive information yet available about the biotic environment and marine resources of the proposed project area.

Methods and policies to further identify and protect the diverse organisms and habitat of the proposed lease area have been proposed by the Commission. Proposed Lease Stipulation 5 requires mandatory biological and marine mammal surveys prior to the consideration of site specific exploratory or development projects within the lease area. The proposed lease forms (Section 10 Royalty Lease; Section 11 Net Profits Lease) also require that: "The lessee shall abide by all measures designed to mitigate the environmental impacts of its operations under this lease set forth in site-specific environmental studies, including EIRs, completed prior to the consideration and approval of exploratory and development activities."

Other specific findings have been made in Exhibit "C" relative to marine resources in the proposed lease sale area, including commercial fishing, and are incorporated herein by reference.

Public Resources Code section 30232 requires protection of such areas against accidental oil spills. The most effective mitigation against oil spills is prevention, but effective oil spill contingency measures must also be provided. Discussions of findings regarding methods and

policies of the Commission are found at pages 82 to 96 in Exhibit "C" and pages 58 to 77 of the staff report in Exhibit "B". Each discussion is incorporated by reference herein.

Specific mitigation measures relating to oil spill contingency plans include proposed Lease Stipulation Nos. 11 (Oil Spill Response Capability) and 15 (All Season Ocean Current and Meteorologic Studies).

Section 30253(b) of the Coastal Act requires new development to be consistent with requirements imposed by the local air pollution control district. The final EIR analyzes the potential of significant impacts to the air quality of Santa Barbara County. See pages 30 and 43 of Exhibit "C" for the findings and discussions on air quality impacts.

Public Resources Code sections 30260 and 30262(b) pertain to policies regarding new development, coastal dependent industrial facilities, and new or expanded oil and gas facilities and their consolidation within the coastal zone. As stated in the October 1, 1982 memorandum from Michael L. Fischer, Executive Director of the California Coastal Commission to Coastal Commissioners and Interested Parties: ". . . state leasing in the vicinity of federal exploration and production would concentrate development, increase the feasibility of pipeline construction, and be located close to onshore processing facilities."

While it may be argued that the proposed project is inconsistent with the literal interpretation of these sections, Section 30260 of the Coastal Act provides that:

"Coastal-dependent industrial facilities (such as offshore oil drilling) shall be encouraged to locate or expand within existing sites and shall be permitted reasonable long term growth where consistent with this division. However, where new or expanded coastal-dependent industrial facilities cannot feasibly be accommodated consistent with other policies of this division, they may nonetheless be permitted in accordance with this section and Section 30261 and 30262 if (1) alternative locations are infeasible or more environmentally damaging; (2) to do otherwise would adversely affect the public welfare; and (3) adverse environmental effects are mitigated to the maximum event feasible."

Regarding the first test, the proposed project, i.e. the lease of State tide and submerged lands, designates the area in which it is believed hydrocarbon resources occur. Stipulations in the proposed lease will require the applicant to abide by all measures designed to mitigate the environmental impacts of its operations as set forth in future site specific environmental studies, including EIR's. The Commission finds that there are no other feasible alternative locations for the lease sale.

The second test concerns the public welfare. Clearly, it is in the interest of the public welfare to search for and receive revenue from domestic sources of oil and gas.

This must be balanced against the possible impacts on commercial fishing, biological resources and the public use of coastal resources for recreation. Specific findings regarding the mitigation of these impacts are located in this report and are incorporated herein by reference. Because these impacts have been mitigated, the Commission finds the project meets the requirement of this test.

The third test concerns mitigating impacts to the maximum extent feasible. By adopting the proposed stipulations and the other mitigation measures contained in the staff recommendation, the Commission finds that all environmental impacts have been mitigated to the maximum extent feasible.

Under the provisions of PRC Section 30262, oil and gas development shall be permitted in accordance with Section 30260, if conditions (a) through (f) therein and included below are met. Each subsection is hereafter included and discussed separately:

(a) The development is performed safely and consistent with the geologic conditions of the well site.

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The FEIR contains a comprehensive analysis of geologic hazards within the project area based, in part, on over 200 line miles of original geophysical data gathered as part of the geohazards survey. The proposed lease forms contain a requirement for site-specific environmental studies, including EIRs. A geohazard survey is required as part of the preparation of such documents. The safeguards provided by the Commission's policies are further elaborated in Stipulations 3 and 4 within the proposed leases.

(b) New or expanded facilities related to such development are consolidated, to the maximum extent feasible and legally permissible, unless consolidation will have adverse environmental consequences and will not significantly reduce the number of producing wells, support facilities, or sites required to produce the reservoir economically and with minimal environmental impacts.

Discussed above via the memorandum from Michael L. Fischer, Executive Director, California Coastal Commission to Coastal Commissioners and interested parties (see page 5). See also the discussion of Alternatives herein.

(c) Environmentally safe and feasible subsea completions are used when drilling platforms or islands would substantially degrade coastal visual qualities unless use of such structures will result in substantially less

environmental risks.

The proposed lease forms contain Stipulation 1, Subsea Completions, which addresses this issue. A number of factors must be considered in the decision to require subsea completions - technical feasibility, aggregate environmental impacts, compatibility with commercial fishing operations, the religious beliefs of Native Americans and economics. The proposed stipulation requires a further comprehensive consideration of subsea completions on a site-specific basis and based on the above criteria prior to any construction activities.

(d) Platforms or islands will not be sited where a substantial hazard to vessel traffic might result from the facility or relocated operations, determined in consultation with the United States Coast Guard and the Army Corps of Engineers.

As implied in (d) above, and discussed in the findings contained in Exhibit "C" beginning at page 62, the U. S. Coast Guard and the Army Corps of Engineers have primary responsibility for port access routes, vessel traffic separation scheme (VTSS), safety zones in the vicinity of structures, structure markings and navigational aids, and

restricted areas. The U. S. Coast Guard, 11th District, has developed recommendations for modifications and additions to the existing Santa Barbara Channel VTSS which could be implemented prior to any exploratory or development projects in the proposed lease area, i.e., within two years. The Commission supports and encourages these measures. (See Marine Traffic Impact and finding and page 4-333 of the FEIR for additional details which ensure compliance with the provisions of Section 30262(d).)

(e) Such development will not cause or contribute to subsidence hazards unless it is determined that adequate measures will be undertaken to prevent damage from such subsidence.

On page 4-32 of the FEIR, it is stated that "Oil field subsidence is not considered likely in the proposed lease area because reservoir characteristics will probably not be conducive to subsidence. Only the "Pico-Repetto" Formation would likely be subject to subsidence. However, since the "Pico-Repetto" is near the surface in the Western Santa Barbara Channel, it is not likely to contain producing reservoirs." In any event, the State drilling requirements contained in the proposed lease packages authorizes the suspension of drilling activity upon any evidence of subsidence.

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Other policies and regulations of the Commission ensure the further validation of existing information. Stipulations 3 and 4 of the proposed lease forms and Section 2128(c) of the Commission's rules and regulations governing oil and gas drilling and production operations on State lands will provide additional geologic information. (See 2 Cal. Administrative Code section 2128(c)) Additional geologic information will be obtained through the Commission's permit system for seismic activities on State lands. All data obtained by such surveys must be provided to the Commission and as a result of the specific EIRs required by the proposed lease forms (Section 10, Royalty Lease; Section 11, Net Profits Lease) for both exploratory and development activities in the lease area.

Subsidence control generally consists of reinjection of sea water, etc. into the formation from which the oil and gas has been removed. In the event reinjection is warranted to eliminate subsidence or for enhanced resource recovery, such programs as defined must be approved by the staff of the Commission prior to initiation (2 California Administrative Code, Section 2132(e)).

(F) With respect to new facilities, all oilfield brines are reinjected into oil-producing zones unless the
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Division of Oil and Gas of the Department of Conservation determines to do so would adversely affect production of the reservoirs and unless injection into other subsurface zones will reduce environmental risks. Exceptions to reinjections will be granted consistent with the Ocean Waters Discharge Plan of the State Water Resources Control Board and where adequate provision is made for the elimination of petroleum odors and water-quality problems.

Where appropriate, monitoring programs to record land surface and near-shore ocean floor movements shall be initiated in locations of new large-scale fluid extraction on land or near shore before operations begin and shall continue until surface conditions have stabilized. Costs of monitoring and mitigation programs shall be borne by liquid and gas extraction operators.

As stated above, any reinjection program is subject to Commission regulation and approval. The proposed lease forms (Sections 10 and 11 of the Royalty Lease and Net Profits Lease, respectively) require lessee compliance ". . . with all valid laws and ordinances of the United States and of the State of California and its political subdivisions applicable to the Lessee's operations, . . ." These provisions ensure compliance with Section 30262(f).

PUBLIC RESOURCES CODE SECTION 6370 ET SEQ.

Under legislation passed in 1970 and amended in 1973, the State Lands Commission was required to:

1. Inventory unconveyed State school and tidelands and submerged lands; and
2. Identify those lands which possess significant environmental values of Statewide interest; and
3. Adopt regulations necessary to assure permanent protection to such lands; and
4. Provide a report to the Legislature which contained items 1-3.

In December, 1975, the Inventory of Unconveyed State School Lands and Tide and Submerged Lands Possessing Significant Environmental Values was approved by the Commission and transmitted to the Legislature. The lands between Pt. Conception and Pt. Arguello are included within this report (which is incorporated herein by reference) and are governed by land use Class B - Limited Use. This land use classification is as follows:

"Areas in which one or more closely related dominant, significant environmental values is present. Limited use compatible with and non-consumptive of such values may be permitted."

The Commission rules and regulations (2 Cal. Administrative Code, Section 2934) require that projects which affect such lands as herein described will be subject to review via CEQA and the State EIR Guidelines. Such regulations also provide that projects must be designed to be consistent with the use classification assigned to the affected area. Such consistency can be accomplished through mitigation or alteration of the project. Please refer to Exhibits C and F for the discussion of such mitigation and alterations affecting the proposed project.

ALTERNATIVES

Several alternatives to the proposed project, i.e., the lease of 40,000 acres of State tidelands and submerged lands for oil and gas activities, were discussed in the FEIR and have been raised by various commentators. Discussed were: (1) the no project alternative; (2) reduction of California energy consumption through conservation; (3) cooperative agreements with adjacent federal OCS lease operations; (4) a delay in leasing; and (5) phased or serial leasing. Each of these alternatives is discussed below, together with reasons why such alternatives are not recommended in place of the proposed project.

1. No Project Alternative:

The no project alternative would eliminate the significant environmental impacts resulting from the proposed project and identified in the EIR. However, the lease area would not remain the relatively pristine coastal area which it now is. Oil and gas activities on adjacent federal OCS leases will still cause significant environmental impacts in the region. However, total impacts would be less than if the proposed project is approved.

This alternative is not recommended for the following reasons:

(1) Intermediate and long term energy supplies to California would be enhanced by oil and gas discoveries on the proposed lease area. Such supplies of domestic oil and gas would contribute to a stronger balance of payments to the extent foreign oil supplies are replaced and would correspondingly provide for more secure oil and gas supplies.

According to the 1981 Biennial Report of the California Energy Commission (Energy Tomorrow, Challenges and Opportunities for Tomorrow), approximately 61 percent of the State's energy needs are supplied by oil. Of this amount, 20 percent is supplied by foreign sources. To meet the Energy Commission's goal to eliminate all foreign supplies by the

year 2000, additional production must therefore occur from in-state sources even with static demand. Such new production must also counteract the declining production from existing, mature fields within the State. As stated in the report at page 38:

"California, the nation's fourth largest oil producing state, has significant offshore oil and heavy crude oil resources. As a general policy, California needs to pursue environmentally sound actions both to increase production of these resources and to ensure that this oil can be refined into the type of oil products that consumers will demand."

(2) Significant potential income would be lost to the State. The State would be denied the benefits derived from the present and anticipated income from oil and gas provided from the area. Production from the area would provide a non-tax source of revenue to fund programs of statewide benefit such as capital outlay for higher education. Should no project occur, the State may also lose the full worth of oil "drained" by adjacent federal development. Even if federal/state drainage agreements could be negotiated, the State would be compensated only partially for its lost petroleum resources because such compensation may be

determined by revenue formulas less advantageous to the State than those proposed for use in leases within the project area.

2. Reduction of California Consumption: Conservation

Both the residential and commercial segments of California are inefficient energy consumers and energy savings have been and are clearly possible through accelerated conservation efforts.

The California Energy Commission has primary responsibility for the development and administration of conservation programs. (California Public Resources Code Section 25000 et seq.; see especially Section 25400 et seq.) These powers are detailed in Chapter VII of its 1981 Biennial Report, which is incorporated herein by reference. In its assessment of the State's energy needs, the Energy Commission Biennial report states at page 170:

". . . if current policy directions are continued, total California end-use energy demand will only be slightly greater in the year 2000 than it is today. Existing conservation programs and improved vehicle fuel economy are in large part responsible for sustaining this nearly zero energy demand growth future . . ."

". . . Even with declining oil use, some additional oil sources may need to be developed. Thus, nearly zero energy demand growth does not eliminate the need for energy supply development."

Other state agencies including the Public Utilities Commission and the Department of Transportation also have responsibility for conservation measures, as do other federal and local governmental agencies such as the U.S. Department of Energy. Further discussion of conservation is located in Section 5.1.1 of the Final Environmental Impact Report.

Nevertheless, conservation is not a viable alternative to the proposed project. Conservation measures such as those carried out in California by the Energy Commission complement rather than compete with the proposed lease sale. This is due to the somewhat limited nature of the conservation alternative. Conservation will assist in maintaining a nearly zero demand for energy growth. Oil and gas produced from the project area on the other hand, will help reduce the decline in domestic oil production and reduce the need for oil from foreign sources. Accordingly, conservation and the proposed project are viewed as complementary, rather than competing energy measures.

3. Cooperative Agreements with Adjacent OCS Lease Operations:

Cooperative agreements with adjacent federal OCS lease operations are discussed in some detail in the staff report in Exhibit "B".

This alternative is not recommended for the following reasons:

This alternative is similar to the no project alternative, except to the extent the State's income loss would be moderated somewhat by compensation from Federal lessees for oil drained from State lands. Cooperative agreements would not however, compensate entirely for lost income. Compensation to the State would be a percentage of the revenue earned by the Federal government, including the bonus payment. Further, not all of the State lease could be developed from an adjacent Federal leasehold. The achievement of maximum efficient recovery of resources and optimization of financial returns are dependent on petroleum engineering considerations including reservoir location and properties. Under some conditions, such as a tight formation, the need for multiple platforms (State and Federal) is likely to remain.

The rejection of this alternative as a "substitute"

for the proposed action does not preclude the consummation of such agreements between the Governor and the Secretary of the Interior. Such agreements will continue to be pursued vigorously to protect the State's interests in those areas where conjunctive development of State and federal lands is feasible from a technical, environmental and economic standpoint.

4. Delay Leasing

The alternative of a delay in the proposed leasing program is discussed at pp. 3-5 of the final EIR.

This alternative is not recommended for the following reasons:

The occurrence of the environmental impacts described in the EIR would be delayed, but not necessarily further mitigated. Technology changes might conceivably mitigate some impacts further but may not and certainly not regarding all impacts. Increasing costs would likely make any project proposed in the lease area more expensive, together with the cost of potential mitigation measures. On the other hand, the value of any recoverable resources may also be greater.

The ultimate impacts of the delayed project would be similar to the proposed project, yet it would deny the State the present benefit of developing its oil and gas resources and the subsequent revenues. Perhaps most importantly, delay would most certainly result in permanent loss of revenues to the State due to drainage of State lands by adjacent Federal leases. Compensation to the State may be determined by revenue formulas less advantageous to the State than those proposed for use in leases within the project area.

Any delay in the proposed project would also delay the advent of oil and gas production from the area. The problems associated with the decline of existing domestic oil production and continuing supplies of foreign oil, as described in the No Project Alternative, would be exacerbated by this alternative.

5. Phased or Serial Leasing

This alternative is not recommended for the following reasons:

The FEIR analyzes the anticipated environmental impacts of leasing all possible tracts within the defined project area. As required, the FEIR quantifies and analyzes

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"worst case" impacts, i.e., the most adverse impacts which could be expected to occur. In this context, serial leasing, or the phased leasing of one or more tracts at a time within the project area until all tracts are leased, would vary the timing and concentrations of the impacts discussed in the Draft EIR according to the tracts involved in such scheduling. Thus, while the incremental impacts may vary, cumulative impacts could possibly remain unchanged or (more likely) be increased due to inefficiencies of project implementation, i.e., inability to consolidate facilities due to the timing of sequential, individual projects rather than concurrent developments. Absent the anticipated OCS developments, which could be producing before State lessees, serial or incremental leasing could, in part, adversely affect the development and implementation of comprehensive planning efforts of State and local governments such as the Local Coastal Program (LCP). Such efforts, as stated by several reviewers (Coastal Commission, Santa Barbara County, etc.), have encouraged consolidation or collection of production, processing and transportation systems. Such facilities are better justified and designed with knowledge of anticipated production, peak and long term, from the affected area.

IT IS RECOMMENDED THAT THE COMMISSION:

- 1) FIND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED IN THE FEIR (EIR 308) AND RELATED MATERIALS BEFORE MAKING ITS DECISION ON THE PROPOSED PROJECT;
- 2) ADOPT THE FINDINGS HERETO ATTACHED AS EXHIBIT "C" IN CONNECTION WITH THE PROJECT IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (PUBLIC RESOURCES CODE SECTION 21000 ET SEQ.) AND THE STATE EIR GUIDELINES;
- 3) FIND THAT THE PROPOSED PROJECT MEETS REQUIREMENTS WITHIN THE PUBLIC RESOURCES CODE (SECTION 30000 ET SEQ.) AND THEREBY CONFORMS WITH PROVISIONS OF THE CALIFORNIA COASTAL ACT;
- 4) FIND THAT THE PROJECT, AS MODIFIED BY PROPOSED MITIGATION MEASURES AND STIPULATIONS, IS CONSISTENT WITH THE USE CATEGORY ASSIGNED TO THE PROPOSED LEASE AREA WITHIN THE SIGNIFICANT LANDS INVENTORY COMPLETED PURSUANT TO SECTIONS 6370 ET SEQ. OF THE PUBLIC RESOURCES CODE;

- 5) ADOPT THE FINDINGS HERETO ATTACHED AS EXHIBIT "D" IN CONNECTION WITH THE PROJECT IN COMPLIANCE WITH SECTION 6818 OF THE PUBLIC RESOURCES CODE;
- 6) ADOPT THE FINDINGS HERETO ATTACHED AS EXHIBIT "E" IN CONNECTION WITH THE PROJECT IN COMPLIANCE WITH SECTION 6873.2 OF THE PUBLIC RESOURCES CODE;
- 7) ADOPT STIPULATIONS 1-15, AS OUTLINED IN EXHIBIT "F", TO BE INCLUDED IN THE SPECIAL OPERATING REQUIREMENTS OF THE PROPOSED LEASE FORMS;
- 8) AUTHORIZE THE STAFF TO SOLICIT BIDS FOR ALL EIGHT TRACTS AS FOLLOWS:
- A. IN THE TRACT LAYOUT SHOWN IN EXHIBIT 3 OF STAFF REPORT (EXHIBIT B);
- B. WITH BIDS TO BE RECEIVED ON AUGUST 15, 1983;
- C. ON THE BASIS OF NET PROFIT SHARE (NET PROFIT SHARE LEASE, EXHIBIT 6 OF EXHIBIT B);
- D. RENTAL PAYABLE ANNUALLY IN ADVANCE OF RENTAL FOR THE FIRST FOUR YEARS TO BE PAID ON THE FOURTH

ANNIVERSARY DATE OF THE LEASE WITH A LETTER OF CREDIT TO BE FURNISHED WITH THE BID FOR THE AMOUNT OF THE FIRST FOUR YEARS RENTAL TO BE USED TO UNDERWRITE STATE REVENUE BONDS AND THEREAFTER RENTAL PAYABLE ANNUALLY IN ADVANCE.

- 9) DELEGATE TO THE CHAIRMAN THE AUTHORITY TO APPROVE LEASE LANGUAGE NECESSARY TO CONFORM THE LEASE TO THE INTENT OF THE COMMISSION.

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EXHIBIT B

STAFF REPORT
ON CURRENT STATUS OF
PROPOSED PT. CONCEPTION/PT. ARGUELLO
OIL AND GAS LEASING PROGRAM

December 22, 1982

State of California
State Lands Commission

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EXHIBIT "A"

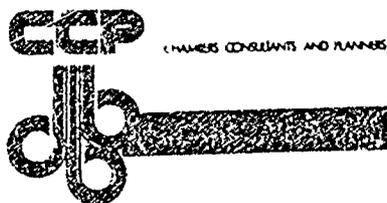
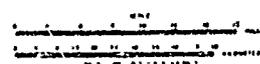
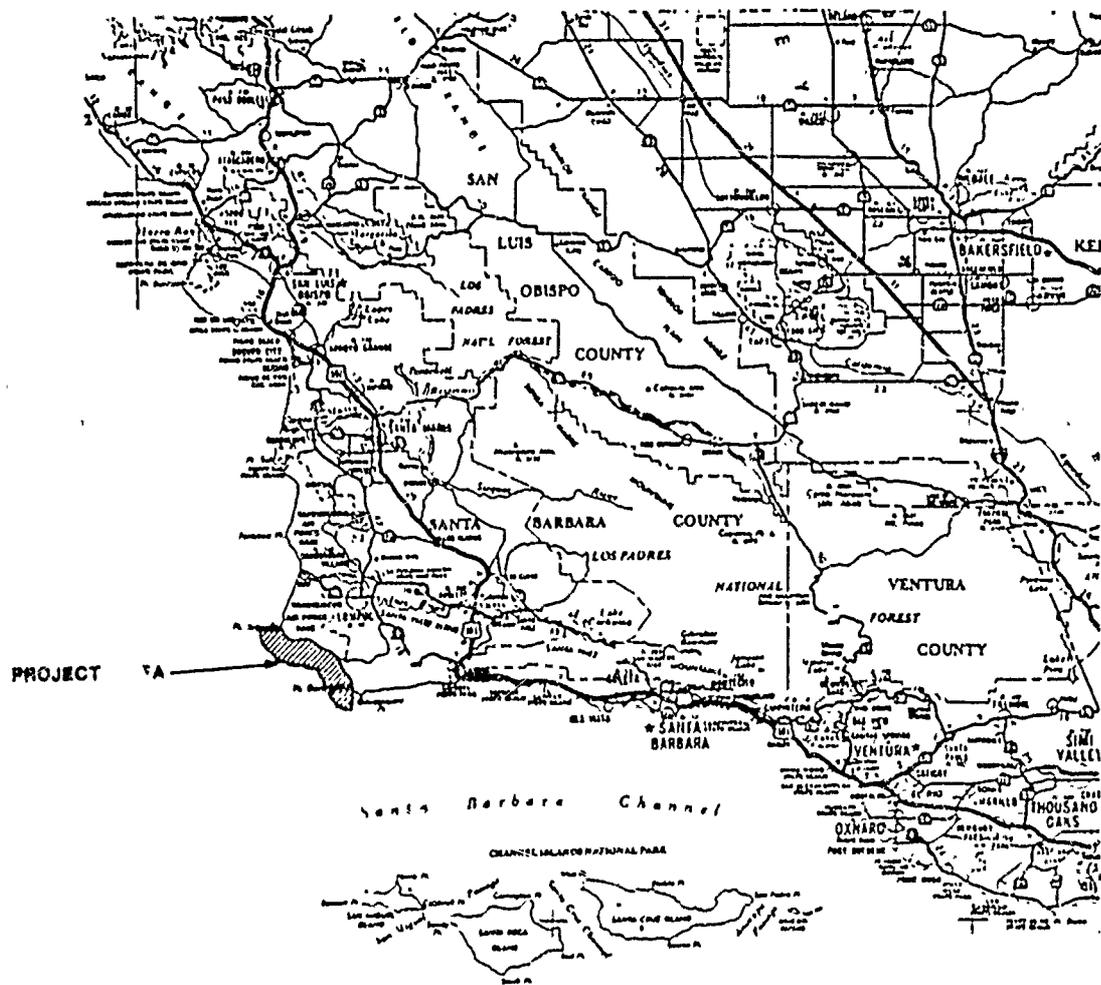


Figure 3-1. PROJECT LOCATION MAP

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PREFACE

For nearly four years, the Commission has been looking to the possible leasing of additional land for development of oil and gas resources. During the last three fiscal years, funds have been invested in geological resource studies, geohazard/cultural surveys and a program Environmental Impact Report. The Final EIR on the program was approved and certified as complete on September 23, 1982. Staff was directed to:

- hold a public hearing on leasing up to 40,000 acres for development of oil and gas, including tract selection, lease proposals and bid sequence
- establish a Scientific Review Panel to report to the Commission on the Biological Survey (Benthic Characterization Study)
- meet with industry representatives to get information about specific lease provisions

On November 29, 1982, staff was further directed to consider:

- The current state of oil spill containment response and available recovery equipment
- the disposal of muds and cuttings from drilling operations

- the limitation of drilling and production to the outer portions of the lease area
- the various transportation alternatives for produced oil and gas

All of these requests have been complied with. This is the staff report to the Commission on the results of this work.

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INTRODUCTION

California has had a favorable and profitable history of oil and gas development on State lands offshore. Over \$2.8 billion in revenue has accrued to the State from this source, nearly one-half of this has been received over the last four years. Significantly, the State has experienced no serious problems with spills, blowouts, or other adverse events.

As a consequence of the growing interest and activity by industry in the federal Outer Continental Shelf (OCS) lands adjoining State lands, and because of potential drainage problems that could occur as a result of discoveries that might be made, the State Lands Commission staff in 1979 undertook a review of available geologic data for a preliminary evaluation and assessment of resource potential on vacant offshore tide and submerged lands.

By November 1979, these lands had been ranked in priority order for potential leasing for oil and gas. The Point Conception/Point Arguello area (approximately 40,000 acres) was ranked number one. (Exhibit 1)

Although it was not determined at that time that it was in the best interests of the State to proceed with a leasing program, the Commission did direct the staff to investigate further the feasibility of leasing in the Conception/Arguello area.

During the last three fiscal years, the Legislature included funds in the Commission's budget to carry forward the leasing program evaluation, data collection and environmental work.

Several steps were taken to determine the feasibility of renewed leasing. Industry interest was evaluated and government, public and industry participation solicited. An evaluation of resource potential, income, cost, and risks was made. Once it was determined that a resource potential exists (which is usually indicated by industry interest) a pre-lease program environmental document was prepared. Geologic hazards data and cultural resource data are an integral part of that environmental assessment. Geological and geophysical studies were conducted to provide a more comprehensive review of potential resource values. And finally, a bid system and lease configuration must be chosen.

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SECTION 1

PROCESS AND ACTIVITIES

The goals of the leasing program proposed by the Commission were stated in its report to the Legislature on Proposed Oil and Gas Lease Sale Program Pt. Conception - Pt. Arguello, Santa Barbara County (Dec. 1981) and Supplemental Report to the Legislature (May 1982). These are :

- 1) provide a fair return to the State for the use of public resources;
- 2) increase and foster competition;
- 3) assure competent and safe operations;
- 4) avoid undue speculation;
- 5) avoid unnecessary delays in exploration, development and production;
- 6) discover and recover oil and gas resources in an efficient manner;
- 7) limit administrative burdens on government and industry; and
- 8) protect and enhance the environment.

The leasing program, as developed by the State Lands Commission, is separated into two major segments: pre-lease and post lease. Since the 1980-81 Fiscal Year the pre-lease activities for the project have included:

- (1) the conduct and analyses of geologic hazard and geophysical surveys;

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- (2) the conduct and analysis of a cultural resource survey;
- (3) acquisition and analyses of oil and gas resource data;
- (4) the preparation of a Program Environmental Impact Report (EIR) under the provisions of the California Environmental Quality Act (CEQA) for the Lease Sale and
- (5) the development of the lease system to authorize and govern the development of the State's oil and gas resources, e.g. number and size of tract offerings, bidding system(s), lease stipulations, requirements for additional environmental studies including EIRs, etc.

Following the sale and any subsequent lease awards, the Commission's program would be of an administrative nature, i.e. ensuring compliance with lease requirements, operating rules and regulations, and periodic audits.

In compliance with State law, the Commission's decision to lease the proposed area must be guided by the knowledge of the environment of the area and the nature and extent of the possible or probable adverse impacts to that environment which may evolve as a result of the lease. The geophysical and geologic evaluations cited previously are interrelated and complementary to the Program Environmental Impact Report

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(discussed below). For example, the geologic information provided by the geophysical surveys has been used in the evaluation of the seismicity of the lease area and in the discussion relative to geologic hazards. Correspondingly, the information gathered in the cultural resources survey was used as the foundation for the historical and cultural analysis of the area. Information relative to the location, size and depths of geologic structures formed the bases of facility location and production scenarios upon which air quality impact analyses depend, and so on. Thus, greater accuracy of environmental analyses has been assured since fewer extrapolations of related, but not specific, data are necessary.

PREPARATION OF PROGRAM ENVIRONMENTAL IMPACT REPORT (EIR):

The proposed action is leasing of State tidelands and submerged lands for oil and gas activities. Significant adverse impacts to the environment of the project and related areas could occur as a result of the proposed action. To assess these impacts, it is necessary to develop realistic scenarios of activities which could occur subsequent to the lease as proposed. Such activities could include: seismic surveys; exploratory, development and production drilling and related work; oil and gas processing and transportation; and abandonment. As required by law, the Final Program EIR quantifies and analyzes the "worst case", i.e., the most adverse impacts which could occur if the highest estimate of

oil and gas reserves (5 percent probability) is discovered and developed.

A Program EIR, as authorized and described in Section 15069.8 of the California Environmental Quality Act (CEQA) Guidelines, has been prepared for the proposed action.

Section 15069.8(a) and (b) read as follows:
15069.8.

(a) General. A program EIR is an EIR which may be prepared on an integrated series of actions that are related either:

- (1) Geographically,
- (2) As logical parts in the chain of contemplated actions,
- (3) In connection with issuance of rules, regulations, plans or other general criteria to govern the conduct of a continuing program, or
- (4) As individual projects carried out under the same authorizing statutory or regulatory authority and having generally similar environmental effects which can be mitigated in similar ways.

(b) Advantages. Use of a program EIR can provide the following advantages. The program EIR can:

- (1) Provide an occasion for a more exhaustive

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consideration of effects and alternatives than would be practical in an EIR on an individual action.

- (2) Ensure consideration of cumulative impacts that might be slighted in a case-by-case analysis,
- (3) Avoid duplicative reconsideration of basic policy considerations,
- (4) Allow the lead agency to consider broad policy alternatives and programwide mitigation measures at an early time when the agency has greater flexibility to deal with basic problems or cumulative impacts.
- (5) Allow reduction in paperwork.

The required Notice of Preparation (NOP) dated October 3, 1980 was sent, as specified in the Guidelines, to 44 responsible, trustee, commenting, and interested federal, State and local agencies and jurisdictions. Included within this distribution were 18 entities specified by the Governor's Office of Planning and Research (OPR) pursuant to Guidelines Section 15051(c). Also as required, the comments received from 15 respondees to the NOP have been addressed in the Final Program EIR. Comments from the public as to the content of the environmental analysis were also solicited, via a locally-published notice, during the preparation of the Draft Program EIR and the two comments received have also been addressed in the document.

In the process of preparing the Draft Program EIR, 15 individuals from seven local government agencies (8 from Santa Barbara County alone), 27 individuals from eight State agencies, 20 individuals from four Federal agencies and 39 private individuals were consulted. These individuals are listed by name and affiliation on pages 7-1 to 7-5 of the Final EIR and are incorporated herein by reference.

The requisite copies of the Draft Program EIR were submitted to the State Clearinghouse (OPR) on April 2, 1982 and, at the direction of the Commission, the public comment period was extended from 45 to 60 days to facilitate additional public participation. The dates of the comment period designated by the Clearinghouse, were April 3, to June 7, 1982. The required Notice of Completion, dated April 5, 1982, was published as specified and mailed with all copies of the Draft Program EIR. Nearly 400 copies of the Draft Program EIR were distributed for review by State, federal and local agencies, interested members of the public, environmental groups and industry.

Two public hearings, specified by public notice dated February 10, 1982 and by amended notice dated February 26, 1982, were held in Santa Barbara on April 30, 1982 and May 15, 1982. Public testimony was received from 21 individuals on April 30 and from 18 individuals on May 15. An additional public hearing on the Draft Program EIR was held in Sacramento on

June 7, 1982 at which testimony was received from six individuals. Written comments were received from six federal, nine State, and four local agencies, 17 members of the public and nine oil and gas companies. (See discussion, Sec. 2)

The responses to all comments received within the designated comment period are contained in the Finalizing Addendum to the Draft Program EIR. While not required by law, the Finalizing Addendum also contains responses to additional comments received after the close of the formal public comment period (June 7, 1982).

Additional efforts were also made to follow-up with those commenting agencies which indicated that they had further comments and concerns. Since the proposed project is located within Santa Barbara County, special attention was given the County's comments. Specifically, staff of the Commission and the consultant urged County staff to provide further comments. Repeated efforts, including the scheduling of personal meetings, produced no additional material or comments from the County.

During the preparation of the Finalizing Addendum, unprecedented opportunities were provided principal commenting State agencies, local agencies and environmental organizations to review and comment on material prepared for the addendum and on the agency's response to their comments on the Draft

Program EIR prior to the publication of such responses. Such opportunities were provided to the California Coastal Commission, the Department of Fish and Game, the Department of Conservation, the State Air Resources Board, and the Sierra Club.

1) State Coastal Commission

On August 9, 1982, staff met with representatives of the Office of the Attorney General, the Governor's Office of Planning and Research and the Coastal Commission. The material provided for review and comment included: (a) the supplementary cumulative impact discussions; (b) proposed stipulations; and (c) responses to the Coastal Commission's comments. In later meetings with the Coastal Commission staff, all changes suggested by the Coastal Commission were incorporated verbatim. The staff of the Coastal Commission was also informed of the "Characterization of the Marine Biota between Pt. Conception and Pt. Arguello" study, how it was being conducted and that it would be available within 60 days.

2) Department of Fish and Game

In early August, material comparable to that supplied to the Coastal Commission was given to the Marine Resources Branch of the department. At the department's suggestion, one of the responses to agency comments was revised. The department was also informed of the biotic characterization study.

3) Department of Conservation

During the week of August 16, 1982, material was supplied to

the department. No substantive comments were received prior to the printing of the Finalizing Addendum.

4) State Air Resources Board

Comments made by the staff of the Board, primarily to the responses to the Board's comments on the Draft Program EIR were incorporated as received.

5) Sierra Club

On August 20, 1982, a State representative of the Sierra Club was provided the supplementary cumulative impact discussion, the proposed stipulations, and responses to the Club's testimony given at the Commission's public hearing of June 7, 1982, on the Draft Program EIR.

The Draft Program EIR and the Finalizing Addendum, taken together, comprise the Final Program EIR. The Finalizing Addendum was sent to all commentors on September 7, 1982 and received by them on September 8, 1982. This schedule complies with the review period requirements of Article 10, Title 2, Division 3, Chapter 1, of the California Administrative Code (State Lands Commission).

The Final EIR was considered for certification by the Commission at its noticed meeting of September 23, 1982. During its consideration of the document, the Commission received testimony from six interested parties representing the oil and gas industry and public and environmental interest groups. The Commission certified that the Final EIR had

"...been completed in accordance with CEQA, the State EIR Guidelines and the Commission's administrative regulations; the Commission has reviewed and considered the information contained therein; and the Commission will further review and consider this information before approving the project, if and when the project comes before it for proposed action."

One of the major issues at the Commission's meeting was protection of the California Sea Otter. The Friends of the Sea Otter stressed the need to adopt a lease stipulation similar to that recommended by the Governor to the U.S. Department of the Interior for inclusion in Lease Sale 53 which is adjacent to the proposed sale area. That stipulation was not adopted by the federal government.

In response to the Commission's concern and direction, staff met on October 15, 1982 with representatives of the Friends of the Sea Otter to work toward the development of an acceptable stipulation. Staff worked from the draft provided by the Friends of the Sea Otter and with the California Department of Fish and Game during the next 30 days to meet the concerns of the Friends of the Sea Otter. The amended "Mandatory Biological and Marine Mammal Survey" was presented to the Friends of the Sea Otter and the Commission prior to the Commission's November 29, 1982 meeting. At that meeting, the Friends of the Sea Otter indicated that such stipulation was still inadequate. Subsequently, staff met again with the

Friends of the Sea Otter on December 9, 1982, to try to resolve their stated concerns.

As described on pages 19 to 24 (Sec. 3) of this report, the "Characterization of the Marine Biota Between Pt. Conception and Pt. Arguello" has been given wide circulation and analysis by the public and the scientific review panel authorized by the Commission. In addition to the circulation and review period previously described, the Commission has utilized the distribution services of the Office of the State Clearinghouse within the Governor's Office of Planning and Research and submitted the report for circulation within State agencies, most of which were included in the initial distribution. This action provided an additional review period of 25 days. The comment period ended on December 13, 1982. All relevant comments and recommendations have been considered by the staff and the final draft of the study is completed and utilized in the preparation of the staff recommendations.

In addition to the Friends of the Sea Otter, staff has met with representatives of the League for Coastal Protection and has responded to information requests, by telephone and by mail, from additional parties, e.g. Dr. Ruthann Corwin, Marin County; Mr. Fred Eissler, Scenic Shoreline Preservation Conference; Vandenberg Air Force Base; various representatives of the oil and gas industry; the Governor's Office of

Planning and Research; and the U.S. Coast Guard. Staff has continued to inform other State agencies of the progress of the Commission's decision-making process, including the California Coastal Commission.

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SECTION 2

PUBLIC HEARING

At its meeting of September 23, 1982, the Commission considered the Final Environmental Impact Report (FEIR) on the proposed leasing of State tide and submerged lands between Point Conception and Point Arguello, Santa Barbara County, for oil and gas activities. Following the conclusion of a public hearing on Calendar Item 20, the Commission certified that the document met the requirements of the California Environmental Quality Act.

Calendar Item 21 of the same agenda presented a preliminary designation of eight tracts or lease areas (See Exhibit 2) within the 40,000-acre area between Point Conception and Point Arguello. This item also recommended that the Commission authorize the staff to solicit public testimony on the proposed lease at a public hearing in Santa Barbara and encourage consideration of the lease of tracts 3-8. The Commission directed the staff to hold such a hearing but to include all eight tracts in the consideration.

By letter dated October 1, 1982, sent to ten federal, State and local agencies which would be affected by the proposed lease program, the Executive Officer solicited: (1) agency testimony at a proposed October 4, hearing on such program; and (2) continuing involvement, via written comments and

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recommendations or consultation, in the Commission decision process. To the latter request, the staff has received a letter from the State Department of Conservation, dated October 7, 1982, in which their comments on the Draft EIR were reiterated.

On Monday, October 4, 1982, a hearing was convened in Santa Barbara by the Executive Officer to receive public comments relative to the timing of any sale, the tracts to be let, conditions to be applied to the lease, bid factors to be used in any sale and impacts of any lease on the onshore areas of Santa Barbara County.

Fifteen individuals testified in afternoon and evening sessions. Four major interest groups were represented: (1) government (legislative and public agencies); (2) public interest; (3) fishermen; and (4) the petroleum industry.

The majority of the testimony received was duplicative of testimony received at the three public hearings on the Draft Environmental Impact Report and in public comments. The Commission's response to those comments appears in the finalizing addendum to the EIR. New testimony received included the following:

1. Senator-Elect Gary Hart

A. Urged the Commission not to act until the scientific review of the marine study had been completed. (That review is completed and will be discussed below.)

B. Urged that the stipulations be strengthened, that the related OCS activities be considered when the Commission makes its decision, and that drainage agreements be consummated as soon as possible.

2. United States Air Force

Stated for the first time that they are considering an exclusion of all surface structures and activities in proposed tracts 6-8 due to Vandenberg Air Force Base programs.

3. Bixby Ranch

Any development on State lands should not be in view of any public road or beach.

4. Oil and Gas Industry

Believed that all eight proposed tracts should be leased as soon as it was feasible, based on a bid system of a bonus payment and fixed royalty rate. Some also expressed concern that the proposed stipulations were stronger than required and established in the Commission and its staff too great a power to make unilateral decisions relative to the

conduct of oil and gas activities subsequent to the lease of the area.

Each major point received in testimony is listed in Table 1.

In addition to the public hearing, the Executive Officer and staff have had many discussions with interested members of the public, particularly in regard to the marine mammal stipulation.

SECTION 3

TECHNICAL ADDENDUM - BENTHIC CHARACTERIZATION
OF THE PROPOSED LEASE AREA

The Final Environmental Impact Report (FEIR) recognized and analyzed the proposed lease area as biologically significant. Responding to staff recommendations and public comments during the public review period of the Draft EIR, the Commission authorized the conduct of a comprehensive benthic characterization of the proposed lease area. The study provides information about the area which allows subsequent required site and project specific biological surveys to be related to the entire proposed lease area.

The scientific characterization was completed over a period of sixty days, ten of which were spent taking video, photographic and physical samples throughout the proposed sale area. The sampling and observation runs of the new study were tied into the sensitive areas which had been sampled and observed at 18 locations throughout the proposed sale area during the preparation of the environmental baseline and impact analyses completed for the FEIR.

On October 13, 1982, the Commission announced the designation of a scientific panel to review the benthic characterization study, and by letter dated October 22, 1982, the study and

related materials from the FEIR were transmitted to the panel members. The participation of the panel members was solicited by Commission staff after consultations with qualified marine scientists and the Marine Resources Region of the State Department of Fish and Game. The panel members are: (1) Paul Dayton, Ph.D., Scripps Institute of Oceanography (Benthic Ecology); (2) John Mohr, Ph.D., Professor Emeritus, U.S.C. (Protozoologist, Marine Biology); (3) Gil Jones, Ph.D., U.S.C. (Zoology); (4) Donald Maurer, Ph.D., Southern California Ocean Studies Consortium (Benthic and Pollution Ecology); (5) Rolf Mall, California Department of Fish and Game (Environmental Services Supervisor); and (6) Beatrice Sweeney, Ph.D., U.C. Santa Barbara (Marine Biology).

The scientific review panel was asked to advise the staff as to whether: (1) the study was performed in conformance with acceptable standards; (2) the data obtained was presented in a manner consistent with acceptable scientific standards; and (3) the analyses and conclusions in the study are consistent with the data.

It is the consensus of the panel members that the study meets or exceeds all three criteria. Panel members credited the study with providing an excellent data base with very high quality systematic determinations. They stated that it is more complete than any previous study, including the BLM OCS Benchmark Study, and is of a standard-setting level.

Some panel members expressed concern about marine mammals. These concerns are addressed in amendment to Stipulation No. 4 of the proposed lease.

Panel members also recognized the limitations of the study, particularly the inability to address seasonal variations and the absence of original planktonic work.

The panel recommended that the study be published in an academic or scientific journal to assure circulation of its data throughout the scientific community. Editorial and organizational recommendations to improve the draft submitted by the panel could be implemented in that process.

The question was also posed to the panel as to how the study should be used in making decisions regarding the potential selection and lease of tracts for oil and gas development. On this point, there was some diversity of opinion among panel members. Although all panel members stated that the study supported the characterization of the Pt. Conception - Pt. Arguello area as one of biological significance, some believed the study results could be used with additional analyses to determine magnitudes of impacts, if any, of oil spills and disposal of drilling muds for developing lease stipulations. Others believed the information should be used either to restrict any development in shorezone areas or to support the establishment of the proposed area as a marine preserve or

sanctuary. The importance of ongoing and proposed studies relative to plankton and current dispersion in the lease area was also stressed as a further tool to augment the study and its use in the decision-making process. Two panel members recommended a delay in any leasing decision until such studies were completed and their importance assessed.

On October 25, 1982, the characterization study was also distributed to the nearly 150 individuals and groups to which copies of the Finalizing Addendum of the EIR were sent. Reviewers of the study were asked to respond with comments to the staff of the Commission by November 12, 1982, the same date members of the scientific review panel were asked to submit their comments.

To date, the staff has received comments from the Friends of the Sea Otter, the Scenic Shoreline Preservation Conference, the Whale Center, the Marin County Comprehensive Planning Department, Chevron U.S.A., Inc., the Western Oil and Gas Association (WOGA), and the California Coastal Commission.

Public reviewers were not asked to respond to specific points of inquiry as was the scientific review panel. Most of the comments concerned the use of the information in the decision process. Some comments and recommendations, however, addressed the conduct of the draft study, its findings, and changes which should be made in the final document.

In general, industry reviewers stated that the statements and conclusions within the report, particularly those which concerned "unique" species or stressed benthic occurrences "particular to the area", were not placed in an areawide context. As such, industry believed that without proper contextual reference, the study overemphasized the nature of the benthic communities in the area and also concluded unnecessarily that oil and gas activities could significantly impact such communities.

In contrast, public and environmental interest comments stated that the study was not detailed enough to provide for the determination of specific losses which could occur in the event of an oil spill, for example, and how long it would take to reestablish the affected biological communities. It is the position of some reviewers that without such quantifiable information, the Commission could not adequately weigh the costs or benefits of any lease decision on the biology of the proposed lease area or on specific interests dependent on such resources, i.e. fishermen, the scientific community, etc.

There was also concern that not enough time was being taken by the Commission to allow for public input and analysis of materials such as the study, and to integrate and analyze necessary information and data into its own decision-making process.

The most serious area of concern, uncovered by the study and its review, is the potential long-term effect of drilling muds and cuttings on the marine biota. Although much work has been done in the Atlantic and the Gulf, there is no completed systematic study in the Pacific. Currently, detailed long-term studies have been initiated by the Central Coast Regional Water Quality Control Board and the University of Southern California.

In sum, the results of the study, in conjunction with the FEIR and other available information and additional analyses referenced by the reviewers, provides the Commission with an unusually complete environmental basis for decision.

SECTION 4

EVALUATION OF LEASING PARAMETERS

INDUSTRY INTEREST

The Point Conception/Point Arguello area has long been of interest to industry. State Oil and Gas Lease PRC 2879 was issued in 1962. (Figures 2 and 3 show the location of this and nearby OCS leases.) A portion of the State area currently under review and immediately adjacent to PRC .2879 was originally offered for lease in 1968 at the request of industry, but the offer was withdrawn in 1969 following the Santa Barbara Channel oil-spill from a federal offshore operation.

Activity on the Outer Continental Shelf (OCS) Pt. Conception Area began when the initial federal sale was held February 8, 1968. A bidding group composed of Exxon and Chevron purchased Lease P-0197 bordering the extreme southern end of the State's proposed 40,000 acre Pt. Conception lease area. In late 1968 and early 1969, three exploratory wells were drilled on this parcel. Lease P-0197 was included in the Santa Ynez Unit formed November 12, 1970.

Federal OCS Scale #48 was held in the early summer of 1979. A bidding group of four companies headed by Chevron purchased