MINUTE ITEM

This Calendar Item No. A was approved as Minute Item No. 7 by the State Lands Commission by a vote of 2 to 1 at its 11/21/85 meeting.

MINUTE ITEM
A

11/21/85
W 23418 PRC 6923
Lipphardt
Small

CONSIDERATION OF APPLICATION FOR
PIPELINE RIGHT-OF-WAY IN SANTA BARBARA COUNTY

During consideration of Calendar Item A attached, the following Resolution was approved, as amended, by a vote of 2-1:

THE COMMISSION:

I. FINDS THAT AN EIS/EIR WAS PREPARED AND ADOPTED FOR THIS PROJECT BY THE COUNTY OF SANTA BARBARA AND THE MINERALS MANAGEMENT SERVICE AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

II. ADOPTS THE FINDINGS HERETO ATTACHED AS EXHIBIT "E" IN CONNECTION WITH THE PROJECT IN COMPLIANCE WITH THE CEQA (P.R.C. SECTION 21000 ET SEQ) AND THE STATE EIR GUIDELINES.

III. FINDS THAT THE DESIGNATION OF THE CONSOLIDATED PIPELINE CORRIDOR, AND AUTHORIZATION OF A LEASE TO USE SUCH CORRIDOR MEETS REQUIREMENTS WITHIN THE P.R.C. SECTION 3000 ET SEQ. AND THEREBY CONFORMS WITH PROVISIONS OF THE CALIFORNIA COASTAL ACT:

IV. FINDS THAT THE TIDE AND SUBMERGED LANDS PROPOSED FOR USE AS A CONSOLIDATED PIPELINE CORRIDOR AND UNOCAL'S PIPELINE RIGHT-OF-WAY WERE IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES, THAT THE COMMISSION DESIGNATED THOSE LANDS UNDER CATEGORY II, AND THAT THE USE PROPOSED BY UNOCAL AS CONDITIONED 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 P.R.C.

V. FINDS THAT THE ESTABLISHMENT OF THIS CORRIDOR IS NECESSARY TO IMPLEMENT THE STATE POLICY OF CONSOLIDATING FACILITIES TO MINIMIZE LAND USE AND ENVIRONMENTAL IMPACTS AND DECLARE THAT SUCH A CORRIDOR IS ESTABLISHED AS DESCRIBED IN EXHIBIT "A" AND INCORPORATED HEREIN AS IF FULLY SET FORTH, FOR THE CONSTRUCTION, MAINTENANCE AND OPERATION OF PIPELINES SERVING STATE AND FEDERAL OFFSHORE OIL AND GAS DEVELOPMENT IN THE CENTRAL SANTA MARIA BASIN.

VI. 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.

VII. FINDS THAT THE ESTABLISHMENT OF THIS CORRIDOR IS NECESSARY TO PROTECT AND PROMOTE THE PUBLIC TRUST INTEREST OF COMMERCE, NAVIGATION AND FISHERIES UNDER WHICH THESE SOVEREIGN LANDS ARE HELD. THIS CORRIDOR WILL BE USED TO LOCATE PIPELINES SERVICING STATE AND FEDERAL OIL AND GAS DEVELOPMENT PROJECTS. BY CONSOLIDATING PIPELINES INTO ONE CORRIDOR THE POTENTIAL ADVERSE EFFECTS ON FISHERIES AND NAVIGATION WILL BE MINIMIZED. IN ORDER TO PROTECT AND FACILITATE COMMERCE, NAVIGATION AND FISHERIES, AND EXERCISING THE COMMISSION'S POWER AS TRUSTEE FOR THESE PURPOSES, ALL APPLICANTS FOR PIPELINES WILL BE REQUIRED TO INSURE THAT EACH SUCH PIPELINE WILL PROVIDE:

A. NONDISCRIMINATORY ACCESS FOR ALL PRODUCERS OF OIL AND/OR GAS FOR TRANSPORTATION AT PUBLISHED TARIFFS SETTING FORTH FAIR AND REASONABLE RATES, TERMS AND CONDITIONS OF SHIPMENT.

B. NONDISCRIMINATORY ACCESS TO ONSHORE PROCESSING FACILITIES AT REASONABLE RATES, TERMS AND CONDITIONS WILL BE PROVIDED TO THE STATE AND ITS LESSEES, PURCHASERS FROM EITHER OF THEM, ANY FEDERAL OCS LESSEE USING THE PIPELINES, AND IF REQUESTED LAND FOR PROCESSING FACILITIES.

C. NONDISCRIMINATORY ACCESS AT PUBLISHED AND REASONABLE RATES, TERMS AND CONDITIONS, WITHOUT REQUIREMENT FOR SALE OR EXCHANGE TO PIPELINE APPLICANT, OF ANY OIL AND GAS OWNED BY THE STATE, ITS LESSEES OR PURCHASERS FROM EITHER OF THEM, TO PIPELINES WHICH RE OWNED BY APPLICANT OR ANY CORPORATION OWNING,

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OWNED BY, OR UNDER COMMON OWNERSHIP WITH APPLICANT WHICH ACCESS IN FACT ENABLES SUCH OIL OR GAS TO BE DELIVERED TO SUBSTANTIAL REFINING MARKETS, SUCH AS THE SAN FRANCISCO OR LOS ANGELES REFINING CENTERS; UNLESS, IN THE ALTERNATIVE, THE PIPELINE APPLICANT HAS ESTABLISHED COMMON CARRIER PIPELINE FACILITIES WHICH WILL MOVE SUCH OIL OR GAS TO SUCH MARKET AREAS AT PUBLISHED FAIR AND REASONABLE RATES, TERMS AND CONDITIONS.

D. NO PIPELINES IN THE CORRIDOR SHALL INTERFERE WITH THE EXPLORATION AND DEVELOPMENT OF OIL AND GAS RESOURCES ON THE TIDE AND SUBMERGED LANDS.

E. ALL USERS OF THE DESIGNATED CORRIDOR SHALL CONTRIBUTE TO AN ENVIRONMENTAL MITIGATION FUND FOR THE PURPOSE OF FUNDING THE MITIGATION PROGRAMS IDENTIFIED BY THE COMMISSION IN ITS PT. CONCEPTION LEASE PROGRAM. SUCH CONTRIBUTION SHALL BE BASED ON A PER BARREL OF OIL CHARGE OF ONE CENT PER BARREL OF OIL. ALL CONTRIBUTIONS SHALL BE PAID TO AN ESCROW FUND ESTABLISHED BY THE COMMISSION AND PAYMENTS TO CONSULTANTS AND CONTRACTORS FOR THE MITIGATION PROGRAM SHALL BE AUTHORIZED BY THE COMMISSION OUT OF THIS ESCROW ACCOUNT. NO PAYMENTS WILL BE AUTHORIZED UNLESS AND UNTIL OIL AND GAS EXPLORATION AND DEVELOPMENT OPERATIONS COMMENCE ON THE STATE'S TIDE AND SUBMERGED LANDS BETWEEN PT CONCEPTION AND PT. ARGUELLO. IN THE EVENT NO EXPLORATION OR DEVELOPMENT COMMENCES ON THESE STATE LANDS WITHIN FIFTEEN YEARS FROM NOVEMBER 21, 1985. ALL SUMS PLUS INTEREST WILL BE REFUNDED.

F. FIND THAT THE PURPOSE FOR WHICH THE CORRIDOR IS ESTABLISHED REQUIRES FREE AND OPEN MARKETABILITY OF OIL AND GAS PRODUCED IN THE CENTRAL SANTA MARIA BASIN AND THEREFORE ANY RIGHT-OF-WAY LEASE SHALL CONTAIN THE CONDITIONS SET FORTH ABOVE.

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VIII. AUTHORIZES ISSUANCE TO UNOCAL OF A 25-YEAR GENERAL LEASE - RIGHT-OF-WAY USE SUBSTANTIALLY IN THE FORM ON FILE IN THE PRINCIPAL OFFICE OF THE STATE LANDS COMMISSION, BEGINNING NOVEMBER 1, 1985; PROVISION OF PUBLIC LIABILITY INSURANCE FOR COMBINED SINGLE LIMIT COVERAGE OF $2,000,000; FOR INSTALLATION OF ONE OIL PIPELINE, ONE GAS PIPELINE AND A WATER LINE ON THE LAND DESCRIBED IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF, SUBJECT TO FOLLOWING CONDITIONS WHICH SHALL BE INCLUDED IN THE RIGHT-OF-WAY LEASE:

A. $30,957.75 PER ANNUM RENTAL, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENTAL ON THE SECOND ANNIVERSARY OF THE LEASE, AND ON EACH FIFTH ANNIVERSARY THEREAFTER.

B. UNOCAL AGREES THAT THE OIL AND GAS PIPELINES FROM PLATFORM IRENE TO LOMPOC WILL EACH BE CONSTRUCTED, OPERATED AND MAINTAINED AS A COMMON CARRIER, AND WILL ACCEPT FROM NON-OWNERS OF THE PIPELINE, TENDERS FOR THE TRANSPORTATION OF OIL OR GAS ON REASONABLE TERMS AND CONDITIONS AND AT JUST AND REASONABLE RATES, WHICH TERMS, CONDITIONS OR RATES ARE PUBLISHED AND NO LESS FAVORABLE THAN THOSE APPLIED TO SHIPMENTS BY OWNERS OF THE LINE, AND WITH NO REQUIREMENT THAT THE TENDERED OIL OR GAS BE SOLD, EXCHANGED OR OTHERWISE TRANSFERRED TO THE PIPELINE OR ITS OWNERS. ("OIL" FOR PURPOSES OF SUBSECTIONS B AND C OF THIS SECTION INCLUDES OIL MIXED WITH WATER OR ENTRAINED GAS, AND "GAS" INCLUDES GAS MIXED WITH LIQUID OR LIQUEFIABLE COMPONENTS, INCLUDING WATER.)

C. UNOCAL, AT UNOCAL'S EXPENSE, SHALL PROVIDE CONNECTIONS NECESSARY FOR ACCESS TO THESE OIL AND GAS PIPELINES, AT OR NEAR THE FIRST ONSHORE PUMP STATION, AND OFFSHORE, AT SUCH LOCATION(S) AS IDENTIFIED BY THE COMMISSION ENGINEER STAFF. THESE FACILITIES SHALL BE SIZED TO UTILIZE THE FULL CAPACITY OF THE PIPELINES.

D. ALL SHIPMENTS OF GAS OR OIL OVER THESE PIPELINES TO LOMPOC WILL BE TREATED AT THE DEHYDRATION FACILITY AND STORED AT STORAGE FACILITIES OPERATED BY UNOCAL AT LOMPOC, ON RATES, TERMS AND CONDITIONS FOR TREATMENT OR STORAGE WHICH ARE NO LESS FAVORABLE

THAN THOSE ACCORDED SHIPMENTS BY UNOCAL, MOBIL OR CHEVRON, AND WITHOUT REQUIREMENT FOR SALE TO UNOCAL, OR, AT THE DISCRETION OF THE SHIPPER, WILL BE DELIVERED TO ANOTHER DEHYDRATION OR STORAGE FACILITY AS DESIGNATED BY HIM OR THE STATE. IN ADDITION, UNOCAL SHALL PROVIDE ACCESS TO ITS LOMPOC FACILITY SITE FOR THE CONSTRUCTION OF SUCH SEPARATE FACILITIES IF DESIRED BY THE STATE.

E. UNOCAL SHALL PROVIDE ACCESS AT PUBLISHED AND REASONABLE RATES, TERMS AND CONDITIONS, WITHOUT REQUIREMENT FOR SALE OR EXCHANGE TO UNOCAL, OF ANY OIL AND GAS OWNED BY THE STATE, ITS LESSEES OR PURCHASERS FROM EITHER OF THEM, TO PIPELINES WHICH ARE OWNED BY UNOCAL OR BY ANY CORPORATION OWNING, OWNED BY, OR UNDER COMMON OWNERSHIP WITH UNOCAL, WHICH ACCESS IN FACT ENABLES SUCH OIL OR GAS TO BE DELIVERED TO SUBSTANTIAL REFINING MARKETS, SUCH AS THE SAN FRANCISCO OR LOS ANGELES REFINING CENTERS, UNLESS, IN THE ALTERNATIVE, UNOCAL HAS ESTABLISHED COMMON CARRIER PIPELINE FACILITIES WHICH WILL MOVE SUCH OIL OR GAS TO SUCH MARKET AREAS AT PUBLISHED FAIR AND REASONABLE RATES, TERMS AND CONDITIONS.

F. NO PIPELINE IN THE CORRIDOR SHALL INTERFERE WITH THE EXPLORATION AND DEVELOPMENT OF OIL AND GAS RESOURCES ON THE TIDE AND SUBMERGED LANDS.

G. UNOCAL SHALL CONTRIBUTE TO AN ENVIRONMENTAL MITIGATION FUND FOR THE PURPOSE OF FUNDING THE MITIGATION PROGRAMS IDENTIFIED BY THE COMMISSION IN ITS PT. CONCEPTION LEASE PROGRAM. SUCH CONTRIBUTION SHALL BE BASED ON A PER BARREL OF OIL CHARGE OF ONE CENT PER BARREL OF OIL. ALL CONTRIBUTIONS SHALL BE PAID TO AN ESCROW FUND ESTABLISHED BY THE COMMISSION AND PAYMENTS TO CONSULTANTS AND CONTRACTORS FOR THE MITIGATION PROGRAM SHALL BE AUTHORIZED BY THE COMMISSION OUT OF THIS ESCROW ACCOUNT. NO PAYMENTS WILL BE AUTHORIZED UNLESS AND UNTIL OIL AND GAS EXPLORATION AND DEVELOPMENT OPERATIONS COMMENCE ON THE STATE'S TIDE AND SUBMERGED LANDS BETWEEN PT. CONCEPTION AND PT. ARGUELLO. IN THE EVENT NO EXPLORATION OR DEVELOPMENT COMMENCES ON THESE STATE LANDS WITHIN FIFTEEN YEARS FROM NOVEMBER 21, 1985. ALL SUMS PLUS INTEREST WILL BE REFUNDED.

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H. SINCE EACH OF THE CONDITIONS SET OUT IN B THROUGH E OF THIS SECTION ARE ESSENTIAL TO THE PURPOSE FOR WHICH THIS PIPELINE CORRIDOR WAS ESTABLISHED, SHOULD ANY OF THESE CONDITIONS BE BREACHED OR HELD INVALID, THE LEASE SHALL TERMINATE FORTHWITH.

IX. FINDS THAT THE PROJECT, AS PROPOSED AND MITIGATED, WILL NOT UNREASONABLY INTERFERE WITH THE MAINTENANCE OR USE OF THE LITTORAL LANDS FOR RECREATIONAL PURPOSES OR PROTECTION OF SHORE PROPERTIES, PURSUANT TO SECTION 6818 OF THE PUBLIC RESOURCES CODE.

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CALENDAR ITEM A

A 35

S 18

11/21/85
W 23418 PRC 6923
Lipphardt
Small

CONSIDERATION OF APPLICATION FOR
PIPELINE RIGHT-OF-WAY IN SANTA BARBARA COUNTY

PARTIES: UNOCAL
P. O. Box 6176
Ventura, California 93006

and

State Lands Commission

AREA, TYPE LAND AND LOCATION:
One parcel of tide and submerged land totalling 19.15 acres, located in the Pacific Ocean off Point Pedernales, Santa Barbara County.

LAND USE: Construction, of one 20-inch oil pipeline, one 8.625-inch gas pipeline, and one 8.625-inch water line, linking Platform Irene in Federal OCS - P-0441 to shore at a point just north of the Santa Ynez River.

TERMS OF PROPOSED LEASE:

Initial period: 25 years beginning November 1, 1985.

Public liability insurance: Combined single limit coverage of $2,000,00

Consideration: $30,957.75 per annum, with the State reserving the right to fix a different rental on the second anniversary of the lease and on each fifth anniversary thereafter.

BASIS FOR CONSIDERATION:
Pursuant to 2 Cal. Adm. Code 2003.

APPLICANT STATUS.
Applicant is not Permittee of upland.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:
Filing fee has been received.

STATUTORY AND OTHER REFERENCES:
A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Adm. Code: Title 2, Div. 3; Title 14, Div. 6.

AB 884: 02/05/86.

BACKGROUND:

UNOCAL, Chevron and Mobil, with UNOCAL as the operator, are developing an oil and gas project in Federal waters off Point Pedernales, Santa Barbara County. In connection with that project, UNOCAL has applied to the Commission for permission to install a 20" wet oil pipeline, an eight and three-fourths inch gas line and an eight and three-fourths inch waste water line on state-owned tide and submerged lands. These lines will link the initial Platform, Irene, and eventually a second platform, with UNOCAL's processing plant near Lompoc. There, water will be removed from the oil in preparation for shipment of oil by pipeline to UNOCAL's facility at Santa Maria and then North again by pipeline to the Bay area for final refining and distribution to market.

Although the capacity of the wet oil line between Platform Irene and the processing facility near Lompoc is 100,000 b.d., UNOCAL estimates that peak production from its project will be 40,000 b.d. leaving a minimum excess capacity of 60,000 b.d. for use by other producers in the area. This additional capacity is significant as the line must cross Vandenberg Air Force Base in order to reach the onshore processing facility and the Air Force will allow only one pipeline corridor to be built across the base, and will allow the corridor to be disturbed only once. Therefore, all offshore producers in the vicinity of the proposed pipeline must have access to it if they expect to bring their oil ashore for processing. This includes all oil and gas production on the OCS and State tide and submerged lands between Point Sal and Jalama Beach, a distance of approximately 40 miles.

Once the oil and gas has been treated at the processing plant there must be some way to get it to market. Presently, the only pipeline leaving Lompoc belongs to UNOCAL. Although its capacity is only 12,000 b.d. UNOCAL plans to add an additional pipeline north with a capacity of 80,000 b.d. It also has a gas pipeline from Lompoc to its Battel's gas plant east of Santa Maria, connecting at that point to its refineries. However, UNOCAL refuses to operate any of these lines as common carriers, or to make them available to any oil or gas not owned by UNOCAL. Exxon currently has in the preliminary planning stage a 60,000 b.d. oil line from Lompoc to Gaviota. This proposal currently has no permits, and there is no guarantee it will be operated as a common carrier.

On July 25, 1985, UNOCAL's application for rights-of-way was determined to be complete. On August 5, 1985 the County of Santa Barbara as lead agency, approved UNOCAL's proposed project. Pursuant to Government Code Section 65952, the Commission, as a responsible agency for purposes of the permit streamlining procedures, has 180 days from August 5, 1985, to approve or deny UNOCAL's project. Thus, the Commission is not yet required by law to act on UNOCAL's pipeline application. While we are informed that the Department of the Interior and the Department of the Air Force have expressed approval of the project, neither agency has yet taken final action on permit issuance.

UNOCAL informed the staff that because of permit conditions placed upon it by other public agencies, it needed to install the offshore portion of its pipeline by November 30, 1985. The staff has conducted extensive negotiations to accommodate UNOCAL's time constraint and also ensure the protection of the State's interests. The primary permit constraint was imposed by the Coastal Commission to protect the migrating California grey whale.

STAFF OBJECTIVES:

The staff objectives have been to insure that Lessee's construction and operation of these pipelines will not adversely affect the development and values of the State-owned resources in the Santa Maria Basin. The Commission has previously identified State tide and submerged lands in the vicinity as having potential for oil and gas development. If developed, as noted, the sole means of transport available will be these pipelines. Accordingly, the staff has proceeded with its analysis of this project and its negotiations with UNOCAL, on the basis of the need to insure the open and independent access to these pipelines for transport of any oil or gas production from the State lands to onshore markets. The staff

sought specific agreement from applicant on the following:

I. Oil or gas produced on State lands will be accepted by UNOCAL for transportation in the proposed pipelines from Platform Irene to Lompoc on a non-discriminatory basis, on published tariff setting forth reasonable terms and conditions, and just and reasonable rates, which terms, conditions and rates will be no less favorable than those applied to shipments by owners of these pipelines, and with no requirement that the tendered oil or gas be sold, exchanged or otherwise transferred to the ownership of the pipeline or its owners.

II. UNOCAL, at UNOCAL's expense, would provide pumps, tankage and other facilities necessary for access to these oil and gas pipelines at or near the first onshore pump station, and offshore, at such location(s) as identified by the Commission's engineering staff. These facilities would be sized to utilize the full capacity of the pipelines.

III. All shipments of gas or oil over these pipelines to Lompoc will be treated at the dehydration facility and stored at storage facilities operated by UNOCAL at Lompoc, on rates, terms and conditions for treatment or storage which are no less favorable than those accorded shipments by UNOCAL, Mobil or Chevron, or, at the discretion of the shipper, will be delivered to another dehydration or storage facility as designated by him or the State. In addition, UNOCAL would provide access to its Lompoc facility site for the construction of separate facilities if desired by the State.

IV. Until common carrier pipeline facilities are available at Lompoc for shipment of treated oil or gas to San Francisco, or Los Angeles markets, any onshore pipeline owned or controlled by UNOCAL or any company owning, owned by, in whole or part, or under common ownership with UNOCAL which onshore pipeline operates in the vicinity of the pipelines subject to this lease or which is reasonably capable of economically feasible connection with the Lompoc facility, shall transport for compensation the oil or gas produced on State tide and submerged lands without discrimination at just and reasonable rates, terms and conditions, to any points to which any such onshore pipeline is reasonably capable of transporting oil or gas.

V. Access to UNOCAL's pipeline facilities or some other means of transportation guaranteed by UNOCAL so that oil or gas produced from State lands can be transported to market or refineries either by the State, its lessees, or purchasers from either the State or its Lessees, without any requirement that the oil or gas be sold to UNOCAL.

VI. Contribution by UNOCAL and its co-lessees and unit partners, to an environmental mitigation fund for the mitigation program, identified by the Commission in its Pt. Conception leasing EIR and its adopted lease program.

VII. Contribution by UNOCAL's pipelines and its co-lessees and unit partners to an emergency oil spill containment response facility to ensure that potential oil spills from its platform and pipeline can be cleaned up with the requirements established by the Commission in its adopted lease program.

VIII. An agreement that UNOCAL's pipelines will not interfere with future oil and gas lease operations, and to move whatever pipelines and associated facilities which are found to interfere with the exploration and/or development of oil and gas resources underlying the State-owned lands traversed by the proposed pipeline bundle.

IX. A fair return to the people of the State for the use proposed by UNOCAL.

During staff negotiations with UNOCAL, agreement in principle was reached with respect to requirements I, II, III, VI, VII, VIII and IX.

ONSHORE PIPELINES: TRANSPORTATION ISSUES

No agreement was reached concerning IV or V. UNOCAL maintained that all pipelines owned by it in the vicinity were proprietary lines and would carry no oil or gas which was not owned by UNOCAL and destined for its refineries or terminals. In lieu of IV or V, UNOCAL proposed that it would instead construct a common carrier pipeline -- if economically feasible -- which would connect to the All American pipeline, if built, or to the Exxon pipeline, if built and available to non-owner shippers. Neither of these pipelines would have delivery facilities available for several years, if ever. In addition, the quantity of the oil available at Lompoc for forward transport,

after subtracting UNOCAL's production and purchases -- to be shipped on its own proprietary lines -- would probably be insufficient to support the construction of any substantial new pipeline. Staff therefore do not believe that this agreement would provide the necessary market outlet for State tide and submerged lands production.

UNOCAL's representative later withdrew this proposal. Even if assurances of delivery of oil from State leases to Lompoc were obtained, this would be pointless without further facilities for delivery to a reasonable market area. If oil from State leases gets only as far as Lompoc, that will, as a matter of economic necessity mean a sale to UNOCAL, allowing it a wide freedom to establish whatever price basis it wishes. Further, we are advised that UNOCAL is overtly proceeding on the basis that at least the gas pipeline from Platform Irene will be exempted from State or Federal regulation, as a "gathering facility".

UNOCAL contended that if it provided access for transportation for the State's lessee's oil from Lompoc, that it would be "dedicating" its pipelines and would then be considered a public utility. Staff believes that UNOCAL's pipeline north from Lompoc is already required to be a common carrier by Federal law although it is not presently so acting.

Under the circumstances, UNOCAL's proposal to transport only to Lompoc and no further will leave UNOCAL as the effective purchaser of this oil and gas at its posted price. Staff believes that UNOCAL is thus attempting to use its pipelines as a means of limiting competition and which in fact is an interference with the promotion of commerce.

Finally, UNOCAL has informed the staff that it is negotiating with Chevron and Mobil, its partners in Federal OCS lease P-0441, for the disposition of Chevron and Mobil's share of the oil. UNOCAL has stated that it proposes to purchase such oil, at the posted price, and that it will not transport such oil for Chevron or Mobil as shippers. To date, we believe, Chevron and Mobil have refused to agree to such an arrangement.

The effect of UNOCAL's refusal to allow others to transport oil through UNOCAL's onshore pipeline, is that UNOCAL controls the only means of transporting oil to market. This refusal has adverse effects on the revenue which will accrue to the State and federal government. Moreover, since the State will likely receive a share of all royalty revenues accruing from federal OCS parcels within the 8(g) zone, the Commission has an interest in insuring that the highest price can be obtained for such oil.

By providing the only economic means of transportation from Lompoc, absent the construction of another higher cost pipeline with limited throughput, UNOCAL can offer to purchase oil at a lower price than might be obtained if other purchasers could use UNOCAL's pipelines. Also, the construction of another expensive pipeline, will mean that the costs of such a pipeline will be factored into the price purchasers are willing to pay for State and federal oil. This cost factor will likely result in a lower overall price for State and federal oil, with direct reduction in the value of the leases and production therefrom and royalty oil, both State and Federal.

For an explanation of the market controlling effects of the private pipeline system, see declaration of Peter Ashton attached hereto as Exhibit C.

CONSOLIDATION OF FACILITIES

The Commission has encouraged the use of consolidated pipelines and onshore processing facilities as a means of reducing environmental effects and discouraging the construction of duplicative and unnecessary facilities. (See Vol. I, Offshore Oil and Gas Development: Southern California 1977, Prepared by The OCS Project Task Force, Office of Planning and Research, for the California Coastal Commission; and Public Resources Code Section 30262(b).) The staff believes that the Commission should designate a corridor as the sole corridor for the placement of pipelines and other facilities from the central Santa Maria Basin to an onshore location near the mouth of the Santa Ynez river. This corridor will serve as a consolidated pipeline corridor not only for UNOCAL but any future pipelines serving this same area. However, secondary corridors may be required to connect state and federal platforms to UNOCAL's pipeline system or other major pipelines.

The tide and submerged lands identified for use by UNOCAL are held in trust by the State of California for the people of California to facilitate commerce, navigation, and fisheries. As the environmental impact report identified, potential impacts on navigation, fisheries, and other environmental values will occur. However, such impacts can be mitigated if specific mitigation measures are imposed. These mitigations measures are identified in Exhibit "E" and the proposed mitigation fund for the mitigation program established by the Commission in its adopted Pt. C nception lease program, and included in the finding to the recommendations.

On the issue of commerce, however, the staff believes that unless the oil production, processing and transportation issues identified previously are treated as a single system, the aspects of the trust, which involve the promotion of commerce and transportation of products in commerce will be substantially impaired. UNOCAL's proposed pipeline, processing facilities, and onshore pipeline system is designed to serve only UNOCAL's proprietary interest.

In order to protect the people of the State of California's economic interests and promote commerce, which is a component of the State Lands Commissions trusteeship of these lands, the staff believes that conditions need to be placed on UNOCAL to ensure that oil and gas from State lands can be transported onshore, processed, and moved to market. The conditions to accomplish this exercise of the Commission's trust responsibilities and protection of the public interest are contained below in the findings.

Pursuant to Division 6, Chapter 4.5, Section 6370, et seq. the Commission identified the lands proposed for use as having significant environmental values.

And, as required by PRC Section 6818, on numerous occasions, e.g., the Notice of Preparation, and the review period for the Draft EIR, etc., the Department of Parks and Recreation was consulted and its comments solicited as to the relationship of the proposed project to "possible interference with the recreational use of lands littoral" to the project area.

AB 884: 02/05/86.

APPROVALS OBTAINED:
California Coastal Commission and Santa Barbara County.

FURTHER APPROVALS REQUIRED:
United States Army Corps of Engineers, United States Department of the Interior, Minerals Management Service, and United States Department of Defense.

EXHIBITS:
A. Land Description.
B. Location Map.
C. Declaration of Peter Ashton.
D. UNOCAL Pipeline Map.
E. CEQA Findings and Required Mitigation.

IT IS RECOMMENDED THAT THE COMMISSION:

I. FIND THAT AN EIS/EIR WAS PREPARED AND ADOPTED FOR THIS PROJECT BY THE COUNTY OF SANTA BARBARA AND THE MINERALS MANAGEMENT SERVICE AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

II. ADOPTS THE FINDINGS HERETO ATTACHED AS EXHIBIT "E" IN CONNECTION WITH THE PROJECT IN COMPLIANCE WITH THE CEQA (P.R.C. SECTION 21000 ET SEQ) AND THE STATE EIR GUIDELINES.

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IV. FIND THAT THE TIDE AND SUBMERGED LANDS PROPOSED FOR USE AS A CONSOLIDATED PIPELINE CORRIDOR AND UNOCAL'S PIPELINE RIGHT-OF-WAY WERE IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES, THAT THE COMMISSION DESIGNATED THOSE LANDS UNDER CATEGORY II, AND THAT THE USE PROPOSED BY UNOCAL AS CONDITIONED 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 P.R.C.

V FIND THAT THE ESTABLISHMENT OF THIS CORRIDOR IS NECESSARY TO IMPLEMENT THE STATE POLICY OF CONSOLIDATING FACILITIES TO MINIMIZE LAND USE AND ENVIRONMENTAL IMPACTS AND DECLARE THAT SUCH A CORRIDOR IS ESTABLISHED AS DESCRIBED IN EXHIBIT "A" AND INCORPORATED HEREIN AS IF FULLY SET FORTH, FOR THE CONSTRUCTION, MAINTENANCE AND OPERATION OF PIPELINES SERVING STATE AND FEDERAL OFFSHORE OIL AND GAS DEVELOPMENT IN THE CENTRAL SANTA MARIA BASIN.

VI. 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.

VII. FIND THAT THE ESTABLISHMENT OF THIS CORRIDOR IS NECESSARY TO PROTECT AND PROMOTE THE PUBLIC TRUST INTEREST OF COMMERCE, NAVIGATION AND FISHERIES UNDER WHICH THESE SOVEREIGN LANDS ARE HELD. THIS CORRIDOR WILL BE USED TO LOCATE PIPELINES SERVICING STATE AND FEDERAL OIL AND GAS DEVELOPMENT PROJECTS. BY CONSOLIDATING PIPELINES INTO ONE CORRIDOR THE POTENTIAL ADVERSE EFFECTS ON FISHERIES AND NAVIGATION WILL BE MINIMIZED. IN ORDER TO PROTECT AND FACILITATE COMMERCE, NAVIGATION AND FISHERIES ALL APPLICANTS FOR PIPELINES WILL BE REQUIRED TO INSURE THAT EACH SUCH PIPELINE WILL PROVIDE:

A. NONDISCRIMINATORY ACCESS FOR ALL PRODUCERS OF OIL AND/OR GAS FOR TRANSPORTATION AT PUBLISHED TARIFFS SETTING FORTH FAIR AND REASONABLE RATES, TERMS AND CONDITIONS OF SHIPMENT.

B. NONDISCRIMINATORY ACCESS TO ONSHORE PROCESSING FACILITIES AT REASONABLE RATES, TERMS AND CONDITIONS WILL BE PROVIDED TO THE STATE AND ITS LESSEES, PURCHASERS FROM EITHER OF THEM, ANY FEDERAL OCS LESSEE USING THE PIPELINES, AND IF REQUESTED LAND FOR PROCESSING FACILITIES.

C. NONDISCRIMINATORY ACCESS AT PUBLISHED AND REASONABLE RATES, TERMS AND CONDITIONS, WITHOUT REQUIREMENT FOR SALE OR EXCHANGE TO PIPELINE APPLICANT, OF ANY OIL AND GAS OWNED BY THE STATE, ITS LESSEES OR PURCHASERS FROM EITHER OF THEM, TO PIPELINES WHICH ARE OWNED BY APPLICANT OR ANY CORPORATION OWNING,

OWNED BY, OR UNDER COMMON OWNERSHIP WITH APPLICANT WHICH ACCESS IN FACT ENABLES SUCH OIL OR GAS TO BE DELIVERED TO SUBSTANTIAL REFINING MARKETS, SUCH AS THE SAN FRANCISCO OR LOS ANGELES REFINING CENTERS; UNLESS, IN THE ALTERNATIVE, THE PIPELINE APPLICANT HAS ESTABLISHED COMMON CARRIER PIPELINE FACILITIES WHICH WILL MOVE SUCH OIL OR GAS TO SUCH MARKET AREAS AT PUBLISHED FAIR AND REASONABLE RATES, TERMS AND CONDITIONS.

D. NO PIPELINES IN THE CORRIDOR SHALL INTERFERE WITH THE EXPLORATION AND DEVELOPMENT OF OIL AND GAS RESOURCES ON THE TIDE AND SUBMERGED LANDS. IF NECESSARY, SUCH PIPELINES WILL BE MOVED TO PRECLUDE SUCH INTERFERENCE.

E. ALL USERS OF THE DESIGNATED CORRIDOR SHALL CONTRIBUTE TO AN ENVIRONMENTAL MITIGATION FUND FOR THE PURPOSE OF FUNDING THE MITIGATION PROGRAMS IDENTIFIED BY THE COMMISSION IN ITS PT. CONCEPTION LEASE PROGRAM. SUCH CONTRIBUTION SHALL BE BASED ON A PER BARREL OF OIL CHARGE OF ONE CENT PER BARREL OF OIL, AND ONE CENT PER THOUSAND MCF OF GAS. ALL CONTRIBUTIONS SHALL BE PAID TO AN ESCROW FUND ESTABLISHED BY THE COMMISSION AND PAYMENTS TO CONSULTANTS AND CONTRACTORS FOR THE MITIGATION PROGRAM SHALL BE AUTHORIZED BY THE COMMISSION OUT OF THIS ESCROW ACCOUNT. NO PAYMENTS WILL BE AUTHORIZED UNLESS AND UNTIL OIL AND GAS EXPLORATION AND DEVELOPMENT OPERATIONS COMMENCE ON THE STATE'S TIDE AND SUBMERGED LANDS BETWEEN PT. CONCEPTION AND PT. ARGUELLO. IN THE EVENT NO EXPLORATION OR DEVELOPMENT COMMENCES ON THESE STATE LANDS WITHIN FIFTEEN YEARS FROM NOVEMBER 21, 1985. ALL SUMS PLUS INTEREST WILL BE REFUNDED.

F. FIND THAT THE PURPOSE FOR WHICH THE CORRIDOR IS ESTABLISHED REQUIRES FREE AND OPEN MARKETABILITY OF OIL AND GAS PRODUCED IN THE CENTRAL SANTA MARIA BASIN AND THEREFORE ANY RIGHT-OF-WAY LEASE SHALL CONTAIN THE CONDITIONS SET FORTH ABOVE.

VIII. AUTHORIZE ISSUANCE TO UNOCAL OF A 25-YEAR GENERAL LEASE - RIGHT-OF-WAY USE SUBSTANTIALLY IN THE FORM ON FILE IN THE PRINCIPAL OFFICE OF THE STATE LANDS COMMISSION, BEGINNING NOVEMBER 1, 1985; PROVISION OF PUBLIC LIABILITY INSURANCE FOR COMBINED SINGLE LIMIT COVERAGE OF $2,000,000; FOR INSTALLATION OF ONE OIL PIPELINE, ONE GAS PIPELINE AND A WATER LINE ON THE LAND DESCRIBED IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF, SUBJECT TO FOLLOWING CONDITIONS WHICH SHALL BE INCLUDED IN THE RIGHT-OF-WAY LEASE:

A. $30,957.75 PER ANNUM RENTAL, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENTAL ON THE SECOND ANNIVERSARY OF THE LEASE, AND ON EACH FIFTH ANNIVERSARY THEREAFTER.

B. UNOCAL AGREES THAT THE OIL AND GAS PIPELINES FROM PLATFORM IRENE TO LOMPOC WILL EACH BE CONSTRUCTED, OPERATED AND MAINTAINED AS A COMMON CARRIER, AND WILL ACCEPT FROM NON-OWNERS OF THE PIPELINE, TENDERS FOR THE TRANSPORTATION OF OIL OR GAS ON REASONABLE TERMS AND CONDITIONS AND AT JUST AND REASONABLE RATES, WHICH TERMS, CONDITIONS OR RATES ARE PUBLISHED AND NO LESS FAVORABLE THAN THOSE APPLIED TO SHIPMENTS BY OWNERS OF THE LINE, AND WITH NO REQUIREMENT THAT THE TENDERED OIL OR GAS BE SOLD, EXCHANGED OR OTHERWISE TRANSFERRED TO THE PIPELINE OR ITS OWNERS. ("OIL" FOR PURPOSES OF SUBSECTIONS B AND C OF THIS SECTION INCLUDES OIL MIXED WITH WATER OR ENTRAINED GAS, AND "GAS" INCLUDES GAS MIXED WITH LIQUID OR LIQUEFIABLE COMPONENTS, INCLUDING WATER.)

C. UNOCAL, AT UNOCAL'S EXPENSE, SHALL PROVIDE PUMPS, TANKAGE AND OTHER FACILITIES NECESSARY FOR ACCESS TO THESE OIL AND GAS PIPELINES, AT OR NEAR THE FIRST ONSHORE PUMP STATION, AND OFFSHORE, AT SUCH LOCATION(S) AS IDENTIFIED BY THE COMMISSION ENGINEER STAFF. THESE FACILITIES SHALL BE SIZED TO UTILIZE THE FULL CAPACITY OF THE PIPELINES.

D. ALL SHIPMENTS OF GAS OR OIL OVER THESE PIPELINES TO LOMPOC WILL BE TREATED AT THE DEHYDRATION FACILITY AND STORED AT STORAGE FACILITIES OPERATED BY UNOCAL AT LOMPOC, ON RATES, TERMS AND CONDITIONS FOR TREATMENT OR STORAGE WHICH ARE NO LESS FAVORABLE

THAN THOSE ACCORDED SHIPMENTS BY UNOCAL, MOBIL OR CHEVRON, AND WITHOUT REQUIREMENT FOR SALE TO UNOCAL, OR, AT THE DISCRETION OF THE SHIPPER, WILL BE DELIVERED TO ANOTHER DEHYDRATION OR STORAGE FACILITY AS DESIGNATED BY HIM OR THE STATE. IN ADDITION, UNOCAL SHALL PROVIDE ACCESS TO ITS LOMPOC FACILITY SITE FOR THE CONSTRUCTION OF SUCH SEPARATE FACILITIES IF DESIRED BY THE STATE.

E. UNOCAL SHALL PROVIDE ACCESS AT PUBLISHED AND REASONABLE RATES, TERMS AND CONDITIONS, WITHOUT REQUIREMENT FOR SALE OR EXCHANGE TO UNOCAL, OF ANY OIL AND GAS OWNED BY THE STATE, ITS LESSEES OR PURCHASERS FROM EITHER OF THEM, TO PIPELINES WHICH ARE OWNED BY UNOCAL OR BY ANY CORPORATION OWNING, OWNED BY, OR UNDER COMMON OWNERSHIP WITH UNOCAL, WHICH ACCESS IN FACT ENABLES SUCH OIL OR GAS TO BE DELIVERED TO SUBSTANTIAL REFINING MARKETS, SUCH AS THE SAN FRANCISCO OR LOS ANGELES REFINING CENTERS, UNLESS, IN THE ALTERNATIVE, UNOCAL HAS ESTABLISHED COMMON CARRIER PIPELINE FACILITIES WHICH WILL MOVE SUCH OIL OR GAS TO SUCH MARKET AREAS AT PUBLISHED FAIR AND REASONABLE RATES, TERMS AND CONDITIONS.

F. NO PIPELINE IN THE CORRIDOR SHALL INTERFERE WITH THE EXPLORATION AND DEVELOPMENT OF OIL AND GAS RESOURCES ON THE TIDE AND SUBMERGED LANDS. IF NECESSARY, ANY SUCH PIPELINE WILL BE MOVED TO PRECLUDE SUCH INTERFERENCE.

G. UNOCAL SHALL CONTRIBUTE TO AN ENVIRONMENTAL MITIGATION FUND FOR THE PURPOSE OF FUNDING THE MITIGATION PROGRAMS IDENTIFIED BY THE COMMISSION IN ITS PT. CONCEPTION LEASE PROGRAM. SUCH CONTRIBUTION SHALL BE BASED ON A PER BARREL OF OIL CHARGE OF ONE CENT PER BARREL OF OIL, AND ONE CENT PER THOUSAND MCF OF GAS. ALL CONTRIBUTIONS SHALL BE PAID TO AN ESCROW FUND ESTABLISHED BY THE COMMISSION AND PAYMENTS TO CONSULTANTS AND CONTRACTORS FOR THE MITIGATION PROGRAM SHALL BE AUTHORIZED BY THE COMMISSION OUT OF THIS ESCROW ACCOUNT. NO PAYMENTS WILL BE AUTHORIZED UNLESS AND UNTIL OIL AND GAS EXPLORATION AND DEVELOPMENT OPERATIONS COMMENCE ON THE STATE'S TIDE AND SUBMERGED LANDS BETWEEN PT. CONCEPTION AND PT. ARGUELLO. IN THE EVENT NO EXPLORATION OR DEVELOPMENT COMMENCES ON THESE STATE LANDS WITHIN FIFTEEN YEARS FROM NOVEMBER 21, 1985. ALL SUMS PLUS INTEREST WILL BE REFUNDED.

H. SINCE EACH OF THE CONDITIONS SET OUT IN B THROUGH E OF THIS SECTION ARE ESSENTIAL TO THE PURPOSE FOR WHICH THIS PIPELINE CORRIDOR WAS ESTABLISHED, SHOULD ANY OF THESE CONDITIONS BE BREACHED OR HELD INVALID, THE LEASE SHALL TERMINATE FORTHWITH.

IX. FIND THAT THE PROJECT, AS PROPOSED AND MITIGATED, WILL NOT UNREASONABLY INTERFERE WITH THE MAINTENANCE OR USE OF THE LITTORAL LANDS FOR RECREATIONAL PURPOSES OR PROTECTION OF SHORE PROPERTIES, PURSUANT TO SECTION 6818 OF THE PUBLIC RESOURCES CODE.

EXHIBIT "A"

LAND DESCRIPTION W23418

A strip of tide and submerged land 20 feet wide in the Pacific Ocean near Point Pedernales, Santa Barbara County, California, said strip lying 10 feet on each side of the following described centerline:

BEGINNING at a point near the mouth of the Santa Ynez River in said Santa Barbara County, said point having coordinates of N = 448,591.30 and E = 1,218,942.99; thence N 88° 49' 36" W, 200 feet; thence along a tangent curve concave to the south having a radius of 1,000 feet, through a central angle of 17° 10' 24" a distance of 299.73 feet; thence S 74° 00' 00" W, 6,811.60 feet; thence along a tangent curve concave to the southeast having a radius of 7,000 feet, through a central angle of 34° 00' 00" a distance of 4,153.88 feet; thence tangent to said curve S 40° 00' 00" W, 23,306.34 feet; thence along a tangent curve concave to the northwest having a radius of 10,000 feet, through a central angle of 13° 00' 00" a distance of 2,268.93 feet; thence tangent to said curve S 53° 00' 00" W, 4,862.29 feet, more or less, to a point on the offshore ownership boundary of the State of California as determined according to the decree entered by the United States Supreme Court in United States v. California, Original No. 5, on Jan. 31, 1966, 382 US 488, and the end of the herein described line.

EXCEPTING THEREFROM any portion thereof lying landward of the ordinary high water mark.

This description is based on the California Coordinate System, Zone 5.

END OF DESCRIPTION

REVISED NOVEMBER 18, 1985, BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR.

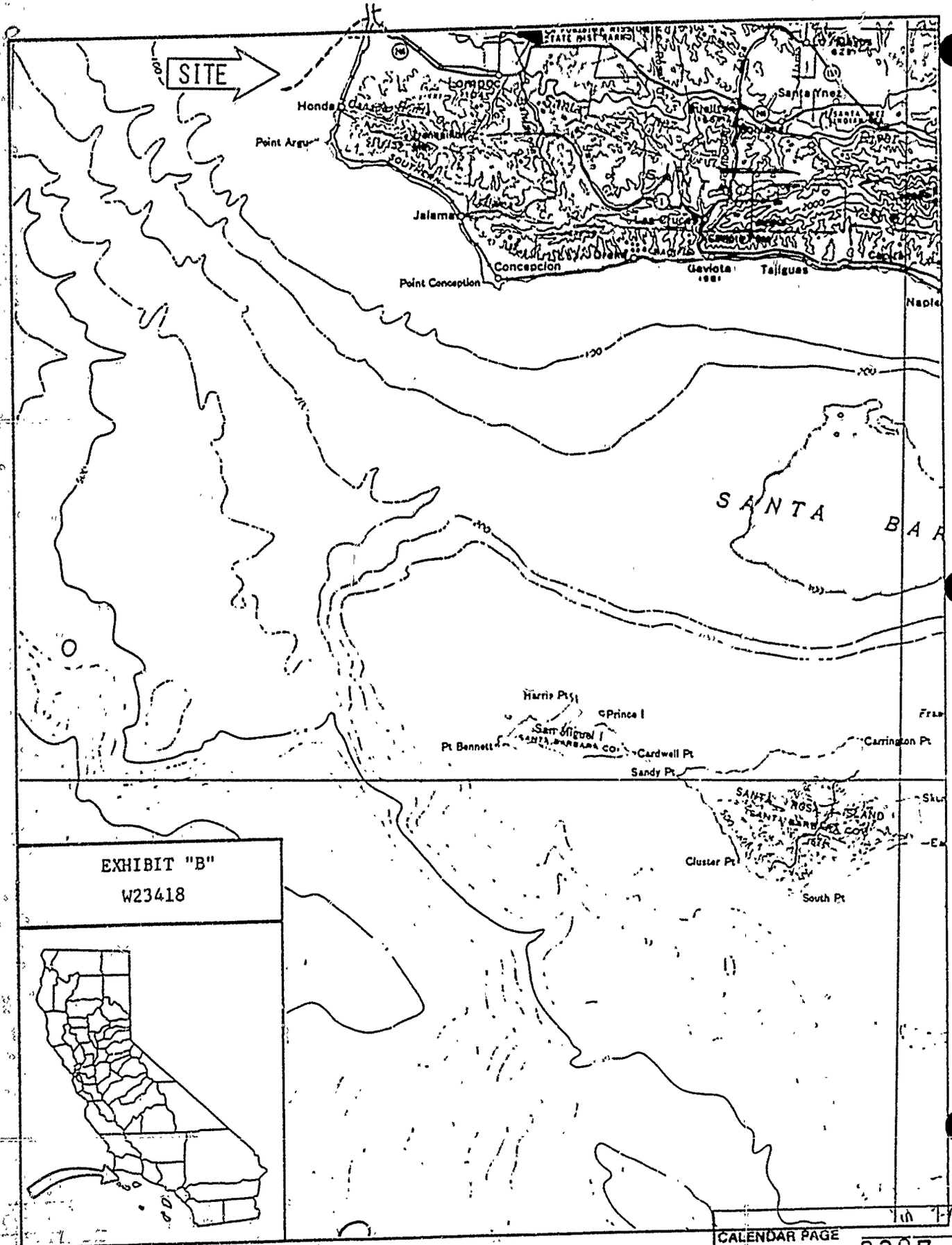

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EXHIBIT C

DECLARATION OF PETER K. ASHTON

I, PETER K. ASHTON, declare:

1. My name is Peter K. Ashton. I am the President of Innovation & Information Consultants, Inc., an economic consulting firm located in Boston, Massachusetts with considerable experience in energy economics and the petroleum industry.

2. My employment history includes almost eight years as an economic and management consultant. Prior to founding Innovation & Information Consultants, Inc., I was employed by Putnam, Hayes & Bartlett, Inc. and Charles River Associates Incorporated where I have analyzed economic and market issues affecting various industries, including the petroleum industry. I also hold a master's degree in economics and business from the School of International Affairs at Columbia University.

3. I have studied the West Coast petroleum industry extensively during the last five and one-half years, having reviewed documents produced by defendant oil companies in MDL-150, the Long Beach case, as well a other matters. I am thoroughly familiar with the record in the Long Beach case, particularly with respect to defendants' business practices and ownership and use of major pipelines in the State of California.

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4. I offer this declaration at the request of counsel for the State of California, based on my review and knowledge of the publicly available factual record in Long Beach and my general understanding of pipeline and market economics and of the current operation of the petroleum industry on the West Coast. My conclusions are based on this factual record which is the type of information that an expert in my field would regularly rely upon in forming opinions in the conduct of an economic consulting business, including in advising clients.

5. Crude oil pipelines are generally the most efficient and economical means of transporting crude oil over land. In California, many of the major crude producing areas are located in the interior far from major refining centers and, therefore, a substantial quantity of crude oil must be transported via pipeline.

6. In California, as opposed to the rest of the country, most of the major trunk pipelines are privately owned and operated by a limited number of the major integrated oil companies. These companies include Chevron, Mobil, Shell, Texaco and Union. In addition, the recent acquisition of Getty by Texaco eliminated the only independent owner of a major pipeline in California.

7. Private ownership of the major pipelines provides the owners of these pipelines market power over the transportation of crude oil. Elsewhere in the United

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States, to overcome the potential problem for abuse, crude oil pipelines are regulated as common carriers to help assure equal access and reasonable rates.

8. Private ownership of the major pipelines in California provides the major integrated oil companies with substantial power to control the prices that are paid for crude oil. The pipeline owners can refuse at any time to move the crude oil of others through their pipelines. It is a well-recognized policy of the pipeline owners in California to deny access to independent producers, forcing these producers to sell their oil at the wellhead. These pipeline owners are also the same companies that set the posted prices for crude oil. This severely limits the ability of the independent producers to gain higher prices for their crude oil.

9. Documents produced by defendants in Long Beach clearly demonstrate this fact. An Exxon document written in 1967, analyzing the structure of the West Coast industry states:

> The independent producers in California have been unsuccessful in establishing higher crude prices because of lack of controlled outlet, due in no small part to crude oil pipeline ownership by the majors. California is a non-prorated state, and the independent competes with

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the major for a market. The majors have the pipelines. [E11000193562]

10. Another study by Exxon in 1962, prior to its entering the West Coast market, demonstrates the power over crude prices derived from the private ownership of the pipelines:

> The major oil companies in California are significant purchasers of independent production -- at the same time, these same majors are the owners of the privately-held pipelines by which California crude moves to refining centers. The majors are, therefore, in a position to exert some influence on California crude prices. [E11000003282]

11. In addition to denying independent producers access to the pipelines, private ownership of the pipelines by the majors provides the owners with the power to discriminate against independent refiners. Independent refiners, dependent upon the majors' pipelines to move crude oils efficiently, are subject to discipline by the pipeline owners, either by punitive tariffs or outright denial of access. This, too, clearly limits the ability of independent producers to obtain a higher price for their crude oil. Independent refiners who might be tempted to bid up the price of crude oil to obtain a larger supply would still be forced ~~to deal with~~

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the pipeline owners, who have the power to deny access as retribution.

12. Instances of discrimination against independent refiners do exist in the record of the Long Beach case. One clear-cut example was a 1977 exchange between Texaco and Sunland, an independent refiner. In this exchange, Texaco charged Sunland for transportation of crude oil. A Texaco document describing this transaction stated:

> Under the terms of the exchange, Texaco charges Sunland $.30 per barrel for pipeline delivery of the Huntington Beach crude. Texaco's cost for this movement is $.16 per barrel. [421714]

13. Based on this record and the factual circumstances concerning UNOCAL's proposed pipeline, it is my opinion that retaining private ownership of the pipeline would serve UNOCAL's own interests, providing it with substantial power to control the price paid for the offshore oil to the detriment of the State and federal government. If the pipeline facility were made a common carrier, however, this would promote equal access to all who desired to purchase and/or move this crude oil. This would not obviously solve the entire problem because the rest of the major pipeline system in California remains privately-owned. Common carrier status, as exists elsewhere in the United States, permits greater

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flexibility and access to crude oil production and would help insure that the highest price can be obtained for this oil.

I declare under penalty of perjury that the foregoing is true and correct and that if called as a witness I could competently testify thereto.

Executed at Los Angeles, California on November 20, 1985.

PETER K. ASHTON

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OFFSHORE LONG BEACH CRUDE PRODUCTION

Introduction

The city of Long Beach, California, has recently announced its intention to submit a 6500-acre tract of offshore land for competitive bidding for crude oil production rights. The proposed lease area appears to be an extension of the prolific Wilmington field and preliminary core drilling tests conducted by the city of Long Beach indicate recoverable reserves in excess of one billion barrels of 14°API to 28°API crude. Significant production of gas is also anticipated. The proposed lease area is also adjacent to the offshore Belmont tract on which Humble currently has joint production with Texaco.

The offshore properties would be combined with certain existing onshore leases, which have not been developed, and the entire tract would be operated as a unit. Some salient features concerning the proposed lease are listed below:

(1) The city of Long Beach and the state of California would be royalty partners who would receive a 10% share of any production.

(2) As mentioned, the entire onshore and offshore tract would be unitized, operated by a single operator [illegible] operations would commence with crude oil production.

(3) All drilling would be from offshore "islands" constructed in Long Beach harbor.

(4) The operator must find purchasers for all production.

(5) Profits from the production of crude oil and gas will be shared with the royalty partners and, in fact, the split in profits will be the basis for judging competitive bids.

(6) A $51 million prepayment from profits to the city of Long Beach is required. These payments will extend over a three-year period.

— 3 3/4?

The purpose of this memorandum is to assess the desirability of Humble's becoming a bidder for oil production rights on the proposed lease properties. The attached tables and charts outline the forecast crude oil supply/demand balance in District V, the degree of integration on California crude of major West Coast refiner/marketers, and a historical review of California crude prices and their relationship to West Texas crude prices. All of these data are considered pertinent in any assessment of this investment opportunity.

3 million/[illegible] — [illegible]

[illegible] — [illegible]

[illegible] — [illegible]

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[illegible]

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Exxon

Exxon Resp. Ex. 3

Ex. 2

Industry Supply/Demand Balance

Total demand for petroleum products in District V is expected to grow from 1449 MB/CD in 1961 to about 1963 MB/CD in 1972. This growth is expected to be supplied by increased product imports, primarily residual fuel oil, increased receipts of products from Districts I-IV to satisfy increasing demand in Eastern Washington and Eastern Oregon, and increased crude runs to stills in District V.

District V is currently a crude-deficient area. Indigenous supplies made up only 69% of total crude runs in 1961 and [illegible] capacity was virtually non-existent with the exception of a potential 100 MB/D in the Navy reserve in the Elk Hills field. This crude deficiency was made up with supplies from the Four Corners area in Districts I-IV via a pipeline to refineries in the Los Angeles area (60 MB/D), imports of Canadian crude via pipeline to refineries in the Puget Sound area (91 MB/D), and the balance was offshore imports of foreign crude coming in under the present quota program (214 MB/D). Because of this crude deficiency, District V is treated separately from Districts I-IV in the import control program with offshore imports being the balancing factor between crude supply and demand. As a result, the ratio of offshore imports to domestic crude runs in District V is more than twice that enjoyed in Districts I-IV.

Over the past two years approximately 5 [illegible] of the total oil wells drilled in the U.S. have been drilled in District V. If this relationship is projected into the future, it is predicted that oil production in District V will decline from the 340 MB/D in 1961 to about 740 MB/D in 1972. This decline in indigenous supplies combined with increasing demand will serve to rapidly increase the crude deficiency in this area. It is expected that additional imports of Canadian crude will supply increasing demand in the Pacific Northwest and that some increase in crude movement from Districts I-IV will take place. Nevertheless, it is anticipated that, under these conditions, offshore imports will more than double between 1961 and 1972. In this event, the ratio of offshore imports to domestic crude runs in District V would be about five times that prevailing in Districts I-IV.

It is possible that a development such as the Long Beach lease could stimulate drilling effort in District V. To explore this possibility a second case was investigated in which the per cent of total U.S. wells drilled in District V increased by 50% to 7.5%. This is considered to be an extreme case and, by coincidence, is tantamount to superimposing the Long Beach development on the more conservative basis of maintaining the historical pattern of District V drilling effort. In this event, there would be a significant effect on the offshore imports required to meet total crude demand. However, even when assuming that this added availability of indigenous supplies in District V could have no effect on future projected increases in crude receipts from Canada and Districts I-IV, the ratio of offshore imports to domestic crude runs would probably not fall as low as the anticipated ratio in Districts I-IV. To be sure, offshore imports would decline and could not regain their present levels

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until 1971-2, but, since District V refiners would still enjoy a favored position over their Districts I-IV counterparts with respect to imported crude runs, it is considered unlikely that imports would not be cut back sufficiently to provide a market outlet for even a most optimistic increase in District V production.

Humble's Supply/Demand Balance

Humble currently has about 20 MB/D of gross crude production in District V (including Monterey Oil payments). In addition, Humble has about 3 MB/D of Four Corners crude which is tributary to the California market. At present, Humble has no demand for crude in District V and the entire 23 MB/D of available supply is being sold in District V ordinary. Looking ahead range, it is anticipated that our marketing operations in District V will grow sufficiently to justify the construction of a refinery in California sometime around 1969. After taking advantage of maximum import allowables, it appears that increase available supplies of our own crude production will just about satisfy the initial needs of the proposed refining operation. Growth in product demand combined with a slight decline in available supplies will tend to make us crude deficient in California to the extent of perhaps 10-20 MB/D by the mid-1970's.

Initial production in the Long Beach Basin is expected to commence some time in 1964 and production will reach a level of 130-150 MB/D by 1975. Thus, assuming that Humble was the sole successful bidder on the Long Beach tract, we would be faced with the problem of disposing of as much as 130 to 150 of surplus crude in District V before start-up of any refining operation in California and even after a refinery start-up, our surplus crude supplies in District V would range between 120-150 MB/D.

District V Majors' Current Situation

Approximately 90% of the District V market for petroleum products is currently held by seven major companies. With respect to California crude production, these majors are only slightly over 50% integrated on a gross production basis. Thus, the major oil companies in California are significant purchasers of independent production--at the same time these same majors are the owners of privately-held pipelines by which California crude moves to refining centers. The majors are, therefore, in a position to exert some influence on California crude prices. Because of their low degree of integration on California crude, it would be economically attractive for the majors to seek California crudes at low prices and this, in fact, has been the case. The heavier California crudes are 15-20¢/barrel more attractive to a District V refiner than a competitive crude such as West Texas would be and this advantage for California crude increases to as much as 35-50¢/barrel for the heavier California crudes. Concurrently, wholesale prices for clean products in District V, historically, have been higher than those prevailing in the U.S. Gulf.

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There may, of course, be reasons other than the low degree of integration of majors on California crude for the low crude postings in this area. Low crude prices in California certainly appear to discourage any penetration of the District V market by Districts I-IV crudes and this, in turn, serves to maintain low cost, offshore imports at a high level. In addition, it is probable that the California independent refiner, whose equipment, by and large, is inefficient and obsolete, may need the low schedule of crude postings to stay in business and this could be a political necessity as far as the majors are concerned. In any event, it would appear unlikely that any significant increase in California crude prices would occur and this, it seems, would be particularly true if someone other than a District V major, or group of District V majors, would be the successful bidder for producing the anticipated large volumes of crude from the Long Beach tract.

Conclusions

(1) In all likelihood, District V will continue to be a crude deficient area despite the impact of the proposed Long Beach offshore lease on total California crude production.

(2) Because of economic and, perhaps, political factors, it is unlikely that any significant increase in California crude prices will occur. This probability would be strengthened if a non-major, as far as District V is concerned, [illegible] is the successful bidder to produce the Long Beach lease.

(3) Humble, long-term, may be crude deficient in District V but, as sole operator of the Long Beach lease, Humble would be a large net seller of crude in District V.

(4) Since there is an indicated market for the Long Beach crude, theoretically, Humble should be at no competitive disadvantage with any other bidder for rights to produce the Long Beach lease. In practice, however, it is the consensus that such large volumes of net crude sales might not be too easy to move and that some economic costs, such as offsetting California crude with purchases of District I-IV crudes with subsequent loss of pipeline profits or other trading disadvantages, might be necessary.

(5) The huge reserves and indicated large productive capacity of the Long Beach tract may offer Humble significant profit opportunities. In order to spread the risk and to minimize the possibility of suffering economic costs in order to move the crude produced, it appears desirable for Humble to seek a partnership with one or more West Coast majors for submitting a bid on the Long Beach lease which would result in ownership in the range of 25-33%.

Economics and Planning Department
R. T. Johnson:lergh
October 17, 1962

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17-5 Ray Bayless remarks

DISTRICT V
PETROLEUM PRODUCTS PROGRAM RE-EVALUATION
JERSEY-HUMBLE MANAGEMENT
SAN FRANCISCO
JANUARY 10, 1967

INTRODUCTION

With the overall project now in focus, we can turn to a closer review of the Raw Materials-Petroleum Products business. This segment is commonly referred to as Supply Operations, and it includes certain activities of the Supply, Refining, and Transportation functions, and to some extent, the Marketing function.

This discussion principally will embrace crude supply and pricing, the Supply System both before and after refinery construction, and key points related to the refinery itself. The charts to be employed for the most part are contained in the book but in different sequence.

In turning to this aspect of the business, a brief summary of the Industry situation can be reviewed. The first chart presents the principal competitors on the West Coast.

PRINCIPAL COMPETITORS IN DISTRICT V

Vu-Graph #1 on

The data shown are for 1965 and are percentages of Industry volume.

Socal dominates the West Coast in all functions.

The seven established majors control 70% of the District V crude supplies. These same seven majors represent 87% of the crude runs.

All of these companies, except Texaco, are net crude buyers with their "controlled" crude supplies generally 65%-80% of their runs.

Shell, Texaco, and Mobil have Puget Sound refineries, and combined they run about 143 MB/D of Canadian crude. Excluding this Canadian production, all of these companies appear to be below 75% integration on the West Coast.

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Exxon
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Vu-Graph #1 off

We will return to this matter of integration later.

INDUSTRY CRUDE AND PRODUCTS MOVEMENTS

Vu-Graph #2 on

The next chart presents Industry crude and products movements, looking ahead to 1970. Crude movements are shown on the left; products are on the right. The four refining centers are shown - Puget Sound, San Francisco, Los Angeles, and Bakersfield - with total runs estimated at 1.5 MB/D.

Crude

Referring to the crude side, about 3/4 of the supply will be furnished from California inland and offshore areas. About 1/4 of the supply will come from foreign imports, Alaska, Canada, and the 4 Corners.

Recent forecasts indicate that offshore foreign crude will supply 67% of requirements. This will be run at the 3 coastal refining centers, but the majority will move to Los Angeles, where large tankers can be accommodated.

Alaska crude will be run in the Puget Sound, exerting pressure on Canadian imports there. As Alaskan production increases, likely it will be run in California, also.

San Joaquin Valley crude moves to California refiners by pipelines which are owned by the major companies. This is a key characteristic of District V - there are no common carrier crude pipelines in California whereas there are many such lines east of the Rocky Mountains.

Products

Referring to the products, the tributary area for each refinery center is shown. Oregon will receive small volumes of products from the Puget Sound via pipeline and barges, but most of the supplies will move northward from California. There are common carrier product pipelines in District V, the largest system being owned by Southern Pacific Railroad. The interior areas

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will be supplied products by common carrier lines and by trucks.

Vu-Graph #2 off

Pause

Turning now to a different topic, the next two charts are related to crude prices in District V. The fact is well recognized that California crude prices are lower than those east of the Rockies. It is of interest to examine the difference, its cause and significance, and to project future trends.

HISTORICAL WELLHEAD REALIZATIONS

Vu-Graph #3 on

This chart is a plot of wellhead realizations, as recorded by the U.S. Bureau of Mines, for average crudes in Districts I-IV and in District V. Currently, the spread in price approximates 60c/barrel. You will note that this spread is for crudes differing in gravity by 14 degrees. This wide difference in realization has existed both before and after the Suez crisis period. Hence, the decline in California price shown merely represents a restoration of the price levels in California prior to 1957. The continuing decline in the California curve is a result of the decrease in average gravity of crude. There have been no significant price changes in California since 1963. The upturn on the Districts I-IV curve in 1966 reflects the fact that about 50% of that crude has increased 7c/barrel, or about 3.5c/barrel expressed on the total.

This difference in realization is explored in more depth on the next Graph.

Vu-Graph #3 off

POSTED PRICE VS. GRAVITY

Vu-Graph #4 on

This is a comparison of posted prices of California crudes with those of typical West Texas sour crudes. The previously mentioned average gravities are shown by the black dots on the two curves.

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When comparing price at the same gravity, the difference between California and Districts I-IV is not so great as the 60c shown on the prior chart, for example, being 29c at the California average 22 gravity. The prices equalize at about 28 degrees API.

At the Districts I-IV average 36 gravity, the Texas price is indicated to be 28c lower. However, this is of small significance because 90% of California's production is below 35 degrees. Also shown on the California curve is the price change per degree API, being 7-8c per degree over a wide gravity range.

The low prices of the heavy California crudes reflect the historical product yields of the West Coast refining industry, and the resulting value of such crudes to the refiners. As to the heavy crude, the average California refinery relatively was more of a hydroskimming operation until recent years, producing a high yield of heavy fuel oil* and a low gasoline yield. Calculations of the values of a number of California crudes run in that type of refinery operation indicate that the price-gravity relationship is fairly representative. In the more recent years, the major companies have installed bottoms-reduction facilities to provide <u>much</u> higher yields of the lighter clean products.

The crude price changes 7-8c per degree in the heavier ranges. However, for the more modern refiner producing little or no bottoms, a "<u>value curve</u>" has a slope of only 1-3c per degree. Stated differently, the California refiner running heavy crude through modern facilities could hold even economically at price differentials of about 2c per degree; however he actually pays about 7c differential, and hence has about 5c per degree/barrel advantage in

*1951 - 38.4%	1961 - 22.5%	1964 - 19.9%	1967 - 17.8%
1955 - 23.7%	1962 - 20.9%	1965 - 20.6%	1968 - 16.5%
	1963 - 20.2%	1966 - 20.9%	1969 - 15.4%
			1970 - 14.3%

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the gravity structure - and this is for each degree that he can salvage. This can be characterized by saying that within limits of refinery capability, the lower the gravity, the higher the profit.

As noted on the prior chart, California crude prices have not responded to the more recent increases in value to the refiner. As we analyze this condition, there are several reasons explaining it and providing bases for expectation that the same general structure will hold over several years into the future. These reasons are as follows:

As item one, the major companies are net buyers of some 20-35% of their crude supply. They have little, if any, economic incentive to increase crude prices. Namely, at those corresponding levels of crude integration, 65%-80%, the depletion incentive on higher wellhead realizations is not sufficient to offset the added cost of refining raw material. Additionally, along this line, the high bid terms of major production areas such as the East Wilmington Field and Long Beach leave the producer-operator very small incentive to raise the wellhead realization. East Wilmington and Long Beach from a production standpoint would be more nearly classified as service or utility type operations.

As item 2, the major companies sell their higher priced light crude production to the smaller refiners, some of whom are partially integrated. The small refiners, generally without bottoms-reducing facilities, require the light crudes to produce increasing requirements of gasoline and distillates.

As item 3, the independent producers in California have been unsuccessful in establishing higher crude prices because of lack of controlled outlet, due in no small part to crude oil pipeline ownership by the majors. California is a non-prorated state, and the independent competes with the major for a market. The majors have the pipelines.

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Lastly as item 4, increased heavy crude production is forecast, resulting from secondary recovery operations, notably thermal techniques. This suggests that there will be no crude price increase because of a shortage of heavy crude.

On balance, it is believed that there will not be a significant change in the crude price structure in the next few years. We might conclude this crude pricing topic by saying that in comparison with Districts I-IV, the District V production function is less profitable and the downstream refining function is more profitable.

Vu-Graph #4 off

The next topic planned for discussion is that of the pre-refinery Supply System. Until the Benicia refinery goes on stream, Humble's West Coast product requirements will continue to be supplied almost wholly by exchanges.

CURRENT HUMBLE PRODUCTS SYSTEM

Graph #5 on

This Vu-Graph depicts the Company's current supply system and reflects the complexity of exchange arrangements. The exchange partners are tabulated, and on the sketch are identified by an initial, such as T for Texaco.

Humble requirements are supplied from the Company's Billings and Gulf Coast refineries. In 1964, for example, referring to the tabulation, Billings exchanges amount to 10 MB/D, Gulf Coast exchanges are about 7 MB/D and direct movements from Billings are slightly more than 1 MB/D.

Humble receives products from the exchange partners into trucks at their West Coast refineries and along the product pipelines shown on the map. Primarily, Humble returns the products along Yellowstone Pipeline in the Pacific Northwest and along Plantation Pipeline in the Southeast United States.

The large Texaco exchange volume exceeds Humble's requirements in Washington and Oregon, and the excess product is traded again by Humble into California with Union and Phillips.

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New York, New York, June 27, 1977

JUN 2 3 1977

WEST COAST
CRUDE OIL EXCHANGE
SUNLAND REFINING CORPORATION

CONFIDENTIAL
MEMORANDUM

SPO
6/28/77

Mr. R. M. Routhier:

In accordance with your request, a review has been prepared to determine the estimated effect on Texaco's net earnings of a proposed crude oil exchange with Sunland Refining Corporation whereby Texaco acquires 7,000 BPD of 20° API gravity Huntington Beach crude at the lease at $4.45 per barrel and delivers an equivalent volume of 17° API gravity Wilmington Thums crude at the lease at $4.28 per barrel during a one-year period commencing July 1, 1977 but subject to a 60-day cancellation. Under the terms of the exchange, Texaco charges Sunland $.30 per barrel for pipeline delivery of the Huntington Beach crude. Texaco's cost for this movement is $.16 per barrel.

Your department has advised that the Huntington Beach crude would be run at the Los Angeles refinery. Alternatively, if the exchange is not consummated, the Wilmington Thums crude would be run at the Los Angeles refinery.

The operating departments affected by this proposal have provided the effect on their operations, the details of which are available in this office should it become necessary.

Based on the foregoing, the results of this review are as follows:

Case I - Based on current sales prices

The estimated incremental net earnings to Texaco as a result of the proposed (run Huntington Beach crude at Los Angeles) versus the alternate (run Wilmington Thums crude at Los Angeles) would be $.03 per barrel.

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Exhibit 2

Mr. R. M. Routhier 2. June 27, 1977

Case II - Based on base period sales prices.

The estimated incremental net earnings to Texaco as a result of the proposed versus the alternate would be $.07 per barrel. These results are based on base period prices (May 15, 1973) for product sales plus cost justified increases in revenue for controlled products. Current sales prices have been utilized for decontrolled products.

Calculations in this review assume that FEA programs currently in operation would continue during the time frame involved in the study due to the uncertainty surrounding the proposed United States National Energy Policy; particularly those aspects dealing with crude oil pricing, equalization taxes, and the phase-out of the entitlements program. As soon as more specific information becomes available on the proposed energy policy, the data will be incorporated in our reviews.

The Tax Department has reviewed and confirmed the estimated U. S. income tax effects.

Calculations were based on present-day conditions and are subject to change as conditions vary in the future.

Signed: D. D. KOVALESKI

D. D. KOVALESKI

RTR - pc

DPH
SPD
FAjz

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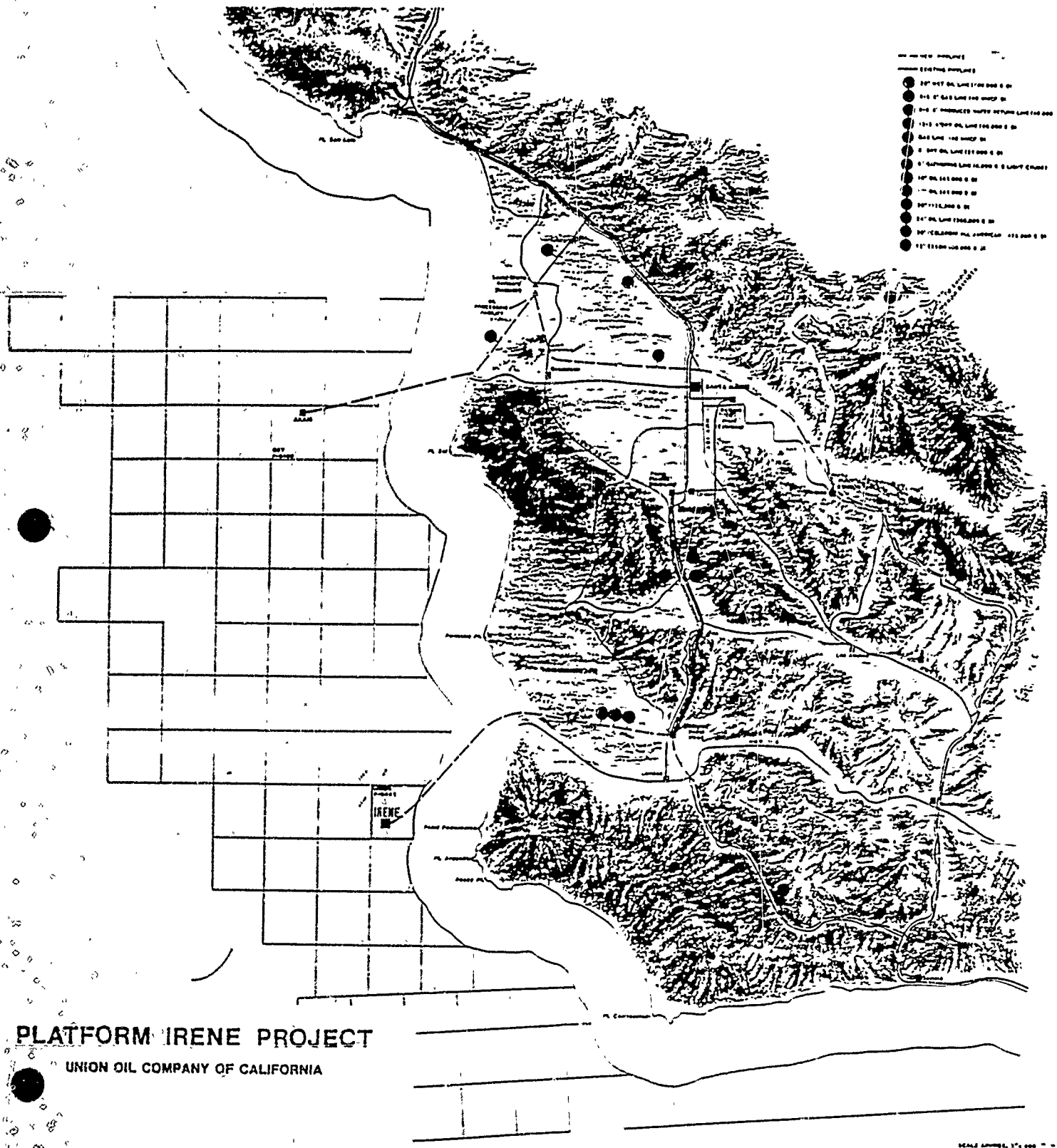
EXHIBIT D



PLATFORM IRENE PROJECT

UNION OIL COMPANY OF CALIFORNIA

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EXHIBIT E

CEQA FINDINGS

Herewith presented are the findings to be made by the State Lands Commission, pursuant to Section 15091, Title 14, California Administrative Code, for the proposed pipeline and utility right-of-way, across State tidelands from developments by Union Oil and other operators in the Central Santa Maria Basin, Federal Outer Continental Shelf to a consolidated oil processing plant at Lompoc and gas plant. The significant impacts identified in the Final EIR/EIS and within the jurisdiction of the State Lands Commission are discussed in the subsequent sections. All significant impacts of the projects identified in the EIR are discussed below.

The impacts are organized according to the resource affected (geology, marine biology, etc), and whether the impact is due to: 1) normal project operation, 2) accidents; or 3) cumulative effects.

For each significant impact the following finding has been made:

> Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

The appropriate finding is followed by a narrative of facts supporting it. The discussions have been drawn from the EIR/EIS. When appropriate, reference is made to applicable sections in the final EIR/EIS.

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SECTION A

IMPACTS ASSOCIATED WITH
NORMAL OPERATIONS
OF THE PROJECT

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MARINE BIOLOGY

IMPACT: Disturbance of Least Tern nesting, subtidal reef, and/or transient marine mammals near landfall due to nearshore Union pipeline construction.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

A subtidal reef of at least 20 acres surface area is present in the center of the nearshore (30 feet depth) portion of the originally proposed Platform Irene-shore pipeline route. The staff report for Union's Coastal Commission Consistency Certification [January 1985] indicates that Union has rerouted the pipeline away from this reef. Depending on the development and execution of a pipeline routing and vessel anchoring plan, impacts on the biota of this reef resulting from physical displacement would range from insignificant to significant, but mitigable. There is some uncertainty as to whether this reef, with, vertical relief on the order of 2.5 feet, is typically scoured or whether it supports organisms less frequently subject to disturbance and turnover.

Jetting of the pipelines and power cable through the sandy nearshore and intertidal zones at the pipeline landfall and the power cable landfall would be expected to be insignificant on all species except potentially marine mammals and seabirds. For the latter groups, disruption impacts including stunning of swimming individuals and interruption of breeding or rearing activities could be significant but mitigable if construction (currently proposed for fall) occurs in spring or summer, or significant if blasting is required. No blasting is anticipated because of the compact sand apparent at the landfall sites. However, the variability and magnitude of local littoral processes are large enough at the pipeline landfall to suggest that less sand may be present than needed for the design burial depth of the pipeline, and blasting or construction of a groin may be required to achieve the required depth [California Coastal Commission, 1985]. Resulting transient marine mammal (sea otter, harbor seal, gray whale or other species) mortality or the disruption of seasonal least term breeding or roosting in the lower Santa Ynez River estuary from blasting could be a significant impact of local to regional significance. For least terns, these effects could result in population level impacts on a species of special importance. Such impact could be inconsistent with the

protective intent of policies of the Local Coastal Plan, which designates areas as an Environmentally Sensitive Habitat (ESH), and the Federal Endangered Species Act. Effects on marine mammals would likely be insignificant, unless a group of pinnipeds attracted to the area were killed by a blast. Insufficient data are available to estimate the radius of potentially significant disruption due to blasting, particularly for disturbances to animals attracted to an area by the presence of fish stunned by a blast.

MITIGATION:

1. Conduct all pipeline construction activities between September and November to avoid interference with reproductive activities of California Least Terns, consolidate landfalls at surf.

2. Reroute pipeline away from subtidal reef so to avoid direct construction impact including anchor scarring.

3. Avoid or restrict, blasting for pipeline burial. To minimize adverse biological effects of possible blasting near the proposed pipeline landfall, the feasibility of using a directionally drilled landfall could be established. If blasting is required, the use of multiple small charges instead of fewer large charges would be expected to have less impact on at least some organisms; and restriction of this activity to late September through March would minimize interference with least tern use of the area near the Santa Ynez River mouth. Note, however, that from December through March this would result in scheduling the activity to occur during the gray whale migration period.

MARINE BIOLOGY

IMPACT: Damage to kelp canopy off Ellwood due to Exxon crew boat traffic.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Impacts of Exxon's crew boat traffic on the kelp bed off Ellwood would be additive to documented vessel-traffic-related reductions of kelp canopy in that area (about 50 acres). Depending on the extent of restriction of the traffic to prescribed narrow travel corridors, the impact could be significant or insignificant. On an industry-wide basis, crew and supply boat traffic is proposed by the Fisheries Liaison Office to be restricted to offshore areas that would minimize conflict with fishing vessels, including the halibut fishery on Hueneme Flats [California Coastal Commission, 1985].

MITIGATION:

To mitigate the impact of Exxon crew vessel traffic on the Ellwood kelp bed, there could be specification on navigation charts and enforcement of a narrower corridor (on the order of 150 feet in width) through the bed, or Exxon could use Carpinteria as an alternative crew base site, as proposed by some other operators.

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CULTURAL RESOURCES

IMPACT: Cable installation could damage the submerged historic Meheria wharf.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

The remains of the historic Meheria wharf have been submerged for some time now, and it's exact location has been lost. Construction and cable installation could easily damage what's left of the wharf if it's location is not noted and avoided.

MITIGATION:

Union will survey the power cable landfall site with scuba divers to insure that it is not at the wharf's location. The cable landfall will be moved if the site of the former Meheria wharf is encountered.

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CULTURAL RESOURCES

IMPACT: Direct impact to two potential shipwrecks (anomolies).

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Construction and placement of the pipeline could damage shipwrecks in the project area by burial and crushing or direct action of construction equipment. While the noted anomolies have not been positively identified as shipwrecks, the possibility exists that these are valuable cultural resources.

MITIGATION:

The primary mitigation in this case is avoidance. By placing the pipeline far enough from the observed anomolies, the construction process will not effect the potential shipwrecks at all. If, for some reason this is not completely possible the anomolies will be intensively surveyed by Union. If it is determined that any affected anomoly is a significant shipwreck, and it appears to be vulnerable to nearby construction, the shipwrecks will, after consultation with the State Historic Preservation Office, be salvaged or moved.

SECTION B

IMPACTS ASSOCIATED WITH HAZARDS ACCIDENTS AND OIL SPILLS

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MARINE WATER RESOURCES

IMPACT: Surface oil slicks, tar balls, contamination of sediment and other adverse water quality changes (lowering of dissolved oxygen, solubilization of potentially toxic chemicals, decrease in light transmittance) due to unlikely major oil spill.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Oil spills are, in general, expected to be an uncommon event. The most probable spills of oil will be those that are small in volume (within a few gallons to a few cens of barrels) originating from leaks, ruptures and equipment failures. Larger spills are less likely, but could originate from such events as well head blowouts and major pipeline ruptures. It is estimated that the chronic, low-volume spillage will result in impacts of low significance while a large spill would result in an impact of high significance.

A large oil spill (e.g., 1,000 barrels) could result in acute effects on the water quality and/or bottom sediments. Increases in oil content in the water, and increased BOD, COD and turbidity would likely cause water quality criteria to be exceeded for such parameters as dissolved oxygen and toxic organics concentration. In addition to acute effects, the residual oil (after some weathering and degradation) will contribute to chronic sublethal effects as mentioned above for small spills.

The probability of a spill of more than 1,000 barrels occurring during the 20-year project life is about 0.7 percent for the platform area and 0.6 percent for the offshore pipelines in the area near shore. (Given these probabilities, the spills may be referred to as "unlikely" during the 20-year project life.) The conditional probability of shore contamination (near Point Arguello) in the latter case is very high (about 40-50 percent). A spill near Platform Irene would have only a 5-10 percent conditional probability of reaching shore near Point Arguello, but would have a slightly larger probability (than a nearshore pipeline spill) of reaching one of the Santa Barbara Channel Islands (approximately 2-3 percent conditional probability).

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It is uncommon for more than 10 percent of oil from a major spill to be recovered, and it is known that persistent effects can be found even after 10 years in some areas such as soft sediments in shallow protected waters. Because of the large areas potentially affected, the magnitude of the changes in water column and sediment chemistry, and the potentially long recovery time for sensitive marine areas, such as spills are considered to have a significant impact.

MITIGATION:

OIL SPILL CONTINGENCY PLAN

Oil Spill Contingency Plans have been prepared by Union for the Platform Irene Project and by Exxon for the Project Shamrock Platform. These plans describe the organization, equipment and resources, and the notification and operational procedures that will be implemented by the response team to prevent, report, contain, and clean up potential oil spills. The plans will be reviewed and updated annually.

The facilities and resources for coping with an oil spill are framed within a three-level response philosophy developed by Federal and State agencies. The first level is a fast response utilizing onsite operator's equipment on the platform. This equipment - consisting of booms, small boats, skimmers, sorbents, etc. - would be capable of handling spills of up to about 20 barrels (840 gallons). The second level of response would include the facilities and equipment of the oil spill cooperative, Clean Seas, Inc., and other nearby cooperative organizations and outside contractors. These resources can handle oil spills of 10,000 barrels or more, are on 24-hour alert, and have equipment prepositioned for rapid deployment at various points along the coastline to protect environmentally sensitive areas. To ensure rapid response to larger spills, Clean Seas, Inc. plans to acquire a well-equipped spill response vessel, 160 to 200 feet in length, for specific duty in the Point Arguello/Point Pedernales area. Clean Seas, Inc.'s existing spill response vessels will be capable of arriving to this area within four to eight hours of notification

For even larger spills, or for spills which cannot be contained by the second-level resources because of weather limitations, the third level of response would involve the U.S. Coast Guard Pacific Strike Team. This organization maintains trained personnel and extensive oil spill containment and removal equipment as well as access to additional resources from Federal agencies and private industry outside the local spill area. This response level would be called upon after the need for more extensive resources had been established.

Table 5.11-4 in the Final EIR summarizes the oil spill control equipment held by the different organizations.

PIPELINE MITIGATIONS

Conduct Periodic Safety Audits and Inspections - Audits of all safety-related systems at periodic intervals after commissioning should be required of Union to reduce the probability and consequences of accidents.

Effectiveness: Significantly reduces frequency and volume of oil spills.

Design Offshore Pipeline Routes to take Advantage of Any Potential Intrusion Traps - Undulations in a subsea oil pipeline will create natural intrusion traps in the event of pipeline rupture, limiting the amount of oil released in such a case. The current pipeline routes rise gradually from Platform Irene and to the landfall; no such intrusion traps would be formed. Union should review alternative routes to see if advantage might be taken of seabed topography to create intrusion traps.

Effectiveness: Significantly reduces volume of oil spilled from subsea pipelines.

Install Additional Subsea Isolation Valves - Subsea isolation valves that can be remotely operated can potentially limit the inventory of oil or gas lost in the event of a leak or rupture. The number and placement of valves on oil pipelines will be based on analysis of any potential intrusion trap locations such that the maximum oil loss is minimized and subject to approval of the staff of the State Lands Commission. Isolation valves on gas lines would limit discharges and associated consequences in the immediate vicinity of platforms and at nearshore shallow water locations.

Effectiveness: Reduces volume of oil and gas spilled from subsea pipelines.

Adverse effects: Increases frequency of minor spills, reduces availability of pipelines.

Provide State-of-the-Art Oil Pipeline Integrity Monitoring System - Union has indicated that an integrity monitoring system will be installed on the oil pipeline from Platform Irene to shore. The system has not yet been designed, but will use the latest proven techniques to give high discrimination to enable detection of small leaks. It is noted that variable compositions of the oil-water emulsion may make the measurement difficult, particularly if there is any possibility of pockets of gas in the pipeline.

Effectiveness: Reduces volume of oil spilled from main oil pipeline.

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MARINE BIOLOGY

IMPACT: Damage to subtidal ecology due to major oil spill.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Oil spills are expected to be an uncommon event. The most probable spills of oil will be those that are small in volume (within a few gallons to a few tens of barrels) originating from leaks, ruptures and equipment failures. Larger spills are less likely, but could originate from such events as well head blowouts and major pipeline ruptures. It is estimated that the chronic, low-volume spillage will result in impacts of low significance while a large spill would result in an impact of high significance.

A large oil spill (e.g., 1,000 barrels) could result in acute effects on the water quality and/or bottom sediments. Increases in oil content in the water, and increased BOD, COD and turbidity would likely cause water quality criteria to be exceeded for such parameters as dissolved oxygen and toxic organics concentration. In addition to acute effects, the residual oil (after some weathering and degradation) will contribute to chronic sublethal effects as mentioned above for small spills.

The probability of a spill of more than 1,000 barrels occurring during the 20-year project life is about 0.7 percent for the platform area and 0.6 percent for the offshore pipelines in the area near shore. (Given these probabilities, the spills may be referred to as "unlikely" during the 20-year project life.) The conditional probability of shore contamination (near Point Arguello) in the latter case is very high (about 40-50 percent). A spill near Platform Irene would have only a 5-10 percent conditional probability of reaching shore near Point Arguello, but would have a slightly larger probability (than a nearshore pipeline spill) of reaching one of the Santa Barbara Channel Islands (approximately 2-3 percent conditional probability).

It is uncommon for more than 10 percent of oil from a major spill to be recovered, and it is known that persistent effects can be found even after 10 years in some areas such as soft sediments in shallow protected waters. Because of the

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large areas potentially affected, the magnitude of the changes in water column and sediment chemistry, and the potentially long recovery time for sensitive marine areas, such as spills are considered to have a significant impact.

MITIGATION:

For a discussion of mitigation measures refer to the mitigation section in Marine Water Resources, page 6.

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MARINE BIOLOGY

IMPACT: Mortality and disturbances of seabirds and/or marine mammals due to unlikely major oil spill and cleanup activities.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Major spills from the proposed offshore pipelines were projected to be generally smaller (up to 18,000 barrels) and about as likely (slightly less than 1 percent over 25 years) than major platform spills. However, a spill from the halfway point of the proposed pipeline connecting Platform Irene to shore would have about a 40 percent likelihood of reaching shore along the mainland coast near Point Arguello, with about a 1-4 percent annual conditional likelihood of landfall between Point Arguello and the Santa Ynez River mount. An oil spill of about 1,000 barrels or more reaching the vulnerable Point Arguello or Santa Ynez River resources could result in marine biological impacts of regional significance.

The results of the oil-spill modeling analysis indicate that spills originating at the proposed offshore facility locations are generally more likely to move out to sea than to reach land. However, the locations of highest overall landfall probability (up to about 0.6 percent for a spill of over 1,000 barrels over the projects' lifetime) are of recognized special importance of marine biota: the mainland coast from Gaviota to the Santa Ynez River mouth, particularly around Point Arguello. The Point Arguello area supports extensive rocky intertidal habitat, three seabird colonies and two harbor seal hauling grounds. Conditional landfall probabilities at other locations are generally unlikely to occur in the projects' lifetime, less than or equal to 1 in 1,000 years.

Because of their extraordinary sensitivity to oil-spill impacts and likely presence in areas affected by a spill, seabirds would be expected to incur the mortality impacts of local and/or regional significance documented in past spills as a result of oiling, with the extent depending on spill size and location. Fur-bearing marine mammals -- including the federally threatened/state protected southern sea otter, federal candidate Northern fur seal -- are less abundant and therefore less likely to encounter the spilled oil, but would

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be expected to experience impacts of local to regional significance if they did because of lack of avoidance behavior and because of the high likelihood of mortality following oiling of their pelts. Rocky intertidal areas characterize the more likely landfall locations, and the associated invertebrate communities would be expected to experience insignificant to significant impacts of local to regional significance in the form of mortality because of smothering by oil depending on the spill volume, time of year and degree of weathering prior to impact. Mechanical cleanup would have additive adverse impacts on these organisms. Impacts to subtidal benthos in nearshore waters including commercially exploited species would be expected to be either insignificant or significant local significance because of smothering and cellular toxicity, with likely insignificant regional significance unless weather conditions (heavy seas) caused large amounts of oil to reach the sea floor. Effects on water column organisms would include mortality of early life stages, but are expected potential (rapid reproductive turnover) of these groups.

MITIGATION:

For a discussion of mitigation measures refer to the mitigation section in Marine Water Resources, page 6.

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TERRESTRIAL BIOLOGY

IMPACT: Offshore oil spill reaches coastline. Impacts to vegetation, wildlife and aquatic habitat and biota including ten or more rare species.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Impacts to terrestrial and fresh water biota from an offshore oil spill could range from significant to mitigable, locally to regionally significant depending on the amount and location of oil deposition.

Given the probability of an oil spill at Platform Irene and the probability of such a spill reaching the mouth of the San Ynez River in five days, there is a 0.30 percent chance that a winter or spring spill greater than 100 barrels would occur and reach the river mouth during the platform's 25-year lifetime. There is a 1.9 percent chance that the same type of oil spill would result in an oil landfall south of the Santa Ynez River mouth.

There is a 0.29 percent chance that a greater than 100 barrels winter spill would occur from the offshore pipeline between Platform Irene and land and would reach the mouth of the Santa Ynez River and a 2.5 percent chance that the same spill type would result in an oil landfall south of the river mouth during the pipeline's lifetime. Although these probabilities are low, the consequences of offshore oil reaching land could be severe. Oil reaching the mouth of the State Ynez River could have significant or significant and mitigable, locally to regional impacts on tidewater gobies by clogging their gills, covering spawning habitat or decreasing food availability and/or on the California Brown Pelican by direct contact or decreasing food availability.

MITIGATION:

For the Project Area, an oil spill response plan which includes the following actions and procedures should be formulated and approved by the State Lands Commission:

- Locations of sensitive biological resources identified and mapped.

- Site-specific containment procedures developed; for example, protective barriers deployed at the mouth of the Santa Ynez River, San Antonio Creek, and/or other estuaries to prevent oil entry in the event of the offshore spill.

- Containment and cleanup equipment located in an accessible area near sites of potential use; for example at Surf or at the oil water treatment facility at Vandenberg AFB, with a goal of decreasing response time to less than two hours in the event of a nearshore pipeline spill.

- Regular drills conducted so that personnel are familiar with the area and equipment.

- The no-cleanup option would need to be evaluated for ecologically vulnerable habitats such as dunes and sandy beaches, salt marshes, lagoons, and riparian area.

- Cleanup operation using low-impacts site-specific techniques; for example, in salt marsh and other estuarine habitats, cutting off contaminated vegetation and low-pressure water flushing from boats would be preferable to extreme measures like shoveling, bulldozing, raking, and draglining.

Union could also contribute funds to support Vandenberg AFB's oil bird rehabilitation program.

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AESTHETIC RESOURCES VISUAL

IMPACT: Oil Spills: Direct impacts on scenic quality particularly of beach areas.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Offshore spills or leaks from platforms or subsea pipelines could wash up in public use areas and create, depending on the magnitude, significant visual impacts. The impact on sandy beaches would probably be short-term with total cleanup efforts completed within five years. The effects would be more obvious and longer term at Point Sal and Civilian Beach due to their rock headlands. Such oil spills, however, are considered unlikely.

MITIGATION:

For a discussion of mitigation measures refer to the mitigation section in Marine Water Resources, page 6.

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COMMERCIAL FISHING AND KELP HARVESTING

IMPACT: Pre-emption of harvest in an productive fishing ground by unlikely major oil spill.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

From oil spills of about 1,000 to 100,000 barrels of oil, physical pre-emption for up to one month or more of is to 750 square miles of fishing grounds could occur. Enough of the productive tow or set gear fishing areas for rockfish, sole and/or halibut would be precluded from fishing so to substantially reduce the catch of affected fishermen.

The probability of a major oil spill from a pipeline is considered rare, occurring once in 16,000 years.

MITIGATION

For a discussion of mitigation measures refer to the mitigation section in Marine Water Resources, page 6.

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GEOLOGICAL HAZARDS

IMPACT: Seismicity - Ground shaking, with resulting damage to pipelines and possible failure.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

In the event of an earthquake, ground shaking could result in a pipeline break or damage which would result in leaking of oil.

MITIGATION:

For a discussion of mitigation measures refer to the mitigation section in Marine Water Resources, page 6.

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SYSTEMS SAFETY AND RELIABILITY

IMPACT: Subsea pipeline break, leak and/or large leak.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Important failure modes for both offshore and onshore pipelines are due to such causes as external corrosion, external impact (i.e., anchor dragging), errors. Historical data indicate that these three causes account for a majority of all pipeline failures.

A number of surveys have attempted to differentiate pipeline failures by offshore/onshore, product carried, diameter, etc., but only the diameter has proven to be significant (with the failure rate decreasing as the diameter increases). For these projects, a higher failure rate is used for the small pipelines (12 inches or less in diameter) than for the larger pipelines.

In the event of an oil pipeline rupture, there will be early-time losses due to the continued pumping of oil until the break has been detected and all the pipeline pumps shut down. Because of the length of pipeline from the offshore platforms to Lompoc, which will delay the onset of flow discrepancy alarms, and the need for Lompoc then to request the platform to shut down pumping, it is estimated that a reasonable reaction time will be around ten minutes. The loss due to pumping is much less than the inventory lost after pumping has stopped, hence minor variations in response times will not appreciably affect the total quantity lost.

Once pumping has stopped, ocean water will intrude into the broken pipeline sections and expel oil. If the pipeline were completely horizontal and the line were completely severed, the loss would equal the total inventory in the subsea segments. However, any rise in the pipeline across the sea bed will lead to an "intrusion trap" where lighter-than-water oil becomes trapped above water and prevents further oil release. As the project pipelines rise to landfall, the extent of loss will depend greatly on the location of the rupture. The maximum loss from a break in the subsea pipeline connecting Platform Irene to Lompoc is assumed to be 18,000 barrels of dry oil if the break is near shore, with lesser volumes for breaks elsewhere in this line.

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IF, instead of a rupture, there were to be a sizeable leak, approximated by a two-inch diameter hole, the initial release rate would be significantly lower and only 250 to 350 barrels of dry oil would be released in the first ten minutes. However, unless an early repair were possible, the pipeline would slowly lose more oil, estimated at up to 2,000 barrels of dry oil for the line from Irene to shore.

In the event of a small leak, historical data suggest that the spillage would be no more than 100 barrels of dry oil.

MITIGATION:

For a discussion of mitigation measures refer to the mitigation section in Marine Water Resources page 6.

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SECTION C

CUMULATIVE EFFECTS

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MARINE WATER RESOURCES

IMPACT: Cumulative impacts to marine water resources due to discharges from platforms, pipelines, and oil and gas treatment facilities with ocean discharges.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Considering normal operations, the cumulative oil development scenario is expected to result in some impacts of moderate significance on marine water resources, particularly marine sediments. Other impacts of lower significance may also occur (e.g., those associated directly with platform discharges of drill muds and cuttings, and produced water), but the impacts are expected to be near-field, i.e., restricted to the areas within 100 meters of the point of discharge. Oil spills (abnormal events for large spills) are expected to result in impacts of low to high significance associated with large oil spills (e.g., more than 1,000 barrels).

Because the cumulative scenario components that affect marine water resources are essentially all oil-related and involve primarily the additions of new offshore oil platforms, the nature of the impacts expected on marine water resources is the same as those described in Section 5.4 of the Final EIR. Following from this viewpoint is the rough assessment that the proposed (two-platform) projects constitute slightly less than 5 percent of the cumulative scenario. The significant impacts associated with normal operations derived primarily from expected changes in sediment texture and chemistry over extended areas (outside the zone of initial dilution allowed for waste waters -- typically about 100 meters from the point of discharge) around each platform which could persist for some time (years to decades, after termination of production activities. The changes in sediment properties were linked to the platform discharges that contained settleable solids (especially drill cuttings and drill muds) or that contained pollutants which could become associated with suspended solids and eventually reach the bottom sediments (e.g., produced water discharges). Sediment chemistry changes could include

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increases in concentrations of certain metals (Zn, Ba, Cr) and organics, as well as a lowering of the oxygen content due to burial and/or deposition of oxygen-demanding material.

The overall magnitude or extent of the impacts on sediments in the cumulative scenario is difficult to quantify; however, rough comparisons may be made with the impacts described for the proposed projects (two platforms) using the number of platforms as the factoring parameter to estimate total wastewater discharge volumes, sediment areas affected (Table 6.4.1 of the Final EIR), or other pollutant loads of special interest. The cumulative scenario could result in a roughly ninefold increase in the total waste water discharges to the Santa Maria Basin and a corresponding ninefold increase in the area of marine sediments affected by components of the platform discharges. The total sediment area affected with such deposits could exceed 1,000 square kilometers. In areas where platforms are clustered together or are aligned on a geologic feature that restricts dispersion, the sediment areas affected by such platforms may overlap and effect use of the seafloor by a full array of benthic organisms, bottom feeders, or other aquatic biota. This clustering is expected for the two platforms in the proposed projects, for three platforms in the Area Study, and for a portion (perhaps one-third) of the platforms considered in the cumulative scenario.

Adding to the uncertainty in this cumulative analysis is uncertainty over the types of drill muds and additives (e.g., biocides) that may be used at the new platforms.

The time span over which these impacts will take place is only moderately longer than that for the proposed projects. The future platforms in the cumulative scenario are expected to be installed by 1991. A 20-year (typical) production life would then lead to cessation of discharges and project abandonment in the decade following 2010. Impacts associated with contaminated sediments, if any, could continue for years to decades after this time.

With regard to oil spills, the impacts described in Section 5.4.2.2 of the Final EIR remain and keep their same significance classification; but the degree of significance (and probable impacts) increases roughly in proportion to the increased probability of such spills. With the base cumulative scenario, it is estimated that over the lifetime of the platforms there is a 33 percent chance of a blowout oil spill of more than 1,000 barrels and a 20 percent chance of a blowout spill of more than 10,000 barrels. In addition, there is a 5 to 10 percent chance for a spill of 1,000-10,000 barrels from the larger offshore pipelines and a 50 percent chance for spills of 500-5,000 barrels from smaller pipelines. Such oil

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spills not only have a direct effect on the water quality and biota in the areas affected, but can also contribute to the longer-term problem of sediment (and beach) pollution mentioned above.

MITIGATION MEASURES

The mitigation measures described in Section 5.4.5.0 of the Final EIR mitigate impacts expected as a result of future development in the Santa Maria Basin and the Santa Barbara Channel. The importance of these mitigation measures, especially the baseline survey in the Santa Maria Basin and monitoring programs for this Basin and the Santa Barbara Channel, takes on added importance in this scenario because of the added number of platforms involved, the approximately twofold increase in pollutants discharged from all oil-related activities, and the corresponding potential for areawide sediment impacts.

Should baseline and impact monitoring programs demonstrate that significanct impacts on sediments ae likely to occur as part of the cumulative development, then further mitigation of platform disharges would need to be considered. These controls could include barging of drill muds and cuttings for onshore or deep-water disposal, and treatment or reinjection of produced water. Additional constraints on the use of certain drill fluid additives (e.g., biocides) might also be required.

If additional platforms and pipeline assumed for the cumulative scenario are assumed to come with commitments for oil spill containment and response that are similar to those made by Union and Exxon for the proposed projects, then no additional oil spill mitigation measures are recommended on the part of the individual oil companies. However, increasing the response capability (in terms of equipment, personnel, and response time) by both private (e.g., Clean Seas) and public responding to major spills would be necessary.

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MARINE BIOLOGY

IMPACT: Cumulative damages to benthos and demersal fish due to construction and operations of offshore pipelines.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Unlike the proposed projects, combined construction and operations impacts of four additional Area Development platforms and connecting pipelines would have the potential to affect several offshore hard-bottom benthic features and associated demersal fishes of the Santa Maria Basin. These effects could be of regional as well as local significance because of the number, extent and vulnerability of the features affected.

MITIGATION:

- A program to limit cumulative impacts on offshore bottom associated species would include application to future platforms and pipelines of the mitigations believed to be appropriate on the basis of the monitoring and conditioning program for Platform Irene and/or the Shamrock project as described in Section 5.5.5 of the Final EIR..

- Restricting the number of Central Santa Maria Basin platforms and connecting pipelines constructed and operated in overlapping timeframes could serve to mitigate otherwise adverse cumulative impacts on benthos and demersal fish and to reduce to or maintain oil spill probabilities at a predetermined level of rare risk (probability of less than one in ten thousand years).

- Containment and cleanup equipment located in an accessible area near sites of potential use; for example at Surf or at the oil water treatment facility at Vandenberg AFB, with a goal of decreasing response time to less than two hours in the event of a nearshore pipeline spill.

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- To partially mitigate the potential losses of hard-bottom benthos from construction vessel anchoring pipeline route, restrictions of vessel activities would need to include marking and monitoring adherence to safe vessel operating areas of minimum size, minimizing the number of anchoring events, and minimizing anchoring attempts near raised profile hard-bottom features. Exxon could be required to develop and implement an agency approved anchoring plan, including suspension of construction when weather/sea conditions prevent strict adherence to the plan. Semi-permanent moorings could be established in soft-bottom area to allow construction vessels to tie up rather than re-anchor except wh n re-anchoring for work in progress or for safety rea..ons. If post-construction surveys document sufficient change, additional hard-bottom features could also be established by placement of boulders on the sea floor in areas upcurrent of or beyond the impact areas and areas of expected produced water, mud and cuttings deposition. To have replacement value for impacted features, such reefs would need to be established in the same depth range as the impacted features, and be of sufficient height to preclude burial by shifting sediments. A negative impact on commercial trawl fishing from establishment of new reefs could be avoided by using relatively smooth reef building materials, and rockfish habitat would be improved.

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CULTURAL RESOURCES - CUMULATIVE

IMPACT: Direct destruction or burial of offshore cultural resources due to platform or pipeline installation.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Offshore cultural sites (archaeological or historic) are subject to destruction and loss of context during all phases of construction and installation of the proposed platform and pipeline. Burial, crushing, movement of artifacts and sediment, and other construction-related damage is highly likely if such sites are not avoided.

MITIGATION:

Intensive surveys at all construction sites, and avoidance are the primary mitigation measures to be undertaken. In those rare instances where a cultural site is identified and cannot be avoided, the resource will be relocated or a data salvage operation will be instituted, using professional archaeological standards, to completely preserve all aspects of the resource.

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COMMERCIAL FISHING AND KELP HARVEST

IMPACT: Pre-emption of drag, drift, seine or set fishing areas by concurrent construction of projects.

FINDING: Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect identified in the final EIR/EIS.

FACTS SUPPORTING FINDING:

Cumulative effects that are likely to be greater than those for the individual projects could occur for drag, set areas, drift gill net, and possibly seine fishing. Some effects could be felt by fishermen who use several gear types, e.g., those equipped for both set gear and drift fishing. Increased support vessel and tanker traffic increases the potential for interference with all types of fishing and damage to fishing gear, particularly set gear and drift gill nets. In particular, boat traffic through nearshore waters could increase substantially in the vicinity of Ellwood and/or Gaviota. Effects of increased vessel traffic would most likely be insignificant for all but set gear fishing, or would be significant but mitigable for damage to the kelp canopy. In most cases covered here, the relative contribution of the proposed projects to the cumulative impacts is small and proportionate to the limited extent of the offshore components proposed.

MITIGATION:

The measures discussed in Section 5.10.1 of the Final EIR to mitigate impacts of the proposed projects, alternatives and Area Development on commercial fishing and kelp harvest are also applicable to mitigate cumulative impacts. A measure with particular applicability to cumulative effects is the phasing of multiple project construction and operations activities to avoid overlapping pre-emption of important fishing grounds.

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