

MINUTE ITEM
This Calendar Item No. 17
was approved as Minute Item
No. 17 by the State Lands
Commission by a vote of 3
to 0 at its 2/17/87
meeting.

CALENDAR ITEM

A 35
S 18

17

02/17/87
WP 4977
Louie
Small

DENIAL AB 884

APPLICANT: Exxon Corporation
Attn: Thomas J. Tibbits
Environmental and Permitting
Affairs Manager
P. O. Box 5025
Thousand Oaks, California 91359

BACKGROUND:

Exxon has several contiguous federal oil and gas leases located in the Santa Barbara Channel which are being developed as a unit. Exxon currently has one platform (Hondo) producing from this unit. The production is processed and stored in an offshore oil storage and treatment vessel (O S & T) located just outside the three-mile limit in Federal waters.

Exxon has been attempting for several years to expand its offshore development and applied to the County of Santa Barbara for an onshore processing facility and marine terminal facility to process and transport up to 140,000 barrels of oil per day. Negotiations have occurred between the County and Exxon for several years.

Early in the negotiations a difference of opinion arose between the County and Exxon concerning whether the County had authority to impose mitigation and offset requirements for air emissions generated from the proposed facilities to be located in federal waters. Litigation ensued and eventually settlement agreements were reached which were designed to resolve the dispute. However, the County Board of Supervisors in September 1986 acted to require Exxon to provide air emission offsets for air emissions expected to be generated by Exxon's platforms in federal waters and, in Exxon's opinion, breached the settlement agreements. Exxon then appealed to the Department of Commerce

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to authorize it to expand its offshore development and expand its O S & T's processing capability. The Department of Commerce held a public hearing in Santa Barbara on November 21, 1986. A final decision from the Secretary of Commerce is expected shortly.

Exxon has broken off all negotiations with the County of Santa Barbara, and to the best of our knowledge, is pursuing only its option for expansion of the existing O S & T. The County of Santa Barbara has apparently offered a compromise to Exxon. But, Exxon has stated that the proposal is not a compromise it is willing to accept.

As part of its project to develop the federal leases, Exxon had submitted to the Commission an application for an expanded oil and gas pipeline right-of-way, and an expanded marine terminal. This application was declared complete on July 8, 1986.

At various meetings with Commission staff, the applicant was informed that air pollution emission models comparable to that being performed in the EIR/EIS for ARCO's Coal Oil Point Project in State waters would be required for the applicant's project. In addition, since Exxon's project included a marine terminal to be located on an existing State oil and gas lease, (PRC 2991) owned by UNOCAL, the State had an obligation to ensure that it would not interfere with the future development of that lease. The staff also believed that an in depth traffic analysis would be required to determine if the marine terminal could interfere with future platforms that might be located on the lease.

Exxon agreed to fund these studies. However, since the County of Santa Barbara as lead agency had decided to prepare a supplemental environmental impact report on Exxon's project, the Commission staff believed that the supplemental EIR was the appropriate vehicle for the air quality and marine traffic impact analysis desired by the staff. Therefore, as part of the public notice and comment process used in the preparation of the County's supplemental EIR, the Commission's staff fully informed the County regarding the information desired by the Commission in the County's Environmental document. These requests were made during both the Notice of Preparation of the EIR and the Draft EIR. On September 9, 1986 the County certified its supplemental EIR.

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The staff reviewed the Draft and Final supplemental EIR prepared by the County. The information and studies requested by the staff were not in it.

Therefore, the Commission found the EIR to be inadequate for permitting the marine terminal, and authorized staff and the Attorney General's Office to commence legal proceeding challenging the adequacy of the County's supplemental EIR. The Commission has filed this law suit, and it is still pending.

However, the Commission and County have reached an agreement in principle settling the lawsuit under which the Commission would be able to obtain the environmental information it needs to make a decision on the proposed lease. Exxon has refused to concur in the settlement, indicating that it currently wishes to focus its attention on obtaining approval of its offshore processing alternative.

Statutory deadlines require that the Commission render its decision on Exxon's lease application by March 2, 1987. Staff and the Attorney General's office have contacted Exxon to seek an extension of that deadline (as permitted by law). Such an extension would allow further time for disposition of the Department of Commerce appeal and preserve the onshore processing alternative as an option for Exxon. Exxon, however, expressly refuses to consent to the extension. Under these circumstances, the Commission has no alternative under law but to deny the lease application without prejudice.

AB 884: 03/02/87.

OTHER PERTINENT INFORMATION:

1. This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 6370, et seq. but will not affect those significant lands.
2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a statutory exempt project. The project is exempt because CEQA does not apply to projects which a public agency rejects or disapproves.

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Authority: P.R.C. 21080(b)(5) and 14 Cal.
Adm. Code 15270.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 AS A STATUTORY EXEMPT PROJECT PURSUANT TO P.R.C. 21080(b)(5) AND 14 CAL. ADM. CODE 15270 PROJECTS WHICH A PUBLIC AGENCY REJECTS OR DISAPPROVES.
2. DETERMINE THAT THERE IS NOT PRESENTLY AVAILABLE SUFFICIENT AIR QUALITY AND MARINE TRAFFIC INFORMATION FOR THE COMMISSION TO DETERMINE WHETHER EXXON'S PROJECT WILL INTERFERE WITH DEVELOPMENT OF OIL AND GAS RESOURCES ON AN EXISTING STATE LEASE. IN ADDITION, EXXON HAS DECIDED TO EXPAND ITS EXISTING O S & T AND NOT PROCESS ITS OIL ONSHORE. THEREFORE, EXXON HAS STATED TO THE COMMISSION STAFF AND OFFICE OF THE ATTORNEY GENERAL THAT IT HAS NO PRESENT NEED FOR THE NEW PIPELINE OR MARINE TERMINAL.
3. DENY, WITHOUT PREJUDICE, EXXON'S APPLICATION FOR A MARINE TERMINAL AND OFFSHORE PIPELINE RIGHTS-OF-WAY.

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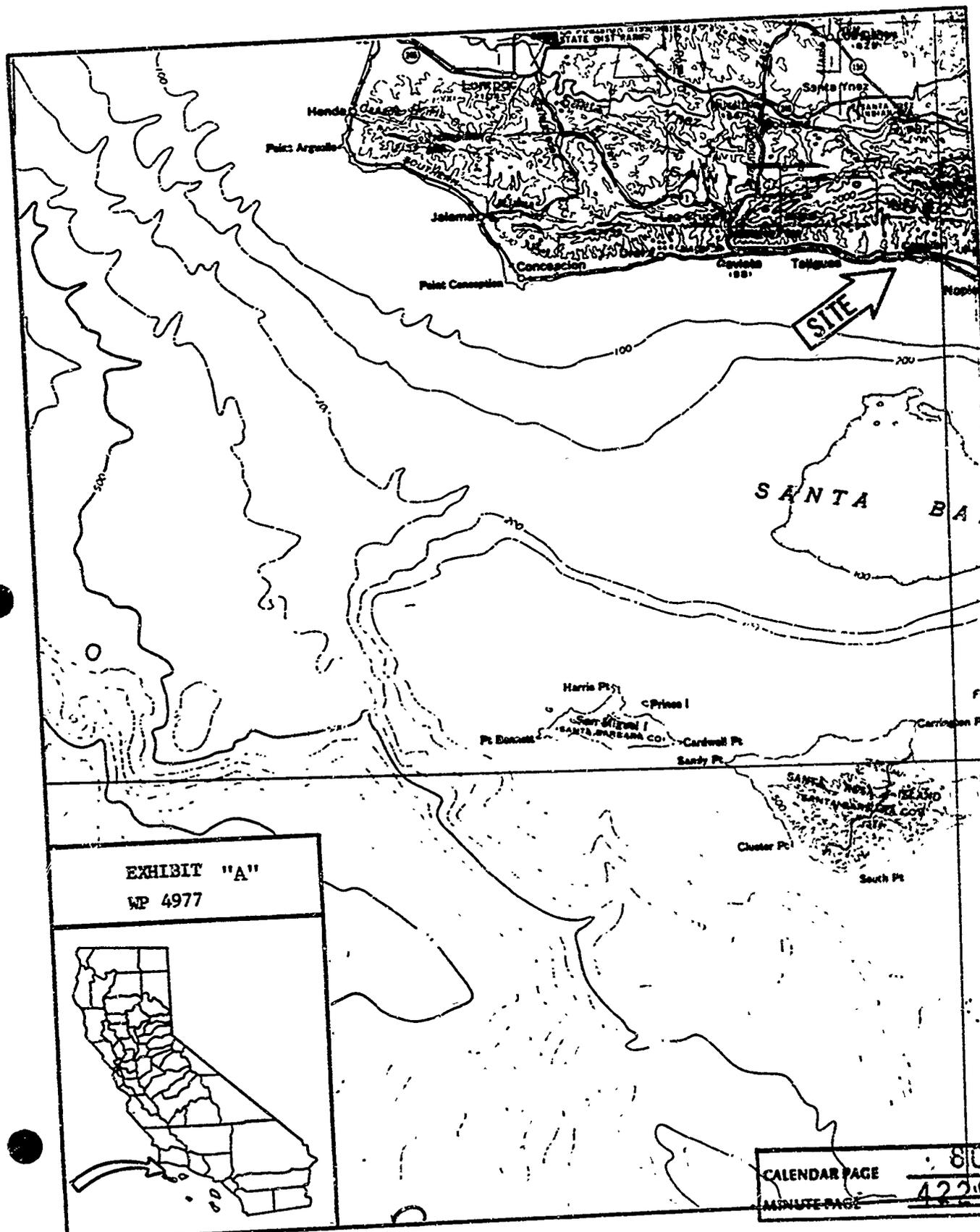


EXHIBIT "A"
WP 4977



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