BEFORE THE STATE LANDS COMMISSION
OF THE STATE OF CALIFORNIA

IN THE MATTER OF	)	
	)	
ARCO COAL OIL	)	EIR/EIS Public Hearing
	)	
POINT PROJECT	)	

TRANSCRIPT OF PROCEEDINGS
Tuesday, January 13, 1987
2:00 p.m. & 7:00 p.m.

County of Santa Barbara
Board of Supervisors Hearing Room
105 East Anapamu Street
Santa Barbara, California

APPEARANCES

STATE OF CALIFORNIA

State Lands Commission

Leo T. McCarthy, Lieutenant Governor - Chair
Nancy Ordway, Office of Director of Finance
Gray Davis, State Controller
Jim Tucker, Assistant

Staff

Claire Dedrick, Executive Officer
James Trout, Assistant Executive Officer
Robert Hight, Chief Counsel
W.M. Thompson, Chief Extractive Development
Frederick Ludlow, Staff Counsel
Richard Frank, Deputy Attorney General

APPLICANT

ARCO Oil and Gas Company

Richard Ranger, Regulatory and Permitting Director
Paul Norgaard, Counsel

-oOo-

INDEX TO WITNESSES

Volume 1 — Page No.

Chair McCarthy, Opening Remarks..... 1

William B. Wallace, Supervisor for Santa Barbara County... 19/121

Daniel G. Aldrich, Jr.
Chancellor of the University of California,
Santa Barbara..... 37

Betsy Watson, Assistant Chancellor of the University
of California at Santa Barbara..... 44

Alice Allredge, Professor of Marine Biology at the
University of California at Santa Barbara..... 49

Carla Frisk, representing Senator Gary Hart, and
Assemblyman Jack O'Connell..... 57

Richard Ranger, ARCO Oil and Gas Company..... 62/164

Paul Norgaard, ARCO Oil and Gas Company..... 6/77

Robert Sollen, Sierra Club..... 82

Marty Blum, League of Women Voters..... 87

Roderick Clinton, Embarcadero Municipal
Improvement District..... 90

Janice Keller, Get Oil Out, Incorporated..... 91

Curt Anderson, Isla Vista Association..... 96

Michael Phinney, Isla Vista resident..... 101/203

Volume 2

Lee Moldaver, Grove Lane Association..... 105

Raymond Sawyer, Professor at the University of
California at Santa Barbara..... 107

Barry Schuyler, University of California
at Santa Barbara..... 111

Carolyn Ashbaugh, University of California
at Santa Barbara..... 114

Natasha Durovicova..... 137

Les Baird, Isla Vista resident..... 137

Roger Lagerquist, Isla Vista resident..... 139

John Langan, Isla Vista resident..... 142

William Douros, Energy Division, Santa Barbara County..... 149

INDEX TO WITNESSES
(Continued)

Volume 2

	Page No.
Maurice Scherb, Risk Management Specialist	154
Steve Dunn, Commercial Fisherman	166
Sheila Lodge, Mayor of the City of Santa Barbara	170
Kimberley Coy, Isla Vista resident	171
Alan Hur, Commercial Fisherman	176
Richard Zimmer-Faust, Marine Science Institute University of California at Santa Barbara	180
Douglas Yates, President of Associated Students, University of California at Santa Barbara	184
Marc Evans, Associated Students, University of California at Santa Barbara	188
William Gesner	190
Ralph Philbrick, Terrestrial Biologist	190
Hal Kopeikin, Local resident	193
Michael E. Boyd, Isla Vista Recreation and Park Department	197
Adjournment	206

-oOo-

1 -- PROCEEDINGS --

2

3 2:00 p.m.

4

5 CHAIRMAN MC CARTHY: Ladies and gentlemen, may
6 I ask any of you who wish to be witnesses before the Commission
7 to please fill in these slips so that we can make sure that
8 we take you in an orderly fashion.
9 Let me mention that we are going to lead with
10 Chancellor Aldrich, and then we are going to go to representatives,
11 any official witnesses, of course, from county government,
12 and then we are going to go to representatives from organizations
13 and then to individual witnesses.
14 It would be very helpful if you would please let
15 us have this information.
16 We will start in one moment.
17 [Short pause.]
18 This meeting of the State Lands Commission will
19 now convene.
20 First on behalf of my fellow Commissioners, our
21 new Commissioner, Controller Gray Davis, sitting with us
22 as a member of the State Lands Commission for the first
23 time today, and Commissioner Nancy Ordway, representing
24 the Director of Finance, I want to thank you for allowing
25 us to use these chambers, the leadership of the county

1 government to the citizens of the county, and we deeply
2 appreciate the opportunity to come in here and take testimony
3 on this most important issue that so significantly impacts
4 the lives of thousands of Santa Barbarans, and also impacts
5 a number of very critical, specific interests, such as the
6 University of California, the faculty, the students, the
7 research that is done there.
8 All of these issues are critical, high level public
9 policy issues. All of us felt it was important for us to
10 come to Santa Barbara to try to hear from you, get direct
11 input, first hand from you. To hear your concerns as people
12 who live here and work here and raise your families here,
13 of just what the application before us would do for and
14 against the county.
15 Should it go ahead in its present form? Or, in
16 some modified form?
17 Today, this is not a hearing, not a part of the
18 formal environmental impact report process. That final
19 report is being issued today--a word more on that in a moment,
20 but that formal public comment period concluded on November 1.
21 Obviously, today we want to hear the complete
22 range of your feelings about the issues that are touched
23 upon in the EIR/EIS, and other related matters that may
24 not have been, so you should feel that you have wide latitude
25 to educate us, to inform us, so that we can try to make

1 an intelligent and sensitive position.

2 I want to very specifically thank a number of
3 agencies that were involved in the development of the EIR/EIS
4 and in the total work product that has brought us to this point.
5 The State Lands Commission is just one-third of a team which
6 included the County of Santa Barbara, the United States
7 Army Corps of Engineers, but which also had the benefit
8 of a select task force of state agencies, including--in
9 a very important and unusual way--the University of California
10 at Santa Barbara, which I think had a very positive impact
11 on the quality of the work that is being done, the information
12 that is being gathered.

13 And, we also want to add our thanks to the California
14 Coastal Commission, the Department of Fish and Game, and
15 the Air Resource Board, and the Parks and Recreation Departments,
16 and the Regional Water Quality Control Board.

17 But, there are countless individuals who are trying
18 to help us grapple with important policy issues, sometimes
19 competing policy issues.

20 We are not here today to make a final decision.
21 As a matter of fact, Controller Davis and I--Commissioner
22 Davis--we were speaking before, and haven't had an opportunity
23 to speak to Commissioner Ordway about this yet, we feel
24 that the decision time on when we will take the vote on
25 this should not be at the end of January, because organizations

1 and individuals did not have the final EIR/EIS in their
2 hands, and I want to propose to my fellow Commissioners
3 that they consider shifting that date, the date of decision
4 on this application before us, to the regularly scheduled
5 meeting of the State Lands Commission, which would be on
6 March 26, if I recall.
7 Is that the specific date? March 26.
8 I think the enormity of the proposal before us,
9 is of such moment that while I don't usually continence
10 delays in taking decisions, because this decision does not
11 get any easier with an eight-week delay, still the process
12 itself which allows the gathering of information and view
13 points and assessments, is a crucial piece of this, and
14 I think at least two of us tend to feel that way.
15 Commissioner Ordway, do you have any thoughts
16 about that, at this time.
17 COMMISSIONER ORDWAY: Well, my preliminary thoughts
18 would be, given that the document comes out today, normally
19 the time is 15 days, I would be happy to have another hearing
20 in Santa Barbara on the 27th or 28th of January, and I think
21 that that would be--
22 CHAIRMAN MC CARTHY: That's a good suggestion.
23 COMMISSIONER ORDWAY: --appropriate, and then
24 we could stay on schedule for the January meeting, and not
25 delay this project.

1 I mean, the EIR portion of this project has been
2 in process for three years. To yet ask for another delay,
3 I think we should consider very seriously.
4 CHAIRMAN MC CARTHY: Well, I think originally the
5 EIR/EIS, the final EIR/EIS, was intended to be published--
6 on what date in December?
7 EXECUTIVE OFFICER DEDRICK: Originally, we had
8 expected the--we had hoped the final would come out on December
9 5, but with 2600 comments, we ended up with a--
10 CHAIRMAN MC CARTHY: No, I appreciate that--
11 EXECUTIVE OFFICER DEDRICK: --with a delay.
12 CHAIRMAN MC CARTHY: --and no, I don't intend any
13 criticism by this.
14 I think the number of comments, the time it simply
15 takes to respond to those comments, lengthened the process,
16 so I was addressing what was the original intent in the
17 schedule.
18 Commission Davis, do you have some comments?
19 COMMISSIONER DAVIS: Well, I am disappointed that
20 the EIR/EIS is not yet in the hands of the people who are
21 here to make comment to us.
22 I am interested in hearing their comments, and
23 I expect to learn from this hearing. I had the chance to
24 meet with some of the university officials, and some neighborhood
25 associations, and some commercial fishermen this morning,

1 but I do think that given the enormity of this project that
2 the community most effected by any decision this Commission
3 will make should be heard, and should have a chance to review
4 the EIR/EIS in a thoughtful way before we make a final decision.
5 I was going to propose, and now you have, between
6 the two of you, you have put two of my ideas on the table,
7 and both of which I endorse, but I would like to see if
8 the applicant would agree, under CEQA, to a 60-day extension,
9 and that this body return to Santa Barbara one time prior
10 to the expiration of those 60 days, to hear informed comments
11 from the citizens most effected by any decision we would
12 make.
13 CHAIRMAN MC CARTHY: Do you suppose that we could
14 incorporate these two ideas, Commissioner Ordway?
15 COMMISSIONER ORDWAY: Well, you obviously have
16 two votes to request a delay, so--I am just concerned. I
17 mean, the project has been going on for so long, to yet
18 ask for another delay.
19 I don't see the applicant here. Is the applicant
20 here?
21 CHAIRMAN MC CARTHY: I see a representative of
22 the applicant.
23 MR. NORGAARD: Do you want to talk to the applicant?
24 CHAIRMAN MC CARTHY: Yes, please.
25 MR. NORGAARD: My name is Paul Norgaard. I am

1 the Manager of the Western District of the ARCO Oil and
2 Gas Company.
3 I recognize that it is a significant project.
4 It has been recognized as a significant project for a long
5 time.
6 I don't think that I am prepared to give you a
7 "Yes" or a "No" right now, for a number of reasons. Some
8 legal, and some of them have the potential of jeopardizing
9 the project, and I think it would be in the best interests
10 of ourselves and yourselves, if the units--I would expect
11 that it is the County of Santa Barbara--if representatives
12 from there, and somebody from State Lands, and ourselves,
13 could sit down and discuss this, rather than in a forum
14 such as here, because there are some circumstances which
15 I am not prepared to get into right here, that have a significant
16 bearing on our project, as we have it right now.
17 You know, I recognize the final EIR is not out,
18 but the EIR/EIS was made public in, I believe, September,
19 and really nothing has changed, other than the addition
20 of the comments to the EIR/EIS, so people have had the ability
21 for about four months to review it.
22 I recognize again that it is a very detailed document,
23 and I personally have not read it, and I don't think that
24 I could have digested all of the document in four months,
25 but by the same token, I doubt that anybody will digest

1 much more of it in two months.

2 So, you know, I am very willing to sit down and

3 discuss this, very willing to sit down and come up with

4 a logical answer, but I do have some problems with it as

5 it stands right now.

6 CHAIRMAN MC CARTHY: Do you think there are any

7 legal impediments to this? If we attempt to seek an extension

8 to a date certain, under the CEQA law of California?

9 MR. NORGAARD: My understanding is that our attorney

10 says there is a problem.

11 CHAIRMAN MC CARTHY: Who says there is a problem?

12 MR. NORGAARD: The attorney that I listen to,

13 in my company.

14 In other words, we have granted one extension.

15 I believe that is all we are allowed to grant, under the

16 regulations, without something in a legal fashion that allows

17 us to get second grant.

18 CHAIRMAN MC CARTHY: Yes.

19 MR. NORGAARD: The other element that I mentioned,

20 I might just as well let you know what that is, that deals

21 with the agreement that we have with the Santa Barbara APCD,

22 and the seep, which you will hear something about today,

23 which we are capturing 1.5 million feet of gas a day off

24 of Santa Barbara, due mainly--it was installed for this

25 project, but it is there to improve the air quality in

1 Santa Barbara.

2 CHAIRMAN MC CARTHY: Yes.

3 MR. NORGAARD: And, we begin losing those irrevocably
4 at a particular point in time, and clearly if we lose them,
5 we don't have a project.

6 CHAIRMAN MC CARTHY: What is the date on which
7 you would start losing them? Do you know?

8 MR. NORGAARD: Right here, in front of you, I
9 really don't know. I can find out.

10 CHAIRMAN MC CARTHY: Well, let's find out.

11 I think that is a relevant--

12 MR. NORGAARD: It may be something that if we
13 sit down with the people who approved that agreement, they
14 may be able to grant us an extension on the dates on which
15 those seep credits--

16 CHAIRMAN MC CARTHY: Let's see what problems are
17 resolvable.

18 I have a very strong feeling, and that is why
19 I discussed it with our Commission staff a few hours ago,
20 that given the fact--and I am not blaming anybody and not
21 interested in blaming anybody--that we didn't publish the
22 EIR/EIS until today.

23 Even though what you say is true, people have
24 discussed it, they have looked at a draft, they have all
25 participated in the 2500 comments, they are seeing for the

first time the integrated work being brought together, and since this is one of the very large projects,of importance to the applicant, of importance to the county, the people who live here, I think it is important to give people an opportunity to decide.

If there is something brought forth to indicate that we unconsciously are jeopardizing some interest, then we should discuss that publicly, and see if we are, but today I would like the intention made plain that we ought to go to a vote on this by March 26, no later than March 26, unless there is some subsequent evidence that tells us that we don't have that latitude to do that.

Commissioner Davis.

COMMISSIONER DAVIS: Well, it would be my preference if the applicant would grant an extension, assuming that is within your power to do, and I believe it is.

But, if for some reason you can't, or won't, I would definitely like to have a meeting in Santa Barbara prior to the ultimate determination on this issue, because I do feel strongly that people should be allowed to provide informed comment, and since the document is not here, and they have seen it, not had a chance to reflect on the comments and any changes that may have been included by staff, and I don't want to lose the procedural opportunity to do that, so I don't know--

1 CHAIRMAN MC CARTHY: I think all three of us are
2 amenable to that. That is no problem.
3 We will arrange that date here, today.
4 The other significant point, though, is that after
5 we then take all of that further comment, how many days
6 do we have to consider that comment before we cast the important
7 vote on this issue, on all of the important pieces of this
8 issue, and then the overall proposal?
9 I asked for legal opinion a few hours ago, on
10 this point. I don't think we have a problem in postponing
11 it to March 26, but we need your specific comment, and the
12 comment from any others, to point out any serious issues
13 that might arise that we are not aware of. We tried to
14 plumb the different issues a few hours ago.
15 MR. NORGAARD: I believe the two that I mentioned
16 are the only two, and if we can work out some kind of an
17 extension with the County of Santa Barbara, with respect
18 to the seep, and the--
19 CHAIRMAN MC CARTHY: All right, we'll ask the President
20 of the Board, Wallace, to comment on that when he testifies.
21 MR. NORGAARD: Okay, and then the other one has
22 the legal questions, which apparently some lawyers need
23 to talk and reach agreement that there is a way to go ahead
24 and allow us to grant you a second extension, okay?
25 CHAIRMAN MC CARTHY: Yes.

1 Commissioner Davis.

2 COMMISSIONER DAVIS: Hopefully, the extension

3 will be forthcoming, but for some reason if it isn't, do

4 we have an understanding that we will have another meeting

5 in Santa Barbara, whether it is the day that we--

6 CHAIRMAN MC CARTHY: Yes.

7 COMMISSIONER DAVIS: --have to decide, and have

8 comment in the morning, or something, or at least have one

9 more opportunity to come here?

10 COMMISSIONER ORDWAY: My recommendation then,

11 and what I offered up to begin with, is I am available to

12 be down here the 27th or the 28th of January, and I would

13 be happy to do that, and that is before the--that would

14 give, if we put it for example on the 28th, that would give

15 the appropriate 15-day notice period, which is typical under

16 CEQA, and is also prior to the deadline for the applicant,

17 so I believe it meets both set of concerns.

18 CHAIRMAN MC CARTHY: You are suggesting that we

19 meet in Santa Barbara two or three days before we--

20 COMMISSIONER ORDWAY: That's right.

21 CHAIRMAN MC CARTHY: vote on this--

22 COMMISSIONER ORDWAY: Again, to take comments

23 again from the public on the project.

24 COMMISSIONER DAVIS: I would like to second that,

25 or vote on that, so at least we have that as a fall-back

position, if for some reason subsequent discussions don't permit the granting of an extension.

COMMISSIONER ORDWAY: Even if you were to grant an extension, I think that it would be proper for us to come back here after 15 days.

CHAIRMAN MC CARTHY: Well, we have an existing requirement that we have to vote on this no later than January 31.

COMMISSIONER ORDWAY: Correct.

CHAIRMAN MC CARTHY: So that is already set, unless we vote and act to extend that.

If we are going to vote and act to extend that, we have to do that today.

We can easily set the January meeting in Santa Barbara--

COMMISSIONER ORDWAY: Excuse me, procedural question.

I am not sure. Are we noticed to vote and act on that today? And, that is--I am just concerned procedurally. Are we noticed to vote and act on an extension, today?

CHIEF COUNSEL HIGHT: Let's get the question very clear.

COMMISSIONER ORDWAY: An extension of the January 31 date? Are we public noticed to be able to vote and act on that motion, today?

CHIEF COUNSEL HIGHT: Give me one second.

COMMISSIONER ORDWAY: Fine.

I just don't want us to err.

[Pause in proceedings.]

CHIEF COUNSEL HIGHT: It is our opinion that you can ask for and vote on an extension from ARCO, today.

COMMISSIONER DAVIS: Are you giving us two options, or one there?

COMMISSIONER ORDWAY: One.

CHIEF COUNSEL HIGHT: One option.

CHAIRMAN MC CARTHY: One option.

COMMISSIONER ORDWAY: We cannot grant the extension. ARCO has to offer the extension. It is not our decision.

CHAIRMAN MC CARTHY: No, they have to jointly agree with us.

Of course, ARCO can reject my request.

MR. NORGAARD: Certainly, we do not want to reject your request.

We want to cooperate as fully as we can, with your Board, with the County, with the college community, but you know there are certain elements that are a problem. We will work to overcome those, if we possibly can. We will grant your extension.

I am not sure who all we have to work with, but we will try to ferret them out, determine who they are, and work with them as quickly as we can.

CHAIRMAN MC CARTHY: Thank you very much.

1 EXECUTIVE OFFICER DEDRICK: We will be happy to
2 meet with Mr. Norgaard and staff, right away.
3 CHAIRMAN MC CARTHY: All right.
4 Now that leaves us with the option to, today,
5 decide on an extension of the final vote.
6 Does anybody have a date other than March 26,
7 that they want us to consider?
8 Commissioner Ordway would prefer to stick with
9 January 31.
10 COMMISSIONER ORDWAY: That is correct.
11 CHAIRMAN MC CARTHY: As the deadline.
12 Commissioner Davis.
13 COMMISSIONER DAVIS: You know, anything that is
14 reasonable. I just want the people to have a chance to--
15 those that care, I want them to have a chance to read the
16 document, and provide informed comment.
17 I would think at a minimum 30 days. Sixty days is
18 fine.
19 CHAIRMAN MC CARTHY: Is that a motion?
20 COMMISSIONER DAVIS: I would move that, assuming
21 it is within our power to do this, I will move that we extend
22 the time frame in which a final decision for this project
23 must be made for 60 days.
24 CHIEF COUNSEL HIGHT: Mr. Chairman, could I suggest
25 that you phrase the motion in terms of if we can arrange

1 an agreement with ARCO, then we will have a new date, on
2 a date that you will agree upon?
3 COMMISSIONER DAVIS: All right.
4 CHAIRMAN MC CARTHY: And, should it be a specific
5 date?
6 CHIEF COUNSEL HIGHT: It can be.
7 [MOTION] COMMISSIONER DAVIS: Assuming the applicant concurs,
8 I move that we extend the final decision date on this project--
9 CHAIRMAN MC CARTHY: What is the regularly scheduled
10 date in February? The regularly scheduled date in February
11 for the meeting?
12 CHIEF COUNSEL HIGHT: The 26th.
13 EXECUTIVE OFFICER DEDRICK: It would be the same
14 date.
15 CHAIRMAN MC CARTHY: Same date? The 26th?
16 COMMISSIONER ORDWAY: I won't be at that February
17 meeting.
18 CHAIRMAN MC CARTHY: You will not be here?
19 COMMISSIONER ORDWAY: No.
20 CHAIRMAN MC CARTHY: All right, we will leave
21 it at March. Commissioner Ordway will be at the March meeting.
22 I think it is important that all of us be present.
23 COMMISSIONER DAVIS: All right, then, assuming
24 that ARCO concurs--
25 CHAIRMAN MC CARTHY: All right, March 26.

1 COMMISSIONER DAVIS: Right.

2 CHAIRMAN MC CARTHY: The motion is contingent
3 upon the applicant's consent, which is the applicant's legal
4 right, that the final vote on this matter be taken by this
5 Commission no later than the regularly scheduled meeting
6 in March, which is March 26.

7 COMMISSIONER DAVIS: And, I would also like to
8 move that we have a meeting in Santa Barbara on the--I gather
9 the 28th is convenient for you, Nancy?

10 COMMISSIONER ORDWAY: The 27th or 28th is convenient.
11 The 28th would meet the 15-day requirement under CEQA. That
12 would be appropriate.

13 [MOTION] COMMISSIONER DAVIS: All right.

14 Then I move that we have a subsequent meeting
15 in Santa Barbara, to hear additional comments from the citizens
16 on the 28th of January.

17 CHAIRMAN MC CARTHY: All right, let's treat those--

18 COMMISSIONER ORDWAY: As separate motions. Do
19 you want to keep them as separate motions?

20 CHAIRMAN MC CARTHY: If you wish.

21 COMMISSIONER ORDWAY: No problem.

22 CHAIRMAN MC CARTHY: All right.

23 On the first motion.

24 COMMISSIONER DAVIS: Aye.

25 CHAIRMAN MC CARTHY: Aye.

All right, on the second motion, for the public hearing?

COMMISSIONER DAVIS: Aye.

COMMISSIONER ORDWAY: Aye.

CHAIRMAN MC CARTHY: Aye.

Unanimous on both motions.

The first witness, Supervisor Bill Wallace, President of the Board of Supervisors, and then Chancellor Aldrich.

* * * * * * * * * * *

1 MR. WALLACE: Good afternoon, Commissioners. I
2 appreciate your coming, and welcome you to Santa Barbara
3 County.
4 I think it really does help an awful lot of people
5 in this county, to be able to speak to you directly, instead
6 of through the mail, or trying to get to Sacramento.
7 I was going to comment on if you were going to
8 make a decision to go ahead with the January hearing for
9 a final that you hold off on that decision until you have
10 heard from the public, because I think that at least a half
11 of the comments you were going to hear today was about the
12 process, and that you have probably shortened your hearing
13 time considerably by the decision that you have made at
14 this point. In fact, you have saved yourself four pages
15 of county testimony.
16 I'm still going to give you the entire testimony
17 in its written form, which does talk about the process,
18 and the problems that the county has, and I think that equally
19 important to us and the community is the EIR and the certification
20 of that EIR and to make sure that that--and you will have
21 to consider this, whether or not that certification hearing
22 could be here, well in advance of the final decision on
23 this project, so that everybody will know from what they
24 are speaking from.
25 But, I think equally important to our Board, and

1 our staff, and the public is the staff report on this project,
2 and what the staff is going to be recommending to you as
3 the approvable project, and that that was probably equally
4 as difficult for us with the end of the January hearing,
5 because again we would probably have a week or ten days
6 at best to consider that, and whether our Planning Commission
7 or our Board of Supervisors would even be able to act upon
8 a recommendation based on your staff report, was going to
9 make it very, very difficult in the January timing, and
10 with the massive amount of comments, the massive amount
11 of work that the university and the professors and this
12 community put on, in responding to that draft EIR, I really
13 applaud the action that your Board has taken.
14 Our Board met yesterday, and voted on a county
15 proposal--or a county recommendation, and like I say, the
16 first three or four pages talks to the process itself, and
17 so I will skip over that and get into the specific project,
18 itself.
19 And, again, the county took this position based
20 upon only the draft EIR, and no staff report, so that we
21 were looking kind of at the broad aspects of this project,
22 and the way it effects us, and only the offshore parts of
23 it, or the offshore parts that might effect what we would
24 have an impact on.
25 I think this delay also gives us a chance, our

1 staff, when the EIR is certified and your staff has come
2 up with their recommendations, it gives us and you an opportunity
3 to maybe work out an acceptable project overall, during
4 this interim, potentially.
5 We may or may not have to agree to disagree in
6 certain areas, but I will read what the county's comments
7 are on the very basic aspects of the offshore project.
8 CHAIRMAN MC CARTHY: Do you have copies of the
9 county's latest--
10 MR. WALLACE: Yes, I will give you the original,
11 and we have--
12 CHAIRMAN MC CARTHY: This incorporates the thoughts
13 of the meeting yesterday?
14 MR. WALLACE: Yes, and this was adopted unanimously
15 by the Board, after a full Planning Commission hearing,
16 and a Board, here, with hundreds of people involved and
17 making their recommendation on what the county's policy
18 should do.
19 As stated previously, the following recommendations
20 are preliminary, however, we will provide additional comments
21 concerning the adequacy of the final EIR, and the preferred
22 project before your Commission, before your final permit
23 action.
24 We wish to first stress the state must consider
25 the ARCO project in the context of cumulative oil and gas

1 development, and consider the county's Local Coastal Program
2 and consolidation policies. The county has developed its
3 Local Coastal Program in cooperation with the state, and
4 the state has certified this program. We believe a project
5 inconsistent with the county's certified Local Coastal Program
6 would be in violation of the State Coastal Act; however,
7 we believe this can be avoided and the county and state
8 can continue the cooperative, regulatory, relationship we
9 have enjoyed.
10 I think the bottom line of that is we really do
11 want to work with you, to come up with an approvable project.
12 In regards to cumulative oil development, the
13 county has been working on policies to accommodate the anticipated
14 cumulative levels of oil and gas development from OCS and
15 state tidelands with minimal environmental disruption.
16 The county's preference, after hours and hours
17 of hearings, is for consolidation of oil and gas processing
18 facilities in Las Flores Canyon, and Gaviota, with eventual
19 phasing out of smaller processing plant, marine terminals,
20 and other support facilities.
21 We wish to insure that permit decisions made by
22 the state consider optimization of cumulative development
23 consistent with county consolidation policies. State Lands
24 must consider the current ARCO project in context with the
25 other significant projects in the area.

1 The first of the offshore project alternatives
2 which the county favors is single platforms. We see no
3 need for any offshore processing. No other project has
4 requested this anywhere along the county's territory, and
5 the tremendou visual impact created by oil platforms within
6 two miles of a heavy populated coastal community must be
7 mitigated to the highest degree. Single platforms, versus
8 the double platform complexes proposed by ARCO, reduce this
9 visual impact.
10 Moreover, it has never been demonstrated to the
11 county that double platforms are even necessary.
12 The EIR also identifies that air emissions, noise
13 impacts, loss of commercial fishing area, and disturbances
14 to the ocean bottom can all be reduced with single platforms.
15 The county believes that it is absolutely essential
16 that if the State Lands Commission approves the ARCO project,
17 they approve the project with single platforms.
18 And, now the most major issue, the county considers
19 the removal of Platform Heron from the Coal Oil Point Project
20 to be absolutely essential. Of all of the portions of ARCO's
21 project, Platform Heron will result in the most objectionable
22 impacts to the local residents.
23 We recognize the ARCO project represents a large
24 revenue source to the State of California, and that moving
25 Platform--or removing Platform Heron may result in reduced

1 oil production, thus reduced royalty revenue to the state,
2 yet the responsibilities created by the California Environmental
3 Quality Act compel permitting agencies to avoid significant
4 impacts, such as the loss of rocky hard bottom communities.
5 Loss of this habitat would be disastrous to commercial
6 fishing, marine biology, the University of California research
7 and teaching programs, and the local community as a whole.
8 Removing the platform will also serve to reduce
9 the visual impairments to scenic coastal views from the
10 community of Isla Vista and the University of California.
11 I live in Isla Vista, and when the drill ship
12 that was over this site where this platform is to go, was
13 drilling for about a six-month period, or test drilling,
14 as you drove out through Isla Vista--which is about 18,000
15 people in that one square mile--the drill ship looked like
16 it was on the end of the beach. It was--the visual impact
17 of that at night was so intense that when you got to the
18 beach, you could realize that it was a couple of more miles
19 offshore. You could hear the conversations on the boat,
20 and we are talking about a platform now that would be four
21 times, or five times, bigger than this drill boat would
22 be, operating for 25 to 30 years. The construction stage
23 alone will take six months, and they will be drilling the
24 wells for seven years, that that impact on that many residents,
25 we feel, is simply an intolerable thing for our community

1 to absorb, and I don't believe any other urbanized community
2 in the United States, or at least in this state, is being
3 subject to that kind of intensity, where there are that
4 many people living so close to the ocean, including a major,
5 major, institution, the University of California.
6 The County of Santa Barbara believes it is important
7 to emphasize its opposition to offshore processing in the
8 case of ARCO, just as it is opposed to offshore processing
9 in the case of the Exxon Santa Ynez Unit project.
10 The concept that the State Lands Commission may
11 approve an 80,000 barrel a day processing facility within
12 two miles of shore, which we have been told but haven't
13 gotten the legal document, is part of the consultant's preferred
14 option for this procedure is more preposterous than Exxon's
15 proposal to expand the OS&T to the same volume, which is
16 much, much further from shore.
17 This approach is neither necessary nor justifiable.
18 The safety risks and increased impacts to the environment,
19 resulting from offshore processing, particularly within
20 three miles of a major university and community of over
21 20,000 people, must be avoided.
22 Small offshore oil spills, and toxic fluid leaks,
23 effecting marine communities and offshore activities and
24 concerns would be more likely to occur when processing is
25 located on the platforms.

1 Furthermore, the draft EIR recognizes that the
2 restricted space on an offshore processing platform can
3 lead to the potential of one hazard event escalating to
4 another. The result can be a chain reaction of events,
5 increasing the probability of certain disaster events from
6 extremely rare, to extremely possible.
7 The noise impacts, an important issue to local
8 residents within two miles of these platforms, will also
9 increase with offshore processing.
10 As a last and important concern, the increased
11 air emissions associated with offshore processing, for both
12 construction and operation phases, will contribute more
13 to the significant regional ozone problem than onshore processing.
14 We cannot emphasize strongly enough the county's resistance
15 to any offshore processing.
16 A large number of environmental impacts can be
17 mitigated by requiring ARCO to develop the commingled project
18 alternative, as opposed to the segregated processing alternative.
19 One commingled oil pipeline would reduce impacts to marine
20 biology, marine water quality, system safety, air quality,
21 and commercial fishing. ARCO has stated that the requirements
22 of segregated facilities, with onshore processing, could
23 require the construction of five parallel pipelines. The
24 additional costs associated with redundant and unnecessary
25 pipelines would threaten the county's goal of consolidation

in Las Flores Canyon, and phasing out of Ellwood and the ARCO Marine Terminal.

We have been told, I think unofficially, by ARCO, but in any case, we have been told that bringing these five pipelines onshore, and then taking them clear to Las Flores Canyon, is economically very, very difficult for ARCO in this project, so that if it is approved with the five various pipelines and complete segregation of oil coming onshore, we feel that it puts a tremendous restriction on the county's option of negotiating with ARCO, means of processing this in Las Flores Canyon, as opposed to expanding the Ellwood facility, which is within a half a mile of major residential areas, and within about 200 yards of the proposed Hyatt Hotel.

The reductions in countless environmental impacts far outweigh any false expectations that segregated processing protects royalty payments to the State of California. In the case of ARCO, the facts are simple. Segregated processing is just as likely as commingled processing to result in misallocations of royalties owed to the state. In both cases, the error in royalties is inconsequential, about 2000ths of one percent.

The only differences in the two processing alternatives is that segregation is more likely to lead to over payment of royalties owed to the state. With commingling, errors

in royalties could go either way.

The county hopes that environmental resources are more important to the State Lands Commission than insignificant potential revenue losses.

Due to the proximity of thousands of county residents and the UCSB campus to the proposed platforms, alternatives to flaring should be required by State Lands Commission. Flaring would occur intermittently during the drilling phase of the project, for the equivalent of four days per months, per platform, for six months, and during upset conditions of normal operations.

This flaring will present significant visual, safety, noise and air pollution impacts on densely populated urban areas. As a mitigation measure, ARCO should be required to develop alternative methods of handling natural gas during initial drilling and upset conditions, as an alternative to flaring.

We would last like to recommend a mitigation measure which is of upmost importance to the preservation of natural resources in the county. That mitigation measure is to prevent the discharge of muds and cuttings associated with the Coal Oil Point Project. The impacts associated with all project related discharges are too numerous and the consequences too onerous to discuss in detail here today; however, the projected loss of significant biological habitat,

1 and productive fishery and nursery grounds, and the possible
2 irreversible effect on university teaching, research and
3 laboratory facilities, warrants complete mitigation on this
4 impact.
5 The EIR strongly recommends that muds and cuttings
6 not be dumped at the platform locations. Onshore, several
7 environmentally preferred disposal methods exist, including
8 barging materials to onshore receiving sites, which chemically
9 treat the muds, and use of both cuttings and treating muds
10 as clay caps for landfills.
11 This is not an idle mitigation measure, rather,
12 it is very practical, and currently existing technique
13 for disposing muds and cuttings from local drill operations.
14 We urge the State Lands Commission to prohibit
15 disposal of muds and cuttings into the Santa Barbara County
16 waters.
17 Attached to the written version of these comments,
18 we have outlined additional mitigation measures, which we
19 feel is absolutely essential for the offshore portions of
20 the ARCO project.
21 Again, on behalf of the Board of Supervisors,
22 and citizens of Santa Barbara County, I thank you for conducting
23 this hearing today in Santa Barbara County, and hope that
24 all of our recommendations will be incorporated into your
25 final actions.

I have here, also--the county staff, Dev Vrat, Bill Douros, and I believe Dianne Guzman will be here soon, and Rob Almy, are all here, who have worked long and hard with your staff on this project, and if there are questions that come up, I urge you to make use of them during this hearing, and tonight.

CHAIRMAN MC CARTHY: Did you wish to bring any of the departmental leaders forward for testimony, at this time? It would probably be useful to have an integrated county presentation.

MR. WALLACE: I believe, except that for questions, this amounts to what the county and the staff have prepared for today, and--

CHAIRMAN MC CARTHY: All right, thank you.

Questions from my fellow Commissioners?

COMMISSIONER DAVIS: You may have mentioned this in your testimony, but I didn't hear it.

What was the county vote on the positions that you just outlined?

MR. WALLACE: This was a unanimous vote by all five Board members, and even on oil matters this Board has not been known to have 5 - 0 votes consistently.

CHAIRMAN MC CARTHY: Just a minute, Mr. Supervisor.

Did you have any other questions?

COMMISSIONER DAVIS: Let me just check my notes.

1 CHAIRMAN MC CARTHY: Let me slip one in here while
2 Commissioner Davis is checking his notes.
3 Has anybody tested the noise problem? You specifically
4 referred to Platform Heron, and I know that obviously the
5 value of the view being there, which you described graphically
6 in your presentation, but what about the noise issue? I
7 haven't heard anybody provide any testimony on that.
8 Have any measurements been made? Is there any--
9 has the county--
10 MR. WALLACE: The EIR identifies noise as a significant,
11 unavoidable Class 1 impact, so that you would have to make
12 statements of overriding need for this, because of the unmitigable
13 impact of noise, and the EIR does talk about it.
14 I think there are some techniques, but on the
15 offshore it is a little tough, and it certainly, with the
16 addition of the processing platform.
17 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, we have
18 the EIR consultants present, if you would like them to speak
19 directly to that point.
20 CHAIRMAN MC CARTHY: Let's just tag the issue for
21 now, all right.
22 I would like you to comment specifically on that
23 when we call upon you, please.
24 MR. WALLACE: The noise issue is especially at
25 night, when you know, things really travel, and across that

1 water, when we had those drill ships out there, we could
2 honestly hear them talking.
3 CHAIRMAN MC CARTHY: Thank you.
4 Commissioner Davis.
5 COMMISSIONER DAVIS: This is a question more properly
6 directed to staff, but because the Supervisor is here, I
7 would like to direct it at this time.
8 Why is the commingling option one that the staff
9 does not embrace? Why do you resist the notion? It seems
10 to be environmentally preferable? Probably would save ARCO
11 money. Why is this approach not acceptable to the staff?
12 EXECUTIVE OFFICER DEDRICK: The primary reason
13 that the Commission--not just the staff, but the Commission
14 over the last two years--has been trying to find alternatives
15 to wet oil commingling--which is the operational phrase
16 here--is that our own research, the report that was done
17 under independent control for the EIR, both show that it
18 is progressively more difficult as you add more wet oil
19 streams, to allocate back the amount of oil, the quality
20 of oil and so forth, so that you can make accurate charging.
21 The problem with ARCO is a long-standing problem.
22 We have had a pair of leases that are old leases, and have
23 been commingled, at this site, on Platform Holly, for many
24 years.
25 We have run extensive tests on these leases and

1 various techniques that ARCO has come up with, and have
2 not yet been able to satisfy staff, nor my own knowledge
3 of statistics, that the allocation methods--that the techniques
4 are sufficiently reproducible to assure you, the State of
5 California, that your assets are being properly accounted
6 for, that you are being paid properly for the sale of
7 the resource. That is the reason for the disagreement.
8 If there were another alternative to that, and there
9 are other alternatives to it, then I think the problem goes
10 away.
11 We don't care if they commingle or not. What we
12 care about is being able to measure accurately, and to carry
13 out our statutory charge.
14 Now, there are degrees of dehydration that could be--
15 at which you could do more accurate measurement. The
16 alternative in the EIR was as CEQA requires, the most
17 extreme case, the worst case. There is a lot of room between
18 there and where you could measure accurately, for example, and
19 sell on the platform.
20 Another alternative, in this particular instance,
21 where ARCO is the lessee for all of the leases in question,
22 and the problem here, Commissioner, is that the leases have
23 different lease conditions. They are from different periods
24 of the past, the 40's and the 60's and I think there is one
25

1 in the 50's, so that the problem becomes one of allocating
2 production on a well-by-well basis, or on a lease-by-lease
3 basis, and the percent of royalty which the state receives
4 increases as the production, per day, per well, or per lease,
5 goes up. So, it becomes a really messy accounting problem.
6 If there were a way of bringing all of these old
7 leases into a single formula at this time, then I think
8 the commingling problem goes away.
9 What the State Lands concerns is, is entirely
10 directed to the state receiving the true value of its resource
11 for sale, and that is the entire commitment that we have.
12 We don't have any other interest in the subject.
13 So, that is the best answer that I can give you.
14 COMMISSIONER DAVIS: Well, I think we have to
15 see the forest for the trees here.
16 I don't think anyone wants to see multiple pipelines
17 coming into Santa Barbara, and I mean, I just have to believe
18 that there is a way in which the state can discharge its
19 obligation to get its rents and royalties, and we don't
20 do, you know, great violence to the legitimate environmental
21 considerations of the people of Santa Barbara.
22 And, certainly, commingling, at least has the
23 promise of accommodating, you know, the simplicity. The
24 environmental concerns are met, and so the question now
25 is if we can devise some method of accounting, that we feel

1 competent to protect the state's interest.

2 EXECUTIVE OFFICER DEDRICK: Environmentally speaking,
3 Commissioner, I think there is a substantial disagreement,
4 as to the environmental impact of commingling being an improvement.

5 I think it depends, again, on how it is handled.
6 As I pointed out, there are a lot of variations on that
7 theme.

8 Certainly, though, the basic question that you
9 mention, the question of pipelines remains the question.
10 You have got essentially three different kinds of leases.
11 You are talking about three pipelines.

12 If we could deal with the problem on a contractural
13 basis, with the ARCO Company in this instance, it would
14 work, because there is only one company owning all of those
15 leases.

16 If, on the other hand, the state had to commingle
17 wet oil from federal leases with state leases, and then
18 try to figure out how much of that money was the state's,
19 it would be virtually impossible to make that determination
20 with anything like accuracy.

21 COMMISSIONER DAVIS: Well, I just want--

22 EXECUTIVE OFFICER DEDRICK: I am agreeing with
23 you.

24 COMMISSIONER DAVIS: --to make clear that I feel
25 strongly that any approval that necessitates multiple pipelines,

1 which are otherwise not required, if we adopt a commingling
2 approach--if only on this project--it doesn't make a lot
3 of sense, and I would, you know, like to ask the staff to
4 pursue with the applicant, any solution that would allow
5 us to minimize the number of pipelines.
6 Not only for the fishermen, who I met with this
7 morning, were concerned about it, but you know navigational
8 problems, and environmental problems, all I think would
9 be best served by limiting the number of pipelines that
10 come ashore.
11 EXECUTIVE OFFICER DEDRICK: Yes, it is the policy
12 of the Commission, and has been for a long time, to consolidate
13 pipelines.
14 We will be happy to carry out your direction,
15 Commissioner.
16 CHAIRMAN MC CARTHY: Supervisor Wallace, would
17 you like to comment to that?
18 MR. WALLACE: I guess that I would comment on
19 that issue, too, that ARCO is certainly a willing negotiator
20 in this because of the tremendous cost savings it will make
21 to them, in being able to consolidate their processing onshore
22 in a more reasonable way, and less pipelines.
23 So, it seems like if we can put a person in space,
24 and a person on the moon, that we can certainly measure
25 wet oil, and if we can't do that we can certainly renegotiate.

1 You are asking us to renegotiate with ARCO, at this point,
2 on this, the gas seeps. I was involved with that agreement
3 originally. I believe it is State Lands, ARCO, and the
4 county, who are a party to this agreement, and I can't speak
5 for the rest of our Board, and I would need to speak with
6 staff, but obviously we are asking for a delay, and if this
7 is part of the deal, I can't imagine that this Board would
8 not be very realistic in negotiating some kind of a continuance
9 on that.
10 Thank you very much.
11 CHAIRMAN MC CARTHY: Thank you.
12 Chancellor Daniel Aldrich.
13 MR. ALDRICH: Mr. Chairman, members of the State
14 Lands Commission.
15 My name is Daniel G. Aldrich, Jr., and I am the
16 Chancellor at the University of California at Santa Barbara.
17 As an officer of the university, I am here to present the
18 point of view of the university in the matter of the proposed
19 offshore development by ARCO, of the Coal Oil Point Project.
20 First, however, I want to thank you for your sensitivity
21 to the public interest in this project, and your decision
22 to hold this hearing in Santa Barbara.
23 As a Regent of the university, Commissioner McCarthy
24 is perhaps aware that the university is a trustee agent
25 in ARCO's proposed project, because the land abutting

1 Coal Oil Point is one of 26 sites throughout the state which
2 form the UC Natural Preserve System. The system preserves
3 the sites for research and teaching purposes and for the
4 benefit of future generations.
5 As a trustee agency, the university was consulted
6 about the preparation of the Environmental Impact Report,
7 and served on a State Lands Commission Task Force on the
8 Coal Oil Point Project, along with permitting agencies,
9 and other trustees.
10 We are therefore aware of the many nuances of
11 the proposed project, and of course the project's importance
12 to the national interest, and that of the State of California,
13 as well.
14 I want to interject here that neither the national
15 interest, nor that of the state is singular. That is to
16 say, multiple factors compromise the national interest,
17 and/or the state interest.
18 Leadership in Washington and Sacramento indicate
19 that higher education is foremost among the factors forming
20 the national and state interests.
21 A difficulty arises though, when factors which
22 form this interest, are in conflict with one another, as
23 they may be in the proposed Coal Oil Point Project, according
24 to the EIR.
25 Throughout our participation in its preparation,

1 UCSB representatives have repeatedly urged special caution
2 in the design and the permitting of the ARCO Project, because
3 of its proposed size, and its unusual and unique characteristics:
4 Six very large platforms, or three double platform complexes,
5 offshore of a major research university, and a densely populated
6 community.
7 The campus, in keeping with its trustee agency
8 status, also has attempted to assure environmental protection
9 for the Coal Oil Point Reserve, an area which is designated
10 as an environmentally sensitive habitat.
11 Our position on the proposed Coal Oil Point Project,
12 since we learned of its existence, is and has been that
13 our preference is that for no further offshore development
14 in the Santa Barbara Channel.
15 Moreover, we have stated that the project proposed,
16 currently under review, if it is to be permitted, must coexist
17 compatibly with UCSB's purposes, and we have advised the
18 oil company, and the permitting agencies that we will oppose
19 those elements of the proposed project which intrude upon
20 the university's primary mission, teaching and research.
21 The EIR indicates that the offshore elements of
22 the Coal Oil Point Project do, in fact, intrude upon our
23 missions. The six proposed platforms, seriously impact
24 our teaching and research activities in marine science,
25 and in such disciplines as geology, geography, oceanography,

1 and biochemistry, which engage in marine related scholarly
2 enquirey.
3 The pipeline corridors to the platforms, and the
4 platforms themselves, damage or destroy invaluable marine
5 habitats, interfering with the cycles of ecosystems, and
6 marine organisms which are vital components of teaching
7 and research.
8 The drilling discharges play havoc with the marine
9 environment, and the organisms which inhabit it, and threaten
10 the purity of the UCSB's seawater intake system, which
11 is fundamental to all of our marine endeavors.
12 The noise from offshore activities, including
13 production, crew boats, and helicopters, intrudes upon classrooms,
14 and major or minor accidents could cause irreparable damage
15 to, or bring a halt to, dozens of research efforts, which
16 are devoted to the public interest.
17 Although I have cast the worst of ARCO's impacts,
18 in terms of their effect upon the teaching and research
19 mission of the university, I am not unmindful of the over
20 powering impacts of the project upon the visual resources
21 of the campus and its neighboring communities, and the potential
22 harm from the project upon the quality of life for residents
23 of the south coast.
24 Nor, can I forget the profound problems the project's
25 air pollutants pose for the county's efforts to meet federal

1 and state air quality standards. These and other impacts,
2 all borne out of by the findings of the EIR, argue for rather
3 drastic revision of the applicant's proposed project.
4 For example, reduction in the number of platforms
5 would dramatically reduce the significance of adverse impacts
6 upon the marine environment, visual resources, and air quality.
7 Thus, I urge this Commission to remove Platform
8 Heron from the project, and to request staff to explore
9 the possibility of drilling into Leases PRC 308, and 309,
10 by slant drilling from Platform Holly, or some other location.
11 At the very least, the project ought to be conditioned
12 to relocate Platform Heron 1000 to 1500 meters westward,
13 so as to remove from the rocky hard bottom habitat it presently
14 intrudes upon.
15 This move would significantly reduce Heron's visual
16 degradation, and will provide some protection from drilling
17 wastes for UCSB's waste intake system.
18 On earlier occasions, the university has strongly
19 asserted its desire for single platforms for this offshore
20 development, and I reiterate that request now. To put the
21 request into perspective, consider that Santa Barbara and
22 Ventura Counties will experience a doubling of the number
23 of platforms off of their coast when present and pending
24 projects are in production. UCSB and Isla Vista, on the
25 other hand, are asked to absorb an increase from one platform

1 to seven, from the ARCO Project, alone.

2 UCSB feels equally as strongly about the proposed
3 disposal of drilling muds and cuttings and produced water
4 in an area where we consider a natural laboratory. Thus,
5 we recommend that these wastes be barged either to shore,
6 or to some disposal site beyond the Channel Islands.

7 In addition to the foregoing, I want to indicate
8 the university's determined opposition to the recently revealed
9 EIR consultant's new project scenario, calling for offshore
10 oil processing on Platform Holly. The new design appears
11 to represent an effort to resolve the long standing jurisdictional
12 dispute between the State Lands Commission staff, and the
13 county, about commingled versus segregated pipelines for
14 this project.

15 This dispute can be resolved without discrediting
16 either agency, and without increasing air pollution in the
17 west Goleta Valley.

18 Indeed, many months ago, the university representatives
19 offered to bring the expertise of the university, the oil
20 industry, and the state and the county, to bear upon the
21 problem of assuring accuracy in metering commingled oil.
22 Although we did not receive a reply from the State Lands
23 Commission staff, to whom we made the offer, we extend it
24 again now.

25 Thank you for hearing the university's comments

1 on ARCO's proposed project. Please note for the record,
2 that I am submitting additional suggestions for mitigating
3 the project's adverse impacts in writing.
4 The second part of our presentation involves Professor
5 Alice Alldredge--that is spelled d-r-e-d-g-e--some questions
6 were raised yesterday as to whether Mrs. Alldredge was following
7 me, she is not. Professor Alldredge will comment on marine
8 science research at UCSB.
9 Thank you.
10 CHAIRMAN MC CARTHY: Thank you.
11 COMMISSIONER DAVIS: I have a question for the
12 Chancellor.
13 CHAIRMAN MC CARTHY: Yes.
14 Mr. Chancellor, Dr. Aldrich, please.
15 MR. ALDRICH: Yes.
16 CHAIRMAN MC CARTHY: Commissioner Davis has a
17 question.
18 COMMISSIONER DAVIS: Yes.
19 First of all, thank you for your testimony, and
20 I concur with the implication of your remarks that Santa
21 Barbara has certainly done its fair share to meet the nation's
22 oil needs.
23 My question is, implicit in your remarks is--
24 I will go at it another way.
25 I gather then that you believe that the technology

1 does exist to accurately measure the amount of wet oil through--
2 MR. ALDRICH: That is correct.
3 COMMISSIONER DAVIS: --and commingled, and could
4 you just elaborate a little bit on your proposal for metering.
5 MR. ALDRICH: I cannot do so, because I have been
6 informed that the technology exists by staff at the university,
7 and they are the one who can elaborate upon it.
8 I don't know that we have anyone here that can
9 elaborate.
10 Betsy?
11 MS. WATSON: I was intending to say that in the--
12 CHAIRMAN MC CARTHY: Would you please step to
13 the microphone?
14 MR. ALDRICH: Yes, and this is Assistant Chancellor
15 Betsy Watson.
16 CHAIRMAN MC CARTHY: This is being recorded because
17 of its historic importance, so we do not want any of your
18 words lost.
19 MS. WATSON: Yes.
20 My name is Betsy Watson. I am Assistant Chancellor
21 at UCSB.
22 I simply wanted to advise the Commission that
23 in a hearing before the Board of Supervisors, well
24 over a year ago now, close to two years ago now, the
25 question about commingling was discussed, and after

1 consultation with the Chancellor, I came forward
2 in his name, extended the offer of the university
3 expertise, which could be brought to bear on this problem,
4 and to work with the county, the State Lands, and the
5 industry, to resolve the question.
6 Then, at the county's request, we referred
7 the matter to an economic's professor, who
8 did a study on the probability of inaccurate
9 measuring always disadvantaging the state.
10 His conclusion was that that was not the case.
11 I then presented to the--the engineering case
12 study, to one of our chemical and nuclear engineers,
13 and his conclusion was that the metering device,
14 if there were an instrumental problem, could easily be
15 resolved.
16 Subsequently, a member of industry came forward
17 and said that they would be pleased to serve on
18 the task force, and for whatever reasons, the
19 university did not receive a response to its offer,
20 and so far as I know nothing happened after that,
21 but the offer remains.
22 CHAIRMAN MC CARTHY: Excuse me, Ms. Watson.
23 MS. WATSON: Yes.
24 CHAIRMAN MC CARTHY: Offer made to whom?
25 MS. WATSON: To the oil industry, to State Lands,

1 to the people who were present.

2 I subsequently called State Lands staff, and asked

3 what had happened to our proposal, and was advised that

4 it was under consideration, and that was all that I ever

5 heard.

6 COMMISSIONER DAVIS: I would certainly like to

7 see some efforts made to--at the very least, I think we

8 ought to have a meeting and see if the university's skills

9 and expertise can help--

10 MS. WATSON: I think, in concert with others,

11 that you might find that the problem could be resolved

12 intellectually, if you will, rather than politically, or

13 some other way.

14 COMMISSIONER ORDWAY: I have one question.

15 CHAIRMAN MC CARTHY: Yes, Commissioner Ordway.

16 COMMISSIONER ORDWAY: Is the technology currently

17 in place anyplace in the world? Or, are we talking about

18 case book and intellectual pursuits?

19 MS. WATSON: No, we believe the technology exists

20 some place in the world.

21 COMMISSIONER ORDWAY: Could you document where

22 it is? Because I would think that that would be very helpful

23 for our staff to contact those that are currently using

24 that technology.

25 MS. WATSON: I'll be happy to do that.

1 COMMISSIONER ORDWAY: Thank you.

2 CHAIRMAN MC CARTHY: We might--oh, I'm sorry,

3 have you finished your question?

4 Commissioner Davis.

5 COMMISSIONER DAVIS: Leo, just to--I mean, implicit

6 in my remarks were that, you know, the applicant participate,

7 and the university--

8 MS. WATSON: Yes.

9 COMMISSIONER DAVIS. --and anyone else from industry

10 that had actually utilized this technology, or had some

11 particular contribution that they could make.

12 CHAIRMAN MC CARTHY: I think Commissioner Ordway's

13 point is a very important one.

14 If there is an applied technology somewhere that

15 could be seen to be transferable--

16 MS. WATSON: Yes.

17 CHAIRMAN MC CARTHY: --for purposes of this commingling

18 discussion, it would be very helpful.

19 It is a little bit of a late stage to be--

20 MS. WATSON: We would like to see it resolved,

21 too.

22 CHAIRMAN MC CARTHY: --yes, talking about something

23 other than that.

24 Let me mention, for purposes of just an illustration

25 of the many hard judgments that we have in front of us,

1 it is obvious it is beneficial to ARCO to simplify this
2 whole plumbing system that we are talking about. It is
3 obvious it is less visually destructive to have only one
4 reduced piping system.
5 The difficulty is, unless we can measure what
6 the state revenues are, the distribution of these funds,
7 which in large overwhelming amount go to the school systems
8 in the state, might be reduced, so that is what we are trying
9 to avoid.
10 If there is any kind of application approval here
11 to go forward, of course we are going to try to remove any
12 kind of unsightly damage that would be done, but we want
13 the applicant to work with us to make sure that the people
14 get these revenues that go into the university school systems,
15 as well as the elementary and secondary school systems of
16 the state.
17 Thank you.
18 Thank you very much, Chancellor.
19 Any other questions of Chancellor Aldrich?
20 COMMISSIONER ORDWAY: Dr. Alldredge is next.
21 CHAIRMAN MC CARTHY: Thank you.
22 Yes.
23 MR. ALDRICH: We will be completing our presentation.
24 MS. ALLDREDGE: I am on your card.
25 CHAIRMAN MC CARTHY: Mrs. Allredge.

1 MS. ALLDREDGE: Thank you.

2 I am Dr. Alice Alldredge, Professor of Marine Biology,
3 and Vice Chairman of the Department of Biological Sciences
4 at the university.

5 Dr. Aldrich has asked me to speak to you today
6 specifically to the marine issues, which are of concern
7 to the university, regarding the ARCO Project.

8 My marine colleagues and I have submitted innumerable
9 pages of comments to the EIR, and have testified on the
10 technical details of the project at the previous State Lands
11 Commission hearing.

12 Today, what I would like to do, rather than reiterate
13 those comments, is instead clarify to you exactly why the
14 university is so concerned about the impacts of the ARCO
15 project to our marine program, and why we feel we have so
16 much at stake, so much to lose, in this situation.

17 The marine sciences program at UCSB currently
18 has about 100 faculty and professional researchers. It
19 has over 200 graduate students, and undergraduates, involved
20 in research, and about 150 technical and clerical staff,
21 spread over the disciplines in marine biology, geology,
22 and geophysics, political science, ocean engineering, and
23 geography.

24 An additional 1400 undergraduates take courses
25 involving marine organisms from the Channel. We have over

1 $6 million annually in research funding for our marine sciences
2 program, and in the last ten years we have risen to be one
3 of the top centers of marine biology in the nation, and
4 I would like to give you a few figures to justify that statement.
5 We presently have the only undergraduate major
6 in aquatic biology, and marine biology, in the UC system,
7 and one of the few in the nation, with 300 undergraduates
8 enrolled specifically at UCSB, just to take that particular
9 major.
10 Our national reputation as a graduate institution
11 in marine science brings us the very best graduate applicants
12 from a nation-wide pool. In marine biology, and ecology,
13 for example, we receive about 100 to 150 graduate applicants
14 annually, and of those we accept somewhere tween 7
15 and 10 percent, and of those who we accept, usually around
16 90 percent actually attend UCSB. In other words, we are
17 the first choice of applicants who have also been accepted
18 at such institutions as Scripps, Woods Hole and the University
19 of Washington.
20 But, finally, I think with regards to our research,
21 that demonstrates the true quality and reputation which
22 we have in the marine sciences.
23 Among 85 institutions, marine institutions in
24 the nation, with whom we compete for funding, the National
25 Science Foundation is the major agency which supports marine

1 science in this country, and among those 85 institutions
2 applying there, we are in the top ten in all oceanography,
3 despite the fact that we don't even have significant programs
4 in chemical or physical oceanography.
5 And, in marine biology, which is our greatest
6 strength, we are actually in the top three in the nation,
7 in terms of the dollar amount of funding we receive from
8 the National Science Foundation.
9 We also receive 20 percent of the budget of the
10 Office of Naval Research's Oceanic Biology Program, and
11 are among the top institutions receiving Sea Grant funding.
12 We did not rise to become one of the top institutions
13 in marine sciences in the nation by ourselves. We enjoy
14 this reputation because the State of California has invested
15 hundreds of millions of dollars over the past 20 years,
16 in salaries, facilities, equipment, and student scholarships,
17 so that the taxpayers of this state might benefit from the
18 high caliber of education and marine research which we produce.
19 Even now, we are preparing to break ground for
20 the construction of an $8 million state funded marine biotechnology
21 seawater laboratory at University Point, within one mile
22 of the proposed site of Platform Heron, demonstrating yet
23 again the state's commitment to expanding and maintaining
24 the quality of our research program into the future.
25 Certainly, oil is a national resource, but surely

these figures demonstrate that the marine sciences program at the University of California Santa Barbara, also constitutes a national resource of unestimable value.

Many aspects of the ARCO Project threaten the teaching and research in marine sciences at UCSB. We are deeply concerned about the degradation of the marine environment, and that that degradation will destroy our ability to conduct basic research in unpolluted marine waters, and severely hamper our ability to retain and attract faculty and students.

Damage from muds and cuttings, or oil spills and seepages, to such important sites as Naples Reef, a major research site, which is located just slightly northwest of the proposed Platform Haven, and where we have 20 years worth of background data; damage to the Coal Oil Point Reserve; or damage to our multi-million seawater system, could eliminate much of our research and teaching in marine biology.

We strongly urge the no project alternative. Never before has offshore drilling been proposed so close to a major research institution in this country.

If the no project alternative cannot be granted, in light of the huge investment of the State of California, in the marine sciences program at the University of California at Santa Barbara, we urge you to require mitigation measures, which would reduce the threat of the ARCO Project to our teaching and research mission.

1 These would include first of all, prohibition
2 of all discharging of muds and cuttings. We have evidence
3 that discharging of muds and cuttings can inhibit the settlement
4 of larvae and recolonization of bottom communities in the
5 vicinity of the platforms. Further, we do not know, nor
6 does the EIR properly address, the potential for resuspension
7 of muds by the severe winter storms common to this area,
8 or for the contamination of the university's seawater system.
9 Second of all, we urge that you prohibit the discharging
10 of all produced water. Produced water contain--is going
11 to be released, or could be released, in vast quantities,
12 and it contains numerous materials, some of which we don't
13 normally think of as toxic, but many of those materials
14 can have a severe impact on marine organisms.
15 For instance, ammonia, which is a component of
16 produced water, can inhibit the feeding behavior of lobsters
17 at concentrations of only 50 percent above the current ambient
18 levels in the Channel.
19 Thirdly, we urge that you implement all measures
20 which would reduce the impact to bottom communities. This
21 includes the consolidation of pipelines to an absolute minimum
22 number, laying power cables with the pipelines, rerouting
23 the pipelines around sensitive areas, eliminating anchor
24 scars, and replacing kelp beds, particularly the experimental
25 kelp bed at Ellwood Pier, which is scheduled to be destroyed

by this project.

And, regarding the commingling issue, surely the slight loss in revenue from the commingling option, for the state, must be weighed against the increased threats of leakage and spills and damage to marine life, which jeopardize the state's huge investment in research and teaching at UCSB.

Fourthly, we urge the elimination of Platform Heron. This would protect the hard bottom community at the proposed Heron site. It would greatly reduce the impacts to our seawater system by increasing the distance of that system from an operating platform, and finally, it would reduce the threats of spills by decreasing the scope of the project.

Fifthly, we urge that you require appropriate oil spill prevention and protection measures. It would take us years to recover from the physical damages of even a small oil spill, and over a decade to recover our momentum and our reputation.

UCSB is presently a major center in excellence in marine sciences in the nation. The research and teaching which we conduct here greatly benefits the people of the State of California. The ARCO Project, as it is now constituted, would seriously impact the quality of our research and teaching and jeopardize the immense investment the State of California

1 has already made here.

2 A dollar amount cannot really be placed on the

3 true costs of the ARCO Project to the local marine environment,

4 and to the mission of the University of California.

5 Thank you.

6 CHAIRMAN MC CARTHY: Did you leave copies of your

7 testimony?

8 MS. ALLDREDGE: Yes.

9 CHAIRMAN MC CARTHY: Thank you very much.

10 MS. ALLDREDGE: Thank you.

11 CHAIRMAN MC CARTHY: Any question from the Commission?

12 COMMISSIONER ORDWAY: Yes.

13 CHAIRMAN MC CARTHY: Commissioner Ordway.

14 COMMISSIONER ORDWAY: I am not aware--I would

15 like to ask this of staff--I am not aware that we have approved

16 any permits of disposing of muds and cuttings at a platform

17 site, at least not in the four years that I have been sitting

18 on the Commission.

19 EXECUTIVE OFFICER DEDRICK: You are correct in

20 that regard, and in fact, when the Commission proposed the

21 lease sale, one of the conditions of the lease sale was

22 that there should be no--

23 COMMISSIONER ORDWAY: Disposal of--

24 EXECUTIVE OFFICER DEDRICK: --muds and cuttings

25 discharged in the near shore.

COMMISSIONER ORDWAY: So, I don't think you have to worry about that.

I have a question of you, because of your position--probably out of curiosity.

What has been the impact of the natural seepages in this area on marine biology studies?

MS. ALLDREDGE: Well, there are two issues involved there.

One is the seepage itself, in terms of its impact on organisms. There have been--there is one study being done near Platform Holly, which indicates that at least the diversity of marine organisms is slightly higher around the seepages, but then the seepages have been here since long before we came, many hundreds of years, at least, and it is possible that many of the organisms have at least become adapted around those seepages to some of the oil content.

The other issue that has been raised, is that the actual drilling may be exacerbating the amount of seepage that is occurring, and there is relatively little hard data on that particular issue, but it is something that was raised with the EIR consulting firm.

COMMISSIONER ORDWAY: Thank you.

MS. ALLDREDGE: Okay.

CHAIRMAN MC CARTHY: Commissioner Davis.

COMMISSIONER DAVIS: I guess this is more in the nature of a comment, but I just was impressed with your testimony, and particularly about the potentially negative effect on the marine biology program.

Oil is a very important resource to this country, but I think our greatest resource are our minds and ideas and the quality of education that we can provide people, and so whatever we do with this project, we have to keep in mind its potentially adverse impact on the quality of the environment, and also those resource that underlie the particular economies of Santa Barbara, be they fishing or tourism, or recreation, et cetera, so I just wanted to compliment you on your testimony.

MS. ALLDREDGE: Thank you.

CHAIRMAN MC CARTHY: Thank you very much, Ms. Alldredge.

Carla Frisk, representing Assemblyman Jack O'Connell, and Senator Gary Hart.

MS. FRISK: Good afternoon members of the Commission. My name is Carla Frisk. I am with Assemblyman Jack O'Connell's office. I am also presenting this letter today, as you will notice, it is signed by Assemblyman O'Connell, and Senator Gary Hart, but I would like to note for the record that Naomi Schwartz is here today, in the audience representing Senator Gary Hart. I am going to present the letter.

1 I know that both Senator Hart and Assemblyman
2 O'Connell requested that I express their appreciation to
3 you for holding this meeting in Santa Barbara, and taking
4 the time to come and hear the community's concerns about
5 this project.
6 They also asked, as well, that I present some
7 of the concerns they have had about the process, and about
8 the project as well.
9 I won't reiterate most of Supervisor Wallace's
10 comments about the process, as it sounds like some action
11 has been taken to decrease those concerns. I would like
12 to note the number of people in the audience today, here
13 on the project, I think they clearly show the Commission
14 that there is extremely large amounts of interest in the
15 community on this project, and given the amount of oil development
16 that has been occurring here, I would say that it is more
17 often than not that you would see this kind of an interested
18 audience when this topic came about, so you can be sure
19 that any time that you come to Santa Barbara on oil, we
20 will have the place packed for you.
21 With regards to specific concerns about the project,
22 I think what needs to be reiterated today also is that Assemblyman
23 O'Connell and Senator Hart are not here to ask you to deny
24 this project. It is merely their concerns that mitigation
25 measures and conditions are placed on the project that makes

it realistic, given the other number of projects that are being approved in Santa Barbara County, so that this project fits into the oil picture in this community, and does not, in fact, make it difficult to accommodate other projects along the line.

Perhaps the most important issue at stake is the consolidation of facilities, and this includes oil to shore, as well as the consolidation of facilities onshore, so that permits can be given, air quality is not damaged, and in fact the oil can be gotten out of the ground, out of the ocean, and taken to where it can be processed.

The only way to prevent the complete industrialization of our coast, along with the attendant visual and air quality impacts, is to consolidate facilities onshore. The capacity is available for oil, from the ARCO Project, to be treated in such a manner. It will require that the oil from each platform perhaps will be metered wet, however the county has done studies that indicated that technology is available to reduce the potential metering errors to an insignificant levels, and I think the most important part is that this has to be compared with the benefits that this kind of a program will have to the citizens, and the environmental impacts that will be reduced by such a process.

Consolidation of treatment would allow for consolidation of pipelines, and this has also been a major concern of

1 the fishing industry. Every time a platform goes in, the
2 fishing industry loses ground. Every time a pipeline goes
3 to shore, it makes it more difficult for these people to
4 fish without fear of losing valuable, valuable nets, which
5 by the way, keep on fishing once they are down there, so
6 it even is more of a waste of our resources.
7 As has been mentioned, the size of the project
8 is tremendous. It calls for three double platforms, less
9 than three miles from shore. The visual impacts of these
10 complexes will be significant, particularly as these platforms
11 are located immediately adjacent to a highly urban area,
12 and as well to a major educational institution, the University
13 of California.
14 The platform that will have the most impact, Platform
15 Heron, should be eliminated from the project, and the two
16 remaining platforms should be converted to single platforms--
17 and again, I have to emphisize, no offshore processing should
18 be contemplated.
19 Finally, the community should require that all
20 drill muds and cuttings be taken ashore and disposed of properly.
21 As has been noticed by Dr. Alldredge, the university has
22 been using the ocean adjacent to it for research and instructional
23 purposes for years, and the discharge of these muds and
24 cuttings could very well have a major impact on this use.
25 There does also remain a great deal of controversy

about the impacts of muds and cuttings on the marine resources, and again, getting back to the commercial fishermen, these are the resources that eventually become their livelihood, and put meals on our tables, and both Senator Hart and Assemblyman O'Connell feel very strongly that these resources must be protected. We must protect the commercial fishing industry in Santa Barbara.

In conclusion, in the next five years, Santa Barbara County will experience a major transformation associated with the construction and completion of many of these projects that the Board of Supervisors, and the Coastal Commission, and yourselves, will be reviewing, but for an even greater number of years its citizenry will experience the impacts of this tremendous increase in oil production, and this is going to go on for quite some time.

Many of the leases are still being explored. We don't know--both in state waters and in federal waters--what additional finds will occur, so even with no more new leasing we are looking at significant, significant increase in the oil development for the next 20, 40--who knows how many years.

The decision that you will make on this project is going to set a major precedent for development of oil resources in the Santa Barbara Channel and in the state waters, and I think that it is just crucial that that decision

1 foster cooperation between the state and county, rather
2 than inhibit cooperation.
3 I think the common goal for accommodating oil
4 development is really clear between the State Lands Commission
5 and the County of Santa Barbara, and I think the common
6 goal also is that these accommodations should be done while
7 minimizing impacts on our environment, and also the impacts
8 on our citizens, and I know that Assemblyman O'Connell and
9 Senator Hart appreciate your efforts to come back
10 and hear as much as you can from the community, and what
11 the problems are, and with that, unless there are any questions.
12 CHAIRMAN MC CARTHY: Thank you very much.
13 Would you thank them both for giving us that message.
14 MS. FRISK: Thank you.
15 CHAIRMAN MC CARTHY: We appreciate it.
16 Richard Ranger, the Regulatory and Permitting
17 Director for ARCO.
18 Mr. Ranger.
19 MR. RANGER: Lieutenant Governor McCarthy, Controller
20 Davis, Ms. Ordway, we very much appreciate your attendance
21 here today at this hearing. We appreciate the opportunity
22 that ARCO Oil and Gas has to describe for you the project
23 that it has submitted to the State Lands Commission for
24 review, and which will also be reviewed subsequent to decision
25 by the State Lands Commission by a number of other agencies,

1 including Santa Barbara County.

2 We agree with others who have spoken that it is
3 appropriate that you hold this hearing here today. I guess
4 it was one of the things for which we hoped, when we granted
5 the extension back around Thanksgiving time, that this opportunity
6 for public comment would be permitted, and we appreciate
7 your participation in taking time from your schedules to
8 come here.

9 Our threshold decision, in bringing this project
10 to the attention of your Commission, a decision to invest
11 in offshore oil and gas development of a resource that is
12 of value and significance to ARCO Oil and Gas Company, and
13 to the State of California, was also a decision to make
14 such an investment--undertake such development in an environment
15 of sensitivity, significance, and shared use by researchers,
16 by tourists, by residents, by fishermen, by people who use
17 the marine environment and the coastal environment, in a
18 number of different ways.

19 We have made that part of our decision. We have
20 incorporated those concerns to the best of our ability in
21 the development plan that we submitted before you. We have
22 no monopoly on expertise. We have no monopoly on knowledge,
23 but we share with this community the recognition of the
24 sensitivity of the environment in which we are proposing
25 a significant development, and we intend to continue to

1 cooperate with the process, both before your Commission
2 and other agencies, in order that if this project goes forward,
3 which we believe it should, that a consensus is reached.
4 That is our intent.
5 We believe that two things are important. We
6 do believe this is an important resource. We do believe
7 the environment in which it is found is a sensitive one.
8 We believe the resource can be produced. We believe this
9 environment can be protected, and we believe that there
10 is a range of options for your decision, and by decisions
11 by other agencies, that will allow both to take place.
12 And we are committed to do our part to cooperate
13 with you in the search for the best of those options. From
14 that conviction we are privileged to present this application
15 before your agency, and others.
16 I would like to begin, if I could, with a brief
17 discussion of the history of development in the project
18 area by ARCO and its predecessor companies. The map on
19 the screen simply shows the leases.
20 George, if you could point out the location of
21 the UCSB campus, and Isla Vista?
22 The geographic feature, Coal Oil Point, is found
23 between Lease 308, and Lease 3242 onshore--onshore. And,
24 Platform Holly, the existing platform, is marked on the map.
25

1 To begin with, from the late 20's oil and gas
2 production has taken place onshore, and later from wells
3 drilled directionally offshore from what is called "The
4 Ellwood Field." From that field, over a period of some
5 40 years, approximately 100 million barrels of oil and associated
6 gas were produced. That field led to increased and intensified
7 interest in reserves which might lie offshore.
8 Approximately 40 years ago, Leases 308 and 309
9 were obtained by a predecessor company to ARCO. Initially,
10 these leases were developed from wells drilled directionally
11 from shore. Later, three subsea completions were drilled
12 from a mobile, offshore drilling rig, and from those wells
13 approximately 1.3 million barrels of oil were produced over
14 about a 10-year period.
15 In the late 50s and early 60s, attention shifted
16 somewhat to the west, and Richfield Oil Company, and Mobil,
17 in the early 60s obtained Leases 3120 and 3242, and in 1966
18 set Platform Holly on Lease 3242. That platform, since
19 1966, has produced a total of approximately 27 million
20 barrels of oil and 17 billion cubic feet of gas.
21 Our initial target from Platform Holly, was not
22 the Monterey formation, which is the formation we propose
23 to produce at Coal Oil Point. We discovered Monterey reserves
24 in 1969. Over a period of time, from 1969, we gradually
25 completed more of our wells in that formation, and have

1 developed over a period of more than 15 years, a body of
2 knowledge and experience with Monterey development, which
3 we have applied to the proposal we have submitted before
4 your agency, and which is under review today.
5 That development through the early 70s was quite
6 gradual in part because of the moratorium that then existed
7 for several years on new drilling in the Santa Barbara Channel.
8 In that time, as well, we modified our onshore
9 processing facility at Ellwood. Prior to 1980, Ellwood
10 was simply an oil processing site. In the late 70s ARCO
11 acquired permits from Santa Barbara County for the installation
12 of a system to remove hydrogen sulfide from the natural
13 gas stream, converting that hydrogen sulfide to elemental
14 sulfur, and thus putting us in the position to supply treated,
15 dried, cleaned up, natural gas to the distribution system
16 for the south coast region, and since that time--the early
17 80s--with additional modification, our Ellwood onshore processing
18 facility, which processes and treats both crude oil and
19 natural gas, has operated in compliance with ordinances
20 and permits from Santa Barbara County, and its Air Pollution
21 Control District.
22 In 1982, ARCO drilled Coal Oil Point discovery
23 well, 309-8, which is the drilling operation Supervisor
24 Wallace earlier referred to. Based on an analysis of this
25 well, the knowledge and background we had developed in exploiting

1 the Monterey formation in the south Ellwood Field, from
2 Platform Holly, and additional geologic and geophysical
3 studies, ARCO determined that there were reserves under
4 the Coal Oil Point Field, of approximately 100 million barrels
5 of oil and 100 billion cubic feet of natural gas.
6 In addition, in 1982, ARCO installed the seep
7 containment project. ARCO recognized that the new source
8 review rule of the Santa Barbara County Air Pollution Control
9 District required that we provide offsets for any emissions
10 from any facilities that we might later install, in particular
11 the Coal Oil Point Project.
12 ARCO developed the technology for the recovery
13 of hydrocarbon emissions from natural gas seeps on the sea
14 floor, on Lease 3242. Following that, ARCO negotiated an
15 agreement with Santa Barbara County, and its Air Pollution
16 Control District, under which the seep hydrocarbon emissions
17 were recognized as an offset source. It is that agreement
18 which Mr. Norgaard spoke to earlier, and which I believe
19 Supervisor Wallace mentioned.
20 With the discovery of the Coal Oil Point Field,
21 and the recognition of an offset in the seep project, we
22 began work on a plan for development of the Coal Oil Point
23 Project. Our exploration of the leases continued however,
24 and in April of 1985, we drilled the discovery well for
25 the field we call "The Embarcadero Field" which underlies

1 Leases 3242, and 208.

2 ARCO, at that point, was advised--this being early
3 1985--by the project's Joint Review Panal, chaired by your
4 agency, the State Lands Commission, to revise its project
5 application to allow environmental review of the development
6 of the Embarcadero Field, together with the Coal Oil Point
7 Field. Each involved reserves in the Monterey formation,
8 but they are separate fields, speaking in lay terms--and
9 I assure you that I am a layman, not an engineer--they are
10 separate pools of crude oil and natural gas.

11 In December of 1985, the State Lands Commission
12 staff deemed complete, for environmental review, a plan
13 for development which included the Coal Oil Point Field,
14 additional development of the South Ellwood Field, and development
15 of the Embarcadero Field, plus associated onshore facilities
16 for processing oil and gas and for transportation.

17 And, it is of course, that project application
18 which has been under environmental review, and for which
19 we, in addition to many others, are eagerly awaiting the
20 final environmental impact report.

21 A summary of the project then-- ARCO submitted
22 preliminary engineering designs for environmental review
23 for the Coal Oil Point Project, including platform complexes
24 to develop each of the three fields, alternatives for oil
25 processing facilities for onshore and offshore. The two

1 onshore facilities, increasing oil processing capacity
2 within the existing industrial footprint at our Ellwood
3 site, and in addition, to a permit level of detail, crude
4 oil processing in Las Flores Canyon, one of the sites designated
5 by Santa Barbara County for consolidation of onshore processing
6 facilities.
7 In addition, we did submit design data for offshore
8 processing.
9 We had basically one gas processing alternative,
10 that in Las Flores Canyon, that same consolidated site.
11 ARCO's subsidiary, Four Corners Pipeline Company, which
12 operates interstate pipelines, and which is a regulated
13 utility, submitted designs for crude oil storage and transportation
14 system, which included storage tanks near our Ellwood facility,
15 at our Dos Pueblos property, and an onshore pipeline.
16 First I would like to discuss platform locations,
17 and what goes into selecting them.
18 This is a north south geologic cross section,
19 looking west. [Referring to the map on the screen.] The
20 coast is to the right of this simple cross section, and
21 the Channel Islands are to the left. This section shows
22 the oil accumulations in the old South Ellwood Field, from
23 which we have been producing. Our initial target, in the
24 Rincon--you can see the green area--is the original target
25 for Platform Holly, and then the South Ellwood Monterey

1 Reserves are indicated by the green section in the Monterey
2 stratigraphic interval.
3 Notice that Holly is located in the center part
4 of the Monterey reservoir. This allows both the north and
5 south dipping flanks of the Monterey to be reached by wells
6 from a single platform.
7 Next, the map that George is putting on the screen,
8 shows the field outlines of the existing South Ellwood Field,
9 the Coal Oil Point Field, and the Embarcadero Field. Notice
10 that Holly was set in the central portion of the South Ellwood
11 Field.
12 Looking at the Coal Oil Point Field, and proposed
13 Platform Heron, if we can for a moment, this field is about
14 twice the size of the South Ellwood Field in reserves, and
15 to get the sense of the geography, the width of the 308
16 and 309 leases, is each is about one mile.
17 Reserves of the Monterey Coal Oil Point, under
18 the location proposed for Heron are expected to be at about
19 100 million barrels of oil. By positioning Heron in the
20 center of the two leases, we expect to recover these oil
21 and gas resources with one platform.
22 Why can't they be reached from Holly? The next
23 slide shows another cross section. This time, of the Coal
24 Oil Point Field looking south as if you were looking at
25 a cross section from offshore. Note that the 3000-foot

1 depth to the top of the Monterey--is the 3000-foot number
2 there on the left of the screen--and our maximum hole angle,
3 which is also an industry maximum of 70 degrees, with that
4 we can just barely reach all of the Monterey with one platform.
5 The significance of the hole angle is this, at
6 a hole angle of greater than 70 degrees, you lose the ability
7 to control the direction and angle of the hole. We have
8 to be able to drill vertically from one platform, drill
9 out an an angle of up to 70 degrees, then drop the angle
10 again, and still drill within our lease line, and into the
11 formation from which we want to produce oil and gas. That
12 basically is a constraint on selection of platform location.
13 Moving the platform in either direction, east
14 or west, would reduce the amount of recoverable hydrocarbons,
15 we estimate, by one million barrels of oil for every 100
16 feet moved, or one less well for every 200 feet. This not
17 only reduces ARCO's reserves to pay for the approximately
18 $400 million capital investment for this project, but it
19 reduces the States Lands share of oil and gas royalties,
20 which is about half of the total oil production, especially
21 during peak production periods.
22 Thus, the location for Heron was selected to optimize
23 recovery from the Coal Oil Point Field, and to optimize
24 state and ARCO revenue, while only requiring one platform
25 for development.

1 At one time, we had considered two platforms,
2 to develop Coal Oil Point reserves, one on each lease, 308
3 and 309. Many people here today may not agree with us on
4 much, but we think they share with us an interest in reducing
5 the number of platforms offshore.
6 The same analogy can be used for Platforms Haven,
7 and Holly B. Holly B is a need for another well slot,
8 or well drilling capacity, next to Platform Holly.
9 With respect to crude oil processing, I will state
10 ARCO's position. ARCO's preferred crude oil processing
11 alternative is onshore. We have previously so stated. We
12 have submitted information to your agency, and to Santa
13 Barbara County, describing ARCO's Ellwood facility as our
14 preferred processing alternative. We hope to make this
15 case later in hearings before Santa Barbara County, following
16 decisions by your agency.
17 At this time, if our Ellwood alternative were
18 not approved, we would still favor onshore processing at
19 Las Flores Canyon. We do believe that offshore processing
20 is technically feasible. We would also agree with the EIR
21 consultant that it is possible for this to take place at
22 one, not several, locations.
23 But, the Commission and the public should understand
24 that any such offshore processing facilities, in the case
25 of the ARCO Project, are significantly different from offshore

1 processing facilities that have been considered by this
2 county in other project contexts. In the case of our project,
3 all such facilities, onshore or offshore, would fall within
4 the jurisdiction of Santa Barbara County's Air Pollution
5 Control District, and would be subject to its new source
6 review rule, and would be subject to the requirement that
7 the total project, including processing wherever it might
8 take place, provide a net air quality benefit to Santa Barbara
9 County.
10 Without such a demonstration, we will not receive
11 an Authority to Construct any facilities. We will not build
12 this project.
13 Having said this, if offshore processing were
14 not to take place, ARCO believes that it would be appropriate
15 for drilling and separation activities to take place on
16 one platform structure at each location.
17 Let me put that another way. Without offshore
18 processing, we would now expect and intend only to build
19 single platforms.
20 With respect to gas processing, ARCO has submitted
21 a processing design for a gas treating facility, as I have
22 mentioned, that we believe will meet environmental and air
23 quality standards--and which must--in Las Flores Canyon,
24 the site designated by Santa Barbara County for consolidation
25 of processing facilities, serving offshore oil and gas production.

With respect to air quality, again, central to our proposal before Santa Barbara County, its Air Pollution Control District, and other agencies, that we can demonstrate that net air quality benefit, is the seep containment project, installed in 1982, specifically to provide offsets for the Coal Oil Point Project.

This structure, the pyramids or tents, that you see depicted here, sit on the sea floor and recover or capture natural gas emitted from natural seeps on the sea floor on Lease 3242.

The pipeline running from the separators atop those two pyramids delivers that gas to shore, where it is sweetened and delivered into the gas distribution system serving the Santa Barbara south coast. We recover approximately 1.5 million cubic feet of gas per day, or approximately 7 tons of reactive hydrocarbons per day, which would otherwise be going into the atmosphere in the Santa Barbara south coast.

The reactive hydrocarbons captured by the seep containment project exceeds the total emissions from all facilities, associated or proposed, in connection with our project. This is the center piece of our contention that our project will be able to meet the rigorous standards imposed by Santa Barbara's Air Pollution Control District.

This project--this seep containment system was

1 not the presentation of a pig in a poke to Santa Barbara
2 County, and its public. We basically provided the county,
3 its Air Pollution Control District, and its public, the
4 opportunity to witness performance testing of this innovative
5 system for a three- to three-and-a-half-year period prior
6 to consideration of our project, today, and in subsequent
7 hearings.
8 In our project design, we have also sought to
9 incorporate Santa Barbara County's interim air quality standards,
10 and project filing criteria. These are particular requirements
11 that the county has sought from the oil and gas industry
12 for new facilities proposed in the Santa Barbara Channel.
13 We propose to supply power for most platform activities
14 from shore, not from power generation offshore. The only
15 diesel power sources we will have on the platforms are those
16 which are required for safety reasons, so that we have back-
17 up systems for those particular platform activities.
18 All power to onshore facilities will be supplied
19 from the electric powered grid. There will be no cogeneration
20 associated with our project, and there will be no other
21 forms of generation.
22 In our design for onshore processing, and in our
23 proposal to modify the Ellwood facility, for instance, we
24 have proposed to reduce the total emissions from that facility
25 in the course of converting it, by approximately one half.

1 Those are the design criteria, just some of them,
2 with which we entered this permit review process. We did
3 not close our minds, in December of '85, when we submitted
4 the Preliminary Development Plan to your agency, and we
5 have been active participant in review at staff levels,
6 and with the public directly, in the months that have taken
7 place since.
8 We believe, as I stated earlier, that there are
9 outcomes for your Commission which allow production of this
10 valuable resource, and allow protection of the environment
11 in which it sits.
12 It is easy to place the value on a barrel of oil,
13 or on a standard cubic foot of natural gas. You can look
14 that up in the paper. We would agree with representatives
15 from the university that one puts a value on the research
16 and study effort at that institution at one's peril. We
17 would agree that it is difficult to place a value on some
18 of the other resources, and some of the other uses which
19 take place in the marine and coastal environments.
20 We simply state before you today that we are dedicated
21 to working this problem out. We would not be here if we
22 did not believe that result could be reached, and we
23 pledge our cooperation to your agency, and to the others
24 who will have an opportunity to review this project in the
25 future.

1 CHAIRMAN MC CARTHY: Thank you very much.
2 Do you have any questions, Commissioner Ordway?
3 COMMISSIONER ORDWAY: Just one question of staff.
4 At Long Beach, what is the maximum drill angle
5 that is used most?
6 UNIDENTIFIED STAFF MEMBER: Same, 70 degrees.
7 COMMISSIONER ORDWAY: Seventy degrees, thank you.
8 CHAIRMAN MC CARTHY: You heard the earlier discussion,
9 Mr. Ranger, about the commingling issue, and our staff comment
10 about trying to find a unified approach to royalty formulas.
11 I don't know whether you or Mr. Norgaard will
12 deal with that at the appropriate time, and I am not sure
13 that we can even get into it at this meeting, today. I
14 just wanted to tag that issue and make a point of saying
15 that I personally hope we can work that out. It would be
16 a very influential factor with me.
17 MR. NORGAARD: Let me respond to that.
18 Are you talking about--oh, excuse me. This is
19 Paul Norgaard.
20 Are you talking about reaching a common royalty
21 amongst all of the tracts?
22 CHAIRMAN MC CARTHY: Yes.
23 MR. NORGAARD: Or, were you talking about being
24 able to come up with some technology that will allow adequate
25 mesurement? Or, both?

1 CHAIRMAN MC CARTHY: Well, we have been talking
2 about both.
3 MR. NORGAARD: Let me address that a little bit,
4 if I may.
5 CHAIRMAN MC CARTHY: Yes, sir.
6 MR. NORGAARD: As far as reaching a single royalty,
7 my personal belief is that is a very difficult question,
8 and the reason that it is, is that none of us know exactly
9 how much oil that will be recovered from each tract, and
10 we have to know that, in order to come up--and not only
11 know how much, but when, and under what volumes, in order
12 to properly calculate the amount of royalty that the State
13 of California should receive.
14 And, that is probably the most difficult question
15 that could be put before a technical group.
16 I personally have been involved in unitization
17 discussions a number of times, and it is the same kind of
18 question, and it is very, very difficult. I would expect
19 very low chance of success on that.
20 I think there is a much better chance of the State
21 of California receiving its fair share of royalty oil with
22 measurement scheme, than there is with a reallocation, or
23 a reestablishment of ownership under the tracts.
24 And, with respect to that one, my personal belief
25 is that there is room to disagree, and it will take a

very dedicated effort on the part of all individuals to come up with something that we all can feel comfortable with.

CHAIRMAN MC CARTHY: May I urge--

MR. NORGAARD: But, we are willing to do it.

CHAIRMAN MC CARTHY: --that those discussions start tomorrow.

COMMISSIONER ORDWAY: One additional question on that.

MR. NORGAARD: Oh, yes, I should point out, as Moose mentioned, there is a meeting between ourselves and State Lands this coming Friday.

[Remark off of the record.]

CHAIRMAN MC CARTHY: Yes, you can start it the day after tomorrow.

Commissioner Ordway.

COMMISSIONER ORDWAY: One additional question on that.

Are you aware of any currently used technology that could be used to resolve this issue?

MR. NORGAARD: Are you speaking with the measurement question?

COMMISSIONER ORDWAY: Yes.

MR. NORGAARD: We currently have a measurement process on Platform Holly, and have been working on that