

MEETING
STATE OF CALIFORNIA
LANDS COMMISSION

HOTEL MAR MONTE
1111 EAST CABRILLO BOULEVARD
EL CABRILLO ROOM - 2ND FLOOR
SANTA BARBARA, CALIFORNIA

THURSDAY, JANUARY 29, 2009

12:10 P.M.

JAMES F. PETERS, CSR, RPR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

BOARD MEMBERS

Mr. John Garamendi, Lieutenant Governor, Chairperson

Mr. John Chiang, State Controller, also represented by
Ms. Cindy Aronberg and
Ms. Marcy Jo Mandel

Mr. Michael Genest, Director of Finance, represented by
Mr. Tom Sheehy

STAFF

Mr. Paul Thayer, Executive Officer

Mr. Curtis Fossum, Chief Counsel

Mr. Mario De Bernardo, Legislative Liaison

Ms. Kimberly Lunetta, Executive Assistant

Mr. Greg Scott, Assistant Chief, Mineral Resources
Management Division

Ms. Nancy Smith, Land Management Division

ATTORNEY GENERAL'S OFFICE

Mr. Alan Hager, Deputy Attorney General

Mr. Joe Rusconi, Deputy Attorney General

ALSO PRESENT

Mr. Bruce Allen, SOS California

Ms. Lupe Alvarez, Mayor, City of Guadalupe

Mr. Dough Anthony, Santa Barbara County Energy Division

Ms. Ellen Aronson, Minerals Management Service

Mr. John Bagdasarian

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APPEARANCES CONTINUED

ALSO PRESENT

Mr. Tom Becker, Asset Equipment Sales

Ms. Vera Bensen, Carpinteria Valley Association

Mr. Bruce Beyaert, Trails for Richmond Action Committee

Ms. Mary Ellen Brooks

Mr. Bill Brown, Santa Barbara County Sheriff

Mr. Andy Caldwell, Coalition of Labor, Agriculture and
Business

Mr. Salud Carbajal, Santa Barbara County Supervisor

Mr. James Childress, Santa Barbara Group Sierra Club

Mr. Jerry Connor, Sierra Club

Mr. Chris Corbett, Santa Barbara Deputy Sheriffs
Association

Mr. Dave Davis, Community Environmental Council

Mr. Frank Drouillard

Mr. Charlie Eckberg, Get Oil Out

Ms. Hannah Eckberg, Get Oil Out

Mr. Jack Eidt, Wild Heritage Planners

Ms. Penny Elia

Ms. Christine Fancher

Ms. Doreen Farr, Santa Barbara County Supervisor

Mr. Jim Flores, Plains Exploration & Production Company

Ms. Judy Fogel

Mr. Daniel Foster, DIVECON

Ms. Carla Frisk, Santa Inez Valley Alliance

APPEARANCES CONTINUED

ALSO PRESENT

Mr. John Gauthier, DIVECON

Ms. Debra Geiler, The Trust for Public Land

Ms. Elihu Gevirtz

Ms. Thomas Gibbons

Mr. Walt Gill, Chevron

Mr. Walt Hamilton, Service Employees International Union
Local 620

Mr. Pat Healy, Malibu Coalition for Slow Growth

Mr. Rob Heckman, Santa Barbara County Firefighters
Association

Ms. Jean Holmes, League of Women Voters

Mr. Grant House, Santa Barbara City Councilmember

Ms. Joyce Howerton

Ms. Linda Krop, Environmental Defense Center, Get Oil
Out!, Citizens Planning Association

Mr. David Landecker, Environmental Defense Center

Mr. Tim Larson

Ms. Sandy Lejeune, Surfrider Foundation, Santa Barbara
Chapter

Mr. Bill Lindsay, City of Richmond

Mr. Mike Lunsford, Gaviota Coast Conservancy

Ms. Charlotte Masarik

Mr. Steve Mathieu, AGP Video

Mr. Andy Mills, Hollister Ranch

Ms. Carol Nash

APPEARANCES CONTINUED

ALSO PRESENT

Ms. Remy O'Neil

Mr. Roy Pérez, California Hispanic Chambers of Commerce

Mr. Bill Pinkham, East Bay Bicycle Coalition

Mr. John Abraham Powell, Get Oil Out

Mr. Robert Raburn, Easy Bay Bicycle Coalition

Mr. Aaron Read, Police Officers Research Association of California, California Department of Forestry Firefighters

Ms. Selma Rubin, Santa Barbara County League of Conservation Voters

Mr. Steve Rusch, Plains Exploration & Production Company

Mr. Jonathan Saur, Congresswoman Lois Capps' Office

Mr. Trevor Smith, Sierra Club, Los Padres Chapter

Mr. Mike Stubblefield, Sierra Club, Los Padres Chapter

Mr. Tony Sustak, Richmond Bicycle Pedestrian Advisory Committee

Mr. Scott Thomas

Ms. Sandra Threlfall, Public Trust Group

Mr. Brian Trautwein

Mr. Steve Uhring, Malibu Coast Land Conservancy

Ms. Olivia Uribe, Santa Barbara County Action Network

Mr. Larry Wan

Ms. Sara Wan

Ms. Janet Wolff, Santa Barbara County Supervisor

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1 PROCEEDINGS

2 CHAIRPERSON GARAMENDI: Please take your seats.

3 We're ready to begin this meeting.

4 I'm Lieutenant Governor John Garamendi. And I'm
5 calling the State Lands Commission meeting to order. I
6 believe that there are two Commissioners here and the
7 representative from Controller John Chiang. John will be
8 along a little later.

9 We're going to change the agenda slightly here.
10 I want to take up the Chevron Long Wharf issue first and
11 move that out of the way, in anticipation of John's
12 arrival a little later this afternoon.

13 So get yourselves together on that. I understand
14 that there are some people here that wish to -- from the
15 public that wish to speak on the Chevron Long Wharf.

16 Our normal process is to begin with Paul Thayer
17 and his report.

18 So, Paul, would you like to start us off.

19 EXECUTIVE OFFICER THAYER: Certainly.

20 Is this on? It's not on.

21 CHAIRPERSON GARAMENDI: Paul, we're supposed to
22 turn you on.

23 (Laughter.)

24 EXECUTIVE OFFICER THAYER: Thank you.

25 I'm from Berkeley. I know what that means.

1 (Laughter.)

2 CHAIRPERSON GARAMENDI: Moving on, folks.

3 (Laughter.)

4 EXECUTIVE OFFICER THAYER: Sorry.

5 CHAIRPERSON GARAMENDI: I'm from Berkeley. I
6 have no idea what you're talking about.

7 (Laughter.)

8 EXECUTIVE OFFICER THAYER: I can go ahead and
9 give the Executive Officer's report and then we could move
10 back to the consent calendar and move on from there.

11 In the Executive Officer's report, I would say a
12 couple of things. First, we have noticed a closed
13 session, but this is for the benefit of the Commissioners.
14 We don't have any particular items to take up in it. But
15 as we get particularly into the PXP matter, there may be a
16 need, at some point, to talk about strictly legal matters.
17 At any point we have the opportunity to adjourn; we have a
18 separate room to do that.

19 But for now, we're not anticipating otherwise
20 having a closed session.

21 We have a very large group of people here today.
22 And we have to be mindful of fire marshal rules and this
23 sort of thing. So the capacity of this room is basically
24 defined by the number of seats in it. If you can't find a
25 seat, we apologize. But there is an overflow room

1 downstairs, which has both audio and visual available to
2 it.

3 There are bathrooms on the way out of the room on
4 the left-hand side. As I say, please don't clog the
5 aisles.

6 As usual, I wanted to give a summary of the
7 status of our violations. We've made some good progress
8 in some of those, starting with the South Bay Yacht Club,
9 where the problem had been docks in disarray and
10 disrepair, and overgrown vegetation, among other things.

11 I wanted to report that on January 5th the
12 removal of vegetation had begun. It must be completed by
13 the end of February, as required by the fire marshal -- or
14 the fire department down there. The Yacht Club believes
15 that all work and repairs should be completed by the end
16 of February, depending on the weather.

17 As the Commission may recall, the original
18 deadline for completion of this work was last month. But,
19 again, staff is recommending that we allow, at this point,
20 the Yacht Club to complete their work. We'll be
21 monitoring that. And then the interested citizen down
22 there, John Asuncion, is certainly monitoring it and
23 continuing to have some concerns over what's happening.

24 With respect to Jeanne Bird Taylor - this is the
25 woman that had the floating house at a pier in the

1 Delta - she sold that house. We're in contact with the
2 new owner and making arrangements for a site inspection.
3 Ms. Taylor herself is coming in for a new lease for the
4 remainder of her dock. She's agreeing that the present
5 dock is too long for a residential use. And so, again,
6 we're moving towards a conclusion on that. Although with
7 respect to the floating home, we're not there yet.

8 With respect to Shawn Berrigan and Diane House,
9 these are two individuals that bought the Courtland
10 Marina, a very small marina in the town of Courtland in
11 the Delta - they continue to make payments on the rent.
12 They've repaired the docks as they were supposed to. We
13 still haven't received all the security bond. There's
14 still a limitation because they're under litigation, and
15 bonding entities are reluctant to enter into that bond at
16 this point. But they're continuing to pay the rent. So
17 as far as we're concerned, they're making good progress
18 towards resolving those issues.

19 With respect to Hulbert, who had the overbuilt
20 dock on the Sacramento River, the office of the Attorney
21 General has filed a cross-complaint for ejectment and
22 declaratory injunctive relief. And I'm not sure what the
23 schedule is for when that might be heard, but we're moving
24 down the road on that.

25 We're also continuing to work with the AG's

1 office on the Spirit of Sacramento, which is the old boat
2 on the Sacramento River just south of the city itself.

3 With respect to the vessel Faithful and the
4 ferryboat San Diego -- this is the last of these -- the
5 City of Rio Vista is considering issuing a lease for the
6 mooring of the Faithful on lands outside of the
7 Commission's jurisdiction. And with respect to the
8 ferryboat San Diego, we haven't been able to make any
9 further progress, but we're still working on that. Part
10 of the problem again is that owners of these two vessels
11 don't have a lot of resources. And so we're not going to
12 be able to resolve that by suing them or whatever. We're
13 continuing to look for outside salvors or other solutions
14 like that to try and resolve it.

15 So some of these have made good progress.
16 Others, we're just going to have to continue to work on.

17 CHAIRPERSON GARAMENDI: For those of you that are
18 wondering what in the world we're doing: The State Lands
19 Commission is charged with the responsibility of taking
20 care of your land. And these issues that have been raised
21 are issues that have come -- that affect the state land,
22 in most of these cases the rivers and Delta -- the rivers
23 or sloughs of the Sacramento/San Joaquin Delta, and San
24 Francisco Bay.

25 EXECUTIVE OFFICER THAYER: Two more items and

1 then we'll be done with this part.

2 I wanted to mention something that I passed on
3 information about by Email to the Commissioners' offices,
4 which is that there's an ongoing exhibit that our staff
5 helped put together in the second floor of the Capitol
6 rotunda on the Surveyor General's office, which used to do
7 a lot of the things that we now do in terms of
8 establishing boundaries and that sort of thing for State
9 lands. And our staff -- some of our past staff actually
10 were very, very interested in the history of all of that.
11 And so we have a four-panel exhibit that's been up there
12 for the last month or two, gotten some very favorable
13 comments about it. It's basically a history lesson about
14 an old office in California government.

15 Senator Kehoe was admiring the maps and wanted a
16 copy of one of them.

17 Finally, we're doing some webcasting of this
18 meeting for the first time. And the gentleman who is
19 setting this up has done it for free. He does this as a
20 business as well, and I'm sure he has some hopes that
21 we'll be able to pay him for future webcasting of the
22 Commission's work. He also does this for the Coastal
23 Commission and a variety of other State entities. He does
24 very good work. But he asked for an opportunity for just
25 a minute here to explain how these webcastings work and

1 let everybody know that we're all going to be seen on the
2 web.

3 Steve, if you want to make your presentation.

4 MR. MATHIEU: Good morning Board, Commission,
5 staff and general public. My name is Steve Mathieu. Many
6 of you probably recognize me from other meetings.

7 This is our business, live webcasting and
8 archiving of California State government meetings. And we
9 handle a number of agencies, which many of you cross over
10 to, the Coastal Commission, Fish and Game Commission,
11 Ocean Protection Council, what have you.

12 What I did want to do is explain what it is,
13 where it is, the archives. This is going to be archived
14 as well for posterity. It will be available at our
15 primary distribution site, which is Cal-span dot org -
16 cal-span.org. And we'll also be available on the
17 Lieutenant Governor's web page as well as the State Lands
18 page directly.

19 So I want -- another part of what I wanted to
20 share with everyone is, one of the reasons that we're here
21 doing this is because of the agenda content itself. As a
22 point of fact, I shot this very room for the first time,
23 my first State commission meeting, with the Coastal
24 Commission ten years ago on this very issue.

25 So this is kind of an anniversary thing for me.

1 So it's not all about business. It's actually about the
2 citizens of California and the outreach that we are
3 attempting to provide on a broader scale.

4 So wherever we can and where we do see the issues
5 of substance of the caliber of what's going on today, we
6 will come in and do it. Getting paid's good. It's not
7 what the motivation is.

8 So thank you. Have a good meeting. And I hope
9 everybody uses the tools that are available.

10 CHAIRPERSON GARAMENDI: Well, thank you very
11 much. We appreciate it.

12 (Applause.)

13 CHAIRPERSON GARAMENDI: Given the State budget
14 calamity, we appreciate the freebie.

15 (Laughter.)

16 CHAIRPERSON GARAMENDI: And the public, I'm sure,
17 appreciates the fact that they can watch this from
18 wherever they may be in California and beyond.

19 And I have had the pleasure of your services in
20 other venues. Thank you.

21 Paul.

22 EXECUTIVE OFFICER THAYER: That concludes the
23 Executive Officer's report, unless there's any questions
24 from the Commission.

25 And we'd move to the adoption of the minutes.

1 CHAIRPERSON GARAMENDI: Yeah. Now, that we have
2 a full board here, I would like to have a motion on the
3 minutes from the previous meeting.

4 ACTING COMMISSIONER SHEEHY: Lieutenant Governor,
5 I'd be happy to move those minutes.

6 ACTING COMMISSIONER ARONBERG: I'll second the
7 motion.

8 CHAIRPERSON GARAMENDI: Discussion?

9 Without objection, adopted.

10 We've moved ahead, Paul, of our normal order,
11 waiting the arrival of my colleagues here.

12 We have the consent calendar?

13 EXECUTIVE OFFICER THAYER: We have nothing to
14 remove, except that there is one item that the Lieutenant
15 Governor has requested that we vote on separately because
16 of a potential conflict. And so I would ask that Item 13
17 be removed from the consent calendar. We'll vote on the
18 overall consent calendar and then we'll vote on Item 13
19 separately.

20 ACTING COMMISSIONER SHEEHY: Excuse me, Mr.
21 Chairman. I have a question.

22 CHAIRPERSON GARAMENDI: Which item is No. 13?

23 ACTING COMMISSIONER SHEEHY: Which item is No.
24 13, Paul.

25 EXECUTIVE OFFICER THAYER: It involves an

1 accommodation pier and buoys at Lake Tahoe, which serves a
2 motel.

3 ACTING COMMISSIONER SHEEHY: And who requested
4 that it be pulled from the consent calendar?

5 EXECUTIVE OFFICER THAYER: The Chair.

6 CHAIRPERSON GARAMENDI: The Lieutenant Governor.

7 ACTING COMMISSIONER SHEEHY: Thank you very much.

8 EXECUTIVE OFFICER THAYER: So with that, we could
9 take a vote on the overall consent calendar.

10 CHAIRPERSON GARAMENDI: Okay. We have before us
11 the consent calendar with Item 13 removed.

12 EXECUTIVE OFFICER THAYER: Correct.

13 CHAIRPERSON GARAMENDI: Is there a motion?

14 ACTING COMMISSIONER ARONBERG: Move adoption of
15 the consent calendar, with the exception of No. 13.

16 ACTING COMMISSIONER SHEEHY: I second that
17 motion.

18 CHAIRPERSON GARAMENDI: Without objection, the
19 consent calendar's adopted.

20 Now to Item 13.

21 EXECUTIVE OFFICER THAYER: Okay. And then we
22 could give a staff presentation if you would like.
23 However, it is truly a consent calendar item.

24 CHAIRPERSON GARAMENDI: The Chair has chosen to
25 recuse himself from this item.

1 EXECUTIVE OFFICER THAYER: I understand.

2 ACTING COMMISSIONER SHEEHY: Item 13. May we
3 make a motion then to approve it?

4 ACTING COMMISSIONER ARONBERG: So I will --
5 accepting motions on consent calendar Item No. 13.

6 ACTING COMMISSIONER SHEEHY: I would move
7 approval of Item No. 13.

8 ACTING COMMISSIONER ARONBERG: And I will second.

9 All in favor say aye.

10 (Ayes.)

11 ACTING COMMISSIONER ARONBERG: The motion is
12 approved.

13 ACTING COMMISSIONER SHEEHY: Please let the
14 record show that the Chairman abstained.

15 EXECUTIVE OFFICER THAYER: Great. Thanks very
16 much.

17 CHAIRPERSON GARAMENDI: The next item is the --
18 we were going to take up PXP. But in deference to Mr.
19 Chiang, we are going to move to the Chevron Long Wharf, as
20 I indicated earlier.

21 I believe -- if you'd like to lead with this, Mr.
22 Thayer.

23 EXECUTIVE OFFICER THAYER: Certainly. The staff
24 member who will make the presentation on this is Nancy
25 Smith.

1 MS. SMITH: Good afternoon, Mr. Chairman and
2 members of the Commission. My name is Nancy Smith and I
3 work in the Commission's Land Management Division.

4 (Thereupon an overhead presentation was
5 Presented as follows.)

6 MS. SMITH: Calendar Item 42 involves the
7 termination of an existing dredging lease, the proposed
8 certification of Environmental Impact Report, and the
9 issuance of a 30-year general lease industrial use to
10 Chevron U.S.A. products for the continued use, operation,
11 and maintenance on an existing marine oil terminal located
12 on sovereign lands in San Francisco Bay, city of Richmond,
13 Contra Costa county.

14 This item was presented to you at the December
15 3rd Commission meeting. And at your request, staff has
16 worked with Chevron on issues that were raised by the
17 public during the December meeting. The issues are
18 artificial lighting, the bay trail, and cold ironing.

19 Regarding artificial lighting, the California
20 Environmental Quality Act, CEQA, contains the parameters
21 to be used when evaluating the significance of an
22 environmental effect resulting from the implementation of
23 a project. Various subsections of CEQA address those
24 situations when the project would result in a direct or
25 indirect physical change in the environment. As the

1 renewal of the lease for the Chevron Long Wharf specifies
2 continued use of existing facilities, it does not propose
3 any changes from the existing conditions. Ongoing impacts
4 from the current lineup of the wharf were considered as
5 part of existing conditions and found not to be
6 significant in the EIR.

7 However, comments received during the application
8 review process in the December 3rd Commission meeting,
9 lighting up the facility does have a negative impact on
10 residents in the neighboring Point Richmond area.

11 --o0o--

12 MS. SMITH: Since the December meeting staff has
13 negotiated and is recommending in order to reduce lighting
14 impacts to the -- that a provision be included in the
15 lease to require Chevron to provide within one year after
16 a new lease is issued a program that will be reviewed and
17 approved by staff of the Commission, in order to reduce
18 nighttime lighting effects upon nearby residents without
19 compromising security and safety.

20 The second issue regards the Bay Trail and access
21 through Chevron's upland property and funding for
22 necessary security enhancements to the Bay Trail route in
23 the vicinity of Chevron's property.

24 Since December 3rd, staff has been discussing
25 with Chevron and others regarding the Bay Trail issues.

1 As a result of the efforts made on behalf of the
2 Commission, staff has negotiated with Chevron and Chevron
3 has agreed to dedicate an easement over property owned by
4 Chevron. This easement would extend from the Richmond
5 Bridge to Point Molate.

6 Chevron has also committed to fund the
7 construction costs up to \$2 million for security
8 enhancements of the Bay Trail that will meet the
9 requirements of the Maritime Security Act. The commitment
10 by Chevron has been incorporated into a letter of
11 agreement with Chevron, and staff is seeking your approval
12 to execute that agreement.

13 The last issue regards air emissions from vessels
14 at Chevron's Long Wharf. In 2008, the California Air
15 Resources Board, CARB, implemented regulations to reduce
16 oxides of nitrogen and diesel particulate matter emitted
17 by oceangoing vessels at berth in California ports.

18 --o0o--

19 MS. SMITH: This regulation is found in Section
20 229.3, Title 13, Chapter 5.1, California Code of
21 Regulations, and is known as operational hour limits,
22 reduced onboard power generation, and other requirements
23 for auxiliary diesel engines operated in oceangoing and
24 vessels at berth in a California port.

25 The CARB determined that cold ironing is most

1 effective for terminals that receive many ships, that
2 visit frequently, and have long significant berthing
3 times. The classes of ships that best met the criteria
4 were passenger, container, and refrigerated cargo vessels,
5 but not the types of vessels that serve the Long Wharf.

6 It was determined that more studies would be
7 required to determine cost effective measures to reduce
8 emissions for oil and product tankers. For this reason,
9 the regulation was not applied to the categories of ships.

10 However, the CARB will be focusing their efforts
11 on oil and oil product tankers in 2009. It is unknown if
12 the regulatory requirements will be similar to those
13 promulgated for vessel container refrigerated vessels. In
14 response to this issue, staff has negotiated with Chevron
15 to provide a written report to Commission staff regarding
16 the status of all plans, actions, decisions, or studies by
17 the California Air Resources Board and/or the Bay Area Air
18 Quality Management District with respect to cold ironing
19 relating to oil tanker vessels operating at the Long Wharf
20 within one year after approval of the issuance of a new
21 lease. This commitment is also memorialized in the letter
22 of agreement.

23 To summarize, staff is recommending approval of
24 the following:

25 Termination of Dredging Lease PRC 5805.9,

1 certification of EIR No. 688, adoption of CEQA findings,
2 the mitigation monitoring program, and Statement of
3 Overriding Considerations;

4 Issuance of a 30-year general lease industrial
5 use to Chevron for the continued use, operation, and
6 maintenance of the Long Wharf Marine Terminal;

7 Acceptance of back rent of \$5,815,688; and

8 Authorization for staff to execute a Letter of
9 Agreement with Chevron. This agreement includes
10 confirmation of Chevron's commitments to the Bay Trail as
11 contained in the Community Benefits Agreement between the
12 City of Richmond and Chevron, the dedication of easements
13 across lands owned by Chevron for the Bay Trail, including
14 funding for the security enhancements and Chevron's
15 commitment to submitting a report to the Commission on
16 cold ironing.

17 This concludes staff presentation. Commission
18 staff from the Division of Environmental Planning and
19 Management, and Marine Facilities, as well as
20 representatives of Chevron are available to answer any
21 questions on this item.

22 CHAIRPERSON GARAMENDI: Thank you very much.

23 This has been a long ongoing process, more than a
24 decade now. And the staff has done a very good job in
25 negotiating most of these -- all of these issues.

1 Would others -- is there a representative from
2 Chevron that would like to make a comment at this point?

3 This was discussed at length in -- here you are.

4 This was discussed at length in the previous
5 hearings.

6 And, please.

7 MR. GILL: Commissioners, good afternoon. Walt
8 Gill, Government Affairs Manager from the Chevron Richmond
9 refinery. And I do want to thank you for having us today
10 and considering our additional contributions to the Bay
11 Trail.

12 As Nancy discussed, you did request at the
13 meeting last month that we come forth with additional
14 contributions. And we have, in addition to what we've
15 already agreed to with the City of Richmond, come forth
16 with about a mile of property north of the San Rafael
17 Bridge onto the --

18 CHAIRPERSON GARAMENDI: Could we put back up the
19 slide that was showing that particular -- I think it was
20 one of the first slides that was up -- that showed the
21 route of the Bay Trail.

22 I think it's the first one.

23 No, must be the second one.

24 Third?

25 Do I hear a bid for the fourth?

1 (Laughter.)

2 CHAIRPERSON GARAMENDI: There you go.

3 MR. GILL: Yeah, there it is.

4 A lot of that shows the southern route on the --
5 you see the yellow line there just to the south of 580.
6 That's the portion we've already agreed to with the --
7 dedicated land with the City of Richmond. For purposes of
8 this, we're talking north of the highway, you see Western
9 Drive. And if you look forward on that picture, there's
10 about a mile of property that we're going to help dedicate
11 to the trail. It's about 50 to 100 feet wide. So it's
12 substantial property that we're bringing forth.

13 CHAIRPERSON GARAMENDI: Have you placed a value
14 on that?

15 MR. GILL: Our internal land folks have estimated
16 that it's worth about four and a half million dollars.
17 That's over the years of the easement. And so we think
18 that in addition to the southern properties is a monetary
19 contribution of about nine and a half to ten million
20 dollars.

21 And I'd like to -- as I mentioned last time,
22 Chevron's also committed to continue into working with the
23 work group of the Association of Bay Area Governments, the
24 City of Richmond, and CalTrans to, you know, finalize the
25 design of that trail and construct it. So you have that

1 commitment, as do the --

2 CHAIRPERSON GARAMENDI: My understanding, that
3 the completion of the planning is some 18 months minimum.
4 Is that your estimation?

5 MR. GILL: That's my understanding. The City of
6 Richmond is the lead agency in conducting the design and
7 the engineering. And then I think there's a role that
8 CalTrans plays in that process. So I think the year and a
9 half is directional.

10 CHAIRPERSON GARAMENDI: Questions?

11 ACTING COMMISSIONER SHEEHY: Thank you, Mr.
12 Chairman.

13 Mr. Gill, thanks for coming today, and also thank
14 you for working with the State Lands Commission on this
15 item. And especially I want to acknowledge the Lieutenant
16 Governor's leadership on this issue. I'm very
17 appreciative of additional resources that we helped get
18 for this project. I think this bike trail's extremely
19 important to the Bay Area.

20 But I also want to say that it's really, really
21 important here in California that facilities like yours
22 continue to operate as efficiently as possible. The last
23 thing we need in California is to have a refinery go down
24 or have an interruption in refinery operations.

25 We're on a very thin supply line here. In other

1 words, if we would lose any refining capacity, we're going
2 to see gasoline prices shoot up in the state significantly
3 and very rapidly. And in the middle of the worst
4 recession that we've had since World War II, we certainly
5 don't want to see that happen.

6 So very appreciative that you've come forward
7 with additional resources. And I wanted to encourage you
8 to do everything you can to keep your refinery operating
9 cleanly and as efficiently as possible.

10 MR. GILL: Yes, Commissioner. And we certainly
11 try to do that, and we try to balance that with the needs
12 of the surrounding community, which we're very sensitive
13 to.

14 CHAIRPERSON GARAMENDI: I think we're about to
15 hear from the surrounding community. There may be some
16 questions about that. But we would want to come back to.

17 MR. GILL: Okay.

18 CHAIRPERSON GARAMENDI: But thank you very much.
19 And --

20 MR. GILL: Could I --

21 CHAIRPERSON GARAMENDI: I think there's a seat
22 right here in the front.

23 Another comment?

24 MR. GILL: Okay, good.

25 CHAIRPERSON GARAMENDI: Please.

1 MR. GILL: I just want to mention, if I -- well,
2 I'll probably get another chance to talk, you know, the
3 way things go. But if I don't, last time -- you know,
4 I've worked for about the past eight years with your staff
5 on this. And I just wanted to thank them, Nancy Smith,
6 Mark Meier, Judy Brown, Val Van Way - I don't know whether
7 she's here - but a very professional staff. We haven't
8 always agreed, but they've approached things very
9 professionally, and you have a very -- staff you should be
10 proud of. So if I don't get a chance to tell you that, I
11 wanted to mention that.

12 But we're here if you have any questions.

13 CHAIRPERSON GARAMENDI: Tom has another question.

14 ACTING COMMISSIONER SHEEHY: One more question,
15 Mr. Gill.

16 How quickly can we get that check into the
17 General Fund?

18 (Laughter.)

19 MR. GILL: As soon as I can leave and get back to
20 Richmond, I'll make that a priority.

21 MR. GILL: And can you do that electronic
22 transfer too?

23 (Laughter.)

24 MR. GILL: We'll do that. Thank you.

25 CHAIRPERSON GARAMENDI: You just heard from the

1 Department of Finance.

2 We have several people that wanted to speak to
3 this issue. And as soon as -- you know who you are. Why
4 don't you come forward.

5 And we have Bill Lindsay, City Manager, City of
6 Richmond; Tony Sustak, Richmond Bicycle-Pedestrian
7 Advisory Committee -- I'm going to call you three at a
8 time -- Bruce Beyaert, Chairman of TRAC.

9 Please.

10 MR. LINDSAY: Thank you, Mr. Lieutenant Governor
11 and members of the Commission. My name is Bill Lindsay.
12 I'm the City Manager with the City of Richmond. And I
13 also would like to thank you for your thoughtful
14 consideration of this lease and for the work by your
15 staff.

16 I won't repeat what I said at the last hearing.
17 But just to emphasize, we're not opposed to the lease.
18 We're not trying to shut down a refinery. But we are
19 asking for a lease condition of \$5 million for
20 construction of the Bay Trail. And let me just summarize
21 briefly.

22 First of all, we believe that the EIR is
23 inadequate in that it does not mitigate for impacts
24 regarding loss of open space and recreational resource.
25 That wasn't addressed and it needs to be. So we feel that

1 the EIR is inadequate in that regard.

2 Secondly, we believe that the Commission has the
3 obligation to balance contemporary Public Trust values.
4 Lease conditions that worked in 1947 don't go far enough
5 today in balancing those interests. And I think that
6 updating those conditions will allow the State Lands
7 Commission to take care of our lands responsibly, Mr.
8 Chair, as you so eloquently described your mission. We
9 think that adding a condition with respect to the Bay
10 Trail would allow you to manage those lands responsibly.

11 The third point is just to echo the comments that
12 were made at the last meeting, which is that this is an
13 opportunity to pull funding together for this project.
14 And with a \$5 million construction commitment from
15 Chevron, we believe what was mentioned before as a
16 contribution by CalTrans to take care of a very dangerous
17 condition of their public property would be appropriate of
18 a like amount. And the City of Richmond along with the
19 East Bay Regional Park District has affirmed its local
20 funding commitment in a combined amount of \$3 million
21 toward this project, which is \$13 million toward the
22 construction.

23 What was worked out between last December's
24 meeting and today, the additional easement does not
25 address the critical gap, the critical dangerous portion.

1 And it really does overstate, in our minds, the value of
2 that property. What I understand is that Chevron at least
3 had a handshake arrangement with the East Bay Regional
4 Park District to provide that easement at no cost. So it
5 really is not a substantial benefit in terms of balancing
6 those interests.

7 So with that, I'll conclude and be glad to answer
8 any questions.

9 Again, we would encourage you to approve the
10 lease with the conditions added -- an additional condition
11 of \$5 million toward construction of this critical
12 dangerous segment of Bay Trail.

13 Thank you.

14 CHAIRPERSON GARAMENDI: Thank you very much.

15 Next.

16 MR. SUSTAK: Good afternoon, Lieutenant Governor,
17 Director of Finance, other Commissioners. Tony Sustak,
18 Richmond.

19 Certainly Mr. Lindsay and others who are going to
20 speak are going to talk about the technical aspects of
21 this further. For us, we don't really care what Chevron
22 values this land at. As we can see on this map, since the
23 public doesn't have any access to it, then it can't be
24 used for any other purpose, whatever its valuation, is
25 kind of moot.

1 What I'm interested in and what people who have
2 been struggling for the trail are interested in, is the --
3 sort of the historic opportunity to complete a very
4 important and crucial segment. And for Richmond, which
5 has been a city that's been part -- which has stood up to
6 a lot of the impacts of the changes in the economy and the
7 global economy, completing this trail is one of those
8 little stones in the stone soup you were talking about
9 earlier. But the stone turned over, which allows Richmond
10 and people in Richmond, both central Richmond and people
11 coming to Richmond to access Point San Pablo, to access
12 Point Pinole, to access the Great Marsh, so there are all
13 kinds of opportunities there for recreation, for bird
14 watching, for tying areas of Richmond together, which we
15 really don't have any access. As Mr. Garamendi had spoken
16 at the last meeting, going up on 580 to go from the south
17 side, which you saw on that map, to the north side is
18 really, really chancy. It's really uncomfortable to be
19 standing somewhere where cars may be going by you at 75
20 miles an hour. It's not a good experience.

21 So, again, the future focus of Richmond being
22 greening and eco-tourism and opportunities for recreation
23 are part of that picture for us in Richmond.

24 And thank you for your time.

25 Mr. Garamendi, particularly thank you. If you

1 can keep that whip cracking on CalTrans, we'd greatly
2 appreciate that.

3 CHAIRPERSON GARAMENDI: Well, CalTrans has
4 already committed to match Chevron's money.

5 MR. SUSTAK: Well, that's good. But I go to
6 meetings at CalTrans. And the people at CalTrans who are
7 very sympathetic to us, both in the bicycle and pedestrian
8 community, say, "We're having some little difficulty
9 changing the culture at the top."

10 CHAIRPERSON GARAMENDI: It wasn't an accident
11 that I said that CalTrans has agreed to match Chevron's
12 commitment --

13 MR. SUSTAK: Thank you, sir.

14 CHAIRPERSON GARAMENDI: -- because they expect to
15 have a vote here pretty soon with the Department of
16 Finance affirming that.

17 Let's move on.

18 Next witness.

19 MR. SUSTAK: Well, that moves the dream. Thank
20 you.

21 ACTING COMMISSIONER SHEEHY: A question of staff.
22 May I, Lieutenant Governor?

23 CHAIRPERSON GARAMENDI: Sure. Please, go ahead.

24 ACTING COMMISSIONER SHEEHY: Who was the lead
25 agency on CEQA for this project?

1 EXECUTIVE OFFICER THAYER: For this term of -- it
2 was the State Lands Commission.

3 ACTING COMMISSIONER SHEEHY: The State Lands
4 Commission was. And then did the City of Richmond take a
5 position on this project? Did they pass a resolution or
6 take a vote or do anything?

7 EXECUTIVE OFFICER THAYER: There have been a
8 couple different resolutions. There was a Planning
9 Department -- or Planning Commission vote where they
10 recommended that a letter be sent.

11 I should ask staff, because I'm fumbling a little
12 bit here.

13 ACTING COMMISSIONER SHEEHY: I'm just wondering
14 if Richmond has taken, you know, an official position on
15 the matter.

16 EXECUTIVE OFFICER THAYER: They have adopted a
17 resolution asking the Commission to, in fact, seek a
18 monetary contribution from Chevron. I do recall that.

19 Nancy, is there anything else?

20 MS. SMITH: I'm not sure.

21 ACTING COMMISSIONER SHEEHY: Okay. Thank you.

22 CHAIRPERSON GARAMENDI: Okay. Next witness.

23 MR. BEYAERT: Mr. Chairman, members of the
24 Commission. My name is Bruce Beyaert. I'm here speaking
25 for TRAC, the Trails for Richmond Action Committee, to

1 advise you that this EIR is seriously deficient and
2 failing to recognize and mitigate the adverse land-use,
3 recreation, and transportation impacts while continuing
4 Long Wharf operations.

5 Not only does the Long Wharf interfere with
6 recreational boating; it also forces a realignment of the
7 Bay Trail and drives up the cost of completing a Bay Trail
8 segment. It's been forced up from the shoreline, because
9 that would be near Long Wharf, to a hillside above I-580,
10 doubling the construction costs to an estimated \$13
11 million.

12 Granting Chevron a 30-year lease requires
13 mitigation under CEQA. Also, the Public Trust land should
14 be used to encourage rather than discourage public uses.
15 Since Chevron has no vested rights here, you could
16 eliminate these impacts entirely by requiring replacement
17 of Long Wharf with an offshore mooring and undersea
18 pipelines, just as Chevron's El Segundo refinery has,
19 which allows the public unfettered access to the ocean
20 beaches. This was not considered in the EIR.

21 In conclusion, please don't certify the EIR -- or
22 approve the lease without either requiring Chevron to
23 replace Long Wharf with an offshore terminal mooring and
24 undersea pipelines; or in the alternative, requiring them
25 to pay up to half -- or at least half of the estimated \$13

1 million high cost of building the trail due to the
2 presence of Long Wharf. You have the duty and the
3 authority both under CEQA and the Public Trust Doctrine to
4 require this, as articulated in a letter from TRAC's
5 attorney, Stephan Volker, as well as letters from East Bay
6 Regional Park District, the City of Richmond and others.

7 I understand your concern about litigation. And
8 I can confirm that TRAC's attorney, Stephan Volker, is
9 fully prepared to litigate, if necessary, and would expect
10 to win. However, we'd much rather -- we, and many others,
11 would much rather be a friend in court with you if Chevron
12 should decide to take the low road and challenge your
13 decision, the public interests.

14 So I ask you, as elected officials and their
15 appointees, to vote in the public interest as articulated
16 by more than 400 letters and Emails you've received from
17 organizations and individuals from throughout the San
18 Francisco Bay Area.

19 Thank you for considering this. I urge you to do
20 the right thing. If it goes to court, let the Court
21 decide the arguments between the lawyers.

22 So if you have any questions, I'd be glad to try
23 to answer them.

24 CHAIRPERSON GARAMENDI: No questions.

25 Thank you very much.

1 There are three more witnesses that have
2 requested the opportunity to speak. Bill Pinkham, Board
3 of Directors of the East Bay Bicycle Connection --

4 MR. PINKHAM: -- Coalition.

5 Chairperson Garamendi: -- Robert Raburn; and
6 Sandra Threlfall.

7 Please, go ahead, sir.

8 MR. PINKHAM: Good afternoon, Commissioners. My
9 name is Bill Pinkham and I've lived in Richmond for about
10 21 years. I'm on the Board of Directors of the East Bay
11 Bicycle Coalition, the Contra Costa County Bicycle
12 Advisory Committee, the Friends of the Richmond Greenway,
13 and the Richmond Bicycle-Pedestrian Advisory Committee.

14 We will soon create a comprehensive bicycle and
15 pedestrian plan for the entire city. The pedestrian plan
16 part is funded. And we have every reason to believe that
17 the bicycle part will be funded also. I sit on the county
18 committee that advises the MTC on grants for bike-ped
19 projects, and our application was very favorably received.

20 Many of our bicycle and pedestrian routes will
21 connect to Richmond Greenway, which is our new Class 1
22 multi-use trail that goes east-west through the heart of
23 the city. The greenway will connect the Bay Trail with
24 the Ohlone Greenway, which goes to Berkeley, and the I-80
25 bikeway, which continues all the way to the Rodeo Transit

1 Center, which is, as you may know, an important commute
2 nexus. This will meld our city system with the county's
3 regional trail system and make Richmond, with its 32 miles
4 of shoreline and many miles of -- and more miles of Bay
5 Trail than anyone else, an attractive destination.

6 But bicycles need to have safe access to this
7 system. As you've heard, access to the Bay Trail south
8 from the greenway and Point Molate is a critical part of
9 our system, but it's currently impossible except by that
10 very dangerous route on the freeway shoulder which, as
11 you've heard, caused one man to be killed and another man
12 to be put in a wheelchair the rest of his life.

13 It can be even more dangerous to return from
14 Point Molate, for riders who are not familiar with the --
15 there's a small section of path under the freeway --
16 because the Point Molate road merges in the middle of the
17 freeway, with traffic on both sides, nowhere to go. It's
18 very hard to get a bike up to freeway speeds.

19 Even if they used that path, they're still forced
20 to ride the freeway on the eastbound shoulder, creating
21 the same problem that the riders, who were injured and
22 killed, had on the west side -- north side.

23 Richmond has pledged to do its part to construct
24 the path. Please require Chevron to do the same thing as
25 a condition of the renewal of its lease. Five million

1 dollars is a small amount of money for a company that made
2 18.7 billion in profit last year. We just can't take the
3 chance that anymore bicyclists will be killed or injured.
4 We have to begin the construction now.

5 Thank you very much.

6 CHAIRPERSON GARAMENDI: Thank you.

7 A question. You said that there was funding. In
8 your opening comment, you said there was funding.

9 MR. PINKHAM: Oh, for the bike-ped plan, yes.
10 The bicycle part is funded, and the Richmond
11 Bicycle-Pedestrian Advisory Committee will work together
12 with that funding and the funding we expect to receive
13 from TDA funds to develop the bicycle part of the plan.
14 We'll be melding these together. And, as I said, tied in
15 with the regional system, I think it's going to be a very
16 good thing for the City. It will bring lots of
17 neighborhoods together and give a lot of people access to
18 a lot of areas.

19 CHAIRPERSON GARAMENDI: Thank you very much.

20 MR. PINKHAM: You're welcome.

21 MR. RABURN: Good afternoon, Chairman Garamendi,
22 Commissioners. My name is Robert Raburn. I'm the
23 Executive Director of the East Bay Bicycle Coalition.
24 We've been working to promote improved public access since
25 1972.

1 In 1988, we worked with then Senator John Lockyer
2 to promote the Bay Trail, Senate Bill 100, which was
3 adopted, creating a 500-mile shoreline route around the
4 bay.

5 We began working in 1997 on the particular
6 section here at the Chevron Long Wharf. It's been a long,
7 hard battle. And we want to point out that this is about
8 the money. We need to -- we have funding from -- recently
9 the voters in the East Bay, the two counties, approved a
10 \$500 million bond measure for the East Bay Regional Park
11 District. And a component of that does go toward funding
12 this important access.

13 What we don't see is a substantial contribution
14 from Chevron to fund this path. We need to include a
15 coexisting path, as has been pointed out in El Segundo.
16 In other areas of the Bay Trail, we have substantial
17 contributions from local entities to create a facility
18 that all are proud of. We have a legal nexus with the
19 tidelands lease and public access benefits. We have the
20 feasibility study showing that the path is feasible.

21 But, again, what's on the table is an inadequate
22 amount of funding. And we ask that \$5 million be
23 contributed directly from Chevron to add to the pot of
24 money that the City of Richmond, that CalTrans, and that
25 the Park District have already anted up to propose for

1 this trail.

2 Thank you very much.

3 CHAIRPERSON GARAMENDI: Thank you.

4 Sandra.

5 MS. THRELFALL: Good afternoon, Commissioners and
6 Lieutenant Garamendi. My name is Sandra Threlfall. I'm
7 on the Executive Board of Public Trust Group. We're a
8 northern California group that serves to educate the
9 public as to the value of Public Trust Lands.

10 In addition, we try to let the communities
11 understand the valuable position that the Commission holds
12 in terms of the use of these lands.

13 Now, we support a resolution that allows a
14 private lease for a private industry on Public Trust Lands
15 in conjunction with -- and I think this is very important.
16 These are Public Trust Lands. Yes, they can be privatized
17 in a narrow range; an oil lease is one of them. But for
18 the general public, I think it's an acceptable suggestion
19 that a condition of the lease be made that would visually,
20 safely, and transportation-wise provide the connection of
21 the Bay Trail so that the community can see that there is
22 an exchange between using the Public Trust lands for
23 private enterprise and the private enterprise helping to
24 support public uses, such as the Bay Trail.

25 We strongly support a \$5 million condition on

1 this lease.

2 Thank you very much.

3 CHAIRPERSON GARAMENDI: Thank you.

4 I have no other witnesses that are on my list
5 here.

6 I would like to have Bill Lindsay, the City
7 Manager, if you could come back. And I have a question
8 for you.

9 Several of the witnesses have mentioned funding
10 sources, the \$500 million bond that was approved by the
11 voters in the East Bay region. Does Richmond have access
12 to any of that for this purpose?

13 MR. LINDSAY: Included in that bond measure is
14 sort of the return to source local grant funding. That's,
15 in fact, the funding source that we have for this trail
16 segment.

17 CHAIRPERSON GARAMENDI: And how much was that
18 that the City's going to put up?

19 MR. LINDSAY: It's depending on what we work
20 out with the East Bay Regional Park District. Together
21 we're committed to \$3 million. So it will be somewhere
22 between 1 1/2 and \$2 million.

23 CHAIRPERSON GARAMENDI: You're committed for
24 three million for this project?

25 MR. LINDSAY: Between the Park District and the

1 City of Richmond.

2 CHAIRPERSON GARAMENDI: Does the City of Richmond
3 have access to any other portion of the 500 million or is
4 it that you've decided this is how you want to allocate a
5 portion of what you're allocated?

6 MR. LINDSAY: The total allocation -- total local
7 grant is \$4.7 million over the 30-year period of the bond
8 measure. So it would come out in series, depending on how
9 they structure their issues. They'd issue the bonds
10 probably within two to three years, the first series, and
11 then they generally go in seven- to ten-year increments
12 thereafter, I believe.

13 CHAIRPERSON GARAMENDI: Did the City reach a
14 settlement with Chevron on another matter, the expansion
15 of the Chevron facility?

16 MR. LINDSAY: We did. We did permit the hydrogen
17 recovery project. And the Community Benefits Agreement,
18 that's been referred to by staff, was something that was
19 voluntarily entered into by Chevron with the City. And
20 the conditions that are proposed here are exactly the same
21 conditions as we have in our Community Benefits Agreement.
22 So there's nothing additional that is added by this lease.
23 Those are already in place and Chevron has committed to do
24 that.

25 CHAIRPERSON GARAMENDI: Was the amount of the

1 public benefit 40 million?

2 MR. LINDSAY: The --

3 CHAIRPERSON GARAMENDI: For what purpose is
4 Richmond going to use that money?

5 MR. LINDSAY: Most of the funds that come
6 directly to the City of Richmond go toward violence
7 prevention and crime reduction, public safety, alternative
8 energy, greenhouse gas mitigation, environmental benefits.

9 CHAIRPERSON GARAMENDI: So it's discretionary on
10 the part of the City how to use the 40 --

11 MR. LINDSAY: It is actually not discretionary.
12 It's very closely prescribed in terms of what the funds
13 may be used for. So without amending the agreement with
14 Chevron, we could not use the funds for the Bay Trail.

15 ACTING COMMISSIONER SHEEHY: A question.

16 CHAIRPERSON GARAMENDI: Tom.

17 ACTING COMMISSIONER SHEEHY: What would it take
18 to amend the agreement?

19 MR. LINDSAY: It would take Chevron and the City
20 of Richmond to renegotiate that.

21 ACTING COMMISSIONER SHEEHY: Is that a
22 possibility?

23 MR. LINDSAY: I don't believe it is.

24 ACTING COMMISSIONER SHEEHY: Why, Chevron's not
25 willing to negotiate with you?

1 MR. LINDSAY: I can't speak for Chevron. But I
2 think that -- we negotiated a package of benefits. The
3 one thing I will say about the Community Benefits
4 Agreement that I think is really important is, is the
5 value that is given to what is already for the Bay Trail,
6 which is \$5 million, \$2 million of that is for security
7 improvements. And, in essence, that's a private benefit
8 for Chevron. I would call that a cost to the project,
9 because it's necessary to be done. But they also
10 provide -- they also ascribe \$3 million to the value of
11 that easement. And we think, frankly, the \$3 million
12 really overstates the value of that. In fact, as a
13 compromise, I would even say that if the State Lands
14 Commission were to have a \$5 million total, less an
15 appraised value of that easement, it would be a whole lot
16 closer to five million than it would be something less
17 than that.

18 ACTING COMMISSIONER SHEEHY: Thank you very much.

19 Mr. Chairman, I'd like to just say a couple
20 things.

21 We've heard from several witnesses this morning
22 about the profits that Chevron's made and about the Public
23 Trust Doctrine. I think it's important to get on the
24 record that this lease is completely consistent with the
25 Public Trust Doctrine. We have a \$2 trillion economy here

1 in California, albeit we're in a recession. We need the
2 products that Chevron is refining and producing. If this
3 refinery goes down, you're going to see gasoline prices
4 spike up above \$4 a gallon again and it's going to further
5 exacerbate the problem.

6 And I think it's also important to note for the
7 record that Chevron employs a heck of a lot of people in
8 the Bay Area. By the time you add up their payroll and
9 all the taxes that they're paying to the State and all the
10 ad valorem taxes that they're paying to the cities, the
11 counties, the special districts, they are pumping hundreds
12 of millions of dollars into the Bay Area and benefiting
13 the Bay Area and all of California in a major way. So
14 let's not forget that.

15 Finally, I'm not at all concerned about the fact
16 that Chevron makes a profit. I thought that's what our
17 society's supposed to do. And I know for a fact that all
18 the major pension plans in this country that are working
19 to secure your retirement and my retirement happen to be
20 major shareholders of Chevron. So when they make profits,
21 these pension companies get higher returns on their funds,
22 which helps to secure our pension benefits.

23 So I, for one, Mr. Chairman, am prepared to move
24 approval of this lease agreement.

25 CHAIRPERSON GARAMENDI: I think we've exhausted

1 the speakers. There's a couple of questions I have of Mr.
2 Thayer before we take up your motion, Tom.

3 The issue of an EIR has come up a couple of
4 times. I'd like you and our staff attorneys to speak to
5 that issue.

6 EXECUTIVE OFFICER THAYER: The State Lands
7 Commission in issuing a new lease is taking a
8 discretionary act and, as such, it's subject to CEQA.
9 There's some controversy about this. But the State Lands
10 Commission and its staff has taken the position that
11 renewal of these leases, even though they're for existing
12 facilities, mandates the preparation of an EIR to comply
13 with CEQA because of the ongoing threat of an oil spill.

14 So the EIR was prepared mostly because of that
15 issue. And it's required that the Commission, in order to
16 comply with CEQA, certify that EIR and then use the
17 environmental information contained within that document
18 as a basis for its decision.

19 CHAIRPERSON GARAMENDI: Is the staff and our
20 lawyers comfortable with the quality and the extensiveness
21 of the EIR?

22 EXECUTIVE OFFICER THAYER: We are. And to
23 respond directly to the one point that was raised about
24 whether or not the EIR looked at the offshore buoy
25 approach to a terminal, such as is in El Segundo, we had

1 looked at that, but did not analyze it in the EIR because
2 it wasn't feasible; that at El Segundo they typically have
3 only one ship at the terminal. Whereas, in Chevron's Long
4 Wharf, there's often several facilities there.

5 CHAIRPERSON GARAMENDI: Several ships?

6 EXECUTIVE OFFICER THAYER: Several ships, yes.
7 I'm sorry.

8 And so in order to reproduce with a buoy system
9 the capacity that's in the terminal, there would have had
10 to be several different buoys out there, both of which
11 require large circumferences to accommodate these vessels.
12 And it just didn't seem feasible. So there's a very real
13 difference between the two different terminals.

14 CHAIRPERSON GARAMENDI: Curtis.

15 CHIEF COUNSEL FOSSUM: There's another issue,
16 Lieutenant Governor, that --

17 CHAIRPERSON GARAMENDI: Curtis Fossum, staff
18 attorney.

19 CHIEF COUNSEL FOSSUM: Thank you.

20 ACTING COMMISSIONER SHEEHY: Chief Counsel.

21 CHAIRPERSON GARAMENDI: Chief Counsel. Excuse
22 me.

23 CHIEF COUNSEL FOSSUM: Mr. Chairman and
24 Commissioners. Lieutenant Governor, at the December
25 meeting, asked that we also look into an issue along the

1 shoreline itself and public access issues. Our
2 investigation shows that, in fact, Chevron owns the
3 tidelands in that area. They were sold by the State in
4 the 1870s -- '60s or '70s into private ownership. The
5 Public Trust easement does remain on those lands.
6 However, much of the pier structure out into the bay is on
7 lands owned by Chevron. So if the Commission were to try
8 and impose a buoy-type of marine terminal and remove the
9 improvements on the pier, the State would have to
10 compensate Chevron for those improvements.

11 CHAIRPERSON GARAMENDI: Somebody asked a real
12 good question in December. Thank you for the response.

13 (Laughter.)

14 CHAIRPERSON GARAMENDI: I want to just review
15 what we have before us. We have an EIR. I believe we
16 have to take an action on the EIR; is that correct?

17 EXECUTIVE OFFICER THAYER: Yes, sir.

18 CHAIRPERSON GARAMENDI: And if you'll help me
19 with the correct motion on that when I come to it.

20 We have, in the staff report, a dedication of an
21 easement that we had discussed before, which was the
22 easement to the south of the Long Wharf, and now an
23 additional easement to the north of the freeway.

24 EXECUTIVE OFFICER THAYER: Right. And that's to
25 the south of the freeway; it's north of the Long Wharf

1 itself, right.

2 CHAIRPERSON GARAMENDI: I think it's both. I
3 believe that we're talking about an easement that is south
4 of the freeway --

5 EXECUTIVE OFFICER THAYER: Right.

6 CHAIRPERSON GARAMENDI: -- over the hill and an
7 additional offer of an easement north of the freeway.

8 EXECUTIVE OFFICER THAYER: That's correct,
9 absolutely.

10 CHAIRPERSON GARAMENDI: We also have, in the
11 staff report, the issue of cold ironing, which is coming
12 to California.

13 EXECUTIVE OFFICER THAYER: Yes.

14 CHAIRPERSON GARAMENDI: Incidentally, for those
15 in the business of shipping that say it can't be done, the
16 U.S. Navy's done it for about 30 years. So perhaps
17 somebody can hire a retired admiral.

18 (Laughter.)

19 CHAIRPERSON GARAMENDI: There's also a clear
20 commitment to \$2 million for the purposes of meeting the
21 federal anti-terrorism requirements along that portion of
22 the trail that passes over the pipes that take the oil
23 from the tankers into the refinery.

24 And, fourthly, an issue of lights.

25 I think that covers the issues that were

1 discussed by the staff, in addition to the overall lease
2 and the money and the rest.

3 Is that correct?

4 EXECUTIVE OFFICER THAYER: Yes, sir.

5 CHAIRPERSON GARAMENDI: Okay. The first issue
6 that we have then before us is the issue of the
7 Environmental Impact Statement.

8 Paul, if you could help me with the correct
9 motion here.

10 EXECUTIVE OFFICER THAYER: Well, on pages 14 and
11 15 of the staff report, there's a variety of CEQA findings
12 and authorizations. And rather than repeat all this, what
13 we would recommend that the Commission do is move to adopt
14 the findings and authorizations contained within the staff
15 report rather than --

16 ACTING COMMISSIONER SHEEHY: Mr. Chairman, I
17 would move to adopt the findings and the authorizations
18 contained therein.

19 CHAIRPERSON GARAMENDI: Second?

20 I'll provide the second.

21 Without -- let's see. I think we're going to
22 take a vote on this?

23 Tom.

24 ACTING COMMISSIONER SHEEHY: I vote in favor of
25 granting the lease.

1 CHAIRPERSON GARAMENDI: No, the issue before us
2 is the EIR.

3 ACTING COMMISSIONER SHEEHY: Oh, the EIR.
4 I vote in favor of my motion.

5 (Laughter.)

6 ACTING COMMISSIONER SHEEHY: Hey, I'm just
7 jumping the gun.

8 CHAIRPERSON GARAMENDI: Got ahead of me, Tom.

9 ACTING COMMISSIONER SHEEHY: Sorry about that,
10 Mr. Chairman.

11 CHAIRPERSON GARAMENDI: Controller Chiang.

12 ACTING COMMISSIONER ARONBERG: Aye.

13 CHIEF COUNSEL FOSSUM: Excuse me, Mr. Chairman.

14 CHAIRPERSON GARAMENDI: Yes.

15 CHIEF COUNSEL FOSSUM: As a clarification, the
16 Commission then is voting on the items -- the CEQA
17 findings found on page 14 of the staff report only at this
18 point?

19 CHAIRPERSON GARAMENDI: That's correct. We'll
20 take up the motion of the lease itself subsequent to this.

21 And the Chair votes aye.

22 So we have a unanimous vote on the adoption of
23 the EIR and the findings therein. Okay.

24 Now, the issue before us is the lease itself.

25 Tom, you wanted to speak to this.

1 ACTING COMMISSIONER SHEEHY: Mr. Chairman, I'm
2 prepared to make a motion to approve the lease.

3 CHAIRPERSON GARAMENDI: And apparently you have
4 made a motion.

5 EXECUTIVE OFFICER THAYER: And I would just add
6 that as a -- we're actually, as a technical matter,
7 folding together two existing leases, one of them provided
8 for dredging. And so one of the other items that the
9 Commission is considering here is acceptance of the
10 quitclaim of the old dredging lease, folding in the
11 authorization that's contained with that lease. So the
12 motion should both approve a new lease and accept the
13 quitclaim for the old dredging lease --

14 ACTING COMMISSIONER SHEEHY: Mr. Thayer, I would
15 move then to approve the lease and the quitclaim that you
16 just described to combine both issues into the one motion.
17 I so move.

18 CHAIRPERSON GARAMENDI: Second?

19 I'll provide the second.

20 The issue is before the Commission.

21 Department of Finance?

22 ACTING COMMISSIONER SHEEHY: Aye.

23 CHAIRPERSON GARAMENDI: Controller Chiang?

24 ACTING COMMISSIONER ARONBERG: Aye.

25 CHAIRPERSON GARAMENDI: And the Chair votes aye?

1 Very good.

2 We now have the next issue before us.

3 EXECUTIVE OFFICER THAYER: So returning back to
4 the beginning of the regular calendar, we have the
5 proposal by PXP for two new leases to develop the
6 Tranquillon oil field.

7 Presenting the staff report -- we have two
8 sections to the staff report. Greg Scott will present the
9 bulk of the report. But with respect to the legal
10 aspects --

11 CHAIRPERSON GARAMENDI: Paul, why don't you just
12 take it easy for a few moments. There seems to be some
13 folks that want to move around in the room. If you'll do
14 so quickly, we'll reposition ourselves and take up Item
15 39.

16 For those that are of the public that want to
17 speak to this issue, I'm going to lay out a method of
18 getting to that.

19 Brian, do you have the list of participants? You
20 had written it down someplace.

21 EXECUTIVE OFFICER THAYER: I have that written
22 down.

23 CHAIRPERSON GARAMENDI: Paul, if you could help
24 us here. We had discussed earlier a way in which we'd
25 handle this agenda item, item by item or participant by

1 participant. Could you describe that to us. And that
2 will help, I think, the audience keep track of where we
3 are.

4 EXECUTIVE OFFICER THAYER: Certainly.

5 In consultation with the Chair, there would be a
6 staff presentation that would probably last about 15
7 minutes. The applicant, the Plains Exploration &
8 Production Company (PXP), would have about 15 minutes for
9 its presentation. Linda Krop, representing EDC and
10 several environmental groups in support of the project,
11 would have about 15 minutes. The Trust for Public Lands,
12 who has a role in accepting land donations from PXP as
13 part of the EDC agreement, would speak for about five
14 minutes. We would then take an organized opposition group
15 for about 22 minutes. We would then move to elected
16 officials. There are several here that want to speak;
17 particularly, I think, Santa Barbara County's organized
18 their supervisors who want to speak. And then we would
19 move to the general public on comments.

20 CHAIRPERSON GARAMENDI: Okay. I think I'm just
21 going to make a modification here. I want to take the
22 elected officials prior to the general public and then
23 we'll move from there.

24 There's a bit of confusion here. And, that is,
25 the way in which the sign-in is interpreted. The item

1 before us is the lease. And many of you have filled out
2 this wishing to speak in support of the calendar item. I
3 think, however, what you mean to say is you want to speak
4 in opposition.

5 So here's the way it's going to be, however you
6 filled it out. We're going to try to sort this out.

7 If you support the PXP proposal, that's support.

8 If you're opposed to it, that's opposed. Okay?

9 Listen. We've got a lot of confusion. I'm going
10 to allow you to sort it out on your own as to which one
11 you are in.

12 We're going to call the support of PXP first for
13 the general public when we come to that. And then we're
14 going to take the opposition to the PXP lease secondly.
15 Because it's all over the parking lot, folks.

16 So let's hear from the staff.

17 (Thereupon an overhead presentation was
18 Presented as follows.)

19 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT
20 CHIEF SCOTT: Good afternoon, Mr. Chair and Commissioners.
21 My name is Greg Scott. I'm the Assistant Division Chief
22 of the Commission's Mineral Resources Management Division.
23 And I'll be presenting the staff report of Calendar Item
24 No. 39, which is Plains Exploration & Production Company's
25 proposed Tranquillon Ridge Field Exploration and

1 Development Project, also known as T-Ridge. I'll be
2 referring to slides as I present the staff reports.

3 The complete project application was submitted to
4 the State Lands Commission and Santa Barbara County by PXP
5 in April of 2005. The Commission staff has reviewed the
6 project application with regard to its applicability to
7 the State's leasing statutes, its technical design and
8 safety and environmental effects, the economic value which
9 the project could provide the state, and its consistency
10 with Commission policies.

11 Santa Barbara County was the lead agency under
12 CEQA and has prepared and certified the Environmental
13 Impact Report for the project.

14 --o0o--

15 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT
16 CHIEF SCOTT: PXP applied for two offshore leases covering
17 the Tranquillon Ridge Field, which is located in state
18 waters directly offshore from Vandenberg Air Force Base,
19 shown here on the slide, this area.

20 PXP plans to use their existing Platform Irene,
21 which is located in federal waters - right here - and is
22 presently used to develop and produce oil from the Point
23 Pedernales Oil Field located directly northwest of and
24 connected to the Tranquillon Ridge Field.

25 The oil and gas that would be produced from

1 Tranquillon Ridge would be measured separately on the
2 platform and then combined or commingled with oil from
3 Point Pedernales, and transported together through
4 existing pipelines to the Lompoc Oil and Gas processing
5 plant in the city of Lompoc. Here the oil would be
6 processed to oil pipeline quality and shipped to
7 refineries through the All-American pipeline.

8 Also shown on this map are three other offshore
9 platforms operated by PXP that produce oil from the
10 federal Point Arguello unit. And their oil is shipped
11 through an offshore and an onshore pipeline to a
12 processing facility in the Gaviota area.

13 --o0o--

14 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT
15 CHIEF SCOTT: The two leased areas that PXP has applied
16 for are shown on this slide in dashed red lines and
17 ascribed as the northern and the southern tracks. These
18 two leases are approximately 5,000 acres each in size.
19 The western edge of the lease area is the three-mile
20 limit, which is the boundary between the State and federal
21 offshore jurisdictions.

22 PXP has proposed preliminary drilling targets for
23 its T-Ridge wells, shown here in red dots. These are
24 locations of the bottom of each well and the surface
25 locations all located on Platform Irene.

1 I'd like to point out one well, Well A-28 on this
2 slide right here, which is very near the boundary between
3 the State and federal jurisdictions. This well was
4 drilled and produces on the federal side of the field. It
5 is still producing oil. And it's important that it is
6 shown. There's a continuous reservoir that exists
7 involving both the State and federal lands, which I will
8 discuss later, regarding the issue of drainage.

9 --o0o--

10 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

11 CHIEF SCOTT: The T-Ridge Development Project was
12 originally proposed by Nuevo Energy Company in 1999, the
13 predecessor operator prior to PXP.

14 Santa Barbara County was the lead agency for
15 reviewing the project pursuant to CEQA, and in 2002 denied
16 the offshore portion of the project over jurisdictional
17 and inspection issues involving the offshore pipeline.

18 After PXP purchased Nuevo's offshore assets, it
19 submitted its own T-Ridge development project in late
20 2004. The project was deemed complete by the State Lands
21 Commission staff in April of 2005.

22 The PXP project was initially proposed to develop
23 the T-Ridge Field over an approximately 30-year time
24 period, but was later modified and scaled back as a result
25 of an agreement between PXP and an environmental coalition

1 consisting of, among others, the Environmental Defense
2 Center, "Get Oil Out!", and the Citizens Planning
3 Association of Santa Barbara.

4 The modified project reduced the lease term from
5 30 years to approximately 14 years, terminating on or
6 before December 31st, 2022.

7 The Commission staff evaluated a shortened
8 project for technical adequacy and economic benefit. And
9 Santa Barbara County prepared and certified the EIR, which
10 was approved by its board of supervisors on October 7th,
11 2008.

12 --o0o--

13 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

14 CHIEF SCOTT: The details of the proposed development are
15 shown here. State Lands Commission staff estimates an oil
16 recovery of up to 90 million barrels of oil from 17
17 development wells over a period of about 14 years. Oil
18 and gas production will be processed at the Lompoc Oil and
19 Gas Plant. Two leases totaling over 10,000 acres will be
20 the area of development. And at its peak, production is
21 estimated to reach approximately 30,000 barrels of oil per
22 day and about 7 1/2 million cubic feet of gas per day.

23 --o0o--

24 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

25 CHIEF SCOTT: This is a picture of Platform Irene. This

1 is located in federal waters, approximately four and a
2 half miles from shore. And it is placed in a water depth
3 of about 242 feet. It has one drilling rig that will
4 share its duties between drilling the wells in T-Ridge and
5 performing the ongoing well work needs of the federal
6 Point Pedernales field operation.

7 All T-Ridge drilling would be directional. And
8 PXP would be using extended reach drilling technology to
9 reach its target locations within the State property.

10 --o0o--

11 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

12 CHIEF SCOTT: The California Coastal Sanctuary Act of 1994
13 made all unleased tide and submerged lands off limits to
14 oil and gas leasing and development, with certain limited
15 exceptions. One exception to the Act, Public Resources
16 Code Section 6244 allows leasing by the State Lands
17 Commission if oil and gas from State-owned tidelands --
18 tide and submerged lands are being drained by producing
19 wells upon adjacent federal lands and that leasing is in
20 the best interest of the State.

21 In the case of Tranquillon Ridge, gas is being
22 drained by production from well A-28, and both oil and gas
23 by operations of the federal Point Pedernales field.

24 --o0o--

25 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

1 CHIEF SCOTT: Two independent third-party studies were
2 performed to determine the occurrence and existence of
3 drainage of State resources from Tranquillon Ridge. The
4 reports concluded that the production of nearby Federal
5 Well A-28 has been and continues to be a cause of drainage
6 of State resources, including a loss of reservoir energy
7 due to the withdrawal of millions of barrels of water from
8 the reservoir.

9 In addition, production from Point Pedernales
10 wells has also caused a loss of oil resources from
11 Tranquillon Ridge by approximately three million barrels
12 of oil annually from loss of energy caused by water
13 drainage.

14 --o0o--

15 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

16 CHIEF SCOTT: The State Lands Commission staff, with the
17 assistance of a third party economic consultant, has
18 evaluated the economic parameters of the proposal over a
19 wide range of possible oil prices, and has developed a
20 royalty formula that changes or slides with changing oil
21 prices. The royalty rate percentages are shown here, that
22 oil prices of \$19 per barrel or less the royalty rate
23 remains fixed at 12 1/2 percent. For oil prices between
24 \$19 a barrel and \$100 a barrel, the rate climbs to 48
25 percent royalty. And between 48 -- between \$100 a barrel

1 and \$500 per barrel the rate reaches the highest royalty
2 of 82 1/2 percent.

3 --o0o--

4 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

5 CHIEF SCOTT: The sliding scale royalty rate is also shown
6 graphically on this slide. A mathematical formula has
7 been prepared that matches this graph, so exact royalty
8 percentage can be calculated at all oil prices.

9 The annual cash flow the State would receive is
10 shown on this slide at an oil price of \$37 per barrel,
11 which is the -- approximately the oil price today for this
12 area.

13 --o0o--

14 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

15 CHIEF SCOTT: The State would receive approximately \$130
16 million during the first year and then average
17 approximately \$100 million each year for the next four
18 years and then gradually drop for the remainder of the
19 project life to approximately \$25 million in the final
20 year.

21 The total cash flow to the State, at this oil
22 price, would be just under \$1 billion.

23 --o0o--

24 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

25 CHIEF SCOTT: This slide shows that the cash flow to the

1 State can vary greatly depending on oil price. This graph
2 shows that the State could receive in excess of \$4 billion
3 in royalty over the project life if oil prices were to
4 reach \$100 and remain at that price over the full length
5 of the project.

6 --o0o--

7 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

8 CHIEF SCOTT: Under the California Environmental Quality
9 Act, it was determined that Santa Barbara County was the
10 appropriate lead agency for this project. The Commission
11 staff, along with the California Coastal Commission staff,
12 provided input in the preparation of the EIR through a
13 joint review panel. The Minerals Management Service,
14 Vandenberg Air Force Base, and Santa Barbara County Air
15 Pollution Control District were also part of the joint
16 review panel as advisory agencies.

17 --o0o--

18 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

19 CHIEF SCOTT: The EIR was certified on October the 7th,
20 2008, by the County Board of Supervisors. The Commission
21 staff has reviewed the EIR and mitigation monitoring
22 program adopted by the lead agency and concurs with the
23 adopted measures.

24 The significant impacts identified in the EIR
25 result from the increased volumes of oil and gas over

1 current production levels and are primarily related to the
2 risk of marine oil spills.

3 The County adopted a Statement of Overriding
4 Considerations in conformance with the State guidelines
5 prior to approving the project. That statement, which
6 finds the benefits of the risk of the project outweigh the
7 unavoidable impacts, is attached to the staff report as
8 Exhibit G3.

9 --oOo--

10 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT
11 CHIEF SCOTT: In addition to the State Lands Commission,
12 several other governmental jurisdictions and agencies have
13 been involved in the review and permitting process. As
14 mentioned previously, Santa Barbara County has completed
15 the CEQA work. If the Commission approves the new leases,
16 approval by the Coastal Commission will be required after
17 it has reviewed the project for consistency with the
18 California Coastal Act. And then the MMS must review and
19 approve PXP's revised development plan and also execute a
20 right of use and easement agreement with PXP to allow them
21 to drill from Platform Irene into State waters.

22 The State, the MMS and PXP would then need to
23 execute two memoranda of agreements that address the
24 inspection of drilling and production operations, as well
25 as the measurement and allocation of oil production from

1 State and federal wells.

2 --o0o--

3 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

4 CHIEF SCOTT: The State has been involved in negotiations
5 with PXP involving proposed lease terms. Significant
6 negotiated terms are shown here. The development area
7 will contain two separate lease areas, each containing
8 approximately 5,000 acres, as I stated before. And the
9 annual rental fee will be assessed on a per acre basis.
10 The lease will contain an initial two-year drilling term,
11 during which a minimum of three wells must be drilled. A
12 sliding scale royalty rate, as I discussed earlier, has
13 been agreed to. The lease term ends production at the end
14 of December 2022, with well abandonments to take place
15 thereafter.

16 There will be no discharge of muds and cuttings
17 into the ocean, except for safety emergencies and with
18 State approval. PXP will post a bond as security for
19 performance of lease terms and for well abandonments.
20 There is a 180-day maximum period between well drilling.
21 And, finally, protocols have been established that
22 describe the inspection participation of operations by
23 State inspectors.

24 --o0o--

25 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

1 CHIEF SCOTT: The potential advantages to the State are
2 several. There are significant economic benefits.
3 Royalty revenues to the State can reach or exceed \$1
4 billion, depending on various factors such as oil price,
5 field performance, and royalty rate.

6 This project will also reduce the amount of
7 drainage occurring from federal operations and will enable
8 the State to protect and recover its own resources. In
9 addition, the lease terms include a specific end date for
10 Tranquillon Ridge production at December 31st, 2022, as
11 well as provisions whereby the greenhouse gas emissions
12 will be mitigated through equipment modifications and
13 carbon offsets.

14 This project has, on the other hand, significant
15 disadvantages. Since the 1969 Santa Barbara oil spill,
16 California has enunciated a policy of choosing protection
17 of coastal values and resources over new offshore oil
18 leases that could threaten those values.

19 The Legislature steadily added prohibitions
20 against new leasing in additional areas until 1994, when
21 it prohibited all new leases in State coastal waters, with
22 the drainage exception that the Commission's considering
23 today.

24 The Legislature also adopted a series of
25 resolutions opposing new leases in federal waters.

1 The Commission has not approved a new lease since
2 before 1969. Since 2001, the Commission has adopted eight
3 resolutions opposing new leases in federal waters. These
4 resolutions often cited the State's record of not
5 approving new leases as support for this opposition.

6 The last six months have seen new threats of
7 renewed federal leasing. President Bush has withdrawn the
8 presidential moratorium on new leasing. Congress allowed
9 its moratorium to expire. Two weeks ago the Department of
10 Interior asked for comments on three new proposed lease
11 sales off California.

12 Staff's recommendation of a denial of this
13 project is based largely on the inconsistency of this new
14 lease with the California -- with California's and the
15 Commission's longstanding policy and the protection this
16 policy has given the coast.

17 Under existing California law, we don't know of
18 any other current drainage qualified exceptions from the
19 1994 lease prohibition.

20 However, if new federal OCS leases are approved,
21 new drainage situations could be created. Staff believes
22 new federal leases are more likely if this lease is
23 approved.

24 In general, staff believes that approval of this
25 lease will change the debate in California and Washington

1 D.C. from whether additional leases should occur to the
2 circumstances under which they should be approved.

3 In addition, we question whether the greenhouse
4 gases would be completely offset and that these
5 mitigations are not a net public benefit, but only a
6 mitigation of a new burden.

7 --o0o--

8 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

9 CHIEF SCOTT: On April 10th, 2008, PXP and the
10 Environmental Defense Center, representing itself, "Get
11 Oil Out!", and the Citizens Planning Association of Santa
12 Barbara, announced an agreement that would allow the
13 environmental groups to actively support the development
14 of Tranquillon Ridge by PXP. Commission staff was given
15 copies of the confidential agreement. But PXP and EDC
16 have otherwise kept the terms of this agreement
17 confidential.

18 The environmental benefits, as described publicly
19 by PXP and EDC, include end dates of PXP's offshore oil
20 and gas operations and onshore processing facilities in
21 and around Santa Barbara county, land conveyances by PXP
22 to a trust, and greenhouse gas mitigation measures.

23 The agreement has target end dates for cessation
24 of oil production activities for T-Ridge for December
25 2022, Point Arguello for 2017, and also provides for

1 closure of on-shore facilities at Lompoc and at Gaviota.

2 In addition, PXP has agreed to conduct an audit
3 of all greenhouse gases associated with their operations
4 and to determine what feasible measures can be done to
5 eliminate or reduce the generation of greenhouse gases
6 from ongoing drilling and production on the platform and
7 to fully offset any remaining greenhouse gases that the
8 Tranquillon Ridge project could create.

9 Lastly, are proposed land conveyances from PXP to
10 the Trust for Public Land of up to 3,700 acres in the
11 Lompoc area, including the land upon which the Lompoc
12 treatment facility sits, and some 200 acres in the Gaviota
13 area, where the production facility for Point Arguello
14 resides. This would remove the land from future
15 development, either for oil or gas or additional housing
16 development.

17 Curtis Fossum, State Land's Chief Counsel, will
18 address the next slide regarding enforceability of
19 environmental benefits.

20 --o0o--

21 CHIEF COUNSEL FOSSUM: Thank you, Greg.

22 EXECUTIVE OFFICER THAYER: And before Curtis
23 starts, I'd like to explain that this next section of the
24 staff presentation really turns on the legal situation,
25 the legal circumstances surrounding these leases, the

1 federal leases, and the EDC agreement. So we thought it
2 appropriate to have the Chief Counsel make this
3 presentation.

4 CHAIRPERSON GARAMENDI: Mr. Fossum, please have
5 at it.

6 CHIEF COUNSEL FOSSUM: Thank you, Mr. Chairman.

7 CHAIRPERSON GARAMENDI: Before you do, we've been
8 joined -- for those of you that are looking up here --

9 (Laughter.)

10 CHAIRPERSON GARAMENDI: -- by our State
11 Controller, John Chiang.

12 John, thank you for joining us.

13 Go ahead, Mr. Fossum.

14 CHIEF COUNSEL FOSSUM: Thank you, Mr. Chair.

15 Staff was consulted early on in last year and
16 consulted with the Commission in early August 2008 to
17 begin investigating whether the public benefit goals
18 adopted in the PXP and EDC agreement could be incorporated
19 and enforced through a lease with the Commission. If
20 these goals could be included as conditions and enforced
21 by the Commission, they could provide benefits to the
22 public that the Commission could use in weighing whether
23 the proposed project is in the State's best interest.

24 Commission staff has serious concerns about
25 whether the goals and benefits proposed in the PXP-EDC

1 agreement can and will be realized. While certain staff
2 members were provided an opportunity to review the
3 agreement, a confidentiality agreement with EDC and PXP
4 prevents staff from describing or discussing the details
5 of the agreement.

6 Staff investigated alternatives that could be
7 considered as lease provisions, which, if enforceable,
8 would give the Commission certainty that the goals
9 proposed by the PXP-EDC agreement would, in fact, be
10 reached. The end result of our research concludes that
11 the nature and legal framework of federal jurisdiction
12 prevents a conclusion, with any degree of certainty, that
13 the goals of termination of offshore development in
14 federal OCS waters and removal of platforms can or will be
15 obtained through the PXP-EDC agreement or by the
16 incorporation of enforcement terms within the proposed
17 lease.

18 Commission staff analyzed the proposed
19 environmental benefits of the PXP-EDC agreement as a
20 factor for determining whether these leases -- whether the
21 proposed leases would be in the State's best interests.

22 In consultation with the Attorney General's
23 office, the Commission's legal staff concluded that
24 enforcement of the main goals of the agreement could not
25 be assured and staff could not devise any way to improve

1 enforceability.

2 The main concerns with the State trying to impose
3 end dates regarding federal development projects are
4 potential interference with the federal leases and federal
5 jurisdiction, including conflict with the preemption
6 clause of the -- the Commerce Clause of the United States
7 Constitution.

8 Staff looked at several options including whether
9 PXP could be required, through adoption of lease
10 provisions, to halt productions from the federal leases by
11 the PXP-EDC agreement, their proposed end dates.

12 Secondly, whether the Commission could refuse to
13 extend the lease that we've issued to PXP for the
14 pipelines and power lines that serve the federal
15 platforms.

16 Third, we looked at whether or not the Commission
17 could require that the onshore facilities be closed down
18 consistent with end dates.

19 Fourth, whether the Commission could negotiate an
20 agreement with MMS, wherein the federal government would
21 agree to PXP's closure of federal lease production from
22 Point Ped and Point Arguello.

23 And, lastly, whether the State could impose
24 backstop requirements in the leases that would at least
25 assure that the land dedications contemplated in the EDC

1 agreement would occur.

2 The Commission staff concluded that the
3 Commission cannot reliably require PXP to stop and close
4 production on federal leases for several reasons:

5 First, to do so would tortuously interfere with
6 the contracts between PXP and MMS involving the federal
7 OCS leases. There are estimates that commercial oil
8 production at Point Arguello and Point Ped will have
9 declined within the respective end dates of 2018 and 2022.
10 However, new technology allows more oil to be recovered,
11 and oil prices typically increase over time as exemplified
12 by last year's oil shortage and market escalation.

13 In fact, the Environmental Defense Center in a
14 press release two days ago made the following statement:

15 "With new slant drilling technology and variable
16 oil prices, it's more than likely the drilling will
17 continue for many years, possibly another 30 or 40, as has
18 been experienced with other platforms in Santa Barbara
19 Channel."

20 These factors enable more costly recovery
21 mechanisms to be employed to recover additional oil. Some
22 fields that are expected to be drained 30 or more years
23 ago are still producing. EDC believes that there is a
24 public benefit to the end dates they've agreed to. But
25 because commercial production could extend beyond any date

1 currently estimated, it's likely the United States will
2 want to continue production from the OCS.

3 The PXP-EDC agreement or similar lease conditions
4 seeking to limit oil production and continued revenues for
5 the federal government to end dates raises several legal
6 obstacles.

7 A contract which causes PXP to prematurely
8 abandon oil production and halt anticipated revenue would
9 interfere with the federal lease and the federal
10 government's contractual expectations that PXP would
11 continue production, while it is commercially
12 remunerative. The federal government could sue the
13 parties involved for damages or for its continued
14 production from the federal leases. Requirements to close
15 onshore processing facilities at Gaviota and Lompoc are
16 also subject to legal challenges by the United States on
17 the same grounds.

18 The federal government could exercise its
19 condemnation or eminent domain powers to keep open the
20 onshore production facilities and prevent the State from
21 closing down the pipelines which service the federal
22 leases. Although it's speculative whether this would
23 occur, the federal government has exercised these powers
24 to take control of State sovereign lands on previous
25 occasions.

1 The oil pipelines and facilities are necessary
2 for interstate commerce, as has already been seen.

3 In the 1980s the Commission was involved in
4 litigation that arose out of the Commission's decision to
5 alter how rent rates were set for pipeline leases. The
6 result of the litigation was that an oil industry
7 association successfully relied on the Commerce Clause and
8 the Import-Export Clause of the United States Constitution
9 to stop the Commission from imposing a throughput-based
10 royalty. The oil industry association successfully argued
11 that the Commission has a monopoly over the land
12 transporting offshore oil to the onshore processing
13 facilities.

14 The Ninth Circuit held that the Commission had
15 violated the Commerce Clause and the Import-Export Clause
16 by its action. That case was called WOGA, or Western Oil
17 & Gas Association, versus Cory. Mr. Cory was the Chairman
18 of the Commission at the time.

19 The State could be similarly vulnerable to
20 federal intervention, if the State tried to stop use of
21 the pipelines for conveying the federal oil. For example,
22 the United States has recently condemned rights of way
23 across California's submerged lands in the Colorado River
24 for a power line right of way.

25 MMS has indicated that federal end dates are

1 inconsistent with its conservation and prevention of waste
2 policies that require production to continue while
3 recoverable oil remains. MMS has likewise rejected
4 inclusion of end dates in PXP's application to use
5 Platform Irene for the T-Ridge project. MMS has no
6 incentive to give up the federal production.

7 Even if the federal government contractually
8 agreed to end dates, those dates could not be enforced if
9 the United States changes its mind. The United States
10 District Court of Appeal for the Ninth Circuit in an
11 Arizona case held that the federal government could be
12 sued for damages only and not specific performance.

13 Thus, if MMS entered into an agreement to end
14 production in federal leases and chose not to implement
15 it, California could only litigate for damages and not to
16 obtain cessation of oil production, which is the potential
17 policy basis for approval of the Tranquillon Ridge and
18 therefore would not be attainable through litigation.

19 Further, it's unclear that PXP can effectuate the
20 end dates for the Point Arguello operations because of
21 partnership agreements in place for the Gaviota facility
22 and its lack of control of the existing federal offshore
23 platforms. Staff has not been given a copy of those
24 partnership agreements.

25 Staff has also considered developing a lease

1 provision, which PXP would agree to pay the State a large
2 penalty, should the federal lease end dates not be
3 realized. However, a payment to the State would not
4 obtain the public policy result desired of closure of
5 those federal leases and platforms.

6 Further, courts have declined to enforce
7 liquidated damage provisions where the intent is to
8 establish a penalty to obtain the desired performance.
9 Instead, courts have limited payments to actual damage
10 demonstrated.

11 Establishing a monetary damage amount for failure
12 to close a federal lease would be difficult, if not
13 impossible.

14 With respect to the onshore land donations
15 contemplated in the PXP-EDC agreement, these would not be
16 hampered by the same legal considerations as enforcement
17 of the federal end dates, with the exception of the
18 relatively small acreages of which are involved in the
19 pipeline and the two processing facilities.

20 Late Tuesday, PXP and the Trust for Public Land
21 allowed staff to analyze their donation agreement. Staff
22 believed it to be important in trying to determine whether
23 we could develop provisions that would provide for
24 donation of the lands currently offered by PXP to TPL to
25 be controlled by the Commission and donated to an entity

1 of the Commission's choice if the TPL transfer had not
2 occurred, for example, within ten years of the end dates.

3 Since we just obtained that agreement, that
4 option was not explored further and would have no effect
5 on offshore operations regardless.

6 In response to Commission, staff -- excuse me.
7 In response to the Commission raising these concerns,
8 counsel for PXP provided a memo, Exhibit I, advocating
9 that the Commission not try to enforce the Point Arguello
10 end dates and the land donations, but to focus on Point
11 Pedernales and the greenhouse gas emissions.

12 Among other things, the Commission suggested the
13 donations could take a long time to complete and that the
14 title problems could prevent some of the donations from
15 occurring at all. If actually obtained, the land
16 donations may provide a significant public benefit.
17 However, there remain a number of conditions and caveats
18 in the confidential agreements that would affect that
19 outcome.

20 In conclusion, staff does not believe that the
21 PXP-EDC agreement forms a reliable basis for determination
22 that the project is in the best interests of the State as
23 required by the Public Resources Code Section 6244.

24 Enforcement of the federal end dates -- excuse
25 me. Enforcement of the federal end dates would be a

1 public benefit, but there are a number of conditions
2 attached to these -- to the donations, including that
3 described in Exhibit I, and the end dates are highly
4 uncertain as to production offshore.

5 That ends my presentation.

6 CHAIRPERSON GARAMENDI: Mr. Fossum, thank you
7 very much.

8 Tom, you had a question?

9 ACTING COMMISSIONER SHEEHY: Questions of staff.

10 EXECUTIVE OFFICER THAYER: We were going to have
11 just -- if we may, just there's one concluding section
12 that will wrap up the staff's presentation. Can we do
13 that first?

14 ACTING COMMISSIONER SHEEHY: Certainly.

15 CHAIRPERSON GARAMENDI: Greg.

16 --o0o--

17 MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

18 CHIEF SCOTT: This last slide is the concluding slide.

19 It is the staff's recommendation that the
20 Commission find that this proposal is not in the best
21 interests of the State and deny the application by PXP for
22 leasing State lands.

23 Should the Commission decide, however, that the
24 lease is in the best interests of the State, staff has
25 prepared, as Exhibit G, an alternative Commission finding

1 and determination to approve the application by PXP for
2 leasing State-owned lands.

3 Other issues related to that alternative,
4 findings such as greenhouse gas mitigation, right-of-use
5 and easement agreement, and certain lease terms can be
6 discussed at greater length and at a later time, if
7 desired by the Commission.

8 Thank you. That concludes my staff report. I as
9 well as other staff are available to answer questions if
10 you have any.

11 CHAIRPERSON GARAMENDI: Tom.

12 ACTING COMMISSIONER SHEEHY: Thank you, Mr.
13 Chairman.

14 And thank you staff of the Coastal Commission for
15 a comprehensive thorough briefing. I appreciate it. I
16 think this is about the sixth time I've heard it, but I --

17 CHAIRPERSON GARAMENDI: State Lands Commission.

18 ACTING COMMISSIONER SHEEHY: What did I say?

19 CHAIRPERSON GARAMENDI: Coastal.

20 ACTING COMMISSIONER SHEEHY: Did I? Did I
21 really?

22 You know what it is, I was looking at Paul
23 Thayer, and I just had Coastal Commission all over his
24 forehead.

25 (Laughter.)

1 EXECUTIVE OFFICER THAYER: Former employee of the
2 Coastal Commission.

3 ACTING COMMISSIONER SHEEHY: Don't worry. The
4 Coastal Commission will be the next stop for this project.

5 EXECUTIVE OFFICER THAYER: My past consummate --

6 ACTING COMMISSIONER SHEEHY: I have questions
7 about the California Coastal Sanctuary Act of 1994.

8 What were the specific conditions under which -
9 in that Act - they said that any new lease could actually
10 be executed?

11 EXECUTIVE OFFICER THAYER: In general, there are
12 three ways that additional oil production could occur in
13 California waters. The one we're dealing with today,
14 which is probably the most significant, is that if there
15 was drainage by a federal development, federal oil wells,
16 that the Commission could approve a new lease, if it found
17 that drainage occurred and it was in the best interests of
18 the State.

19 The second major exception, for which actually
20 there's a proposal before the Commission or coming to the
21 Commission, would be if an oil company that presently had
22 leases wanted to expand those leases to encompass the
23 whole of an oil field. It was only partially included
24 within -- currently only partially included within the
25 existing leases. The Commission could approve that.

1 And, finally, there's a somewhat loosely worded
2 provision that says if the Feds -- if the President
3 declares an energy emergency - and I think if California's
4 Governor concurs - then the Legislature can amend the
5 statute to allow for more oil leases.

6 ACTING COMMISSIONER SHEEHY: Well, the Coastal
7 Sanctuary Act was a statute, was it not?

8 EXECUTIVE OFFICER THAYER: Yes, it was.

9 ACTING COMMISSIONER SHEEHY: So isn't it true
10 that the Legislature could, at any time, come in and amend
11 it?

12 EXECUTIVE OFFICER THAYER: Absolutely.

13 ACTING COMMISSIONER SHEEHY: Okay. So it
14 wouldn't necessarily require a federal emergency or a
15 state of emergency to amend the California Sanctuary Act,
16 is that right?

17 EXECUTIVE OFFICER THAYER: Absolutely right,
18 which is why that last one is kind of odd.

19 ACTING COMMISSIONER SHEEHY: Okay. So the last
20 one's kind of odd. But the first two was -- there has to
21 be drainage occurring?

22 EXECUTIVE OFFICER THAYER: Yes.

23 ACTING COMMISSIONER SHEEHY: And you've already
24 done a good presentation to establish the fact that that's
25 happening. So there has to be drainage. That's the

1 point.

2 And the other one was -- say it again. It's sort
3 of connecting the dots, that there's fields that are close
4 to each other, they could be connected together. It has
5 to be a very unique circumstance.

6 EXECUTIVE OFFICER THAYER: If there's a field
7 that's, say, eight miles wide and their lease is only four
8 miles, but it can be shown that it's all one great big
9 field, you can enlarge the leases to encompass the whole
10 of the eight miles.

11 ACTING COMMISSIONER SHEEHY: Is that pretty
12 specifically laid out in the statute?

13 EXECUTIVE OFFICER THAYER: Yes.

14 ACTING COMMISSIONER SHEEHY: Okay. So is there
15 any under -- is there any other condition under which, in
16 State tidelands, an oil company could apply for a lease
17 successfully to do any drilling?

18 EXECUTIVE OFFICER THAYER: No.

19 ACTING COMMISSIONER SHEEHY: So regardless of
20 whether this lease gets approved or denied today by this
21 Commission, there's no other condition under which any oil
22 drilling could be done, unless it made one of these two
23 exceptions which are in California statute?

24 EXECUTIVE OFFICER THAYER: Or the Legislature
25 changed the law, that's right.

1 ACTING COMMISSIONER SHEEHY: And so therefore in
2 order for that change, the California Legislature would
3 have to introduce legislation and go through that process
4 and send a bill to the Governor for his signature. And if
5 that doesn't happen and we don't have drainage or we can't
6 encompass a field, if any of those conditions aren't met,
7 then there could be no additional oil drilling in
8 California tidelands, is that correct?

9 EXECUTIVE OFFICER THAYER: Correct.

10 ACTING COMMISSIONER SHEEHY: Okay. I just wanted
11 to make sure I understood that point.

12 I have another question.

13 CHAIRPERSON GARAMENDI: Before you move on beyond
14 the issue of the law itself. Several times staff has
15 spoken to the issue of the public interest. Is that in
16 the statute?

17 EXECUTIVE OFFICER THAYER: Absolutely. So the
18 Commission has the ability to turn down the current
19 proposal if it's not in the best interests of the State.

20 CHAIRPERSON GARAMENDI: And is there any
21 definition --

22 CHIEF COUNSEL FOSSUM: You have to make an
23 affirmative --

24 CHAIRPERSON GARAMENDI: -- of what "best
25 interests" is?

1 CHIEF COUNSEL FOSSUM: Excuse me. You have to
2 make an affirmative finding that it is, in fact, in the
3 State's best interests --

4 EXECUTIVE OFFICER THAYER: -- in order to approve
5 the lease.

6 CHIEF COUNSEL FOSSUM: -- to approve the lease.

7 CHAIRPERSON GARAMENDI: So if we were to approve
8 this, part of the motion must be that we find it in the
9 best interests of the State to accept the lease?

10 CHIEF COUNSEL FOSSUM: That's correct.

11 CHAIRPERSON GARAMENDI: Thank you.

12 Tom.

13 ACTING COMMISSIONER SHEEHY: Thank you, Mr.
14 Chairman.

15 I have another question. I don't know if it was
16 Mr. Scott or Mr. Fossum was talking about -- oh, yes, Mr.
17 Fossum, you gave a pretty thorough legal presentation of
18 all of the different things that could happen that could
19 prevent the termination of this lease and the termination
20 of the oil facilities onshore consistent with the EDC
21 agreement. You talked about all the things that the
22 federal government could do. They could sue us. They
23 could exercise eminent domain.

24 The first question I have is, do we know, in the
25 over 200-year history of the United States, has the

1 federal government ever exercised federal domain --
2 eminent domain on an energy producing facility anywhere in
3 this country?

4 CHIEF COUNSEL FOSSUM: Well, as I -- we don't
5 know. We don't know if they have and we don't know if
6 they haven't. We haven't really researched that. But we
7 do know that -- I've been involved in probably scores of
8 cases where the United States has condemned State property
9 for its projects. And those projects include dams on
10 rivers, federal -- this recent one that I mentioned in my
11 report was a condemnation on the Colorado River near
12 Needles for an indian tribe that wanted to have power
13 lines coming across the river. And they wanted more than
14 the Commission was authorized by statute to give them, so
15 their alternative was to take it. And they did.

16 So they can, we believe -- whether it requires
17 special legislation or the legislation's already existing,
18 Congress would have authority to do that.

19 CHAIRPERSON GARAMENDI: If I might just add.
20 When we dealt with the natural gas line from Mexico, there
21 was a very serious threat of condemnation to complete the
22 line had we not approved the lease.

23 CHIEF COUNSEL FOSSUM: Yes. And that's an
24 existing law for that particular utility.

25 ACTING COMMISSIONER SHEEHY: Thank you, Mr.

1 Chairman.

2 Now, as I understand it, there's an existing
3 pipeline that comes off of Platform Irene that comes
4 onshore, is that right?

5 CHIEF COUNSEL FOSSUM: Correct.

6 ACTING COMMISSIONER SHEEHY: And so is there oil
7 flowing through that pipeline now?

8 CHIEF COUNSEL FOSSUM: Yes.

9 ACTING COMMISSIONER SHEEHY: And are they going
10 to have to build a new pipeline to get oil out of
11 Tranquillon Ridge?

12 CHIEF COUNSEL FOSSUM: No, not from the platform.

13 ACTING COMMISSIONER SHEEHY: So it's going to go
14 through the same pipeline, is that right?

15 CHIEF COUNSEL FOSSUM: (Chief Counsel Fossum nods
16 head.)

17 ACTING COMMISSIONER SHEEHY: Okay. So the
18 question is, if -- since there's oil going through the
19 pipeline now and since we know if this project doesn't get
20 approved, there's going to be oil drilling and oil going
21 through that pipeline in perpetuity, are we better off --
22 do we have a stronger chance of getting the oil out and
23 stopping that drilling if this gets approved or not
24 approving it?

25 Because I seem to hear that the staff's rationale

1 for opposition to approving this lease seems to be two
2 things primarily: That a) we haven't done any new leases
3 in California in four decades; and that the State of
4 California has found that it's in the best interests of
5 the State because of the possible environmental impacts of
6 oil drilling to not do that.

7 And you don't feel that there's a compelling
8 argument in this case to recommend otherwise, so I
9 understand that.

10 But it also seems like your argument is, there's
11 no guaranty we can get the oil out. But I want to
12 understand what happens if we don't approve this lease.
13 Do we have any chance to get the oil out at all?

14 EXECUTIVE OFFICER THAYER: I didn't follow that
15 last part.

16 ACTING COMMISSIONER SHEEHY: My question is -- it
17 seems like staff is recommending to deny this project
18 because they're saying there's no ironclad guaranty
19 between PXP and EDC that can be legally enforced.
20 However, I'm sure we're going to hear from them later
21 about all of the provisions that they feel, in fact, can
22 be enforced to get the oil out and shut down this
23 drilling.

24 What I want to know is, is that if we deny this
25 lease agreement, do we have any hope of shutting that oil

1 drilling down?

2 EXECUTIVE OFFICER THAYER: No. It's equally true
3 in either circumstance. We have somebody here from MMS
4 who can respond to questions about their authority over
5 this. But basically we're saying with or without the EDC
6 agreement, the federal government's in a position to
7 require that production continue from its leases.

8 ACTING COMMISSIONER SHEEHY: Okay. So if we
9 don't approve this lease, this drilling's just going to
10 continue on?

11 EXECUTIVE OFFICER THAYER: Right. Or if we
12 approve it, it's going to continue on.

13 ACTING COMMISSIONER SHEEHY: Okay. Thank you,
14 Mr. Thayer.

15 Mr. Chairman, that's all the questions I have at
16 this time.

17 CHAIRPERSON GARAMENDI: Thank you very much.
18 John?

19 COMMISSIONER CHIANG: No.

20 CHAIRPERSON GARAMENDI: Let us move on.

21 I'd like now to hear from PXP and then the
22 support -- the organized support for the lease.

23 As I said earlier, it appears to me, looking at
24 the names of the people that want to testify, there's some
25 confusion as to whether to mark "support" or "opposition"

1 as you signed up.

2 So we're going to take PXP, we're going to take
3 the organized support for PXP's proposal, and then
4 we'll -- and that'll be EDC -- and then we'll alternate
5 back and forth, starting first with elected officials.

6 Please, go ahead, sir.

7 MR. RUSCH: Thank you, Mr. Chair and members of
8 the Commission. My name is Steve Rusch. I'm Vice
9 President with Plains Exploration & Production Company, or
10 PXP, the applicant for the project that staff just did a
11 good job reviewing before you. I'm here this afternoon to
12 seek your approval of the project. It is in the best
13 interests of the State.

14 Also, here today is our CEO, Jim Flores, and his
15 executive team, who are here to show their support for the
16 project, appreciation for the truly unique coalition that
17 has gathered in support of this historic application, and
18 commencement of the operations.

19 PXP employs about 460 people in the State of
20 California as the fourth largest producer -- independent
21 producer in the state.

22 (Thereupon an overhead presentation was

23 Presented as follows.)

24 MR. RUSCH: We respectfully disagree with staff's
25 recommendation. There are four key reasons why this

1 project is in the best interests of the State:

2 --o0o--

3 MR. RUSCH: Enforcement shutdown -- enforceable
4 shutdown of PXP's on and offshore oil and gas facilities;
5 significant revenue benefits, both long and short term,
6 for the State of California; mitigation of greenhouse
7 gases associated with the project and displacement of
8 emissions from tanker imports; donation of scenic coastal
9 lands for the public's use, and, of course, conservation
10 of almost 4,000 acres.

11 The application, along with the environmental
12 coalition agreement, work in concert to form a unique
13 historic one-of-a-kind proposal. The nature of our
14 application also gives the Commission an historic
15 opportunity to implement the vision outlined in the
16 previous policy resolution. So I'll get into that.

17 The fact that PXP, Environmental Defense Center,
18 and "Get Oil Out!" stand together in front of you today
19 should underscore the historic decision in front of you.

20 No two groups have been more singularly focused
21 in stopping offshore oil and gas production than EDC and
22 GOO. The road to collaboration of a project of this
23 nature was not easy. It took four years. It took a year
24 of intense negotiation. The end result, however, is a
25 project that is environmentally compatible, provides a

1 significant number of benefits to the State, and - I want
2 to stress this point - is consistent with the past policy
3 resolutions adopted by the Commission.

4 Then slide 2, John.

5 --o0o--

6 MR. RUSCH: In our opinion, the key arguments
7 staff outlines in favor of the project far outweigh those
8 used to support their recommendation. Concerns about
9 enforceability and the impact of this decision on the
10 national OCS, outer continental shelf, debate rely almost
11 entirely on hypothetical speculation about the future.

12 What is irrefutable, however, is that without
13 approval of the application and the leases, none of the
14 environmental and revenue benefits attached to this
15 project will materialize. Absolutely none.

16 --o0o--

17 MR. RUSCH: I'd like to highlight the most
18 critical elements on slide 3. PXP is seeking to approve
19 to drill 14 oil and gas wells into State waters from a PXP
20 and federal platform, Platform Irene.

21 The project will utilize existing infrastructure
22 and won't require the installation of new facilities. In
23 essence, our facilities will continue to operate in the
24 same fashion as they currently do if our application is
25 approved, with a major difference. During the next 14

1 years, the State will receive a significant stream of
2 revenue and associated environmental benefits, while PXP
3 begins the process of abandoning our four platforms that
4 we own off the northern Santa Barbara coastline.

5 As a condition of approval, and to secure support
6 of the environmental coalition that joins with us today,
7 PXP has made a series of innovative commitments that will
8 provide a multitude of benefits to the State. In addition
9 to abandoning our platforms, we will also remove an
10 onshore oil and gas facility that is located near the
11 residential area of Vandenberg Village, as well as our
12 onshore oil production facilities and oil field.

13 We've agreed to mitigate the greenhouse gas
14 emissions that would be associated with the project, even
15 though the platform is not subject to AB 32.

16 And, finally, we have agreed to donate, for the
17 public's use and enjoyment and permit protection, of
18 almost 4,000 acres of land PXP owns along California's
19 scenic coastline with stunning views of the countryside
20 and ocean. And photos of our property have been provided
21 to you in the package before you.

22 All of these commitments will be enforced through
23 multiple levels of assurances the environmental coalition
24 insisted upon during our year-long negotiations.

25 All of these goals are consistent and, in fact,

1 further the policy positions adopted by the previous
2 Commission. None of the environmental or revenue benefits
3 we will discuss here today will materialize, as I've said,
4 unless you approve these leases.

5 PXP's proud of our safety record as an operator.
6 Our pipeline integrity programs are among the most
7 stringent in industry. We've strengthened our operations
8 that we've inherited from a previous operator. And in all
9 aspects of our business, PXP repeatedly demonstrates that
10 we're a leader in the industry. In fact, PXP's Pipeline
11 Integrity Program on Platform Irene and these facilities
12 we use is recognized as the gold standard in our industry
13 and is even cited in petroleum classes taught at
14 universities.

15 As a result of our efforts, I'm proud to say that
16 we have one of the lowest incidence rates in the industry
17 and in '08 -- 2008 on average less than a fraction of a
18 gallon was released from platforms.

19 This successful record that enables us and so
20 many of our supporters to say that approval of this
21 application will not represent an expansion of risk to the
22 State or country over the next 14 years. In fact, the
23 spill risk posed by our operations will be unchanged with
24 or without the approval of this project.

25 --o0o--

1 MR. RUSCH: The revenue opportunities generated
2 by this project are significant. As staff acknowledges on
3 page 20 of the staff report, the royalty rate tied to this
4 project is, quote, "the highest rate structure in any oil
5 and gas lease known to staff," end quote.

6 There is no doubt that the royalty structure of
7 this project is, in fact, in the best interests of the
8 State. The revenue available to California's General Fund
9 over the 14-year life of the project is estimated to be 2
10 to \$5 billion, depending, of course, on the price of crude
11 oil.

12 The State stands to receive more than double the
13 revenue of PXP, despite the fact we're shouldering
14 obviously the drilling and operating risks and financial
15 risks.

16 Santa Barbara County could receive another 114 to
17 \$331 million in ad valorem taxes.

18 PXP has also volunteered to prepay \$100 million
19 in royalties to help the State in their immediate
20 financial crisis. While the reports -- this would be in
21 the staff reports -- suggest that \$100 million merely
22 represents one-quarter of one percent of the current
23 deficit, I suggest that those California residents facing
24 layoffs, mortgage defaults, furloughs, economy distress
25 would not find \$100 million insignificant.

1 By example, PXP's voluntary prepayment represents
2 enough money to pay the annual salaries of 1,538 school
3 teachers or 1,600 State employees. That would be for a
4 full year.

5 The availability of a constant revenue stream
6 from this project will provide the State enhanced
7 flexibility to determine if securitizing additional
8 royalties is desirable. This is not even mentioned in the
9 staff report.

10 Determinations about how the revenue from this
11 project is utilized are policy decisions that are subject
12 to the discretion of the members of this Commission and,
13 of course, the Legislature. If the project is approved
14 today, there will be opportunities for decision makers to
15 determine how that money should be spent. If the project
16 is not approved, these opportunities vanish.

17 One of the principal issues raised by staff is
18 whether the State can be assured that the environmental
19 benefits will materialize and whether the land donations
20 can be enforced, and we've heard them talk about that.
21 These questions again are primarily based on this
22 hypothetical scenario, that the Feds are going to come in
23 and federalize everything.

24 PXP, TPL and EDC have already fulfilled a number
25 of key conditions to make all of these donations occur.

1 The biggest impediment left for your approval -- or the
2 biggest impediment left is your approval of these leases.

3 Ensuring enforceability is one of the
4 environmental coalition's chief goals during our
5 discussions. The agreement negotiated by PXP and EDC
6 contains multiple layers of enforcement to ensure that the
7 agreement is upheld. EDC can take PXP to court if, at any
8 point, the coalition determines that PXP has not lived up
9 to the agreement. This extends to PXP's commitments to
10 shut down our platforms and onshore facilities and make
11 the land donations.

12 Removal of the onshore facilities that serve the
13 platforms are added assurance that the intent of the
14 agreement will be upheld. The suggestion that the federal
15 government will override the agreement in 14 years and try
16 to confiscate these facilities is farfetched and, as
17 counsel already mentioned, speculative.

18 On January 6th, Deputy Attorney General Alan
19 Hager testified that while such a scenario is
20 theoretically possible, he was not aware of any
21 circumstance where the federal government had condemned an
22 onshore oil and gas facility in another jurisdiction - a
23 State jurisdiction or County - for the purposes of
24 furthering specific management goals of federal offshore
25 facilities. It just hasn't happened.

1 PXP has also worked with EDC, since the release
2 of the staff report, to identify areas to strengthen the
3 State's ability to enforce the agreement. We're proposing
4 two solutions:

5 One is we propose to waive our right for a lease
6 extension. And we would do that with -- if we need, with
7 the upcoming Coastal Commission hearing.

8 First, PXP is willing to accept that lease
9 condition I mentioned. And, further, we're willing to
10 bind that on all our successors.

11 Secondly, we've agreed to amend the environmental
12 coalition agreement, which we've provided to staff this
13 past week, to give the State Attorney General the
14 authority to enforce the agreement just the same as the
15 environmental groups can.

16 The additional assurances provided by these
17 additional enforcement measures address any hypothetical
18 scenarios one can imagine concerning enforcement of land
19 donations and facility closures.

20 The second primary issue raised by staff is the
21 approval of a new lease would run contrary to the
22 resolutions of the Commission that has adopted for calling
23 for the federal government to ban offshore drilling. We
24 believe exactly the opposite is true, and that the
25 underlying theme of our application is in full alignment

1 with that policy goal.

2 The environmental coalition agreement adjoining
3 this lease application provides the Commission for the
4 first time in 40 years, the anniversary of which was
5 yesterday, a tool to ensure the policy goals embraced in
6 your resolutions are achieved. Even if one wants to cite
7 enforceability concerns with the agreement, one cannot and
8 should not deny that the underlying purposes of the
9 application moves the Commission closer to its goal, not
10 further. The Commission has the ability to attach
11 whatever policy statements they wish to the approval to
12 ensure actions here today are not misinterpreted by third
13 parties. You can make that very clear.

14 With the added enforceability clauses we're
15 offering, there should be no doubt that this application
16 is consistent with those resolutions.

17 --o0o--

18 MR. RUSCH: Now, for a greenhouse gas emission, I
19 just wanted to mention a couple things, because right
20 before the meeting we resolved some differences on the
21 greenhouse gas mitigation that we proposed -- which I
22 think we've resolved. We do agree to mitigate greenhouse
23 gas emissions, become carbon neutral, and actually by
24 virtue of the program we're offering, would have an excess
25 of greenhouse gas offsets. So, yes, it's more than just

1 offsetting the project emissions.

2 And then that's -- I'll keep it at that. But
3 basically we -- you know, we had a commitment to be carbon
4 neutral and we modified the conditions to ensure that that
5 takes place.

6 --o0o--

7 MR. RUSCH: In closing, PXP's proud that we forge
8 a collaborative path with EDC and other key stakeholders
9 of the environmental coalition that will be appearing
10 before you today.

11 The MMS is, in fact, fully cooperating and has
12 cooperated throughout this process, which certainly
13 doesn't sound like the boogeyman that's going to take over
14 and federalize the onshore facilities at any point in
15 time, as they never have. And they've issued the
16 conditions to an RUE that are consistent with the
17 regulations.

18 Furthermore, all the lease issues, as I
19 mentioned - the greenhouse gas being one of them - the
20 draft lease issues have been resolved. It's ready to be
21 signed.

22 There's no increased risk either of a spill, as I
23 mentioned. It's the same as if the project wasn't
24 approved. As Commissioner Sheehy mentioned, there's oil
25 flowing through that pipeline, there's going to continue

1 to be oil flowing through that pipeline. And as I
2 mentioned, through our integrity program and other things,
3 it's got another 100-year life on it. So that's the most
4 probable source of any incident, and now it's gone now.

5 So the State will share significant financial
6 rewards and the citizens of California will receive almost
7 4,000 acres of coastal lands. We firmly believe that the
8 approval of this project is, in fact, overwhelmingly in
9 the best interests of the State in every sense of the
10 term.

11 --oOo--

12 MR. RUSCH: Without approval, none of the
13 benefits will take place that we see here. This is a
14 once-in-a-lifetime opportunity. You know, personally it's
15 a once-in-a-lifetime opportunity to have taken on a group
16 that, I mentioned before, that was opposed for decades in
17 Santa Barbara county. And having worked in the channel
18 for almost 30 years.

19 I think this is truly a unique opportunity for
20 the Commission, and that you take - and I know you will -
21 take serious consideration to all aspects of this lease
22 and not rely on speculative hypothetical scenarios when,
23 in fact -- I truly believe, as also a guy from Berkeley,
24 that this is in the best interests of the State and truly
25 is good for Californians environmentally, but also

1 fiscally. I mean, there are some huge benefits to the
2 State from a fiscal standpoint.

3 So with that, I ask you approve our application
4 in front of you today.

5 Thank you.

6 CHAIRPERSON GARAMENDI: Thank you very much.

7 Does that complete the testimony from PXP?

8 MR. RUSCH: Yes, sir.

9 CHAIRPERSON GARAMENDI: Thank you.

10 ACTING COMMISSIONER SHEEHY: I have a question.

11 CHAIRPERSON GARAMENDI: Tom has a question.

12 ACTING COMMISSIONER SHEEHY: Yes. Thank you, Mr.
13 Rusch.

14 With regards to the hypothetical enforcement
15 scenarios that were laid out by the State Lands Commission
16 staff, they laid out a number of different scenarios under
17 which the federal government could exercise its power over
18 the State to prevent you from completing your agreement
19 with EDC. Now, how thoroughly has your company, your
20 attorneys studied and researched those particular threats?
21 And I'm wondering if you can share any thoughts with us on
22 where you think the biggest threat is.

23 MR. RUSCH: Well, I think, as I've answered,
24 looking at it as a threat, as you mentioned, if the leases
25 aren't approved, operations will continue and spill risks

1 will go up. The threat to this project, personally I
2 believe that it is -- it signals how California can be
3 creative, how California can be a leader in a scenario
4 where there's a lot of forces that are trying to -- you
5 know, the whole OCS moratorium debate -- but specifically
6 to the issues -- I'm sorry -- specifically to the issues
7 that you addressed, Mr. Sheehy, we have looked at it. And
8 that's where we disagree with counsel and feel that
9 there's been a whole case established here that's
10 extremely speculative.

11 And, sure, the sky could fall in. But the layers
12 of enforcement: We're going to have end dates with the
13 Santa Barbara County permit end date; should the
14 Commission choose to establish an end date with the
15 leases, which is in the current draft lease; we go to the
16 Coastal Commission, we've asked for an end date there. So
17 you have three different State agencies that you'd have to
18 unlayer this thing, or the MMS would I guess have to, you
19 know, contest. And for all indications we've had, MMS is
20 not taking an interest in what is happening outside of
21 their jurisdiction. They've simply been handling things
22 within their jurisdiction.

23 ACTING COMMISSIONER SHEEHY: Mr. Rusch, I'd like
24 to know, has the federal MMS contacted your company or are
25 you aware of any contact they've had with EDC, and

1 expressed any of the concerns that this State Lands
2 Commission staff has pointed out about these threats?
3 Have they come and said, "Look, if you do this agreement,
4 you're not going to be able to shut down. We're going to
5 exercise eminent domain"?

6 MR. RUSCH: Absolutely not.

7 ACTING COMMISSIONER SHEEHY: Have they done
8 anything to lead you to believe that they would actually
9 take action to prevent you from completing this agreement?

10 MR. RUSCH: To the contrary. That has not --

11 ACTING COMMISSIONER SHEEHY: Okay. Now, I'd like
12 to ask Deputy Attorney General Hager a question.

13 Mr. Hager, at our meeting on January 6th, I asked
14 you a question if you were aware if in this country's
15 history, the federal government had ever exercised eminent
16 domain on an oil facility. I believe your testimony was
17 that, to your knowledge, the answer was no; is that right?

18 DEPUTY ATTORNEY GENERAL HAGER: That is correct.

19 ACTING COMMISSIONER SHEEHY: Now, since then in
20 the research that you've done, have you been able to
21 uncover any instance where the federal government has
22 exercised this type of eminent domain, Mr. Hager?

23 DEPUTY ATTORNEY GENERAL HAGER: I have not. I
24 think this is a unique situation probably and it's very
25 hard to find anything in legal precedent that would

1 address it.

2 ACTING COMMISSIONER SHEEHY: Thank you very much,
3 Mr. Chairman.

4 CHAIRPERSON GARAMENDI: A couple of follow-up
5 questions of Lands Commission staff.

6 Have we been in discussion with MMS?

7 EXECUTIVE OFFICER THAYER: Yes, I spoke with --
8 staff has been in discussions with MMS right along. And I
9 spoke personally with Ms. Aronson, who's the regional -- I
10 forget the title -- director for MMS, and she's here in
11 the audience if there's any questions.

12 CHAIRPERSON GARAMENDI: What was the nature of
13 those discussions and the result of those discussions?

14 EXECUTIVE OFFICER THAYER: We asked -- certainly,
15 I've asked her and staff has questioned them as to whether
16 or not -- what their position was on the federal end
17 dates. And the response I got was that this was -- those
18 federal end dates were inconsistent with the terms of the
19 lease -- the federal lease with PXP, and that MMS wouldn't
20 be inclined to approve an early halt to production from
21 these federal leases.

22 CHAIRPERSON GARAMENDI: Now, a question of PXP.

23 Does the agreement call for the removal of the
24 platforms or the termination of operations on the
25 platforms?

1 MR. RUSCH: The cessation of production, because
2 there's a, you know, NEPA process for, you know,
3 removing -- just like CEQA in State waters -- from
4 removing platforms.

5 CHAIRPERSON GARAMENDI: So the agreement does not
6 call for the removal of the platforms, only the cessation
7 of operations on the platform?

8 MR. RUSCH: And application for removal of the
9 platforms.

10 CHAIRPERSON GARAMENDI: Do you own the platforms?

11 MR. RUSCH: We own Platform Irene, from which
12 this project will be prosecuted.

13 CHAIRPERSON GARAMENDI: Does the agreement
14 involve other platforms?

15 MR. RUSCH: Yes.

16 CHAIRPERSON GARAMENDI: Do you own the other
17 platforms?

18 MR. RUSCH: PXP is not responsible for their
19 removal.

20 CHAIRPERSON GARAMENDI: Is there any agreement
21 and any understanding about the removal of those platforms
22 that you do not own?

23 MR. RUSCH: I'm sorry, could you ask that again.

24 CHAIRPERSON GARAMENDI: Do you have any agreement
25 with the owners of the platforms that you do not own for

1 their removal?

2 MR. RUSCH: I think that if you look at -- and it
3 will be spoken to by Linda Krop with EDC and supporters of
4 this group is that --

5 ACTING COMMISSIONER SHEEHY: I'm sorry. I can't
6 hear the witness. Could you please speak up.

7 MR. RUSCH: Yes, Mr. Sheehy. Sorry.

8 As you'll hear from Linda Krop and the other
9 supporters, and as they have divulged in press releases
10 back in April when this agreement was formed, that the
11 agreement between EDC and PXP results in the cessation of
12 production from the three plat -- the four platforms in
13 the OCS and that the layers of protection in place are
14 there to ensure that that moves forward, which in the case
15 of Platform Irene, lands are donated and therefore there's
16 no longer onshore facilities produced from Platform Irene.

17 CHAIRPERSON GARAMENDI: My question goes to the
18 platforms themselves, to the physical platforms.

19 The agreement essentially deals with the
20 production from those platforms?

21 MR. RUSCH: Correct.

22 CHAIRPERSON GARAMENDI: But not with the removal
23 of the platforms other than a requirement that PXP apply
24 for -- or begin the application process to remove the
25 platforms?

1 MR. RUSCH: Correct. But the logical extension
2 of that, Mr. Chair, is that there's no production, there's
3 no onshore facilities, so there's a platform with nowhere
4 to produce to; and, therefore, those that have a
5 responsibility in the case of Point A would move forward
6 with abandonment. As in Platform Irene, PXP would proceed
7 with abandonment of the platform itself.

8 CHAIRPERSON GARAMENDI: Now, with regard to the
9 production of oil from the federal leases, you, in this
10 agreement, would cease production of oil from the federal
11 leases, is that correct, as of 2022?

12 MR. RUSCH: Um-hmm, which is the end date, if you
13 will, or the projected end date actually of the Point
14 Pedernales field production, correct.

15 CHAIRPERSON GARAMENDI: Has MMS agreed to the
16 cessation of production from the federal leases?

17 MR. RUSCH: I think Paul just testified to that.
18 Again, it comes back to the layers of protection. If you
19 don't have onshore facilities, you don't have production,
20 there's nothing left to do for that platform. We would
21 proceed --

22 CHAIRPERSON GARAMENDI: My question is very
23 specific. Has MMS agreed to cease -- that you cease
24 production?

25 MR. RUSCH: No. And my point being that -- and

1 we went into this. And I think, as the State staff found,
2 is that the MMS has a conservation resources mandate, and
3 in our negotiation with the Environmental Defense Center,
4 we had to get creative in how we would apply the layers of
5 protection to ensure that the logical outcome would be the
6 removal of those four platforms.

7 CHAIRPERSON GARAMENDI: My question goes to the
8 speculative nature, as you describe it, of the concerns of
9 the staff. It appears as though from the testimony
10 received thus far that there is no agreement with the
11 federal government that the production of oil from its
12 leases -- from its area would cease, and whatever revenue
13 may be forthcoming from the federal government, at that
14 time, would cease without their permission.

15 In your contract with the federal government
16 today, do you have a requirement to continue to produce
17 oil from the platform?

18 MR. RUSCH: Just a second.

19 You know, PXP has the right to surrender the
20 lease at any time, in this case the MMS federal leases.
21 So between the combination of, as I mentioned, the
22 protection of removal of the onshore facilities and the
23 cessation of production and the abandonment -- we have
24 abandonment liability of each of those well heads, that
25 along with the ability to cede the lease to the federal

1 government and essentially close out those four platforms.

2 CHAIRPERSON GARAMENDI: I appreciate that
3 information, but my question was not that.

4 My question is, in your agreement with the
5 federal government that you acquired from the preceding
6 company, is there a requirement to make best efforts to
7 produce oil?

8 MR. RUSCH: Yes.

9 CHAIRPERSON GARAMENDI: There is. Okay.

10 John, did you have a question?

11 ACTING COMMISSIONER SHEEHY: Oh, I'm sorry.

12 COMMISSIONER CHIANG: No, go ahead, Tom.

13 ACTING COMMISSIONER SHEEHY: I have a follow-up
14 question.

15 With respect to the other platforms, where does
16 the oil that they produce go, the other three that the
17 Chairman was referring to?

18 MR. RUSCH: They go to the onshore facilities at
19 Gaviota.

20 ACTING COMMISSIONER SHEEHY: Is that the same
21 facility that the oil goes to from Platform Irene?

22 MR. RUSCH: No. Two different facilities.

23 ACTING COMMISSIONER SHEEHY: And the facility
24 that they go to, is that facility part of this agreement
25 or not?

1 MR. RUSCH: It's not part of the lease.

2 ACTING COMMISSIONER SHEEHY: But what I'm --

3 MR. RUSCH: It was part of the EDC-PXP agreement,
4 yes.

5 ACTING COMMISSIONER SHEEHY: There's the -- one
6 of the components of your agreement with EDC is to shut
7 down that onshore facility but not this other one?

8 MR. RUSCH: Both.

9 ACTING COMMISSIONER SHEEHY: Both.

10 MR. RUSCH: Both facilities, yes.

11 ACTING COMMISSIONER SHEEHY: Okay. So the
12 question then is, if both of those facilities are going to
13 be shut down, where would the oil go if somebody were
14 trying to force it to continue to be pumped? I mean,
15 where would the oil go?

16 MR. RUSCH: It would have nowhere to go, and we
17 would release the leases.

18 ACTING COMMISSIONER SHEEHY: So under that
19 scenario, there wouldn't be any more drilling on those
20 platforms?

21 MR. RUSCH: No, there can't be.

22 ACTING COMMISSIONER SHEEHY: I just wanted to
23 make sure I understood that.

24 Thank you.

25 CHAIRPERSON GARAMENDI: John.

1 COMMISSIONER CHIANG: Can you elaborate further
2 on your basis for confidentiality of this agreement. I
3 understand there's -- for business purposes for some of
4 the reason. We have a significant issue here. These are
5 public lands. This is for a public use. And I am
6 concerned that we do not fully disclose to the public the
7 basis by which we make this decision. So I need to get a
8 better sense --

9 MR. RUSCH: Well, yeah. A couple weeks ago I
10 asked staff that same question, does release of this
11 document, meaning the agreement, have an effect on the
12 staff's review of the conditions in the agreement? Which
13 we have -- we and the EDC have released, which we have all
14 said all the components of that agreement, which they've
15 been privy to, have been looked at by staff and we believe
16 are there -- are in place or can guaranty, as I was being
17 questioned by the Chair, that production will cease and
18 the platforms will go away.

19 So it becomes a question of, yes, there's -- or
20 we've kept the agreement confidential, but the components
21 of the agreement that apply to what we're trying to get
22 to, which is the cessation of production and, old point,
23 removal of the platforms have already been disclosed.
24 Part of my response would be, kind of as a follow-up to
25 that, because I understand why you're asking, is --

1 COMMISSIONER CHIANG: Steve, if I could help you.

2 I think it's difficult for anybody who wants to
3 make meaningful participation in a system of public
4 governance to add critical commentary - critical, not in a
5 negative nature, it could be very positive in commentary -
6 if they don't have the opportunity to review the
7 documents, right? You know, we have people who have been
8 long involved with this issue who have significant
9 substantive expertise who can add meaningful dialogue.
10 And I understand, you know, the critical nature of keeping
11 your competitive advantage in terms of a business nature.
12 But, you know, we're at a significant step back to get the
13 best ideas on this project without full public
14 participation.

15 MR. RUSCH: And, Commissioner, again, kind of
16 just repeating myself, is -- and Linda Krop with EDC, who
17 will be speaking after me, can also address that issue --
18 is at least today if we chose to keep that document
19 confidential, but -- and other than we've released it to
20 your staff to ensure that there wasn't anything in that
21 document that wasn't being disclosed that was appropriate
22 and applicable to this lease, and they found that it
23 wasn't, that there wasn't a reason to release that
24 document for further review on scrutiny of -- or a review
25 of things or wording applicable to the lease at hand.

1 That's really the sole reason, is it's been disclosed
2 what's in the agreement, it's appropriate for the lease
3 that's in front of you.

4 EXECUTIVE OFFICER THAYER: I just want -- I'm not
5 quite sure what Mr. Rusch was saying. But if the Chair
6 may let me say that we've -- staff and the Commission has
7 consistently said that we wanted to see it public. So I'm
8 not quite sure the point you're making about staff's
9 review and its ability to review it. We appreciate the
10 opportunity to review it. And based on that review, we've
11 reached the conclusion we have. But we have never said
12 that it's fine for us to -- for just us to have it. We've
13 always said we thought it should be released publicly.

14 MR. RUSCH: I guess I misunderstood, you know, my
15 conversation with staff in that regard, because the
16 question that I asked, was withholding the release of this
17 document in any way going to impact the decision that the
18 staff was going to make? And the answer was no.

19 EXECUTIVE OFFICER THAYER: In terms of our
20 personal evaluation, that's correct. But, again, our
21 position has been uniform that from a public perspective,
22 the same one enunciated by the Commissioners, that we
23 believe that that should be made public.

24 Now, with respect to staff's own evaluation, we
25 had a copy of it, we made our evaluation based on that,

1 that's correct. But we have never said that we didn't
2 think it needed to be released to the public. We, in
3 fact, on numerous occasions asked you and Linda Krop for
4 permission to release it to the public and have been
5 routinely denied.

6 CHAIRPERSON GARAMENDI: I think we'll let the
7 debate back and forth -- we'll let that portion of the
8 debate lapse.

9 Linda Krop will be along shortly to testify.

10 And our court reporter is about to have a
11 workers' comp claim if we don't give him a break.

12 (Laughter.)

13 ACTING COMMISSIONER SHEEHY: Are we taking a
14 break, Mr. Chairman?

15 CHAIRPERSON GARAMENDI: We're going to take a
16 ten-minute break.

17 (Thereupon a recess was taken.)

18 CHAIRPERSON GARAMENDI: Okay, everyone. I know
19 you're still debating this issue and it's going to go on
20 for a little while. We're going to move along here.

21 Take your seats, please. I can assure you that
22 this deal is not going to be completed or done by any of
23 you that are in the audience. It's going to be done by
24 the three gentlemen here at the table. So sit down and
25 let's get to work.

1 PXP has requested another three minutes to take
2 up an issue and to provide some clarification. So let's
3 go with that.

4 MR. RUSCH: Commissioner Garamendi --

5 CHAIRPERSON GARAMENDI: Thank you, all. Those of
6 you in the back of the room, please.

7 Go ahead now.

8 MR. RUSCH: Sure. Commissioner Garamendi, I
9 think should the Commission choose to move forward with
10 the lease approval, we've talked with EDC and are willing
11 to disclose the EDC and PXP agreement. So to address your
12 question, Commissioner Chiang, that would be something
13 that we'd be happy to do.

14 And with that, I'd like to turn it over to my
15 CEO, Mr. Jim Flores, for a few words too.

16 Thanks.

17 CHAIRPERSON GARAMENDI: Thank you.

18 MR. FLORES: Good afternoon, everyone, ladies and
19 gentlemen.

20 A couple quick points. My name is Jim Flores.
21 I'm CEO of Plains Exploration & Production Company. We've
22 worked diligently with everyone involved in this process
23 and have learned a tremendous amount, and we thank you for
24 it.

25 A few months ago we did release the EDC agreement

1 to the staff for their review. And they have reviewed it
2 thoroughly and so forth and have not commented to us about
3 any problems or any aspects that would try to impede this
4 process.

5 In our agreement with EDC, it was more of an
6 understanding with guidelines, a framework of which we
7 think would satisfy the environmental community and their
8 needs and their wants and also put some type of
9 framework - even the bar was very, very high - to
10 mitigation. Because that's what this project's all about
11 from a standpoint of -- is if there's no new environmental
12 impact, the same pipeline, same rig, same wells - in fact,
13 there's actually, during the life of the project, more
14 carbon offsets pushed because we agreed to remove the
15 Point Arguello platforms. And so from that standpoint, we
16 wanted to get a framework of how high that bar was. And
17 that's what the EDC agreement's about.

18 It's very, very high. And we said, "Well, let's
19 just try to see if we can meet it." And meeting that bar,
20 I think, was very enlightening to a lot of people here in
21 California, but a lot of people around the country, is
22 that this might be a new way of doing business. And
23 that's why we're happy to be transparent on this and --
24 but by no means trying to be not transparent; that is, it
25 is an agreement with a third party, EDC, and they have

1 their reasons, you know, that with other aspects of their
2 world that they'd like to keep it confidential. But as
3 far as PXP, we're happy and have been happy, as I told you
4 guys back in the spring when we met with you, to release
5 that agreement and you guys to see everything we're doing.

6 And along the lines of transparency, the
7 abandonment of the platforms. We have three platforms at
8 Point Arguello in which we're operator and we own working
9 interest in. But we do not own the actual platforms
10 themselves. Upon cessation of production, we have 18
11 months on our agreement with Chevron and Phillips, who own
12 the platforms, to plug and abandon all the wells and flush
13 the flow lines clearly and prepare the platform for cold
14 storage; and at that point in time, work with Chevron and
15 Phillips and all the government officials, both MMS and
16 State, toward their removal and on whatever schedule
17 that's deemed appropriate by those authorities, and that
18 we're prepared to stand with our partners, Chevron and
19 Phillips, and accomplish.

20 On Point Pedernales field, the Irene Platform, we
21 do own that a hundred percent, Plains Exploration &
22 Production Company. And we're a company with the
23 financial capabilities of removing that platform once
24 production has finished in 2022. And we plan to do so
25 forthwith. And that's in -- you know, it's stipulated in

1 the EDC agreement. But it's not in any agreement with the
2 MMS.

3 And the reason why we thought this relationship
4 between the State, MMS, and PXP was so important, because
5 you've got what appears to be a stool, and all three
6 cannot survive in this -- in the Platform Irene Point
7 Pedernales production scenario without cooperation. For
8 instance, if the MMS doesn't cooperate, the State and PXP
9 can't drill Tranquillon Ridge. If the State doesn't
10 cooperate, then MMS cannot produce -- I mean, it can't
11 have its Irene production, because PXP can't stand -- not
12 cooperate with the State. So all three have to cooperate.

13 So in the year 2022, when this agreement and the
14 lease -- the lease expires at Tranquillon Ridge, the
15 permits on the gas plant expire, all State and County
16 permits expire, and this is going to be emboldened upon
17 this body here at that point in time and the County of
18 Santa Barbara and EPA and all the regulatory commissions
19 here in California to abide by these landmark hearings and
20 set -- and stop all production without any grant -- need
21 of renewals or extensions or whatever.

22 Now, I beg to guess that no one in this room will
23 be on those commissions. Okay? It will be brand new
24 people and so forth. And that is an unknown.

25 CHAIRPERSON GARAMENDI: We hope you're right.

1 (Laughter.)

2 MR. FLORES: And includes me too, I mean.

3 (Laughter.)

4 MR. FLORES: So, you know, it has to be the
5 intent of the Commission that this -- and the intent of
6 PXP and the intent of the State, County and also -- to
7 cede production.

8 MMS is going to protect its interests. And its
9 interests are continuing to harvest the resources of the
10 ocean and under the code of the MMS. I think that is
11 different than the State's protectionism of its resources
12 and its coastline. And it's certainly different than PXP,
13 where it wants to economically and safely and responsibly
14 make a profit in this state. And under the way it's
15 structured in the abandonment of the leases, we would not
16 be able to do that beyond 2022, nor would anybody else.
17 Oil prices, because of the way the royalty has been
18 scheduled, cannot help you. There's not any economic
19 incentive to go forward beyond that aspect even if we had
20 the permits.

21 So I wanted to clear up those two points. Be
22 happy to answer any questions. But I also wanted to also
23 repledge our transparency that has gotten us to this point
24 so far - PXP - in our commitment to doing it right.

25 CHAIRPERSON GARAMENDI: Thank you for that.

1 The public has not had an opportunity to review
2 the document. Our staff has. And that, as the staff has
3 said, led them to opine, as they have, with their concerns
4 that they expressed earlier.

5 I do have a question about the Gaviota facility
6 that came up here a few moments ago.

7 Do you have partners in that facility?

8 MR. FLORES: We own, I think, 120 acres there,
9 John, out of the probably 180 acres that's in the facility
10 and so forth. Yes, we have partners in that facility, and
11 we have received approval from all partners to abandon
12 these facilities and the platforms and conduct the
13 operations I talked about. So we have that secured.

14 CHAIRPERSON GARAMENDI: Thank you.

15 We appreciate your testimony. Thank you very
16 much.

17 MR. FLORES: Thank you very much.

18 CHAIRPERSON GARAMENDI: We're going to move on
19 now to hear from EDS and --

20 MS. KROP: EDC.

21 CHAIRPERSON GARAMENDI: Excuse me.

22 ACTING COMMISSIONER SHEEHY: So I'm not the only
23 one that's doing that.

24 (Laughter.)

25 MS. KROP: Well, we'll change our name if it gets

1 an approval. We'll be whoever you want us to be.

2 Thank you, and welcome to Santa Barbara.

3 (Thereupon an overhead presentation was
4 Presented as follows.)

5 MS. KROP: First, I would like to express our
6 appreciation for you holding the hearing here. I know
7 that's quite a logistical challenge and scheduling
8 challenge. But you can see there's a lot of interest, and
9 so we do appreciate that.

10 CHAIRPERSON GARAMENDI: Now, Mr. Chiang and I
11 both represent the statewide interests of California. And
12 I must tell you, it's always a pleasure to be in Santa
13 Barbara, and every other city in the state when we go --

14 (Laughter.)

15 MS. KROP: I heard Santa Barbara --

16 CHAIRPERSON GARAMENDI: Go ahead, Linda.

17 MS. KROP: I think this is being taped.

18 (Laughter.)

19 CHAIRPERSON GARAMENDI: I know it is.

20 (Laughter.)

21 MS. KROP: I'm Linda Krop, Chief Counsel of the
22 Environmental Defense Center, an organization that has
23 been protecting the environment through education,
24 advocacy, and legal action for over 30 years. Our clients
25 in this case are "Get Oil Out!" and Citizens Planning

1 The timing of this hearing is auspicious. Forty
2 years ago we had a major oil spill that blackened our
3 beaches. We thought that spill would put an end to
4 offshore oil and gas development. Instead, our community
5 has experienced more leasing and more development. You
6 see that we still have about 20 platforms off our coast
7 today. What most people don't realize is that these
8 platforms don't go away.

9 It has taken 40 years. Who would have believed
10 it, but we finally have the opportunity to realize our
11 dream of getting oil out.

12 Last week my five-year-old nephew was asked by
13 his kindergarten teacher what he would do if he were
14 President of the United States. He said he would get rid
15 of all the oil platforms.

16 (Laughter.)

17 MS. KROP: I don't know where he got that idea.

18 (Laughter.)

19 MS. KROP: And he lives in Redwood city. I don't
20 think they have oil platforms there.

21 The simple issue before you today is, are you
22 going to take that step today or do we have to wait
23 another 40 years for Skyler to grow up?

24 You may hear a concern today that approving this
25 project will set a bad precedent by opening the door to

1 more development. In actuality, the opposite is true.
2 First, approving this project will not open the door to
3 more development in State waters, because under the
4 California Coastal Sanctuary Act, this is the only place
5 where drainage occurs that would allow new leasing.

6 In addition, this project will actually reduce
7 the threat of more federal leasing, because the critical
8 infrastructure that would support such leasing these
9 platforms and onshore facilities will be shut down.

10 The real precedent that would be set is this:
11 For the first time in the State's history, the public and
12 the State will be able to shut down existing oil
13 production.

14 Without this project, Platform Irene and the
15 three Point Arguello platforms will continue drilling for
16 oil indefinitely, perhaps for another 40 years. With this
17 project, three of these platforms will be shut down in
18 nine years and one in 13 years.

19 And I want to impress this next point. This is
20 not a question of oil or no oil. Those platforms are
21 there, and they're drilling and they're already draining
22 State resources. So it is not a question that you can
23 just do nothing and that they're just going to magically
24 go away.

25 You may also hear a concern that these end dates

1 are not enforceable. And we have heard that concern.
2 And, again, we don't believe this to be true. For the
3 environmental groups, groups like "Get Oil Out!" and EDC
4 and CPA and the Sierra Club and others, this agreement had
5 to be enforceable. And we have five layers. We have the
6 environmental agreement, the Trust for Public Lands
7 agreement, the County permit, and then the two State
8 agencies and their approval should they go in that
9 direction.

10 In our agreement -- and the terms of our
11 agreement have been public since April. Under our
12 agreement, we can actually shut down the production from
13 the platforms; we can shut down the production at the
14 onshore facilities; we require the land to be conveyed; we
15 require the Tranquillon Ridge leases to be quitclaimed to
16 the State. All of those can be enforceable by specific
17 performance in a court of law. PXP has agreed to all of
18 that.

19 In addition, we have given the State Attorney
20 General the authority to enforce our entire agreement, all
21 of those provisions.

22 And then, finally, there was a concern that a
23 future State Lands Commission could amend these end dates
24 in a future lease decision. And PXP has agreed to waive
25 that right. So we don't have to worry about that anymore.

1 So we do believe that we have an airtight
2 agreement and that the State can play a critical role in
3 that.

4 Finally, we have also heard a concern that the
5 Minerals Management Service could undo these end dates in
6 the future. And as was mentioned at the January 6th
7 hearing, that's a very unlikely event. What MMS will be
8 looking at is what is left in the Point Pedernales and
9 Point Arguello units. And we believe that with the end
10 dates that have been set, that that won't be an issue at
11 that time. In any event, to our knowledge, that's never
12 happened in the nation's history, and we believe it's a
13 very remote possibility.

14 So what you're left with is, if you don't approve
15 this today, we know the platforms are going to be there.
16 If you do approve this today, we have the end dates and
17 some very uncertain remote possibility that that could be
18 undone in the future by a third party.

19 I want to just highlight what the choices are for
20 you here today.

21 And let's see. Is this for the slides?

22 --o0o--

23 MS. KROP: So here's your choice. It's really
24 quite clear. If you approve this project, three platforms
25 in federal waters shut down in 2018 and one in 2022. If

1 you deny the project, these platforms continue drilling
2 indefinitely, and they can be used to support new federal
3 leasing.

4 And can you go to the previous slide, please.

5 --o0o--

6 MS. KROP: What we're talking about are these
7 four platforms here. These are the three Point Arguello
8 platforms. Here's Platform Irene. Here's the Gaviota
9 onshore facility and the Lompoc onshore facility.

10 Now, these platforms are really critical in terms
11 of federal leasing, because you'll see there are some
12 existing, but undeveloped, federal leases. There are also
13 some unleased tracks in here. And this has been the
14 target for proposed new federal leasing offshore
15 California. This is the bull's-eye. And so that's why we
16 are so concerned about shutting down production from these
17 platforms, so that we can actually avert more federal
18 leasing, consistent with the prior resolutions and
19 positions of this Commission.

20 --o0o--

21 MS. KROP: Okay. In addition, if you approve the
22 project today, the Gaviota plant shuts down in 2018 and
23 the Lompoc plant shuts down in 2022. If you deny the
24 project, these facilities will be available to continue
25 supporting offshore oil and gas development and, as I

1 mentioned, support new leasing and development.

2 --o0o--

3 MS. KROP: If you approve the project, another
4 benefit we got was that hundreds of acres of onshore oil
5 wells in the Lompoc area will also be shut down in 2022.
6 Without the project, they will continue developing
7 indefinitely.

8 --o0o--

9 MS. KROP: With project approval, 3,900 acres of
10 land, including the lands containing these onshore support
11 facilities and wells, will be conveyed to the public for
12 permanent preservation. If the project is denied, these
13 land and facilities will remain available for oil and gas
14 development indefinitely.

15 --o0o--

16 MS. KROP: If the project is approved, 3,700
17 acres will be conveyed to the public adjacent to the
18 State's existing Burton Mesa Ecological Reserve and up to
19 200 acres will be conveyed on the Gaviota Coast and could
20 be added to the State Park System.

21 Without approval and with denial, all of the
22 lands that are currently unencumbered with oil facilities
23 will be available for private development. And, in fact,
24 there's already been one proposal for a major subdivision
25 on these lands that will not happen if this project is

1 approved, and there will be no public or conservation
2 purpose.

3 --o0o--

4 MS. KROP: If the project is approved, there will
5 be an independent audit conducted to identify measures for
6 reducing greenhouse gas emissions. And these reductions
7 will apply to current operations as well, because we're
8 talking about the same facilities and equipment. There's
9 no new construction required for this project. So we
10 actually may end up with a net benefit and reduction of
11 greenhouse gas emissions if this project goes forward.

12 A denial will result in continued emissions from
13 the existing operations.

14 --o0o--

15 MS. KROP: And, finally, there will be an initial
16 \$1.5 million for extra greenhouse gas emission reductions
17 that will be administered by the Santa Barbara County Air
18 Pollution Control District as part of a transit bus
19 technology program. That will further reduce greenhouse
20 gas emissions as well as criteria pollutants, which will
21 have an added health benefit.

22 If the project is denied, there will be no
23 funding for emission reductions.

24 So, in sum, the choice is clear. We can shut
25 down existing oil production and help stop new federal

1 leasing in one fell swoop. This action is consistent with
2 the State's opposition to new federal leasing. Or we can
3 say no and these platforms will continue to operate
4 indefinitely, threatening our coast with oil spills and
5 pollution, and facilitating more federal leasing.

6 The question we ask today is, will we be better
7 off with or without this project?

8 In closing, it's one thing to say you're against
9 oil development; it's another thing to actually be in a
10 position to do something about it. You have that rare
11 opportunity today. We urge you to vote "yes" and adopt
12 the findings contained in Exhibit G to your staff report.

13 Thank you. And I'm available for questions.

14 (Applause.)

15 CHAIRPERSON GARAMENDI: Linda, thank you very
16 much for your testimony and also for an extraordinary
17 piece of work. It's beyond denial. In fact, it's a fact
18 that you've done an extraordinary piece of negotiating a
19 very good agreement, but one that our staff and others
20 think may have some additional things to be done.

21 Also, I appreciate you making available to the
22 general public the agreement. And that I'm sure the
23 public will appreciate an opportunity to look at that.

24 Tom, did you have a question?

25 ACTING COMMISSIONER SHEEHY: Thank you, Mr.

1 Chairman.

2 Linda, I'm advised that you went through this
3 whole process and we went through this whole process,
4 specifically the CEQA process, and there was never any
5 litigation. Was that true? There was -- nobody tried to
6 litigate this thing as it went through CEQA?

7 MS. KROP: That's correct. We had two hearings
8 at the County last year. And my recollection is that the
9 only opposition was from a couple other oil companies.
10 And they did not file any litigation of the County
11 approvals.

12 ACTING COMMISSIONER SHEEHY: And who was the lead
13 CEQA agency? Who was the lead agency for CEQA?

14 MS. KROP: County of Santa Barbara.

15 ACTING COMMISSIONER SHEEHY: So the County of
16 Santa Barbara was the lead agency.

17 You know, I find it hard to believe that, you
18 know, you would have got through the CEQA process here
19 without litigation being filed on an offshore oil drilling
20 project in California. How do you think you managed that?

21 (Laughter.)

22 ACTING COMMISSIONER SHEEHY: How'd you do it,
23 Linda? Because, you know, my next follow-up question is
24 is whatever those --

25 MS. KROP: I think that's a compliment to the

1 County.

2 (Laughter.)

3 ACTING COMMISSIONER SHEEHY: No, whatever those
4 skills are that you used to get there, you know, we could
5 use those in Sacramento to get the Republicans and the
6 Democrats to come together and balance the State budget.
7 So I'm just wondering, how'd you do it?

8 (Laughter.)

9 MS. KROP: Believe me, it's been a long strange
10 trip.

11 (Laughter.)

12 MS. KROP: I think -- you know, in representing
13 our clients and working with other environmental groups,
14 we were very clear from the beginning what our goals were.
15 And we had already defeated a prior proposal that was
16 undertaken by Torch and Nuevo. And we had registered
17 opposition to PXP's proposal. And the reason for our
18 opposition was that, according to the environmental
19 review, drilling into the Tranquillon Ridge would extend
20 the life of all of these existing facilities. And that
21 was something we objected to.

22 So when PXP came forward and said, you know,
23 "We'll make sure that doesn't happen," then we realized
24 that there was no new construction, no new impacts, and
25 this incredible opportunity to, not just shut down the

1 Tranquillon Ridge related facilities, but when they put
2 the Point Arguello and Gaviota facilities on the table,
3 that's when we started talking. Just shutting down
4 Platform Irene would not have been enough. But being
5 familiar with that entire area -- and a lot of us in this
6 room actually fought against those Point Arguello
7 platforms going in in the 1980s. And this is, like I
8 said, it's a dream come true that in nine years they could
9 be shut down.

10 ACTING COMMISSIONER SHEEHY: Linda, are you aware
11 of any other oil company in this country or operating in
12 this country that has executed an agreement with the same
13 degree of environmental benefits as California would get
14 from this project? Has this happened anywhere else in
15 this country?

16 MS. KROP: I don't think so.

17 ACTING COMMISSIONER SHEEHY: Okay. The State
18 Lands Commission staff is opposing this, in part because
19 they identified a number of hypothetical scenarios that
20 might happen with the federal government. I wonder if you
21 could comment further on what your view on that is and
22 whether or not you've had any communication, had any
23 contact, if anybody in the federal government has
24 contacted you expressing any of the concerns that the
25 State Lands Commission staff has identified that could

1 somehow be a threat to your agreement?

2 MS. KROP: I have not had any communication from
3 the federal government regarding this arrangement. And,
4 like I said, with the end dates that are proposed, we
5 don't foresee any federal objections.

6 ACTING COMMISSIONER SHEEHY: Well, what guaranty
7 do we have as State Lands Commissioners -- if we were to
8 vote on this project one way or the other, what guaranty
9 do we have that your five layers of -- your five layers of
10 safety net, I think is the way you put it, or five layers
11 of agreement would then have to be broken through, what
12 guaranty do we have that those five layers will stay
13 intact?

14 MS. KROP: I think we have as much of a guaranty
15 as we can. I think the guaranty is that without this
16 project, we have a guaranty that these end dates are not
17 going to happen.

18 ACTING COMMISSIONER SHEEHY: Well, if this
19 project doesn't happen, aren't those federal fields
20 eventually going to be drained? I mean, wouldn't the oil
21 production eventually stop in 20 or 30 years anyway if we
22 don't do this? I mean, they can't keep drilling oil out
23 of there forever, right? I mean, eventually it would
24 stop, right?

25 MS. KROP: We think it would stop from these

1 federal units, the Point Arguello and the Point Pedernales
2 units. And that's why we feel comfortable with intrusion
3 from the federal government.

4 What our concern is is that we're trying to
5 address the concern the State Lands Commission has also
6 expressed about additional federal leasing or drilling
7 into these other adjacent federal leases. That's what
8 we're really concerned about, and that's why we think this
9 agreement and this project would propose significant
10 benefits.

11 ACTING COMMISSIONER SHEEHY: I see.

12 Now, Linda, I've heard some people suggest that
13 if the State Lands Commission were to approve this lease,
14 that, in fact, that would create some sort of trend, some
15 sort of national trend where we'd start doing more
16 drilling.

17 Do you see anything in this lease that would
18 encourage that? And I'd like you to specifically address
19 the California Coastal Sanctuary Act of 1994, the current
20 law that governs this, in the context of your answer. I
21 know you're an attorney. I'm sure you have an opinion on
22 that, and I'd like to know what you think.

23 MS. KROP: Well, we were actually one of the
24 original sponsors of that legislation and worked very
25 closely with Senator O'Connell.

1 And that Act still imposes significant
2 protections for the State. The exception that would be
3 invoked today requires drainage of State reserves from a
4 federal facility. This is the only place in the state
5 where that occurs. So by issuing this lease, the State
6 would not be opening the door to more leasing in State
7 waters.

8 ACTING COMMISSIONER SHEEHY: Now, Linda, I'm glad
9 you mentioned Senator Jack O'Connell, who's now, of
10 course, our Superintendent of Public Instruction in
11 California.

12 Now, isn't it true that Jack O'Connell used to
13 represent Santa Barbara, this whole area here?

14 MS. KROP: Correct.

15 ACTING COMMISSIONER SHEEHY: Is that right?

16 MS. KROP: (Ms. Krop nods head.)

17 ACTING COMMISSIONER SHEEHY: And he's the one
18 that carried the 1994 legislation, the California Coastal
19 Sanctuary Act of 1994?

20 MS. KROP: Correct.

21 ACTING COMMISSIONER SHEEHY: Well, you know, he's
22 the one that authored the specific provision that would
23 allow this lease to go forward, the very narrow provision
24 that would allow it to go forward; is that correct?

25 MS. KROP: That is correct.

1 ACTING COMMISSIONER SHEEHY: And if the State
2 Lands Commission were to approve this lease, it doesn't do
3 anything to change that law in any way or make it any
4 easier to drill anywhere else off the shore of California,
5 is that true?

6 MS. KROP: That's true, and we would never
7 support that.

8 ACTING COMMISSIONER SHEEHY: I just wanted to
9 make sure that I understood that properly.

10 Well, in light of all that, why do you think the
11 State Lands Commission staff has recommended denial?

12 (Laughter.)

13 CHAIRPERSON GARAMENDI: That question might be
14 better posed to the State Lands Commission.

15 (Laughter.)

16 ACTING COMMISSIONER SHEEHY: I'd like to hear
17 what Linda thinks.

18 CHAIRPERSON GARAMENDI: Go ahead.

19 MS. KROP: I'm befuddled.

20 (Laughter.)

21 ACTING COMMISSIONER SHEEHY: So am I.

22 MS. KROP: Truly, I can't answer that question.
23 I mean, I feel like we've -- I think that we've
24 negotiated, you know, an historic agreement, that we've
25 created an opportunity; it's yours to decide whether or

1 not to accept it or not. But we believe that we have a
2 tiny window of opportunity here to protect our coast from
3 more oil development in the future. And we ask you to
4 take that opportunity.

5 ACTING COMMISSIONER SHEEHY: Thank you, Mr.
6 Chairman.

7 CHAIRPERSON GARAMENDI: Thank you.

8 Further questions of Linda?

9 COMMISSIONER CHIANG: I do.

10 Linda, I thank you for your formidable work in
11 this arena. I think we've all benefited.

12 I have a question. I want to get your best
13 thinking. For me, it appears to be a shift of timing of
14 risk, right? We've worried about for the long term, you
15 know, the endless ability to drill for oil, right?
16 Reading the EIR, they indicate the potential spilled
17 volume for an offshore spill would increase by 5,016
18 barrels, from 2,913 to 7,929.

19 Now, you said the probability of a rupture would
20 increase from .6 to 9.7 percent. I don't know if you
21 consider that significant or not. You know, you have a
22 better sense than I. I would appreciate your analysis of
23 that.

24 They had said the probability of oil leaks,
25 ruptures, blowouts, spills from Platform Irene would

1 increase from 5.4 percent to 22.1 percent for the 30-year
2 T-Ridge project.

3 They said the reduced T-Ridge project would
4 increase the lifetime probability of spills from 5.4
5 percent to 11 percent. Right.

6 So there's a -- is it your view that accepting
7 the short-term risk is better than the overall long-term
8 risk and the potential -- and if you could assess the
9 potential for harm?

10 MS. KROP: Thank you for the question. In our
11 view, the risk is there right now. We live with that risk
12 every day from all of the platforms off of our coast,
13 including Platform Irene. Our goal is to stop that risk.
14 And so if we can shut down that platform before it would
15 otherwise shut down and withstand the risk of an oil spill
16 in the future, then we do believe that that's a benefit.

17 COMMISSIONER CHIANG: Okay. So it's okay -- so
18 the short-term greater harm is better than long term?

19 MS. KROP: No, not greater harm. A slight
20 increase in the risk. You know, hopefully we won't have
21 an oil spill. And actually the County Energy Division
22 staff is here today. They could speak to you about what
23 PXP has done at their request to upgrade the pipelines and
24 the platform and the other facilities to reduce the risk
25 of an oil spill.

1 COMMISSIONER CHIANG: Okay. Also, can you
2 elaborate on that further. So are these numbers
3 incorrect, that with the improvements made by PXP these
4 numbers are, in fact, incorrect?

5 MS. KROP: I would -- no, that wasn't what I was
6 saying. I was saying if you want more information on the
7 oil spill risk, I would defer to the County of Santa
8 Barbara.

9 COMMISSIONER CHIANG: Okay. Thank you.

10 CHAIRPERSON GARAMENDI: Linda, a moment ago you
11 had a discussion with Tom concerning the additional
12 drilling that could take place. That discussion seemed to
13 center on the issue of additional drilling in California
14 waters. The question of the current law and the
15 protections from it. And your answer seemed to be
16 associated with that.

17 Earlier, you had discussed the issue of, when you
18 were showing the map over there, additional federal --
19 potential federal drilling in leases in the federal waters
20 that have already been granted by the federal government.

21 A concern that I have is neither of those, but
22 rather the possibility that those who want to see drilling
23 off the coasts of California would use this lease as a
24 signal that California is interested and willing to accept
25 more drilling in federal waters and more leases in federal

1 waters.

2 Could you comment on that concern that I have.

3 MS. KROP: Yes. Thank you.

4 Our response is that this project with these end
5 dates drastically reduces the risk of more federal oil
6 leasing. And when I've talked to our counterparts in
7 Washington D.C., they have said that now that the federal
8 oil moratorium has expired, our agreement is all the more
9 important.

10 The reason being most of the pressure for new
11 federal leasing would be developed from the three Point
12 Arguello platforms, possibly some from Platform Irene.
13 Under our agreement, they will shut down in nine years.
14 That's not enough time to do a new five-year leasing plan,
15 a lease sale, go through the exploration process, develop
16 a development and production plan, and drill, as you know
17 from your days in Interior.

18 So we believe that the biggest threat for leasing
19 offshore California is right here, right off of Point
20 Conception, and that we will help avert that threat
21 through our agreement.

22 CHAIRPERSON GARAMENDI: I believe there's been
23 some recent word out of Washington, particularly the
24 Department of Interior, that they were interested -- you
25 know, given a new administration in place, but,

1 nonetheless, interested in leases -- new leases off the
2 Mendocino coast, the Orange county coast, as well as the
3 Santa Barbara coast

4 MS. KROP: Correct. And with respect to the
5 Santa Barbara county coast, in the document it specifies
6 specifically a proposal for new leasing that would be
7 directionally drilled from these platforms. And so, you
8 know, if you're the industry and you're looking at buying
9 a lease, are you going to buy a lease where you have to
10 build new platforms, new pipelines, and new processing
11 facilities, or are you going to buy a lease where
12 everything's in place and you just need to, you know,
13 slant that well a little bit different direction? So
14 that's why, you know, both politically, but as well as
15 economically, we are very fearful for this section of the
16 coast.

17 CHAIRPERSON GARAMENDI: Early on we had a
18 discussion here about the removal of the platforms. The
19 testimony that we received is that there's a subsequent
20 process beyond this agreement, beyond this lease for the
21 removal of platforms, the three that are in the agreement,
22 and MMS's role that will be played out when that time
23 comes. I've not heard anything today to indicate that
24 there is any certainty that the platforms will be removed.
25 If this agreement were to go forward and would be -- and

1 could be enforceable, then PXP would be out of it, the
2 onshore facilities would be presumably removed, but that
3 the platforms would remain and could be used by others for
4 the production of oil.

5 MS. KROP: Under our agreement, we cannot dictate
6 what happens to the platforms after abandonment. That's a
7 separate discretionary decision held by the federal
8 government. Under our agreement, even if the federal
9 government decided to leave any of the platforms in place
10 for alternative uses, like wind or wave or rigs to reef
11 purposes, that's something that, you know, there will be a
12 whole new application and environmental review process.
13 We cannot dictate that outcome.

14 What we can dictate is that they cannot be used
15 for oil and gas production. And we're actually in a
16 little bit better place if you want the platforms --

17 CHAIRPERSON GARAMENDI: That's different than I
18 heard before.

19 MS. KROP: Well, our agreement requires
20 production to cease.

21 CHAIRPERSON GARAMENDI: Well, your agreement is
22 with PXP, but not with the MMS.

23 MS. KROP: Correct.

24 CHAIRPERSON GARAMENDI: And MMS is the
25 controlling agency for those platforms, is that not

1 correct?

2 MS. KROP: MMS has authority over those
3 platforms. And from the documents we've seen to date,
4 what they have told PXP is that they will be looking at
5 the resources within the Point Arguello and Point
6 Pedernales units, and that their concern is that those
7 resources not be stranded or wasted. And we believe with
8 our end dates that we -- that those resource -- they will
9 not be able to make that finding, and so that those
10 platforms can cease production.

11 CHAIRPERSON GARAMENDI: So there is a question,
12 an open question, as to the cessation of oil production
13 from those platforms, and that, at the present time, it is
14 MMS's call as to whether that is the case. Now, PXP, as
15 they've said, could relinquish their lease -- I think you
16 used a different word, but I think it's the same
17 meaning -- but that another company could take it up and
18 continue to produce.

19 MS. KROP: Okay. With our agreement -- if the
20 State Lands Commission approves this project, with our
21 agreement that immediately sets in play the responsibility
22 of PXP or any successor to stop producing from these
23 platforms by these end dates.

24 When we reach those end dates, they are required
25 to stop producing and we can enforce that. Your State

1 Attorney General will be able to enforce that.

2 What we're hearing as a concern is a possibility
3 that, at that point, MMS may do something that's never
4 done before and condemn those facilities. And it goes
5 back to, are we better off today with or without this
6 project? Without this project, we know those platforms
7 will be there and there will be no end dates. With this
8 project, we will get some end dates, and what we think is
9 a very insignificant risk.

10 CHAIRPERSON GARAMENDI: Okay. Then I will say
11 that, in my view, there's a question as to what MMS will
12 do. They are not a party to this agreement. They have an
13 interest in the platform continuing to produce oil for the
14 revenue for the federal government or for any other
15 purpose that would be seen at that time. This agreement
16 does not, as I look at it, force MMS's hand. They remain
17 outside of it.

18 I do have a question for the Attorney General.

19 In the last three days, there's been a new part
20 to the agreement between EDC and PXP that brings the
21 Attorney General into an enforcement position.

22 Is the Attorney General required by that to
23 enforce this agreement?

24 DEPUTY ATTORNEY GENERAL HAGER: No. It's a
25 request that the Attorney General take part.

1 CHAIRPERSON GARAMENDI: And the Attorney General
2 can therefore --

3 DEPUTY ATTORNEY GENERAL HAGER: -- do whatever
4 the Attorney General wants to do.

5 (Laughter.)

6 CHAIRPERSON GARAMENDI: Thank you.

7 (Laughter.)

8 CHIEF COUNSEL FOSSUM: Mr. Chairman, I'd like to
9 add to that. Because this is a private agreement between
10 PXP and EDC, asking the Attorney General to enforce it is
11 really asking for enforcement of a private contract. And,
12 you know, I can't speak for the Attorney General, but I
13 don't know what his standing would be to do that unless he
14 felt independently that there was a public benefit from
15 this, which they have, the private parties, determined
16 what the State's public benefit was.

17 So I think there's some difficulty with that
18 concept.

19 CHAIRPERSON GARAMENDI: I can assure you that my
20 experience in working with the Attorney General's office
21 is, as the Insurance Commissioner asking the Attorney
22 General - not the current one - to take action enforcing
23 what I thought was a State regulation, that they demurred.
24 Now, this being a private situation, it would seem to me
25 to rise even to a more significant question of whether or

1 not the Attorney General would enforce.

2 MS. KROP: May I respond to that?

3 CHAIRPERSON GARAMENDI: Please.

4 MS. KROP: And one of the criticisms that we
5 dealt with was the fact that our agreement wasn't
6 enforceable by the State. So we've offered to make it
7 enforceable by the State. I think we've done as much as
8 we can do on that. And we think that obviously the terms
9 are in the public benefit, whether it's receiving land or
10 ending offshore oil and gas production.

11 CHAIRPERSON GARAMENDI: Thank you.

12 Paul.

13 EXECUTIVE OFFICER THAYER: The one other point
14 I'd make is that we never questioned EDC's capability of
15 enforcing its agreement. In other words, it's got the
16 staff, it's got the legal resources. But our concern was
17 whether or not the legal framework was enforceable. And
18 in our view, adding the Attorney General to the
19 enforceable -- to the troops that were going to enforce
20 the agreement doesn't change the legal context. It just
21 brings more resources to bear on whether it can be
22 enforced or not. But it doesn't make it more enforceable.
23 It either is or isn't or whatever the situation is, no
24 matter which of the attorneys are that are involved with
25 it.

1 MS. KROP: Well, our intention was that there are
2 some terms of our agreement that are not proposed to be in
3 the lease. So we wanted to make sure that the State could
4 still enforce those other terms.

5 CHAIRPERSON GARAMENDI: Again, it would be at the
6 option of the Attorney -- insofar as the Attorney
7 General's concerned, it is the option of the Attorney
8 General to step up and to enforce or to choose not to.

9 ACTING COMMISSIONER SHEEHY: Mr. Chairman, I have
10 a follow-up. I want to comment just on the -- or ask a
11 question or I'm not sure -- about the comment that Mr.
12 Thayer just made about the enforceability.

13 I can't question the point that you just made. I
14 mean, I think you're factually accurate, that you're
15 saying it doesn't make it more enforceable. But I think
16 it goes to something that's far more important than that,
17 which is, there's been a bar of enforceability set here;
18 and I think that every time that EDC and PXP has met it,
19 somebody's come along and raised it, says, "Well, now that
20 you've done that, you've got to do this." And then they
21 work and they scuttle around and they raise that bar, then
22 say, "Let's raise the bar higher." Then they raise the
23 bar higher and then they raise the bar higher.

24 And then your analysis came out with your
25 recommendation. And then they went and they got the

1 Attorney General -- they brought the Attorney General into
2 this. I mean, that shows me that PXP and EDC have bent
3 over backwards. And every time an objection's been
4 raised, they've worked towards a solution.

5 I feel as I've listened to this, I look -- I keep
6 finding people that want to keep finding reasons to say
7 it's not good enough, it doesn't work. And I want to know
8 from Ms. Krop now, has MMS expressed any concerns to you
9 about your agreement, have they said anything, "Well,
10 we're going to take over those rigs if you do this? We're
11 not going to let you shut down those onshore oil
12 processing facilities"? If they had concerns, have they
13 expressed any? I mean, I can't -- I mean, we don't have a
14 crystal ball here. We don't know what's going to happen
15 in 20 years. But I know what could happen next year. I'd
16 like to hear what you --

17 MS. KROP: They have not expressed any concern.
18 And, in fact, they have been drafting a right of use and
19 easement agreement for the project.

20 ACTING COMMISSIONER SHEEHY: And if they did find
21 some other operator and keep drilling there, where would
22 they process the oil? I mean, it's one thing to drill,
23 but you've got to send the oil somewhere, right? Where
24 would they send it? Where does the oil go?

25 MS. KROP: There is no other place.

1 ACTING COMMISSIONER SHEEHY: Unless they
2 exercise -- what I've heard from SLC staff, exercise
3 eminent domain to take over the oil processing facilities,
4 right? That's the only way that would happen. Do I
5 understand that correctly?

6 MS. KROP: That would be my assumption.

7 EXECUTIVE OFFICER THAYER: There was -- if I may.

8 The other legal opportunity for MMS to prevent
9 the onshore facilities from being taken down is that
10 they -- PXP taking that action is as much an interference
11 with the federal lease, it, in effect, is intended -- in
12 fact, as Linda and PXP has said, the intent is to stop the
13 offshore oil production, it's to frustrate the purpose of
14 those federal leases. So, again, our attorneys believe
15 that in addition to the eminent domain, that MMS can
16 attack the closure of these facilities as an interference
17 with their contract, particularly when it's being carried
18 out by one of the members of their contract -- a party to
19 their contract.

20 And so there's two grounds that we see as a
21 problem for that.

22 And as I say, MMS is here. If the Commission
23 wants to know what MMS thinks about these end dates and
24 how it squares with their policies and what they might do
25 with respect to approving the actions which are

1 contemplated in this agreement, they can be asked.

2 The final point I would make is that in terms of
3 raising the bar, the issues remain with the EDC agreement.
4 These things that were added don't change the terms of the
5 agreement or the terms of the legal context in which we're
6 in. So staff, in its presentation, talked about, I think,
7 four or five different ways that we looked at to try and
8 improve the public benefit opportunities from this project
9 and we looked to see if we could independently enforce
10 these things ourselves. So we were looking for solutions
11 as well, and I want to make that clear

12 ACTING COMMISSIONER SHEEHY: I appreciate that.

13 But, Mr. Thayer, you know, we just had this
14 hearing just three weeks ago in Sacramento, and we had a
15 lot of the same players down there. And we spent a long
16 time doing questions and answers. Unfortunately, the
17 Controller wasn't with us, but his staff was. And the
18 Lieutenant Governor ran the meeting. And we covered a lot
19 of ground. You guys have been working on this for a
20 really long time.

21 How many years has this been an issue?

22 EXECUTIVE OFFICER THAYER: Quite some.

23 ACTING COMMISSIONER SHEEHY: How many years?

24 EXECUTIVE OFFICER THAYER: The original
25 application was in 2005.

1 ACTING COMMISSIONER SHEEHY: Okay. So it's been
2 at least four years. And we had a full hearing on this
3 just three weeks ago. Okay? And then subsequent to that
4 hearing, I hear from your staff that there's this new
5 issue about greenhouse gases, that somehow never arise.
6 After I'd been privately briefed, where we've had these
7 public hearings, it just -- I mean, I'm sure you've got a
8 good answer for that. But I'm just saying the appearance
9 to me is that the closer we got to getting issues
10 resolved, that these new issues just keep popping up, and
11 it's -- and I don't understand it. To me, I've just felt
12 like it was -- there was an agenda behind that. And maybe
13 what you're doing is, "Mr. Sheehy, the only agenda was to
14 get as good an agreement as possible." And that's a
15 perfectly acceptable answer. But there have been some
16 optics here that I wasn't comfortable with.

17 EXECUTIVE OFFICER THAYER: Well, I, of course,
18 regret that, because staff is trying to do its best for
19 the Commission.

20 But with respect to the greenhouse gas issue, is
21 something we hadn't raised with the Commissioners before,
22 but we raised it in the December conversation with EDC and
23 PXP. And EDC representatives said that they had done
24 research to support the \$10 a ton. We continued our
25 research after that. And as it turned out, that the

1 original greenhouse gas proposal didn't deal with
2 electrical emissions. And when we talked with the local
3 air district staff about that, they didn't even realize
4 it.

5 So there are a number of entities that are
6 working on this. This is complex stuff. And as Steve
7 Rusch indicated, we think we've reached a resolution of
8 that. So we're not using this as an excuse to oppose the
9 project. And, in fact, on that particular issue we've now
10 worked our way through, so it's resolved.

11 ACTING COMMISSIONER SHEEHY: Good.

12 EXECUTIVE OFFICER THAYER: So, again, I can't
13 agree with the idea that you're suggesting - I think -
14 that staff is looking for more ways to kill this project
15 when we're --

16 ACTING COMMISSIONER SHEEHY: I can't assign
17 motives to your staff. All I can tell you is how it
18 appears after having been briefed and having had a long
19 public hearing on this with a lot of testimony just three
20 weeks ago. And then to have had a major issue like that
21 pop up at the last minute -- I can't and I won't assign
22 any motives to your staff. I'm just saying there was an
23 appearance issue that made me feel uncomfortable. And I'm
24 glad that you have very publicly gone on the record and
25 explained it. Thank you, Mr. Thayer.

1 CHAIRPERSON GARAMENDI: Tom, I've been involved
2 in this from the very moment that I became Lieutenant
3 Governor. And the staff has been consistently clear about
4 protecting the State's interest and to make sure that if
5 this were to go forward, all of the issues were thoroughly
6 investigated and handled.

7 The issue of greenhouse gases has been discussed
8 for several months now. I know because I raised the
9 issue, others raised the issue. And it's been part of the
10 issues that this Commission and others have taken up.
11 It's not a new issue.

12 The resolution apparently was achieved in the
13 last couple of days. I've not had a chance, as Chairman
14 of this Commission, to look at the details of the new,
15 improved, perhaps complete, greenhouse gas issue.

16 Now, that's one thing.

17 And I think you're off base with regard to
18 appearances.

19 Now, let us continue.

20 ACTING COMMISSIONER SHEEHY: Thank you, Mr.
21 Chairman.

22 CHAIRPERSON GARAMENDI: Linda, if there are no
23 further questions of you, I thank you very much. And once
24 again, you've done a terrific piece of work, although, in
25 my mind, incomplete, not for your fault but others.

1 MS. KROP: Thank you.

2 CHAIRPERSON GARAMENDI: The issue of MMS has come
3 up here several times. And this hearing would not be
4 complete without hearing from MMS. If there's a
5 representative from the Minerals Management Service of the
6 Department of Interior, I would be delighted to have them
7 appear and answer a few questions.

8 MS. ARONSON: Hi. I'm Ellen Aronson, and I'm the
9 Regional Manager of the Pacific Outer Continental Shelf
10 Region of the Minerals Management Service.

11 CHAIRPERSON GARAMENDI: And your authority and
12 responsibilities are for what area of offshore drilling?

13 MS. ARONSON: For offshore oil and gas -- the
14 management of the offshore oil and gas leases, offshore
15 California, the 23 platforms that produce offshore
16 California.

17 CHAIRPERSON GARAMENDI: Thank you.

18 MS. ARONSON: And additionally a new
19 responsibility under the Energy Policy Act for offshore
20 alternative energy, which we'll be moving into in the
21 future.

22 CHAIRPERSON GARAMENDI: Well, that will be
23 another subject we'll take up with regard to --

24 MS. ARONSON: Looking forward to that.

25 (Laughter.)

1 CHAIRPERSON GARAMENDI: -- in due course.

2 You've been here through the hearing and you've
3 heard the questions as they apply to the Minerals
4 Management Service. Could you please give us your insight
5 into the issues that have been raised.

6 MS. ARONSON: One of the difficulties that we've
7 had with this project is that we have not -- we're not a
8 party to the agreement, nor have we seen the agreement.
9 Like everybody else -- or of many other people, we have
10 seen the press release, the April press release on the
11 agreement, but we haven't actually seen the agreement.
12 So, you know, we don't know what's in it. We haven't
13 spent a lot of time looking at the legal issue that's been
14 discussed about what our authority would be over those
15 onshore facilities.

16 But we do have a responsibility, and the lessee
17 has a responsibility, for the conservation of resources.
18 And what that means is is that they are obligated under
19 their lease to produce those resources until the resources
20 are commercially exhausted.

21 CHAIRPERSON GARAMENDI: It's the policy of MMS to
22 not leave behind stranded oil.

23 MS. ARONSON: It's in the statute. It's in the
24 OCS Lands Act and in our regulations.

25 CHAIRPERSON GARAMENDI: I recall the regulations

1 but not the statute. But thank you for clarifying that.

2 So, no stranded oil. Do you know when the oil
3 potential from these platforms will no longer be there?

4 MS. ARONSON: Well, it depends -- it depends on a
5 number of things. And it depends on the price of oil. It
6 depends on the -- often times on continued investment of a
7 company in the field to find new resources. One of the
8 things that we've seen is that we've seen -- in a lot of
9 the facilities offshore and in the fields offshore, we've
10 seen smaller companies take over, come up with new
11 strategies for developing the resources and technology to
12 develop those resources. So the 2022 date for the Point
13 Pedernales field is about on target with what our
14 estimates are. However, there is no absolute certainty.

15 CHAIRPERSON GARAMENDI: So new technology, new
16 investment, new --

17 MS. ARONSON: -- new ways of looking at the
18 field.

19 CHAIRPERSON GARAMENDI: -- different prices of
20 oil?

21 MS. ARONSON: Right.

22 CHAIRPERSON GARAMENDI: All of those things would
23 determine when the final oil is extracted?

24 MS. ARONSON: Yeah, they are all factors in
25 determining that.

1 CHAIRPERSON GARAMENDI: Now --

2 MS. ARONSON: One of the -- yeah, I'm sorry. Go
3 ahead.

4 CHAIRPERSON GARAMENDI: Have you had discussions
5 with the State Lands Commission staff about this?

6 MS. ARONSON: We've had a number of discussions.
7 We have discussed whether or not there is an opportunity
8 to institutionalize an end date in any action that we
9 take. And because of this question about whether or not
10 you know the absolute end of production and whether or not
11 you can, in fact, preclude the analysis or the -- you
12 know, determine now what, in fact, the end date will be,
13 we have said that we are unable to do that, that
14 we -- what we would do - and we have provided them with a
15 draft of the conditions - I think that you might have
16 them, and we're continuing to work on those - but those
17 would be the conditions for the approval of a
18 development -- a revised development of production plan
19 and for the issuance of a right of use and easement to use
20 the platform to access State resources.

21 We have in every case said that the primary use
22 of that platform is for the production of federal
23 resources, and that the obligation of the federal
24 government to the people of the nation is to ensure that
25 those resources are responsibly developed. And that would

1 be what we would look at first and foremost.

2 CHAIRPERSON GARAMENDI: So recognizing the
3 uncertainty of how much oil would be left in the federal
4 fields for the three -- where the three platforms are, if
5 it was the case in 2022 that MMS believed there to be
6 additional oil -- stranded oil or additional oil, what
7 would MMS's position be?

8 MS. ARONSON: Well, the oil has to be able to be
9 profitably recovered. It's not --

10 CHAIRPERSON GARAMENDI: Okay. Factor one.

11 MS. ARONSON: -- simply stranded oil, right. And
12 we would look at information -- request information from
13 the operator and look at that information to make a
14 determination about whether, in fact, the --

15 CHAIRPERSON GARAMENDI: My question assumes that
16 you've made those determinations and you believe that
17 there was profitable production from those fields.

18 MS. ARONSON: If, in fact, we determine that
19 there was profitable production from those fields, we
20 would require the operator, in continuing with the
21 contract that they have with us, that is, the lease, to
22 continue to produce that resource.

23 CHAIRPERSON GARAMENDI: And if they chose to turn
24 the lease back, what happens? To walk away from the
25 lease.

1 MS. ARONSON: Yeah, I don't really know how to
2 answer that question. I suspect, you know, they could
3 make those decisions as private -- but, you know, I don't
4 know. We haven't had circumstances like that. We have
5 had circumstances where companies have wanted to abandon
6 certain horizons before moving to a different horizon, for
7 example, and the Minerals Management Service has required
8 them to continue to produce from that horizon.

9 CHAIRPERSON GARAMENDI: Tom.

10 ACTING COMMISSIONER SHEEHY: Thank you, Mr.
11 Chairman.

12 And I apologize to you, representative of the
13 MMS. I was distracted when you were introduced. Could
14 you tell me your name again.

15 MS. ARONSON: Yes, it's Ellen Aronson.

16 ACTING COMMISSIONER SHEEHY: Thank you, Ellen. I
17 apologize for that. I should have known, and I'm remiss
18 for that.

19 So recognizing -- so you said that you thought
20 that the 2022 date more or less looked like it was on
21 target based upon all the research and the measurements
22 and the engineering studies that have been done?

23 MS. ARONSON: Yeah, the work that we've done so
24 far, yeah.

25 ACTING COMMISSIONER SHEEHY: Okay. So given the

1 likelihood that the 2022 date is a good date, and the fact
2 that there's not going to be a whole lot more money there,
3 wouldn't it take a tremendous amount of new technology and
4 new investment to try to get it out, and would that make
5 it uneconomic?

6 MS. ARONSON: I don't think that we can -- I
7 don't think that we can determine that today. That's the
8 difficulty with this.

9 I'd also like to say that I think that the
10 opportunity to access State resources from Platform Irene
11 is a great project, it's a wonderful project. The end
12 date --

13 ACTING COMMISSIONER SHEEHY: You think this is a
14 great project?

15 MS. ARONSON: -- the end date is the problem.

16 ACTING COMMISSIONER SHEEHY: I'm sorry. You
17 think this is a great project, Ms. Aronson?

18 MS. ARONSON: I think the opportunity to use
19 existing facilities to produce more oil for the nation and
20 revenues for the nation and the state is a good idea.

21 ACTING COMMISSIONER SHEEHY: And you're generally
22 comfortable with this? I know nobody has a crystal ball,
23 but you are generally comfortable with this 2022 date?

24 MS. ARONSON: No, I'm not. That's the problem
25 that I have. The project absent the end date is a

1 wonderful project, the opportunity to develop additional
2 resources absent the end date.

3 ACTING COMMISSIONER SHEEHY: But if there is
4 stranded oil and it's not economical to get it out, then
5 what happens?

6 MS. ARONSON: Then they walk away from -- then
7 they have to properly abandon the facilities.

8 ACTING COMMISSIONER SHEEHY: So you wouldn't
9 force somebody to keep drilling if it wasn't economical
10 for them to get the oil out?

11 MS. ARONSON: Correct.

12 ACTING COMMISSIONER SHEEHY: Okay. Now, I want
13 to talk about unit agreements. Now, don't you normally,
14 when we're involved in lease situations like this, enter
15 into what's called a unit agreement with the State of
16 California?

17 MS. ARONSON: We have done this in a couple of
18 ways, but that is -- yes, we did discuss an opportunity
19 for a unit agreement with the State of California -- with
20 the State Lands Commission.

21 ACTING COMMISSIONER SHEEHY: And in those unit
22 agreements, isn't it common for the federal government and
23 the State government to share in the revenues that the
24 project will produce?

25 MS. ARONSON: Yes.

1 ACTING COMMISSIONER SHEEHY: So the federal
2 government, in a unit agreement, would be in a position to
3 achieve substantial revenues from new oil drilling; is
4 that correct?

5 MS. ARONSON: Depending on what the revenue share
6 would be, yes.

7 ACTING COMMISSIONER SHEEHY: Well, you must be
8 negotiable, right? You would negotiate with the State,
9 right?

10 MS. ARONSON: Yes, we did enter into discussions
11 about that, and we did not have an agreement about what
12 revenues would be due to the federal government.

13 ACTING COMMISSIONER SHEEHY: So instead then I
14 understand that you're willing to give PXP what's known as
15 an RUE, a right to use, is that right?

16 MS. ARONSON: Yeah, it's a little more
17 complicated than that.

18 ACTING COMMISSIONER SHEEHY: Okay. I'd like to
19 know about that.

20 MS. ARONSON: We were unable to reach agreement
21 with the State Lands Commission on the share of resources
22 that would be allocated to the federal government. Our
23 view of the resources that would rightfully be allocated
24 to the federal government were substantially higher than
25 the State Lands Commission felt that they were.

1 CHAIRPERSON GARAMENDI: Tom, excuse me.

2 We thought MMS was a little too greedy.

3 (Laughter.)

4 MS. ARONSON: It's the nation's resource.

5 ACTING COMMISSIONER SHEEHY: I'm with you, Mr.

6 Chairman.

7 (Laughter.)

8 MS. ARONSON: In addition to that, what we found
9 was is that we were concerned that there were a number of
10 other kinds of decisions that would need to be made with
11 respect to managing that unit, and we expected that we
12 would have a lot of difficulty in reaching agreement. And
13 because of that, it would delay development, it wouldn't
14 meet the federal government's interests nor the State's
15 interest. So what we did is we tried to accommodate the
16 interests of the State. And --

17 ACTING COMMISSIONER SHEEHY: Why did you try to
18 accommodate the interests of the State when it would have
19 been more in your interest to get a unit agreement with
20 the right royalty rate, in your view? Why were you so
21 willing to accommodate us, Ms. Aronson?

22 MS. ARONSON: Because the State was interested --
23 we felt that the State -- or understood that the State was
24 interested in accessing these resources, and we --

25 ACTING COMMISSIONER SHEEHY: So the federal

1 government is, in fact, interested in cooperating with
2 California to make this project happen; is that right?

3 MS. ARONSON: Yes. And that is how we ended up
4 with the RUE. Yes, there's a loss to the federal
5 government in terms of revenues.

6 CHAIRPERSON GARAMENDI: Potential loss.

7 MS. ARONSON: Oh, I'm sorry. Yes.

8 CHAIRPERSON GARAMENDI: There's a potential loss.

9 ACTING COMMISSIONER SHEEHY: So with the RUE,
10 you're not getting a percentage royalty?

11 MS. ARONSON: No, that's correct.

12 ACTING COMMISSIONER SHEEHY: And you're willing
13 to do that because you support the State's ability to do
14 this project?

15 MS. ARONSON: Yes, we support the State's ability
16 to access and produce the State's resources, yes.

17 ACTING COMMISSIONER SHEEHY: Well, I think that's
18 important to know, because there have been many folks that
19 have testified today -- or there have been some folks that
20 have testified today, who have indicated a number of
21 different hypothetical scenarios, all of which involve you
22 guys coming down on us and stopping us from doing this
23 agreement. And what I understand from you, Ms. Aronson,
24 is that you not only think this is a good project, but you
25 are willing to give up the federal government's royalty

1 and money they'd make just so that we could do this
2 project and enter into an RUE; is that right?

3 MS. ARONSON: We're interested in supporting the
4 State.

5 ACTING COMMISSIONER SHEEHY: I think that's
6 terrific. Thank you very much, Mr. Aronson.

7 (Laughter.)

8 (Applause.)

9 CHAIRPERSON GARAMENDI: Are there further
10 questions?

11 (Laughter.)

12 CHAIRPERSON GARAMENDI: Tom, I notice that the
13 Governor supports offshore oil drilling.

14 Let's move on here.

15 I have some real serious concerns about
16 finalizing this lease today one way or the other. Several
17 things have come to light that have not been fully
18 discussed or analyzed. Among them, the agreement between
19 PXP and EDC that is now apparently available to the public
20 and to MMS. Secondly -- and that's a significant issue.
21 It has been from the very outset. Controller Chiang spoke
22 to that earlier and questioned that issue earlier.

23 We now have the MMS issue that has not, for the
24 first time, been explored publicly. It has been one of
25 the principal issues that the State Lands Commission staff

1 has expressed concern about, as to whether the agreement
2 would or would not be enforceable. We've had a very
3 useful dialogue here with Ms. Aronson concerning MMS's
4 position and the federal law and regulations as they exist
5 at this time.

6 I'm of a mind - and I'd like to ask this question
7 of PXP - that these issues be completely explored by the
8 public, by the State Lands Commission staff with MMS, and
9 now MMS with the agreement in hand and just what it means
10 to MMS, and that we -- and whether PXP wants to move
11 forward with a decision today or whether PXP wants to have
12 these issues explored further, and the issue taken up
13 prior to the April deadline? Is April --

14 EXECUTIVE OFFICER THAYER: First week in April,
15 yes.

16 CHAIRPERSON GARAMENDI: First week in April
17 there's a deadline in which the proposal expires.

18 So the question is to PXP.

19 MR. FLORES: Glad I came, John.

20 (Laughter.)

21 MR. FLORES: And both Johns.

22 From PXP's perspective, again, the EDC agreement
23 is not a mystery. It's a framework. The way it was
24 crafted was not to get in the way of the State. There's
25 no way to support MMS production or development offshore

1 California without the State of California's cooperation.

2 We operate around the world. There's things
3 called logistics. You have to sell the product, you have
4 to support the platform. Here in California, as you know,
5 we run electric lines off the grid to the MMS platforms.
6 What we want to do is have an environmental understanding,
7 an EDC framework by which the environmental community --
8 the community at large can understand how this project
9 could be moved forward and adhere to their concerns and
10 also the mitigation effects of the environment. It wasn't
11 to regulate the lease. It wasn't to regulate the project.
12 We have layers and layers and layers of regulation and
13 permits and thoughtful people with engineers, lawyers,
14 geologists that understand this stuff. It was not to
15 change the regulations of the State, the Feds, or those
16 types of things. It was merely an agreement to what the
17 environmental bar would be to get the political support by
18 which this hearing would even happen.

19 So, the thought process of having the EDC
20 agreement be the driver or the governing agreement for the
21 State's oil and gas policies, the MMS oil and gas
22 policies, the economics of PDP is not even in this room.
23 And that's the way it's been characterized by the staff,
24 that it's some governing agreement, you know, the aspect
25 is. Yes, it's an agreement, just like we have agreement

1 with everybody else with specific performance over periods
2 of time. And if things change, people get sued and people
3 have to pay restitution.

4 So my answer to you is from the standpoint, we're
5 perfectly willing to have the EDC agreement be looked at
6 by the MMS and continue to be looked at by the State at
7 the California Coastal Commission hearing a month from now
8 that's scheduled. But as far as being something that's
9 governed -- that can still stop any project as far as
10 governing the lease and the aspect to where the project
11 would take a step forward, with all these people here in
12 the room and all the money at stake, and the phone calls
13 that we got last year about putting another hundred
14 million dollars of advance royalty up, even before we
15 drilled the first well, as far as PXP has gone in aspect,
16 we can continue to learn about this project the rest of
17 our lives, and it's going to get down to the effect of
18 there's people in this room that are depending on this
19 capital to pay their bills, to get the State revenues up.
20 I know you're all very keen on that aspect of it. And
21 we're ready to get on with our lives.

22 CHAIRPERSON GARAMENDI: Very good.

23 MR. FLORES: So, Chairman Garamendi, what we
24 would like to see is this action taken today toward the
25 lease. And at the same point in time if we need further

1 discussions regarding the EDC agreement or those type of
2 things, and do it conditionally upon that, subject to what
3 the California Coastal Commission says, or to be revisited
4 at a staff level later. But we think the aspects of the
5 merits of the project have been heard and need to be --
6 action needs to be taken today.

7 CHAIRPERSON GARAMENDI: Okay. It'll be up or
8 down on the project. Let us continue with the hearing.

9 There are several elected officials, that I would
10 like to give them the opportunity to express their views.
11 I'm going to read their names.

12 From the County of Santa Barbara -- it looks like
13 I have two supervisors, maybe three supervisors from the
14 County of Santa Barbara. And so let's go to that.

15 MS. GEILER: Pardon me. I'm Debra Geiler from
16 the Trust for Public Land. And I'd never step in front of
17 the supervisors --

18 CHAIRPERSON GARAMENDI: That's a good idea. So
19 let's hear the supervisors.

20 MS. GEILER: Okay, great.

21 CHAIRPERSON GARAMENDI: Thank you.

22 MS. GEILER: Thank you.

23 CHAIRPERSON GARAMENDI: I'm going to hear from
24 the supervisors. Then I'll take you up, ma'am.

25 Are there any -- I had three supervisors that

1 have submitted their names. And if they would like to
2 participate, then please.

3 SANTA BARBARA COUNTY SUPERVISOR WOLF: Thank you
4 very much, Chair Garamendi and Commissioners. My name is
5 Janet Wolf. I'm 2nd District Supervisor for the County of
6 Santa Barbara.

7 As Santa Barbara County Supervisor who's district
8 includes an expanse of coastline in Santa Barbara county,
9 I urge you to support the PXP Tranquillon Ridge project.

10 I have long opposed any new or expanded oil
11 development in our county and have, in fact, spearheaded
12 the increased monitoring and enforcement of onshore oil
13 facilities. However, I voted for the Tranquillon Ridge
14 project when it came before the Santa Barbara County Board
15 of Supervisors last fall, because it makes a date certain
16 of shutting down four oil platforms and the onshore
17 facilities that support them.

18 Moreover, it conveys thousands of acres of land
19 for preservation and provides significant mechanisms to
20 offset greenhouse gas emissions.

21 This project, in fact, ushers in a new era of
22 responding to oil production off our coast with an actual
23 plan, for the first time in history, to end oil
24 production. I support this project, because it gets us to
25 where we want to go, which is to shut down oil producing

1 platforms offshore and to remove oil facilities onshore so
2 that we can begin to eliminate once and for all offshore
3 oil production. This is the end to which
4 environmentalists and so many in this room have worked for
5 so many years.

6 I understand why there is some confusion over
7 this project and why some are arguing that we can't allow
8 it, because it does shift paradigms in thinking about how
9 to end offshore drilling. But end it, it does. I applaud
10 the Environmental Defense Center, "Get Oil Out!", and the
11 Citizens Planning Association, all staunch and longtime
12 opponents of drilling off our coast.

13 And the applicants - let's not forget the
14 applicants - who have negotiated this landmark agreement.
15 They have managed to bring before us the first opportunity
16 ever to end oil production off our coast. The reality is
17 that these platforms don't go away on their own, nor do
18 offshore oil leases and -- as long as there is oil to pump
19 out of the ground. Should you approve this project along
20 with the Coastal Commission, this will be the first time
21 in our history that the public will be shutting down oil
22 platforms date certain.

23 But if you deny this project, we will lose the
24 opportunity to end offshore oil production in this area.
25 We will also lose thousands of acres of land that would

1 have been donated and protected in perpetuity.

2 I am deeply committed to ending our dependence on
3 fossil fuels and moving as quickly as we can to fueling
4 our society via clean energy.

5 I hope you will join me and all of the others --
6 well, many of the others - I don't know, I haven't heard
7 from everyone -- many -- the majority, I am sure, join me
8 in this commitment by approving the PXP Tranquillon Ridge
9 project.

10 CHAIRPERSON GARAMENDI: Thank you very much.

11 ACTING COMMISSIONER SHEEHY: I have a follow-up
12 question to her.

13 CHAIRPERSON GARAMENDI: Sure.

14 ACTING COMMISSIONER SHEEHY: Madam Supervisor,
15 thank you.

16 What's the status of the Sacramento County --
17 sorry, strike that.

18 SANTA BARBARA COUNTY SUPERVISOR WOLF: Santa
19 Barbara County.

20 ACTING COMMISSIONER SHEEHY: I'm just way too
21 wrapped up in Sacramento. I'm glad to get down here in
22 Santa Barbara. It's much nicer down here.

23 SANTA BARBARA COUNTY SUPERVISOR WOLF: It's nice
24 to have you.

25 ACTING COMMISSIONER SHEEHY: What's the status of

1 the Santa Barbara County budget right now?

2 SANTA BARBARA COUNTY SUPERVISOR WOLF: The Santa
3 Barbara County budget situation right now, I could tell
4 you, is that we are in dire straits. We are --

5 ACTING COMMISSIONER SHEEHY: Tell me how bad it
6 is and how this project might affect that.

7 SANTA BARBARA COUNTY SUPERVISOR WOLF: Well, you
8 know, I can't be specific with the numbers. But what I
9 can tell you is that last year we furloughed all of our
10 employees to save their jobs, and they took a mandatory
11 furlough. And that saved the County approximately \$10
12 million. But that --

13 ACTING COMMISSIONER SHEEHY: What type of
14 furlough was that, ma'am? Was that one day a month?

15 SANTA BARBARA COUNTY SUPERVISOR WOLF: It was
16 approximately 80 hours. They took it during the last two
17 weeks of the year. Now, I must say that that didn't
18 involve every department, because we had our public safety
19 and sheriffs continue to work, and certain departments did
20 rotate. But the majority of our workers -- a vast
21 majority of our workers basically took that time off
22 without pay, which negatively impacted them, you know,
23 during a time -- it was the holiday season. They
24 obviously lost pay. It was a tremendous impact on our
25 community, not just to the workers, but also to the

1 community, because we did close some of our community
2 clinics, our mental health clinics, our children's
3 clinics. So it did have an impact.

4 And so that did happen. I can speak to what did
5 happen. I can also tell you that in February our board is
6 meeting. We are having three budget workshops because of
7 the anticipation and the knowledge of severe budget cuts
8 that we are going to be anticipating. And many of them,
9 we'll be hitting the most vulnerable in our county, which
10 we'll be trying to offset as best as we can. But I will
11 tell you, it was tough last year and it's going to be even
12 tougher this year.

13 ACTING COMMISSIONER SHEEHY: Thank you, Madam
14 Supervisor.

15 And I'm hoping there will be somebody from the
16 County here later today who can address the ad valorem
17 taxes that this project, if it were approved, would
18 provide to Santa Barbara County and City and special
19 districts.

20 SANTA BARBARA COUNTY SUPERVISOR WOLF: Yes. I'm
21 sorry I don't have that information. When we approved the
22 project though, we did have that information. And as you
23 saw, it was based on the price per barrel over time. So I
24 just don't have that with me right now.

25 ACTING COMMISSIONER SHEEHY: Thank you, madam.

1 CHAIRPERSON GARAMENDI: Thank you.

2 SANTA BARBARA COUNTY SUPERVISOR CARBAJAL:

3 Welcome to Santa Barbara, Chairman/Lieutenant
4 Governor Garamendi, Controller Chiang, and Mr. Sheehy.

5 With all due respect, Lieutenant Governor, and
6 your deference to us elected officials, it's my
7 understanding that the young lady that wanted to speak
8 earlier has a plane to catch, and I would acquiesce and
9 defer going second to her if that's okay with you, Mr.
10 Lieutenant Governor.

11 CHAIRPERSON GARAMENDI: And I assume your
12 colleague --

13 SANTA BARBARA COUNTY SUPERVISOR CARBAJAL: She's
14 with me as well.

15 CHAIRPERSON GARAMENDI: It was in deference to
16 you.

17 Okay. Let's hear from the TPL.

18 SANTA BARBARA COUNTY SUPERVISOR CARBAJAL: Thank
19 you.

20 MS. GEILER: I think I may be driving back to San
21 Francisco anyway, but thank you.

22 CHAIRPERSON GARAMENDI: You're not the only one
23 with schedules.

24 (Laughter.)

25 MS. GEILER: I totally appreciate that.

1 CHAIRPERSON GARAMENDI: It's a nice drive anyway.

2 MS. GEILER: You're absolutely correct.

3 I am Debra Geiler. I am the Southern California
4 Director for the Trust for Public Lands. We are a
5 national nonprofit land conservation organization
6 dedicated to preserving land for people. TPL was founded
7 in 1972. We work in 40 states and our headquarters are in
8 San Francisco.

9 To date, our organization has conserved over 2.5
10 million acres of land, with a fair market value exceeded
11 \$5.6 billion. Done a little bit of work.

12 We've been working in Santa Barbara for over 12
13 years. And to date, we've worked with this community to
14 protect over 8,500 acres of important threatened coastal
15 and environmentally sensitive habitat lands. And I've
16 also worked in many communities throughout the Central
17 Coast of California, working together with those
18 communities to save many thousands of acres of threatened
19 coastal lands.

20 About a year and a half or so ago we were asked
21 by the Santa Barbara community to work on the strategy to
22 secure the permanent protection of PXP's Gaviota Coast and
23 Lompoc lands as part of the larger negotiated agreement
24 that we've talked about today.

25 At the time of our entry into conversations with

1 PXP, there was a notion that as part of the larger
2 negotiated agreement between PXP and the environmental
3 groups, PXP would consider the transfer of their
4 properties at the end of their oil operations in Santa
5 Barbara county based on the end date established in the
6 negotiated Tranquillon Ridge agreement.

7 TPL works in a very specific way to ensure
8 protection of properties that we acquire. The kinds of
9 specifics and requirements I think probably came as
10 somewhat of a surprise to PXP initially. We asked them
11 for a lot. We asked them to not only donate lands to us,
12 but also to donate them free of -- clear of any title
13 issues that we perceived would interfere with the ultimate
14 public use of the properties and to deliver those
15 properties clean. Closed facilities, fully remediated.

16 We received PXP's commitment to everything we
17 felt we needed to ensure successful completion to our
18 transaction. And after many months of negotiations, we
19 were able to sign an agreement with PXP for the conveyance
20 of over 3,900 acres of land in Santa Barbara county. I
21 believe that's all of their land assets in Santa Barbara
22 county. And that would be in a three-phased transaction,
23 each of the three phases to be conveyed to TPL upon the
24 occurrence of a specified event.

25 In kind of general terms, the structure of the

1 agreement is as follows:

2 Approximately 150 acres including two parcels on
3 the Gaviota Coast and 1,000 acres of Lompoc uplands
4 constitute Phase 1, which will be immediately conveyed to
5 TPL at the time that PXP achieves commercial production,
6 or approximately 60 to 90 days after the permits are
7 issued for the Tranquillon Ridge project.

8 Fifty-six acres of Gaviota coastland would be
9 conveyed following abandonment and cleanup of the existing
10 PXP Gaviota processing facility. Plant closure would
11 occur in nine years, as has been discussed today.

12 The balance of the Lompoc lands, or 2,700 acres,
13 will be conveyed to TPL following closure, abandonment,
14 and cleanup of all onshore wells and the Lompoc Oil and
15 Gas Plant beginning no later than December 2022.

16 TPL has negotiated thousands and thousands of
17 agreements like this one, and we are confident we will be
18 able to complete this transaction on schedule if the
19 project is approved.

20 I also want to emphasize that we believe there
21 are enormous and unprecedented benefits in the agreement
22 between PXP and the environmental parties. But, frankly,
23 our ability to get these lands into public ownership was
24 absolutely unforeseeable, as the value of these lands may
25 well exceed \$100 million or more and there are just not

1 enough conservation dollars around to buy all of the
2 important conservation-worthy lands.

3 That's the end of my remarks. And I'm available
4 to answer any questions you have.

5 ACTING COMMISSIONER SHEEHY: Questions for TPL.

6 CHAIRPERSON GARAMENDI: Tom.

7 ACTING COMMISSIONER SHEEHY: Thank you, Mr.
8 Chairman.

9 Ms. -- I'm sorry. Your name?

10 MS. GEILER: Debra Geiler.

11 ACTING COMMISSIONER SHEEHY: Thank you, Ms.
12 Geiler.

13 How often, in your experience working with TPL in
14 the environmental community, do opportunities like this
15 come along? I don't mean the whole package. I mean
16 specifically on the 3,900 acres.

17 MS. GEILER: Never.

18 ACTING COMMISSIONER SHEEHY: Have you ever seen
19 any opportunity like this come along or any of your
20 colleagues aware of any opportunity like this that's come
21 along here in California?

22 MS. GEILER: Well, I can't even think of an
23 opportunity close. And close would be that they would --
24 they might agree to transfer lands to us if we took on the
25 burden to get them ready for public use, including

1 cleaning them up, cleaning up title issues. Maybe. But
2 I've never even heard of that.

3 ACTING COMMISSIONER SHEEHY: We have a great
4 opportunity, don't we?

5 MS. GEILER: Unbelievable.

6 ACTING COMMISSIONER SHEEHY: That's so great.

7 (Laughter.)

8 ACTING COMMISSIONER SHEEHY: Are there -- Ms.
9 Geiler, are there any loopholes that you're aware of in
10 this agreement that would prevent the transfer of that
11 land through TPL?

12 MS. GEILER: No, there are not any loopholes.

13 ACTING COMMISSIONER SHEEHY: Okay. And this has
14 been thoroughly vetted by your attorneys?

15 MS. GEILER: Yeah, they're good.

16 ACTING COMMISSIONER SHEEHY: Okay.

17 (Laughter.)

18 ACTING COMMISSIONER SHEEHY: And what's the
19 status right now in the environmental community in trying
20 to do land conservation? How hard is it to get your hands
21 on dollars and capital in order to get environmentally
22 sensitive land like this put in conservation? Are you
23 finding a plethora of dollars out there? Are people still
24 willing to donate money? What are you seeing out there?
25 And how is this economy affecting that?

1 MS. GEILER: Well, even if the State wasn't in
2 its crisis, it's absolutely challenging. And we have to
3 really focus our efforts on, you know, the best bang for
4 the buck. It's really my job to save the public money
5 when I'm doing this. And I have to be very picky,
6 frankly.

7 ACTING COMMISSIONER SHEEHY: So in your expert
8 opinion as a member -- as working for Trust for Public
9 Land, do you think this is an unprecedented opportunity?

10 MS. GEILER: Yes, and absolutely unforeseeable as
11 well.

12 ACTING COMMISSIONER SHEEHY: Thank you, Ms.
13 Geiler. I appreciate that.

14 CHAIRPERSON GARAMENDI: Are you finished?

15 ACTING COMMISSIONER SHEEHY: Yes, sir.

16 CHAIRPERSON GARAMENDI: Thank you very much.

17 MS. GEILER: You're welcome.

18 COMMISSIONER GARAMENDI: You've still got a shot
19 on that airplane.

20 MS. GEILER: Thank you for your time.

21 SANTA BARBARA COUNTY SUPERVISOR CARBAJAL: Thank
22 you, Lieutenant Governor, for your indulgence. Again, I'm
23 Salud Carbajal, 1st District County Supervisor.

24 I, like many people here in this room, have had a
25 long history of opposing offshore oil development. This

1 county, and my district in particular, is ground zero for
2 dealing with the negative impacts of oil development, and
3 are the areas directly impacted by the devastating 1969
4 spill which we sadly commemorated the anniversary of this
5 week. We are here 40 years later with the opportunity to
6 take the final step in eliminating - eliminating a large
7 portion of oil development off our coast.

8 I never thought that I would have voted for such
9 a project as the one before you. And at first, I must
10 admit, it didn't feel right. It felt counterintuitive.
11 But the more I looked at it, the more I studied it, it was
12 clear to me that this was all about getting rid of oil.

13 There are many environmental groups, about 25 in
14 all - the Sierra Club, GOO, EDC - all of those groups that
15 have helped shape public policy around this issue in the
16 State of California before many of us were elected
17 officials. And many of our own values on environmental
18 protection, including offshore oil, have been shaped by
19 many of these groups who have fought the hard fights, have
20 stuck their neck out, have labored day in and day out to
21 protect our environment.

22 There's a quote that is said, "If the people
23 lead, the leaders will follow." And I think that is so
24 true for this issue. Because I think that so many people
25 have worked so hard to protect our coast and they've done

1 such a great job, that that's why this matter before us
2 seems so counterintuitive.

3 But for me it's very simple. And I've been
4 trying to follow the concerns and the questions that have
5 been raised today, and the logic. And it seems so simple
6 to me. Worst case scenario, if you approve this project,
7 it might just succeed. With the little risk of MMS, with
8 the little risk that maybe the agreement isn't
9 enforceable, it might just succeed. But the worst case
10 scenario of not approving this is that we can ensure
11 offshore oil development production off our coast for
12 many, many, many, many years to come.

13 We, in Santa Barbara county, don't see this as
14 some abstract theoretical offshore oil issue. We live it.
15 We live it day in and day out. So when we see an
16 opportunity, a well thought-out opportunity, to get rid of
17 oil development off our coast, we're all over it. This
18 isn't just two people that will -- this is the entire
19 environmental community in Santa Barbara county.

20 This community has set the bar on environmental
21 protection. And others who don't live it completely use
22 the same arguments against this. But I will submit to you
23 that despite the initial trepidation, which I'm sure you
24 have as well, when you really look at it in its most
25 simplest terms, this is about getting rid of oil. There's

1 a sunset date, 13 years. I want to be able to tell my
2 children - he's eight years old today - 13 years from now,
3 I want to say, "Son, when I was a County Supervisor, I
4 helped get rid of that oil development." And I plead and
5 ask you to do the same.

6 Thank you very much.

7 CHAIRPERSON GARAMENDI: Thank you.

8 (Applause.)

9 SANTA BARBARA COUNTY SUPERVISOR FARR: Good
10 afternoon. My name is Doreen Farr and I'm the Supervisor
11 for the 3rd District of Santa Barbara County.

12 The 3rd District is the largest district
13 geographically and it contains the most coastline in the
14 county, almost a hundred miles. This coastline is among
15 the most beautiful, pristine, and biologically rich in the
16 state and in the world.

17 Conversely, it is also home to several oil
18 facilities, including the one on the Gaviota Coast that
19 we've already talked about and which is a part of this
20 agreement.

21 So my district, in particular, has much at risk
22 from current oil development and any possible future oil
23 development.

24 Although I was not on the board when this project
25 came through, I want you to know that I have always been a

1 very strong environmentalist and always opposed any
2 additional offshore oil drilling.

3 But this project that is before you today is so
4 unique and so beneficial and ultimately so protective to
5 the people and the land of my district and the county,
6 that I have decided to support it. And I want you to
7 understand that if you knew so many of the people in the
8 audience here today, you would understand what a unique
9 situation this is; what a coming together of so many
10 people, not just the environmental groups, which have
11 always opposed a project like this, but people that we
12 rarely agree with on so many issues and never agree with
13 on oil issues, and we are all here today to tell you that
14 we support this project.

15 Among the many benefits that it offers are those
16 that you've already heard, that we can finally look
17 forward to an end date of oil production from these
18 facilities - and this is an opportunity that just simply
19 cannot be missed - an end date -- a final end date of
20 2022, again just 13 years from now, not that far, so that
21 we can enjoy the benefits of that and what a wonderful
22 gift, a legacy that it would leave for our children.

23 So I strongly support it and I strongly urge you
24 to support it as well.

25 Thank you.

1 CHAIRPERSON GARAMENDI: Thank you very much.

2 We're going to limit the discussion from the rest
3 of the people that may want to talk - I've got about 120
4 here.

5 Yep. So, you know, at about a minute apiece,
6 we're going to be here for a few hours.

7 ACTING COMMISSIONER SHEEHY: Mr. Chairman?

8 CHAIRPERSON GARAMENDI: Now, what I'd like to do
9 is to -- there is organized opposition. We've heard
10 support from parties that are either parties to the
11 agreement or affected by it, the County. I'd like to take
12 the organized opposition. We had discussed some 20
13 minutes from the organized opposition to the program. I'm
14 going to cut that back.

15 So please be succinct, be clear with your
16 argument, and have at it.

17 ACTING COMMISSIONER SHEEHY: Mr. Chairman, I have
18 a procedural question.

19 CHAIRPERSON GARAMENDI: Yes.

20 ACTING COMMISSIONER SHEEHY: When we're done
21 hearing all the opposition, the members of the public,
22 will we be in a position to vote on this project?

23 CHAIRPERSON GARAMENDI: I took that question -- I
24 asked that question of PXP. They want an up or down vote
25 today. They'll have it.

1 ACTING COMMISSIONER SHEEHY: Excellent.

2 CHAIRPERSON GARAMENDI: I'm not at all sure -- I
3 was told that, Sara Wan, you are leader to the organized
4 opposition. Is that correct?

5 If it is, begin. If it's not, then hold fire.

6 MS. WAN: Well, I will begin, but I'm not the
7 leader of the opposition. But there are a number of
8 people who want to speak on this.

9 CHAIRPERSON GARAMENDI: I understand. I
10 understand there's organized opposition. I was told you
11 were the leader of it. If that's not the case, then --

12 MS. WAN: Yeah, but I will speak first in that
13 group.

14 CHAIRPERSON GARAMENDI: No, you will not.

15 (Laughter.)

16 MS. WAN: Well, they asked me to speak first.

17 CHAIRPERSON GARAMENDI: Then you are the leader
18 of the organized opposition.

19 (Laughter.)

20 CHAIRPERSON GARAMENDI: Okay, leader.

21 MS. WAN: Chairman Garamendi and Commissioners.
22 My name is Sara Wan.

23 First, I'd like to make it clear that I'm not
24 here in my capacity as Coastal Commissioner. Our
25 jurisdictions are very different. And I'm not commenting

1 on the aspects of this relative arduous -- the Coastal
2 Commission's jurisdiction, which is very, very limited as
3 compared to yours.

4 For 40 years this community and this state have
5 taken the position that offshore oil drilling should be
6 opposed because of the consequences of an oil spill that
7 is not only probable but likely.

8 This agency has not issued a permit for new oil
9 drilling in the State waters during those years. Approval
10 of this project would represent the sea change in the
11 direction this agency and the State have had on this
12 issue.

13 Such a change comes at a particularly inopportune
14 time. Both the executive ban and the congressional
15 moratorium on an OCS have been lifted. And this year saw
16 the push to, "Drill, Baby, Drill". President Obama and
17 his Secretary of the Interior have made it clear that they
18 will allow OCS drilling. For this State to approve it in
19 State waters, because it would provide funds, will set a
20 terrible precedent. It means that California now says
21 drilling is okay, if the conditions are right. We will
22 then be in the -- we will then be the area that the
23 Administration selects for drilling. That is not
24 something you should endorse if you care about the coast.

25 The confidentiality of this agreement has allowed

1 the proponents to paint a picture that's simply not true.
2 This deal will not end drilling here in Santa Barbara. It
3 is clearly unenforceable. In addition to everything else
4 you heard, no one can bind an agency in its future
5 decision making. Conditions of approval can always be
6 changed by your predecessors by amendment.

7 It will not result in the removal of the
8 platforms. As we heard, PXP doesn't have that authority.
9 That's under the control of MMS, who can simply allow --
10 either allow others to use them if PXP does shut down, or
11 with new -- with new oil leasing that this will facilitate
12 and the development of those 35 leases offshore, there's
13 nothing to say you can't have new platforms developed.

14 The same thing is true of the removal of onshore
15 facilities in the partnership agreements we haven't seen.
16 And even if PXP has the ability to remove them, it doesn't
17 preclude them from being replaced. MMS's recent attempts
18 to sell leases off Mendocino, Orange county, and San
19 Diego, when there is no infrastructure, clearly indicates
20 that they intend to put in infrastructure wherever they
21 feel it is necessary. So you'll get -- you could take
22 these out, you'll get new ones.

23 I won't go into the land deal. I don't have time
24 for that.

25 If the monies to the State's General Fund are the

1 basis for approval, what does that say? Certainly our
2 coastal resources and economy are worth more than that.
3 In fact, they are priceless. You cannot put a dollar
4 value on them, and you should not.

5 Equally important is the message such an approval
6 might send to the rest of the nation. If California
7 allows oil drilling to be able to obtain funds, why
8 shouldn't the federal government? This would be a total
9 shift in this State's reasoned and very important stand
10 against OCS: That this State's coast is not for sale at
11 any price. It is a treasure that defines this state, who
12 we are, and what we are all about.

13 Our coast, frankly, is in your hands. Please do
14 not allow it to be destroyed.

15 CHAIRPERSON GARAMENDI: Okay. We're going to --
16 (Applause.)

17 CHAIRPERSON GARAMENDI: I'm going to exert a
18 little request on those who are going to speak on all
19 sides of this issue. You have one minute. And do not add
20 to the previous discussion.

21 Excuse me. I said that incorrectly.

22 Please add to the discussion, but do not repeat
23 the discussion.

24 (Laughter.)

25 CHAIRPERSON GARAMENDI: So if you've got

1 something to add, add. Otherwise, we will be here till
2 tomorrow morning.

3 So add, but just don't repeat. Introduce
4 yourself, move quickly, please.

5 MS. ELIA: Good afternoon. Penny Elia. I'm here
6 today from Orange county.

7 I'm a member of several of the environmental
8 groups that are here today. And when I'm not attending
9 these meetings and an environmental activist, I'm a
10 consultant in the California travel and tourism industry.

11 I'm here today to oppose this proposal, the
12 secrecy of this agreement, and the drilling off the OC
13 coast. I have an entire paragraph addressing the impacts
14 to the California travel and tourism industry. I --

15 CHAIRPERSON GARAMENDI: That's new. Go ahead.

16 MS. ELIA: That's new? Okay, thank you. Just
17 wanted to make sure.

18 You know, we do -- we work very hard to sell our
19 coast benefits to potential domestic and international
20 travelers. What's going to happen if our beaches are
21 fouled? What about the travelers that remember the past
22 spills? Just the mention of opening our waters to
23 drilling once again will be enough to persuade them to
24 select another destination. In this tough economic
25 climate, hotels of every size and shape all along this

1 coast are closing wings, laying off staff, and bearing up
2 under record low occupancies. Do we think that, you know,
3 a proposal that will include drilling up and down the
4 coast will bolster the travel and tourism industry, one of
5 the state's leading industries right now?

6 I have a lot of other things to say. But my main
7 concern is this agreement that we are not able to see
8 today. I'm a little disappointed that they didn't take
9 your offer. And everyone needs to see this. Everyone
10 needs to see it. And after the fact isn't going to do any
11 of us any good. There's people in this room that are
12 supporting this that have never seen it.

13 Thank you so much.

14 CHAIRPERSON GARAMENDI: Thank you.

15 MR. WAN: My name is Larry Wan, Honorable
16 Commissioners. I'm speaking to you today as a founder of
17 a land conservancy and a board member of another to urge
18 you to deny this project. Together our conservancies have
19 protected hundreds of thousands of acres. And we strictly
20 adhere to the principle that all transactions are fully
21 transparent and disclosed and the conservancy is never
22 financially compensated for the transaction.

23 Whoopy! The advocate has finally agreed to lift
24 the veil of secrecy after you approve the project.

25 There's no way we can evaluate the value of the

1 land they wish to donate. They themselves say that the
2 ultimate conveyance of these lands are subject to a number
3 of contingencies, which includes some of the land maybe
4 rejected due to such things as insurmountable title
5 issues.

6 In any case, no 4,000 acres can be a benefit when
7 weighed against the damage to this state's coastline. The
8 precedent that this will set will open almost all 1,100
9 miles of coast to drilling that would result in oil
10 spills. The applicant's own advocate, Linda Krop, has
11 been quoted as saying, "The increased oil drilling results
12 in the increased chance of spills".

13 Commissioner Chiang caught the point when he
14 asked about the increased risk of oil spills now for the
15 supposed reduction of oil drilling and risk later. Well,
16 this is not a deal to stop oil drilling in the future.
17 This is a deal so they can profit by it now before
18 alternative energies phase out oil drilling in the first
19 place.

20 CHAIRPERSON GARAMENDI: Thank you.

21 One minute, please. Add to the discussion.

22 MR. EIDT: My name is Jack Eidt from Wild
23 Heritage Planners, and I'm a former graduate of UCSB
24 Environmental Studies Program.

25 I want to support the State Lands Commission

1 staff's assertions that this proposal should be denied.
2 We agree that the end dates are questionable, and approval
3 of this project actually could mean extension of oil
4 drilling as opposed to termination. And even with end
5 dates, an oil spill likelihood is increased because of the
6 throughput that would be escalating from the current 7,000
7 barrels of oil per day to 30,000.

8 Also, removal of onshore facilities would not
9 necessarily lead to cessation of drilling, as has been
10 noted. And we can't determine that today. So new
11 facilities could be constructed.

12 The five-year leasing proposal by MMS says -- has
13 significant new drilling here in Santa Barbara and
14 elsewhere; 35 to 36 existing undeveloped leases. This
15 project makes it more likely that these are developed and
16 that new facilities would make -- would be more
17 economically viable.

18 CHAIRPERSON GARAMENDI: Thank you very much.

19 MR. EIDT: Thank you.

20 MS. HEALY: Hello. I'm Patt Healy. And I came
21 here today from Santa Monica to oppose this project.

22 It's clear that this project, as proposed, does
23 not bring the benefits that it's claimed. It's not an
24 end -- it will not end in the result of offshore drilling
25 in Santa Barbara.

1 As the Environmental Impact Report says, this
2 project will result in the additional extraction of up to
3 90 thousand -- million barrels of oil.

4 Platform Irene was in 2005 drawing only 7,000
5 barrels today and was expected to reach its economic life
6 somewhere between 2017 and 2022, at which point Platform
7 Irene and LPOG would stop production. This new field will
8 result in the extraction of up to 30,000 barrels per day
9 of new oil.

10 And the agreement also purports that it will put
11 a specific end to drilling, which we know is not the case.
12 Since this agreement is not enforceable and once the new
13 field is under development, there's nothing to stop the
14 continued extraction. The result will be that this
15 agreement and approval for this new drilling will actually
16 expand oil drilling in Santa Barbara.

17 CHAIRPERSON GARAMENDI: Thank you very much.

18 MS. HEALY: Okay. Can I just say one more thing?
19 Even if the lack --

20 CHAIRPERSON GARAMENDI: We're going to keep it --

21 MS. HEALY: It's a new point.

22 CHAIRPERSON GARAMENDI: No.

23 MS. HEALY: No? Okay.

24 CHAIRPERSON GARAMENDI: We're going to have to be
25 very disciplined here. So modify your testimony.

1 Otherwise, this is going to go on till tomorrow morning.

2 MR. THOMAS: Good afternoon. And to respect your
3 wishes, I won't read my comments. And this is a little
4 uncomfortable for me.

5 I just want to respectfully disagree. I am a
6 conservation director for an Audubon society in Orange
7 county.

8 And outside of Santa Barbara county -- I want to
9 say from somebody outside the county, your decision today
10 from outside -- just down the coast and across the
11 country, this is going to be the green light or the red
12 light as to whether or not oil expansion goes on in
13 California. The intricacies, the details, the regulations
14 aren't going to matter to the rest of the country. This
15 is the "yes" or the "no" as to whether we expand.

16 CHAIRPERSON GARAMENDI: Thank you.

17 ACTING COMMISSIONER SHEEHY: Can you tell me your
18 name.

19 MR. THOMAS: I'm sorry. Scott Thomas.

20 MS. MASARIK: Charlotte Masarik from Laguna
21 Beach. I have nothing new to add. But I've come a long
22 way and I'd like my one minute.

23 CHAIRPERSON GARAMENDI: You got it.

24 (Laughter.)

25 MS. MASARIK: And I say the supposed benefits of

1 this deal only -- allows no new oil drilling and -- what
2 am I saying?

3 (Laughter.)

4 MS. MASARIK: Listening to all of the supposed
5 benefits of this deal, the only deal that is certain to me
6 is that it will provide funds to the State. Allowing new
7 oil drilling for that reason is a very dangerous slippery
8 slope to go down. Once that is done, all oil drilling
9 will be viewed in that light and become approvable, and
10 all offshore oil drilling in federal waters will become a
11 reality. And this will set the stage for drilling along
12 our entire coast, including Santa Barbara.

13 Thank you.

14 CHAIRPERSON GARAMENDI: Thank you.

15 MR. DROUILLARD: Hello. My name is Frank
16 Drouillard and I own property in Mendocino county. I
17 drove down here this morning.

18 And I'd like to say the deal that I heard today
19 is a great deal for Santa Barbara, but it leaves other
20 portions of the coast in jeopardy. We're going to have
21 drilling -- the federal government wants drilling off of
22 Mendocino coast. If they find drainage there, it's going
23 to be an excuse for the State Lands Commission to allow
24 drilling -- more drilling off of Mendocino county.

25 So I'd just like to remind the Commissioners,

1 this isn't the Santa Barbara Lands Commission, it's the
2 State Lands Commission. And we want you to look out for
3 the entire coast of California.

4 Thank you very much.

5 CHAIRPERSON GARAMENDI: Thank you.

6 MR. UHRING: Good evening. Steve Uhring. I'm
7 here representing the Malibu Coastal Land Conservancy. I
8 would like to add my voice to those in opposition to
9 approving this agreement.

10 The last -- I'm particularly concerned with the
11 secrecy. The last group promoting secret agreements with
12 oil companies was thrown out of Washington the most recent
13 election. Over eight years they provided us with ample
14 evidence of the pitfalls of these type of deals. Why we
15 would want to replicate their mistakes here in California
16 is a mystery to me. And I'd just go back and urge you
17 to -- you know, remind you of the advice we got from Court
18 Justice Louis Brandeis where he said, "Sunlight is the
19 best disinfectant." Until this agreement is brought into
20 the sunlight and all documents are made available, I
21 encourage you not to approve this agreement.

22 Thank you.

23 CHAIRPERSON GARAMENDI: Thank you.

24 MS. O'NEIL: Remy O'Neil, Malibu. I'm here as a
25 private citizen.

1 I'm stunned by this agreement and even thinking
2 about approving this. We have just gone through the most
3 amazing election that this country has seen in our
4 lifetimes, and the people of this country voted for
5 accountability, for transparency, for stronger regulations
6 for our environment, to develop -- Mr. Sheehy, I would so
7 appreciate your attention.

8 ACTING COMMISSIONER SHEEHY: You've got it,
9 ma'am.

10 MS. O'NEIL: Thank you.

11 -- for the development of alternate sources of
12 energy and fuel. This does none of that. And so I urge
13 you to deny it.

14 What we're looking for are the best interests of
15 the people of the state. The state is not an inanimate
16 object. The state is us. It's living, breathing people.
17 It's species. And it has voted, it has said what it is
18 interested in. We're willing to take a collective kick in
19 the butt to get off the nipple of oil. Let's do it.

20 CHAIRPERSON GARAMENDI: Thank you.

21 Now, I sense that something's happening here with
22 the organized opposition. You keep adding to the back of
23 the line. That's not allowed.

24 And so, excuse me, but the back of the line was
25 this gentleman. And then we're going to go to supporters

1 of the proposal. And then we'll come back around.

2 MR. BAGDASARIAN: Hi. I'm John Bagdasarian,
3 another private citizen. And being very informed today is
4 just being here.

5 I think that the word "enforceable" is pretty
6 interesting. As the deal that was made, it talked
7 about -- by the supporting environmental groups, it was
8 called as a rock-solid agreement, which means basically is
9 a hundred percent enforceable in slang, which obviously is
10 not the case, because they had to come back with new
11 language to correct that situation. And if that's not
12 offering a confirmation that it really wasn't rock solid
13 in the first place, I don't know really what is.

14 So basically can we really sense that this really
15 is a good deal in the first place? And ultimately it's
16 just too important of an issue to rush. So I agree with
17 your decision to maybe take some more time. And if that
18 just means that people have to go back to work a little
19 bit longer, then so be it. And that's just the way it is,
20 because it's worth it.

21 Thank you.

22 CHAIRPERSON GARAMENDI: Thank you.

23 There are some elected officials that are in the
24 audience, at least they were, and presumably they're still
25 here.

1 The Sheriff. Bill, are you still here?

2 And I'm going to -- the "Get Oil Out!"
3 organization has been discussed much today. And I think
4 there's a gentleman, Charlie Eckberg, from "Get Oil Out!",
5 if you'll come up.

6 And there's a representative from Congresswoman
7 Lois Capps who is here.

8 I will hear from the three of you and then see if
9 I can sort out the next set.

10 Sheriff.

11 SANTA BARBARA COUNTY SHERIFF BROWN: Thank you,
12 Mr. Chair. I'm here to speak in support of this proposal.

13 We, in the Santa Barbara County Sheriff's
14 Department, like all of our law enforcement and other
15 local government counterparts, are struggling to provide
16 basic services to the public in the midst of a deepening
17 fiscal crisis. This year our agency suffered a \$2.6
18 million reduction in our \$98 million budget, which, along
19 with some very recent cuts in State grant funding, has
20 resulted in 25 positions in the Sheriff's Department being
21 unfunded and unfilled. That's in our current budget.

22 On top of that, we have been asked to prepare a
23 budget for the next fiscal year incorporating a \$6.1
24 million reduction. The results of that would be
25 devastating, especially at a time when we are bracing for

1 an increase in crime due to the economic downturn.

2 Such a reduction would guaranty something that we
3 have been working very diligently to avoid, and that is
4 the reduction of frontline law enforcement services and a
5 further strain on our dangerously overcrowded jail.

6 Public safety budgets are dependent on the
7 County's number one source of revenue, and that's property
8 tax. And this project would increase the revenues to the
9 County and allow us to preserve critical law enforcement,
10 custody, and other frontline public safety services to our
11 citizens. And, of course, in addition to the millions of
12 dollars in revenue that the County would receive, the plan
13 would also bring about an inflow of billions of dollars to
14 the State of California, something that obviously is
15 equally needed.

16 This is perhaps not the perfect plan, but I would
17 submit to you that it is a creative compromise, which
18 balances competing interests and will result in new
19 revenues at a time when both the State and the County need
20 it more than ever before.

21 The citizens of our county and our state are in
22 need of some bold leadership and decision making on this
23 issue, and I urge you to approve the plan.

24 Thank you.

25 CHAIRPERSON GARAMENDI: Thank you very much,

1 Sheriff.

2 Okay. There's two people from the "Get Oil Out!"
3 organization? One person.

4 Three people.

5 MR. ECKBERG: Actually, if I may, I'd like to
6 defer to my daughter, Hannah Eckberg, who is Vice
7 President of GOO.

8 CHAIRPERSON GARAMENDI: That's helpful to me.

9 Thank you.

10 MR. ECKBERG: Thank you.

11 CHAIRPERSON GARAMENDI: I've been trying to sort
12 this out.

13 MS. ECKBERG: I did turn in my comments to you
14 and I will condense them down now.

15 My name is Hannah Eckberg, Vice President of "Get
16 Oil Out!".

17 I think today we have really set the stage and
18 example of how progressive oil drilling can be. We must
19 remember what is at stake that can be lost here if you do
20 not approve this project. It's very painstaking for GOO
21 to go into this agreement and not show as just how
22 important this agreement is.

23 We will, as we stated, release this to the public
24 with your approval today. But you will find out that the
25 meat of this agreement has already been made clear.

1 Something that I would like to add on a personal
2 note that nobody else can add to this is how painful it
3 was growing up on the Gaviota Coast as they were putting
4 in the Point Arguello project. I went to bed every night
5 knowing that my family could die at any time from a leak
6 from the hydrogen sulfide from these facilities. It will
7 be a great dream to see these facilities removed.

8 And we must remember that the oil from the Point
9 Arguello project was much less quality and quantity than
10 was ever speculated. It is mostly asphalt oil that we are
11 looking at here.

12 I strongly urge you to move forward with this
13 project today.

14 Thank you.

15 CHAIRPERSON GARAMENDI: Thank you.

16 I said there were three from "Get Oil Out!". Is
17 that correct?

18 MS. ECKBERG: Yes.

19 CHAIRPERSON GARAMENDI: I'll take one more. And
20 keep in mind the one minute.

21 MR. POWELL: My name's John Abraham Powell. I am
22 the President of "Get Oil Out!".

23 "Get Oil Out!" has been fighting the frontline
24 against oil development in California for 40 years. I've
25 been on point as president for 11 of those years. In all

1 that time, we've never had an opportunity like this to
2 actually shut down existing facilities.

3 I'd like to point out that if -- without regard
4 to the enforceability issue, there is some possibility of
5 enforcement of this. We think there is a very good
6 possibility of enforcement in this. Without this, we
7 could have at least 50 years of continued development in
8 these facilities. If you multiply that by 365, that's
9 18,250 opportunities for an oil spill. Recently, we've
10 seen that those opportunities are a real threat. We've
11 seen Greka Oil spill 200 times in the last few years.

12 We've just seen a blowout at Platform A again.
13 After 40 years, Platform A failure within the last couple
14 of weeks. This is a real risk. And by putting this in
15 place, we are reducing those repetitions, those rolls of
16 the dice that come every day, by over 75 percent. We
17 think that is a significant risk reduction for the State
18 of California and we urge you to support us in this
19 endeavor.

20 Thank you.

21 CHAIRPERSON GARAMENDI: Thank you.

22 Lois Capps' assistant.

23 MR. SAUR: Hi. My name is Jonathan Saur. I'll
24 be reading a statement from the Congresswoman that she
25 asked me to read.

1 "I'm writing to express my strong
2 support for the proposed Tranquillon
3 Ridge Oil & Gas Field project, offshore
4 Santa Barbara county, as modified by the
5 agreement arrived at by environmental
6 groups and Plains Exploration &
7 Production Company.

8 "As a federal representative for the
9 area and as an ardent opponent of
10 offshore oil and gas development, I have
11 long sought to prevent new development
12 from occurring off our coast and to end
13 production that currently exists. As
14 such, I support the approval of the
15 proposed project for several reasons:

16 "First, it will result in the
17 shutting down of existing production.
18 Specifically, it will bring about early
19 termination in production from our four
20 platforms in federal waters that
21 currently produce oil and gas from the
22 Point Pedernales and Point Arguello
23 units.

24 "Second, the proposed project will
25 help to prevent expansion of oil and gas

1 production into offshore areas that are
2 leased but not yet developed.

3 "Finally, the proposed project would
4 guaranty carbon neutrality for direct
5 emissions from development and includes
6 the handing over of 4,000 acres of land
7 for public conservation purposes.

8 "Thank you for consideration of this
9 request."

10 CHAIRPERSON GARAMENDI: Thank you very much.

11 If I appear to be confused, it's because those
12 who have signed up are confusing me. Some of you are said
13 to be in opposition, yet you're in support of the
14 proposal. So work with me, okay?

15 And we're just going to have to work our way
16 through this. The confusion exists, and we'll try to
17 straighten it out.

18 I want to take a couple of more people who are
19 apparently in support of the lease. We have the President
20 of the Santa Barbara Deputy Sheriff's Association, Chris
21 Corbett. We have David Landecker of the Environmental
22 Defense Center.

23 David, I don't know if you want to repeat what
24 Linda said. But if you do, then fine. You get one
25 minute.

1 The Community Environmental Council, David Davis.

2 Use that microphone.

3 There you go.

4 MR. CORBETT: Good afternoon, Commissioners. My
5 name is Chris Corbett. I am President of the Santa
6 Barbara County Deputy Sheriffs' Association. I currently
7 represent 480 plus members of sworn and non-sworn members
8 of the Santa Barbara County Sheriff's Department.

9 The Santa Barbara County Deputy Sheriffs'
10 Association is urgently concerned about the ongoing short-
11 and long-term budget problems facing the State. Public
12 safety professionals throughout the state are being
13 subject to budget cuts at the State and local levels as
14 they try and come to terms with the massive deficits. The
15 State's budget problem is the most pressing public policy
16 issue currently facing the policymakers.

17 Your job today is to decide if the application in
18 front of you is in the best interests of the State.

19 It is the DSA's perspective that anything that
20 addresses the budget, State and local, is definitely in
21 the best interests of the State.

22 The project is crucial on many levels. It
23 provides almost \$100 million to be presented within the
24 next few months, but only - and only - if the drill bits
25 start turning. Pushing away from the acceptance of the

1 application will only delay and will lose the window to
2 keep the frontline public safety where it needs to be, to
3 provide the citizens of Santa Barbara county and in the
4 state the lifestyles that they've been accustomed to
5 living.

6 So it is the -- I request on behalf of the Santa
7 Barbara County Deputy Sheriffs' Association and public
8 safety in Santa Barbara county that a vote is cast today,
9 "yes" or "no," for this project. And the DSA supports
10 "yes."

11 Thank you for your time.

12 CHAIRPERSON GARAMENDI: Thank you.

13 MR. LANDECKER: Thank you very much, Mr. Chair,
14 members of the Commission. My name is David Landecker. I
15 am the Executive Director of the Environmental Defense
16 Center.

17 Three quick points.

18 One is there's been a lot of discussion about
19 precedent. And I want this Commission to be careful about
20 the precedent you set. If you decide today that a project
21 or that a condition or that something you do is
22 unenforceable because the federal government can overrule
23 it because there is a Supremacy Clause, then you will
24 never be able to do anything. Because the reality is that
25 the federal government can do that on any decision made by

1 this Commission, any other commission in any state. And
2 there are many issues that you decide -- that you work on
3 where that might happen. You are setting a precedent that
4 you cannot perhaps approve those things. I don't think
5 that's your intention.

6 I want to speak quickly to something I've heard
7 the Lieutenant Governor speak to a lot on the radio, which
8 is the desire to have all the funds from this project used
9 for alternative energy. I would suggest that that is
10 something that your office can bring to the Legislature.
11 It's something the Governor's office or the Controller's
12 office or any assembly member or any senate member can do.
13 It is not something that an environmental group or an oil
14 company can do.

15 We would love to see it, but it is not a reason
16 to not move forward with this. You've had ample
17 opportunity over the last couple of years to bring that
18 legislation forward and have not done it.

19 Finally, we are really, really proud of the fact
20 that it is political dynamite to approve oil projects.
21 That's what we've fought for for 40 years and our clients
22 have fought for for 40 years. We have believed all that
23 time that that was the best interests of the State. We
24 have now brought before you, before this County, before
25 the State, before the nation an opportunity to see its

1 best interests in another way. We ask you to look
2 carefully. Don't do a knee-jerk reaction. Don't look at
3 political expediency. Do what's in the best interests of
4 this state.

5 Thank you very much.

6 CHAIRPERSON GARAMENDI: Thank you.

7 MR. DAVIS: Thank you, Mr. Chair, members of the
8 Commission. I am Dave Davis, the Executive Director of
9 the Community Environmental Council. We are a 39-year-old
10 nonprofit here in Santa Barbara, founded on the
11 anniversary of the Santa Barbara oil spill. Our mission
12 is to make this region net carbon neutral by 2033.

13 We have analyzed this proposal. And we also are
14 one of those environmental groups in town which has
15 opposed expansion of oil exploration off of our coast,
16 one, for the environmental -- straight environmental
17 reasons but, two, also in terms of the question of
18 greenhouse gases. Analyzing this proposal, we basically
19 have come down on the side of supporting the PXP project.
20 We believe the implementation of this project will move
21 Santa Barbara and California closer to that goal of being
22 carbon net neutral by 2033.

23 I am also Chairman of the Santa Barbara
24 Metropolitan Transit District. We are one of the agencies
25 which could be partner to this deal in implementing the

1 transit bus mitigations. I want to state as Chairman of
2 the MTD that we are ready and willing to implement that
3 condition if this project goes forward.

4 And as a citizen of Santa Barbara, I ask you to
5 be bold in terms of your leadership. Step out there as
6 outlined by everyone else and approve this project.

7 Thank you very much.

8 CHAIRPERSON GARAMENDI: Thank you.

9 I would like -- because of the confusion in these
10 documents as to whether you support or don't support, I
11 would like five of the very quickest to go over there that
12 are in opposition. And you can introduce yourself. It's
13 almost impossible to sort out whether you're supporting or
14 opposing here.

15 So I'll take five people that are in opposition
16 to the lease. Stand over here on this side.

17 We're down to one. I know that you're in support
18 of the proposal.

19 And I'd like to take five that are in support.

20 So you can line up behind Aaron.

21 And we'll take five that are in support and five
22 that are opposed.

23 Introduce yourself. You've got one minute.

24 Okay. There's more than five. That's fine.

25 Just stand over there. We'll run through this.

1 Okay. Divide yourselves up, put space between
2 you. I don't want any fighting.

3 (Laughter.)

4 CHAIRPERSON GARAMENDI: Opposed to the left,
5 support to the right. And you're all going to get a turn.
6 I'm going to take five at a time. And I want to start
7 with the opposed, because we just finished five that were
8 in support.

9 Okay. I'll say it one more time.

10 Those that are opposed, please stand to the left.
11 Those that are in support stand to the right. Okay?

12 The microphone's on. Introduce yourself. Take
13 one minute.

14 MS. FOGEL: Thank you. I'm Judy Fogel.

15 Governor Jeb Bush prohibited oil drilling within
16 125 miles of Florida's coast. And it's currently still
17 prohibited. Mike Thompson is working to extend the ban on
18 offshore oil drilling off California's northern coast.

19 Likewise, our southern California coast is not
20 for sale, and here's why. Scientists have learned that
21 oil is 1,000 times more toxic than they thought 33 years
22 ago. California Fish and Game scientist Julie Yamamoto
23 says it takes one spot of oil the size of a nickel to kill
24 a bird.

25 In Prince William Sound in 1989, 11 million to 38

1 million gallons of oil were spilled. It killed half a
2 million sea birds, 5,000 sea otters, whales - it gets in
3 their blow holes - seals, and billions of fish. On the
4 fourth day of the spill a storm blew the oil out of Prince
5 William Sound, 1,200 miles from the point of impact,
6 oiling about 3,200 miles of coastline. If this spill were
7 superimposed on the West Coast of the United States, it
8 would have gone from the top of Washington state all the
9 way down to San Diego.

10 And I'll just end to say we have to get off of
11 oil. If we think that we're going to be part of a global
12 community --

13 CHAIRPERSON GARAMENDI: Thank you very much.

14 I'm sorry, but there's only one way to do this,
15 and that's one minute at a time. Otherwise, it isn't
16 going to work.

17 MS. FOGEL: If we're going to be part of a global
18 community, we've got to act responsibly.

19 Thank you.

20 CHAIRPERSON GARAMENDI: Thank you.

21 ACTING COMMISSIONER SHEEHY: Thank you.

22 CHAIRPERSON GARAMENDI: Okay. Anybody else in
23 opposition? Is there any -- I've got four more spaces for
24 opposition.

25 Okay. We're going to run through the support

1 group.

2 Aaron, you were standing there first. Do you
3 want to demur?

4 MR. READ: Lieutenant Governor, Controller, Mr.
5 Sheehy. Aaron Read representing PORAC, 62,000 peace
6 officers statewide; also the Cal Fire Firefighters, 6,000
7 of them affiliated with the California Professional
8 Firefighters, 30,000.

9 Public safety is taking huge hits all over the
10 state. You heard about Santa Barbara. I can tell you
11 it's from the Oregon border to Mexican border we're having
12 programs cut where officers are losing their jobs. We're
13 furloughing our Cal Fire Firefighters. As of today,
14 they're taking two days off a month without pay. It's a
15 serious budget matter for us.

16 This is a hundred million dollars right out the
17 gate. A hundred million is very serious money. But even
18 more important than that, two billion to five billion in
19 the future that can securitized.

20 We urge your support.

21 MR. CALDWELL: My name is Andy Caldwell. I'm the
22 Executive Director of the Coalition of Labor, Agriculture
23 and Business. In our 18-year history, we've had board
24 members from the United Auto Workers, SEIU, United Food
25 and Commercial Workers, DSA, County Fire, and Building and

1 Construction Trades. This is one of the first and only
2 times we've stood hand in hand with the Environmental
3 Defense Center and some of the other organizations here.

4 (Laughter.)

5 MR. CALDWELL: And the reason why is this is
6 truly a unique project; but more importantly, we're in a
7 unique time. And we believe that you cannot talk about
8 the best interests of the State without talking about the
9 State's burgeoning deficit and cash flow problems.

10 And, Mr. Chiang, we especially are glad that
11 you're here. You're the one issuing the IOUs. Well,
12 we've got \$100 million for you so that you would maybe not
13 have to issue quite as many.

14 And we believe this project's unique and it
15 deserves your full support.

16 Thank you.

17 CHAIRPERSON GARAMENDI: Thank you.

18 MR. HECKMAN: Good afternoon. My name's Rob
19 Heckman. I'm the President of the Santa Barbara County
20 Firefighters.

21 I'm mostly here today to talk on behalf of the
22 California Professional Firefighters.

23 The CPF and the local have studied the issues
24 surrounding this project and having to express a strong
25 position that you approve this project.

1 These past few years have shown how vulnerable
2 areas of Santa Barbara county could be to the threat of
3 wildland fires. In order to protect these areas, which
4 are critical both to local and state economies, it is
5 essential the County have the resources available to fully
6 fund and staff a robust County fire department.

7 The current fiscal situation for both the State
8 and the County is dire. The revenue afforded by this
9 project will give policymakers enhanced flexibility to
10 avoid budget cuts that would negatively affect public
11 safety professionals.

12 The PXP has an exemplary record of complying with
13 the County's very stringent health, safety, environmental
14 standards.

15 It is unusual for our local to weigh in on an
16 emotionally charged topic as this, but we feel it's the
17 right thing to do.

18 Santa Barbara County Firefighters strongly
19 believe that the State Lands Commission should support
20 such projects that would develop domestic resources of
21 energy in an environmentally sound manner. The revenues
22 provided by this project are clearly in the best interests
23 of the State and the best interests of Santa Barbara
24 County.

25 Thank you very much.

1 CHAIRPERSON GARAMENDI: Thank you.

2 SANTA BARBARA CITY COUNCILMEMBER HOUSE: Hello.

3 My name is Grant House. I'm a City Councilman here in
4 Santa Barbara. I want you to know that the Mayor of Santa
5 Barbara was here earlier. He had to leave. And Helene
6 Schneider, also a City Councilmember, was here and had to
7 leave. They want to be here today to issue their
8 support -- to offer their support for this project, as
9 well as myself.

10 I want you to know that it's very, very important
11 to our community that we do not miss this opportunity.
12 This is hard won. This is remarkable. This is absolutely
13 unbelievable that you see this room filled with these
14 people of all these different points of view, that are
15 able to come together to do what's right for the channel,
16 for the ocean, for our community. I just want you to
17 really appreciate how big a deal it is here for us in this
18 area to come here and to support this.

19 Also, I want you to know Ms. Fisher, who is the
20 Director of our Metropolitan Transit District, was here
21 earlier, and she had to leave. She wanted me to encourage
22 perhaps the staff and the others to work together to
23 ensure that some of those funds for transit are offered to
24 the local jurisdictions, because we have a clean transit
25 program that really deserves support.

1 Thank you very much. And come back to Santa
2 Barbara often.

3 CHAIRPERSON GARAMENDI: Thank you.

4 MS. HOLMES: Hello. I am Jean Holmes, Offshore
5 Oil and Gas Consultant for the League of Women Voters of
6 California. And I'm going to try to really be quick.

7 I'm speaking also for the local leagues of Santa
8 Barbara and Santa Maria Valley.

9 The League has a long history of involvement in
10 offshore oil issues and has frequently found reason to
11 oppose offshore projects. In this case, however, after
12 weighing the pros and cons, we support approval of the
13 Tranquillon Ridge project. This is because of the
14 precedent-setting conditions of fixed end dates and
15 requirement of zero net greenhouse gas emissions.

16 We also consider important the removal of the
17 platforms and infrastructure which would facilitate
18 potential slant drilling projects in the future.

19 CHAIRPERSON GARAMENDI: Thank you.

20 MS. HOWERTON: Good afternoon. I'm Joyce
21 Howerton. I'm speaking on behalf of the Citizens Planning
22 Association of Santa Barbara County. And we were one of
23 the assigners to this agreement.

24 For 48 years CPA has worked to protect the
25 unmatched natural assets and resources of Santa Barbara

1 County and to promote plan policies.

2 I'm cutting through a lot of this.

3 So we believe this proposal is an important step
4 forward and will provide significant long-term benefits to
5 the public and to the environment of the Central Coast.

6 And I just wanted to say, you know, I've heard a
7 lot of people that are in opposition say that this is a
8 precedent-setting agreement, and I totally agree. For the
9 first time ever, you have two sides, environmentalists and
10 oil company representatives, filling a room, taking a day
11 off of work to come and speak on an issue that we all
12 agree on. You've had Republicans and Democrats and
13 environmentalists and oil workers and elected officials
14 and community people from throughout the Central Coast,
15 who have come in agreement.

16 So, yes, this is a precedent-setting agreement.

17 CHAIRPERSON GARAMENDI: Thank you very much.

18 MS. HOWERTON: And I just wanted to add one
19 thing, a quote, please.

20 CHAIRPERSON GARAMENDI: I'm sorry. We're going
21 to have to be disciplined here. Thank you very much.

22 MS. HOWERTON: "Leadership is action, not
23 position".

24 Thank you.

25 MS. NASH: Good afternoon, Chairman Garamendi and

1 Commissioners. My name is Carol Nash and I live in
2 Vandenberg Village, underneath the Lompoc Oil and Gas
3 Plant.

4 At one point -- I've lived there for 48 years and
5 have been a member of Citizens Planning Association about
6 45, and served on County commissions, water boards and
7 land-use advisory committees.

8 I think that this is a very good precedent to
9 set. The oil industry has promised great revenues over
10 the -- the government agencies over the years and stated
11 they are to assure our safety. But then there was the
12 blowout, and we all became very cautious about everything,
13 when the development plans for Torch Pedernales project
14 with the siting of just a separation plan on top of the
15 highest grade, and it was sited in a populated -- very
16 populated area, about 10,000 people then and about 12,000
17 people now.

18 CHAIRPERSON GARAMENDI: Thank you very much,
19 ma'am.

20 MS. FRISK: Commissioners, my name is Carla Frisk
21 and I'm here for two reasons. I'm representing the Santa
22 Inez Valley Alliance. And given the short time, I will
23 just mention that our president couldn't be here. We
24 support the project, because it has county-wide
25 implications, statewide implications letter submitted.

1 I moved to Santa Barbara 35 years ago, and I've
2 been fighting oil development ever since. I sit on four
3 environmental board of directors. I worked for Senator
4 Jack O'Connell for 20 years, during which time I worked on
5 this bill. And I have a lot of faith in the Legislature.
6 I don't think the Legislature's going to take this bill
7 apart.

8 I've gone to workshops, public hearings. I've
9 read Environmental Impact Reports. I've done the whole
10 thing. But you know what, in the 35 years I've lived here
11 we've taken out six platforms and we've added 14.

12 So I sit on the GOO board. I've participated in
13 this. I think our track record is just not there. We
14 need a new solution, and this is it.

15 So today we begin a journey with an end if this
16 project is approved. If it is not and it's denied, then
17 there is no end; and the price of oil will go up and those
18 platforms will stay out there for a long, long time.

19 So I really implore you, please support this
20 project today.

21 CHAIRPERSON GARAMENDI: Thank you.

22 ACTING COMMISSIONER SHEEHY: I'm sorry. Which
23 organization were you representing? I missed that.

24 MS. FRISK: Today I was officially representing
25 the Santa Inez Valley Alliance. I'm on the board of

1 directors of "Get Oil Out!" and the Community
2 Environmental Council as well.

3 ACTING COMMISSIONER SHEEHY: Thank you.

4 GUADALUPE MAYOR ALVAREZ: Good afternoon. I'm
5 the Mayor of the city of Guadalupe. My name is Lupe
6 Alvarez. And I'm also here as the SBCAG Chairman. SBCAG
7 is Santa Barbara County Association of Governments. It is
8 comprised of the five board of supervisors along with the
9 eight cities that are in Santa Barbara county. We voted
10 in support of this project, in support of PXP.

11 There's a major transportation project here in
12 Santa Barbara right now. It affects most of the downtown.
13 I'm sure most of you saw it on your way in. It's a \$53
14 million project. And CalTrans estimates a thousand jobs
15 are created directly and indirectly because of this
16 project. And thanks to the State Controller, that project
17 was continued through the PMIA, Pooled Money Investment
18 Fund. We really appreciate your vote and support of the
19 project. If the State stops future monies, this project
20 will be mothballed, and that cannot happen.

21 I'm also here as the Mayor of the City of
22 Guadalupe. As far as transit, we need a brand new bus
23 thanks to CARB. We have 6,500 people in our town. And a
24 new bus will cost \$450,000. Of those 6,500 people -
25 sounds like very little - the ridership per year is

1 130,000. So you will have greenhouse savings if we could
2 get a new bus. And APCD is supported with a new bus, the
3 1.5 million from PXP.

4 Thank you.

5 CHAIRPERSON GARAMENDI: Thank you, Mayor.

6 MR. HAMILTON: Thank you, Commissioners.

7 My name is Walter Hamilton. I'm Executive
8 Director of Service Employees International Union, SEIU,
9 Local 620, here today representing 3,800 working women and
10 men in Santa Barbara county and San Luis Obispo county.

11 I wanted to make two quick points today. One is,
12 I think I have an unusual perspective in that I think it
13 is very difficult to overstate the severity, the depth and
14 the scope of the economic crisis facing us in the nation,
15 the State of California, as well as here locally on the
16 Central Coast. I spend my days increasingly -- and into
17 the evenings increasingly responding to requests from
18 public employers, cities and districts throughout our two
19 counties, who are telling me that their revenues are
20 falling through the floor. People are not buying cars.
21 Retail is hurt. Sales revenue is down. Transit occupancy
22 taxes are down. They are calling me to say, "We're
23 preparing to lay off the men and women that you represent
24 that are providing the mental health services, the public
25 health services." They're protecting the quality of water

1 in our community. They're working on the infrastructure
2 and the public works.

3 The last thing I will say to wrap up is, I'm one
4 of those people who actually -- I have the dubious
5 distinction of having negotiated that two-week unpaid
6 furlough for 2,000 County employees. But if that was --
7 the economic development and benefit is obvious. If that
8 was all there was, I might not be here.

9 But the other reason I'm here, I'm also one of
10 those people --

11 CHAIRPERSON GARAMENDI: I'm sorry.

12 MR. HAMILTON: -- who've not read the agreement.
13 But I support the project because sometimes you have to
14 put your faith --

15 CHAIRPERSON GARAMENDI: I appreciate it. Thank
16 you.

17 MR. HAMILTON: -- in people and organizations
18 that you believe in, in EDC, CPA --

19 CHAIRPERSON GARAMENDI: Enough.

20 Next.

21 MR. HAMILTON: Thank you.

22 MR. SMITH: My name's Trevor Smith. I'm the new
23 Chair for the Los Padres Chapter of Sierra Club. And I've
24 been delegated to speak for the entire Sierra Club.

25 And after six months of discussions and heated

1 debate, we've come to the conclusion that we would support
2 the PXP proposal as long as the conditions of -- the
3 conditions were strict and the qualifying issues were
4 resolved and that the enforceability was proven. I don't
5 know if we can do all of that, but we would be for it
6 under those conditions.

7 Thank you.

8 ACTING COMMISSIONER SHEEHY: I'm sorry. I want
9 to know who he's representing. Are you representing the
10 statewide Sierra Club Chapter?

11 MR. SMITH: I'm representing the state Sierra
12 Club. I'm the Chair of my chapter. But I've met with the
13 state people and they have -- the state Sierra Club have
14 told --

15 ACTING COMMISSIONER SHEEHY: And are you in
16 support or not? Because it sounded like it was sort of
17 conditional.

18 MR. SMITH: Well, it is conditional, you know, to
19 be reasonable, as long as it can be enforced, the terms of
20 the deal.

21 CHAIRPERSON GARAMENDI: So you are supporting
22 this?

23 MR. SMITH: Conditionally, as long as what
24 everybody said, which --

25 ACTING COMMISSIONER SHEEHY: You belong in

1 Sacramento.

2 MR. SMITH: It would not be a --

3 (Laughter.)

4 CHAIRPERSON GARAMENDI: Thank you very much.

5 MR. SMITH: Thank you.

6 CHAIRPERSON GARAMENDI: I think it's clear to us
7 where you're coming from. Thank you.

8 MR. STUBBLEFIELD: Commissioner Garamendi, Mr.
9 Chiang, Mr. Sheehy, good afternoon. My name is Mike
10 Stubblefield. I'm the outgoing Chair of the Los Padres
11 Chapter of the Sierra Club, which spans all of Santa
12 Barbara and Ventura counties, includes over 7,000 people.

13 First of all, I'd just like to say as an
14 expatriate, a long-time expatriate hill country Texan, I'm
15 really proud that a Texas company is participating in this
16 groundbreaking historic paradigm shift in how we deal with
17 oil companies in getting rid of drilling platforms off the
18 coast.

19 I don't really have anything to add. But I did
20 learn something today. Where I come from in the hill
21 country in Texas, LBJ and all of his neighbors pronounced
22 Pedernales, Perdenalis. So I've never seen it pronounced
23 correctly before.

24 But the Sierra Club, the Los Padres Chapter,
25 would encourage you to support this historic agreement. I

1 think this is a paradigm shift. I think we need to get
2 out of the box a little bit here. We've got a chance. We
3 can go forward. This is a way to go forward and deal with
4 the oil companies in an entirely different way. And
5 there's -- I don't have to go through the benefits.

6 CHAIRPERSON GARAMENDI: Thank you very much.

7 MR. STUBBLEFIELD: Thank you.

8 CHAIRPERSON GARAMENDI: Thank you.

9 MR. CHILDRESS: Lieutenant Governor,
10 Commissioners. I'm Jim Childress. I'm Chair of the Santa
11 Barbara group of the Sierra Club, representing about 2,600
12 members. And we strongly support the measure before you.

13 I'm also a professor of marine biology at UCSB.
14 And I reported for work the first time on January 1st,
15 1969. I soon got a lesson in what oil development does.
16 And I encourage you to consider this very seriously as a
17 way to move towards getting rid of oil.

18 Thank you.

19 CHAIRPERSON GARAMENDI: Thank you.

20 MR. CONNOR: It's more Sierra Club. I'm Jerry
21 Connor. I'm the Chairman of the Arguello Group and have
22 been for years, which is in the very territory we speak
23 of. It's all of northern Santa Barbara county north of
24 Gaviota, with its center of gravity essentially at Lompoc.

25 Our membership at the grass roots level strongly

1 supports the PXP agreement. We have few doubts, we are
2 confident it can probably be enforced as needed.

3 I have great familiarity with the land that is to
4 be conveyed. As a hiker, I've hiked all around it. I
5 won't admit to trespassing.

6 (Laughter.)

7 MR. CONNOR: I've also hiked all over Vandenberg
8 Air Force Base, having retired as one of the planning
9 engineers there after 20 years of service. And I've
10 looked upon these oil facilities from the base many times
11 and thought how nice it would be if it was just ocean out
12 there.

13 So, with that, I again emphasize we'd like to see
14 you approve. And I wish you well.

15 Thank you.

16 CHAIRPERSON GARAMENDI: Thank you.

17 MR. PÉREZ: Mr. Chairman. My name is Roy Pérez,
18 the California Hispanic Chamber of Commerce.

19 Just a few minutes ago the State Commander,
20 Willie Galvan, who represents the American GI Forum, which
21 represents the veterans and their families, have had to
22 leave. However, he wanted me to share with you that they
23 urgently ask that you support this project, mainly
24 because -- he had to leave just a few minutes ago to
25 welcome home some men and women that are coming home from

1 overseas -- but to make it clear that, in fact, that we
2 have a State that's going bankrupt, that, in fact, that we
3 have high unemployment and it's rising. And his fear is
4 is that's what the men and women are coming home to.

5 Secondly, with the California Hispanic Chamber of
6 Commerce watching the coalition that put this -- that
7 negotiated this and work on the agreement and then the
8 project, we have full confidence that they worked on
9 behalf of the state. So the California Hispanic Chamber
10 of Commerce also endorses what they did. And we also ask
11 the Commissioners and Mr. Chairman to please approve the
12 project.

13 Thank you.

14 CHAIRPERSON GARAMENDI: Thank you.

15 MS. BENSEN: Good afternoon. My name is Vera
16 Bensen. I'm President of the Carpinteria Valley
17 Association. Their founder was also the founder of GOO.

18 And I was in Carpinteria 40 years ago. We've
19 been waiting 40 years to get rid of oil. I don't want to
20 wait another 40 years, because obviously I won't be
21 around.

22 So, I'm chucking my speech and saying I'm in
23 favor of getting -- okaying the PXP-EDC agreement.

24 I would like to mention that one of our citizens
25 wrote this book. He was a correspondent for the news

1 press when the spill happened. His name is Robert Sollen.
2 He calls it An Ocean of Oil. And he mentions underneath
3 the title, "A Century of Political Struggle Over Petroleum
4 for California."

5 CHAIRPERSON GARAMENDI: Thank you.

6 MS. BENSEN: So I just thought you ought to read
7 this.

8 CHAIRPERSON GARAMENDI: Thank you.

9 MR. GEVIRTZ: Good afternoon. Thank you for
10 being here. My name is Elihu Gevirtz. I'm a biologist
11 and I've spent much of the last 16 years working on the
12 Burton Mesa Ecological Reserve, which is just -- the
13 adjacent property just on the south side of the 3,700
14 acres in the Purisima Hills that are being offered to you.

15 I worked with the Lands Commission, the former
16 Director Bob Hight and his staff, and the current
17 Department of Fish and Game to craft management plans both
18 in the nineties and in this decade. And both management
19 plans that have -- this one's been adopted by the State --
20 supports acquisition of lands that are adjacent to the
21 reserve.

22 So this 3,700 acres would be that. And the
23 reasons are is that it helps to support the biological
24 diversity of that ecological reserve. There are many,
25 many species and many different kinds of habitats. And

1 it's definitely in the public interest for that land
2 acquisition to be accomplished.

3 CHAIRPERSON GARAMENDI: Thank you.

4 MS. BROOKS: Good afternoon. My name is Mary
5 Ellen Brooks. And I'm speaking because I live one -- less
6 than one mile from the Lompoc Oil and Gas Plant. So I'm
7 speaking as one of California's closest residents to the
8 facility.

9 When that plant was built in the early to mid
10 eighties, the community was promised that plant would be a
11 separation plant only and it would be shut down in 2000.
12 Several years later another company came in, bought it.
13 They were allowed by the government agencies to expand
14 their work, and that facility is still here.

15 Now, with this proposal, my neighbors, PXP, we
16 have the chance of getting rid of this poorly sited plant,
17 which is very close to our community. The second benefit
18 will be the proposed land donation. The previous speaker
19 spoke about the Burton Mesa Chaparral, which will be
20 added. And we hope to get a better management plan
21 because of that. And we hope to have an education center
22 sometime with the prep funds.

23 And thank you very much.

24 CHAIRPERSON GARAMENDI: Thank you.

25 MS. URIBE: Good afternoon. My name is Olivia

1 Uribe. I'm Associate Director of SBCAN, Santa Barbara
2 County Action Network. We strongly support the
3 Tranquillon Ridge project.

4 You already have heard the many environmental
5 benefits, so I will not repeat them. You already have
6 that to take into account.

7 It is important to note that when the State is
8 near bankruptcy and deferring payments on most of its
9 obligations, it's difficult to ignore the potential \$5
10 billion revenue for the State.

11 The only precedence, as has been stated, of this
12 agreement is all of us standing in unison in the same
13 room.

14 CHAIRPERSON GARAMENDI: Excuse me. I'm going to
15 give you another 30 seconds.

16 But if those people in the back of the room that
17 would like to have a conversation would please take it
18 outside, it would be to everybody's benefit.

19 Please continue.

20 MS. URIBE: Sure.

21 This agreement complements the potential
22 reinstatement of federal ban on offshore oil leases off
23 our coast by sending a mandate to current operations and
24 prohibiting the development on new leases.

25 And, lastly, it is a time when our nation has

1 come together in the spirit of cooperation and
2 responsibility. And if California wants an opportunity
3 and to promote that leadership, it is a good project to
4 support. We urge you to support it.

5 Thank you.

6 CHAIRPERSON GARAMENDI: Thank you.

7 MS. FANCHER: Hello. My name is Christine
8 Fancher, and I'm here representing myself.

9 I support the EDC agreement. And basically this
10 is not adding platforms. It is eliminating them.

11 Please move forward today.

12 Couldn't hear anything?

13 CHAIRPERSON GARAMENDI: No, I got it all.

14 MS. FANCHER: Thank you.

15 CHAIRPERSON GARAMENDI: Thank you very much.

16 MR. GIBBONS: Chair Garamendi, Commissioners. My
17 name is Tom Gibbons. I'm an oil field worker. Probably
18 kind of a novel thing in this room.

19 (Laughter.)

20 MR. GIBBONS: I came down here today to give you
21 my two cents worth. Today's my 40th anniversary of going
22 to work offshore. And you probably know what project I
23 worked on.

24 I support the project. It's a logical
25 progression to cessation of events in the area.

1 You need to get the oil out. You need to collect
2 my tax money, my royalties. That's what you're supposed
3 to be doing. This is the highest and best use of this
4 State land. I want to see you do this. Let's have an
5 "up" vote today.

6 Thank you.

7 CHAIRPERSON GARAMENDI: Thank you.

8 MR. ALLEN: I'm Bruce Allen, co-founder of SOS
9 California. And I'd like to raise an issue that you
10 haven't heard yet today.

11 We're a nonprofit dedicated to educating the
12 public about how oil and gas production has actually
13 reduced the true primary source of hydrocarbon pollution
14 along the central California coast, the natural oil and
15 gas seeps.

16 We're dedicated to educating the public that our
17 coastal oil and gas resources conserves a bridge to
18 funding renewable energy. There are about 200 barrels of
19 oil per day, or about three million gallons of oil per
20 year, that have polluted our coastline due to natural
21 seeps, half of that along the coast from Point Conception
22 to north of Point Sal. These seeps kill thousands of
23 birds per year.

24 It's our position that these resources at T-Ridge
25 can be extracted safely through extended reach drilling;

1 and would like to note that in 40 years there have only
2 been 875 barrels of oil spilled along our coast, compared
3 to two million barrels from the seeps.

4 I would like to note also that the 1997 spill at
5 Platform Irene, in an MMS 2001 summary, stated that the
6 spill responders and biologists found that the oil
7 coastline spill was difficult to determine if it was the
8 source of Platform Irene or the natural seeps.

9 CHAIRPERSON GARAMENDI: Thank you very much, sir.

10 MR. BECKER: Good afternoon. Tom Becker
11 representing Asset Equipment Sales.

12 And we support this project, because we would
13 like to do business with the oil and gas industry. This
14 will help us get some business. State needs the money.
15 We're in a crisis. We need the money.

16 With that being said and my support for this
17 project, I am concerned that some of the things that PXP
18 and EDC are saying are really not true. Folks, those
19 platforms are not going to go away. You cannot get rid of
20 those platforms, because they're under federal leases. I
21 talked to County staff on this issue for hours. Condition
22 A6 was the original condition in the County report to get
23 rid of those. County staff took them out when they
24 acknowledged that they could not get the federal
25 government to agree to ending those leases.

1 So, folks, let's be honest. We need the money.
2 And, folks, if any of you don't want to support this
3 project, I think you should be the ones handing out the
4 pink slips to the employees of the State who will lose
5 their jobs.

6 Thank you.

7 CHAIRPERSON GARAMENDI: Thank you.

8 MR. LARSON: I'm Tim Larson, a member of the
9 community. I want to bring up a topic.

10 I realize in the 1925 earthquake thousands and
11 thousands, possibly millions of barrels were spilled.
12 There's no record. I've researched.

13 But we are sitting on an under-pressure reserve.
14 And I think it's wise to get any of that out. Our natural
15 seeps, I do believe, are a real concern. And anything
16 that we could do to get some of that out of there I think
17 would be really great.

18 And I also am concerned -- I know that at some
19 point, I don't know when, but at some point we may have
20 another earthquake. And if we're still sitting on that
21 pressurized reserve, it could make San Barbara just
22 really -- we have a beautiful setting now. It could
23 really just absolutely wreak havoc all the way down the
24 coast and ruin more industries than we can imagine.
25 Tourism - I don't believe anybody would want to come to a

1 beach that is absolutely soiled with oil. And so I'm
2 hoping to depressurize the reserves any way we can.

3 Thank you.

4 CHAIRPERSON GARAMENDI: Thank you very much.

5 MR. MILLS: Lieutenant Governor, members of the
6 Commission. My name is Andy Mills with Hollister Ranch, a
7 15,000 acre cattle ranch and small residential community
8 just south of Point Conception and immediately adjacent to
9 Gaviota State Park.

10 Our local state economy and -- our local and
11 state economy desperately needs the funds that this
12 project would provide. Our County fire department in
13 particular will likely lose our local fire station in a
14 very short number of years.

15 At the same time, because of diminishing State
16 bond funding for conservation, our county has suffered
17 missed opportunities for land protection we simply can't
18 afford. It is rare that a project comes along that meets
19 both the economic and conservation needs of the community.

20 Santa Barbara cannot afford to lose this
21 opportunity. And I hope that you will vote in favor of
22 the PXP-EDC deal.

23 Thank you.

24 CHAIRPERSON GARAMENDI: Thank you.

25 MR. LUNSFORD: Mr. Lieutenant Governor and

1 members of the Commission. My name is Mike Lunsford. I'm
2 the President of the Gaviota Coast Conservancy. We are
3 the primary advocacy group for the protection of the
4 Gaviota Coast on which this project sits. We seek
5 permanent protection for these significant resources, both
6 natural and cultural.

7 We define the Gaviota Coast as from Coal Oil
8 Point near the university in Goleta to Point Arguello, and
9 then the remainder of the Vandenberg Air Force Base
10 coastline.

11 Santa Barbara county's 110 miles of coastline has
12 taken the brunt of offshore oil exploration and
13 development and production in California. The brunt.
14 Most of the battles have occurred here. The most
15 knowledgeable, experienced, and effective opponents are
16 here. That's why this situation is so different.

17 We believe that on balance this project will help
18 further the preservation of the Gaviota Coast. We support
19 this project based on our understanding of the
20 enforceability --

21 CHAIRPERSON GARAMENDI: Thank you very much, sir.

22 MR. LUNSFORD: Thank you.

23 CHAIRPERSON GARAMENDI: Thank you.

24 MS. LEJEUNE: Chairman Garamendi and members of
25 the Commission, my name is Sandy Lejeune. I'm the Chapter

1 Chair of the Santa Barbara Surfrider Foundation. And we
2 are here in support of the agreement, counterintuitive
3 though it first appeared to us.

4 Our chapter, since its inception in 1992, has
5 been working on preservation issues on the Gaviota Coast.
6 We would never have put our name as a signer and supporter
7 of this agreement if we did not believe that it would
8 reduce the risk of new oil spills and that its end date
9 was not enforceable.

10 So we urge you, as a signer and a supporter of
11 this issue, to approve the PXP agreement.

12 Thank you.

13 CHAIRPERSON GARAMENDI: Thank you.

14 MR. TRAUTWEIN: Mr. Chair and Commissioners. My
15 name is Brian Trautwein, and I've lived in Santa Barbara
16 my whole life. I've lived through the 1969 oil spill and
17 other oil spills since then. I've dedicated my whole
18 adult life to protecting and restoring our precious
19 environment. I founded an environmental group that's
20 still active in Santa Barbara back in 1989.

21 I'm here taking time off work to strongly support
22 this unique precedent-setting agreement that brings
23 various parties together. It's a good agreement. It's
24 good for Santa Barbara, but it's good for the State of
25 California. It's good for our environment and it's good

1 for our economy. And that's why I'm here today.

2 Thank you.

3 CHAIRPERSON GARAMENDI: Thank you.

4 MR. GAUTHIER: Hello, room. My name's John
5 Gauthier. I'm just a local surfer and beach goer.

6 I'm concerned mainly about two things: The
7 economy in California and helping Santa Barbara solve its
8 pollution issues in regards to oil seepage.

9 A lot of times at the beach I see seepage on the
10 beach in contact with wildlife and as well as myself. It
11 gets on my wetsuit and I come in direct contact with it on
12 my skin.

13 I'm in favor of any efforts to extract oil from
14 wherever it's coming from and however it's getting to
15 shore. You know, I'm in support of this issue if it's
16 going to mitigate that seepage.

17 Thank you.

18 CHAIRPERSON GARAMENDI: Thank you.

19 MR. FOSTER: Hi. My name's Dan Foster. I'm a
20 local commercial diver. I work from the surface down on
21 all the oil rigs out here.

22 And I just want to say that I'm in full support
23 of this measure. If this measure can reduce the danger
24 and the dependence we have on foreign oil, I think it
25 would be a great thing for the state and also the country.

1 You know, accidents like this -- like spilling of oil from
2 ships have been happening for years. And it would be
3 great and safe for us to have a decrease of dependence on
4 foreign oil.

5 Thanks.

6 CHAIRPERSON GARAMENDI: Thank you very much.

7 (Thereupon an overhead presentation was
8 presented as follows.)

9 MR. ANTHONY: Lieutenant Governor and members of
10 the Commission. I'm Doug Anthony, Santa Barbara County
11 Energy Division Deputy Director. I'm here with some
12 information that you had requested. Commissioner Sheehy
13 wanted a breakdown on the ad valorem tax. We have that.

14 ACTING COMMISSIONER SHEEHY: Thank you so much
15 for following up on that.

16 MR. ANTHONY: If you can see the slide before
17 you, this gives you a quick breakdown of what it is from
18 this particular property. You can see it in front of you.

19 It does include the Educational Revenue
20 Augmentation Fund.

21 I do have some other slides. I don't know if you
22 want to see them. They --

23 ACTING COMMISSIONER SHEEHY: Is it accurate that
24 the biggest beneficiary here is the school district?

25 MR. ANTHONY: These are accurate. We believe

1 they're accurate because they reflect in the adjacent --

2 ACTING COMMISSIONER SHEEHY: So the schools get
3 most of the money of the ad valorem tax; is that right?

4 MR. ANTHONY: That's correct.

5 ACTING COMMISSIONER SHEEHY: Yeah, I think that's
6 important to note for the record.

7 MR. ANTHONY: If you note, for the last four
8 lines there, that that's for the schools.

9 If you're interested in seeing additional slides,
10 it just gives you some dollar sense to that based on
11 different estimates. But if --

12 CHAIRPERSON GARAMENDI: Excuse me. A question.
13 When would this money be available?

14 MR. ANTHONY: This is over the life of the
15 project. This is the distribution of the percentage of --
16 our property tax earnings, whatever those end up being,
17 this is the percentage of the allocation to the different
18 entities.

19 CHAIRPERSON GARAMENDI: And this is a result of
20 the increased valuation of the reserve?

21 MR. ANTHONY: Right.

22 CHAIRPERSON GARAMENDI: And when would you do the
23 evaluation?

24 MR. ANTHONY: I believe shortly after project
25 approval.

1 CHAIRPERSON GARAMENDI: Thank you.

2 MR. ANTHONY: I'm also here -- and I can answer
3 questions if you want clarification on risk. I will note,
4 our Condition A6, as far as end date, does have an end
5 date of December 31st, 2022, for the Tranquillon Ridge
6 project. Make that clear.

7 Is there anything else I can make clear for you
8 on risk questions?

9 ACTING COMMISSIONER SHEEHY: If I could just
10 get -- I mean, when we're done with this hearing, if I
11 could just get under separate cover a copy of that, that
12 would be great.

13 Thank you so much, sir.

14 MR. ANTHONY: Certainly.

15 And I would like to note for the record that as
16 far as our experience goes, Plains is a fairly top level
17 operator. So we are happy to support the project.

18 CHAIRPERSON GARAMENDI: Thank you.

19 The slides are now being made available to us.

20 Ma'am, if you'd go ahead with your testimony. I
21 believe you're the last one. So wrap it up for us.

22 MS. RUBIN: Okay. My name is Selma Rubin. I've
23 lived in Santa Barbara since 1964. Lived through the oil
24 spill. And as a result of that, we started some
25 organizations. The Community Environmental Council was

1 started in 1970 and the Environmental Defense Center in
2 1977.

3 I have been on 42 boards in Santa Barbara, and
4 I'm speaking for the Santa Barbara County League of
5 Conservation Voters, and we ask for your approval.

6 Thank you.

7 CHAIRPERSON GARAMENDI: Thank you very much.

8 (Applause.)

9 CHAIRPERSON GARAMENDI: Thank you.

10 Paul, if you could bring the issue before the
11 Board.

12 ACTING COMMISSIONER SHEEHY: I'm sorry. There's
13 just one more thing, Mr. Chairman, before we go to a vote.

14 There's just one thing that we haven't actually
15 covered yet, and I thought -- and we've been skirting
16 around it a little bit. There's been -- the staff report
17 on the financial benefits I thought did the obligatory
18 minimum. It talked about the \$100 million being
19 one-quarter of one percent. But it completely omitted any
20 mention of the ad valorem taxes. So I'm particularly
21 grateful for the County coming forward and letting us know
22 about the ad valorem taxes that would support local
23 government in Santa Barbara.

24 But depending upon the price of oil, whether it's
25 \$50, \$75, or \$100, the benefit to the State General Fund

1 through the budget year, budget year plus one, would be
2 from a low of \$262 million - that's a \$50 oil - to a high
3 of \$567 million. That's at a hundred dollar oil. These
4 are based upon figures that were given to me by PXP in
5 terms of the number of oils produced -- barrels of oil
6 produced. And then those same figures were provided to
7 the State Lands Commission staff to verify that they were
8 reasonable estimates. And they, in fact, were.

9 CHAIRPERSON GARAMENDI: Excuse me, Tom. Could
10 you clarify -- you said the budget year. That's the year
11 that begins July 1st, 2009.

12 ACTING COMMISSIONER SHEEHY: Right. Thank you,
13 Lieutenant Governor.

14 So in other words, the budget year starts July
15 1st of 2009. So budget year plus one would be July 1st of
16 2010.

17 And so the deficit that we have at the State
18 level is not a one-year problem. It's a multi-year
19 problem. In fact, if all \$40 billion of the Governor's
20 proposed solutions to balance the budget were adopted in
21 budget year plus one, we face another 10 or \$11 billion
22 deficit, according to the nonpartisan legislative analyst.
23 So we're all very concerned about the State's finances.

24 But I wanted to put into particular focus what
25 this project would mean. If we just picked the middle

1 point -- well, let's just pick the low point of \$50 oil --
2 we could get 262 million.

3 CHAIRPERSON GARAMENDI: Beginning when?

4 ACTING COMMISSIONER SHEEHY: That would be
5 beginning July 1st of this year.

6 With the \$262 million:

7 We could buy out \$146 million in cuts to the
8 State's court system, thereby reducing clogging of our
9 courts.

10 We could buy out public safety grants -- public
11 safety grant funding of 57.4 million. This is money that
12 goes for crime prevention all over the state. It goes to
13 the police chiefs and the sheriffs and especially in local
14 areas.

15 We could -- you heard earlier about transit here
16 in Santa Barbara. Unfortunately, Governor
17 Schwarzenegger's had to propose eliminating all State
18 support for transit grants in the State of California
19 because we just can't afford it anymore. We could buy
20 that cutout if we chose to if this project were to go
21 forward.

22 We proposed making major reductions to the
23 California Conservation Corps, totaling \$17 million. We
24 could easily buy that out.

25 We've proposed eliminating the First 5 funding

1 that comes from the tobacco tax. We could buy that out.

2 We have also had to propose eliminating various
3 optional benefits in Medi-Cal, benefits that people in the
4 state have been utilizing for many years. And we couldn't
5 buy out all those cuts, but we could buy out about half of
6 them if we used all this money to do that.

7 Unfortunately, we've had to propose reductions in
8 the Department of Developmental Services where people that
9 have things like autism come for State aid through the
10 Lanterman entitlement. Again, we couldn't buy all of that
11 out, but we could buy out two-thirds of those cuts if we
12 chose to.

13 We have also had to propose \$226.7 million in
14 General Fund reductions to managed care and mental health
15 programs. These are Prop 63 funds that come from a
16 surcharge on very wealthy people. We could buy that
17 cutout if we chose to.

18 We've had to propose \$79.1 million in reductions
19 to CalWORKs COLAs, people -- and the most vulnerable in
20 our state that are on welfare, we could buy that out.

21 CHAIRPERSON GARAMENDI: Tom, excuse me for a
22 moment.

23 ACTING COMMISSIONER SHEEHY: Yes, sir.

24 CHAIRPERSON GARAMENDI: We know that we have a
25 very serious budget problem. There are many, many

1 solutions to them. It's absolutely clear that for the
2 year 2009-10, other than the \$100 million advanced fee,
3 there is almost guaranteed certainty that oil will not
4 flow from this project. They have to drill --

5 ACTING COMMISSIONER SHEEHY: Well, actually,
6 Mr. --

7 CHAIRPERSON GARAMENDI: -- they have to drill.
8 They've got to get --

9 ACTING COMMISSIONER SHEEHY: Mr. Chairman,
10 according to our own staff of the State Lands Commission,
11 we actually will start getting oil in the '9-'10 fiscal
12 year.

13 CHAIRPERSON GARAMENDI: Okay.

14 ACTING COMMISSIONER SHEEHY: And the estimate --
15 let me get it on the record. We get the \$100 million
16 fronted by PXP, if this project were to be approved. And
17 in the addition -- and this is at \$50 oil -- we would get
18 \$59 million in revenue in '9-'10. So through the end of
19 the budget year, that's actually \$162 million. And then
20 an additional 100 million the year after.

21 CHAIRPERSON GARAMENDI: Then it doesn't come
22 close to the buyouts that you discuss, because you were
23 talking about --

24 ACTING COMMISSIONER SHEEHY: No, any one of those
25 cuts I said could be bought out. We could pick one of

1 them. If we wanted to eliminate -- the elimination of
2 State assistance for transit grants, we could do that.

3 And finally, I'd like to say, because I can see
4 I'm wearing out your patience - and I do apologize --

5 (Laughter.)

6 ACTING COMMISSIONER SHEEHY: -- for that,
7 Lieutenant Governor.

8 But with our State's cash crisis and our
9 inability now, as we understand from our Controller, to
10 make payments on tax refunds, payments to vendors in the
11 state, payments to the counties that are providing social
12 services, and a whole list of other payments that the
13 Controller says we may not be able to make because of the
14 lack of a budget solution severe crisis in the state, I
15 think it would be -- I think we cannot turn a blind eye --
16 we've heard all day long about the environmental benefits,
17 but I don't think we can turn a blind eye to the financial
18 benefits, what this would do for the State's cash flow.
19 And this is a source of new revenue to the State that does
20 not require a two-thirds vote tax increase, which we don't
21 seem to be able to get out of the politicians in
22 Sacramento. And so --

23 CHAIRPERSON GARAMENDI: Well, the politicians in
24 Sacramento includes the Governor.

25 ACTING COMMISSIONER SHEEHY: And so based upon

1 all of that, I'm prepared to make a motion.

2 CHAIRPERSON GARAMENDI: I would like Paul to
3 present to this Commission the issue, not the argument,
4 but the -- exactly what it is that we're voting on. We're
5 voting on a...

6 EXECUTIVE OFFICER THAYER: The Commission is
7 considering today whether or not to grant two leases to
8 PXP for development of the oil underlying Tranquillon
9 Ridge.

10 Contained within the staff report are two sets of
11 findings. The one that's directly part of the staff
12 report is a recommendation for denial. And, again, as we
13 did with the Chevron recommendation earlier, it's the
14 staff's recommendation that the Commission move per the
15 findings that are contained within the body of the staff
16 report.

17 In Appendix G we also have findings that support
18 an approval of the lease. And if the Commission's will is
19 to approve the lease, we recommend that they use that form
20 there.

21 CHAIRPERSON GARAMENDI: Thank you.

22 Now, Tom.

23 ACTING COMMISSIONER SHEEHY: On that basis, I
24 would move to approve leases for the Tranquillon Ridge
25 project in accordance with the State Lands Commission

1 findings in Exhibit G of the staff report, with the
2 greenhouse mitigation, in accordance with the revised
3 Exhibit G-4 as modified by State Lands Commission staff
4 and PXP today.

5 I would further move that the best interests of
6 the State are served by the environmental and financial
7 benefits of the project.

8 And I would further find that this action is
9 consistent with the State Lands Commission's opposition to
10 further oil and gas leasing in California.

11 That is my motion.

12 CHAIRPERSON GARAMENDI: Thank you.

13 The motion is before us.

14 John, do you have comments?

15 I do.

16 I respect the fact that the many environmental
17 groups and individuals believe this lease would be good
18 for the environment. I hope that they would be right.
19 However, in the final analysis, it's my personal
20 determination that approving the current PXP application
21 for oil drilling in the Tranquillon Ridge field is not in
22 the best interests of the State.

23 The main benefit of this agreement would have
24 been to end all drilling from these three platforms by
25 2022. We've heard today much discussion about this.

1 We've heard the staff analysis. We've also heard from
2 MMS. I am not convinced that the main benefit of this
3 bargain is achievable or enforceable.

4 In addition to that, this issue goes far beyond
5 the Santa Barbara coast. I recognize the extraordinary
6 work done by the environmental community, particularly by
7 Linda and her organization. But the impact of this is to
8 the entire California coast. It is precedent setting. It
9 would be the first time in 40 years that the State Lands
10 Commission and the people of California, in whose trust
11 this land has been placed, has issued a new drilling lease
12 for oil production in the State lands off the California
13 coast. That is a message that will be heard across
14 America.

15 And those who called for "Drill, Baby, Drill"
16 will hear this message very, very clearly. And they will
17 use this as an argument in Congress and with the President
18 to not reinstate the moratoriums that have expired, both
19 the Presidential moratorium as well as the Congressional
20 moratorium. I do not want to go there.

21 The biggest environmental issue facing the State
22 of California is climate change. While this project is
23 purported to be carbon neutral, it's absolutely clear that
24 the use of oil in the State of California is not carbon
25 neutral. In fact, it is a major -- it is the single

1 biggest element in the production of carbon emissions.
2 And California is one of the top 12 emitters of carbon
3 into the atmosphere.

4 If we are to carry out the stated goal of the
5 State of California to reduce emissions, then we have to
6 move away from oil. It's going to be expensive to do
7 that. And my view is every nickel, every penny, dollar,
8 hundreds of millions of dollars or billions of dollars
9 that come from this project must be invested in green
10 technologies and building a green energy system for the
11 State of California.

12 I've said it before in open meetings. I will not
13 vote for this project until and unless the revenues from
14 this project are committed to solving the single biggest
15 environmental problem that the state faces. I appreciate
16 the immediacy. And I also appreciate Genesis, where Esau
17 sold his birthright for an immediate meal. I am not about
18 to sell the California birthright of the most fabulous
19 coast anywhere in this world for an immediate meal.

20 I know it's tough times. But, Tom, I'm telling
21 you, the Governor, the State of California can address
22 those tough times by moving quickly to raise the necessary
23 revenue from a \$2 trillion economy that exists in
24 California and not, not put at risk the entire California
25 coast.

1 Now, we have a vote before us.

2 Call the roll.

3 ACTING COMMISSIONER SHEEHY: Well, sorry. I need
4 a courtesy second on my motion.

5 CHAIRPERSON GARAMENDI: We have the vote before
6 us. You spoke, Tom.

7 ACTING COMMISSIONER SHEEHY: Do I need a courtesy
8 second, staff?

9 DEPUTY ATTORNEY GENERAL HAGER: Yes, you need a
10 second.

11 ACTING COMMISSIONER SHEEHY: So I would
12 appreciate a courtesy second.

13 DEPUTY ATTORNEY GENERAL RUSCONI: Or the motion
14 just dies. And then we will need to have a vote on the
15 alternate --

16 CHAIRPERSON GARAMENDI: You have a courtesy
17 second. I have a courtesy second.

18 ACTING COMMISSIONER SHEEHY: Thank you,
19 Lieutenant Governor.

20 CHAIRPERSON GARAMENDI: Tom?

21 ACTING COMMISSIONER SHEEHY: I vote aye on my
22 motion.

23 CHAIRPERSON GARAMENDI: John?

24 COMMISSIONER CHIANG: No.

25 CHAIRPERSON GARAMENDI: Chair?

1 No.

2 The lease is rejected.

3 (Applause.)

4 EXECUTIVE OFFICER THAYER: Mr. Chair?

5 COMMISSIONER CHIANG: I move staff

6 recommendation.

7 CHAIRPERSON GARAMENDI: We have a motion to move

8 the staff's recommendation.

9 That's a second.

10 There are two aye votes on the staff

11 recommendation.

12 ACTING COMMISSIONER SHEEHY: I vote no on the

13 staff recommendation.

14 CHAIRPERSON GARAMENDI: Very good.

15 Does that complete this issue?

16 EXECUTIVE OFFICER THAYER: Yes, it does.

17 CHAIRPERSON GARAMENDI: Other issues before the

18 Commission?

19 Would you please exit quietly. I believe we have

20 a couple of other issues.

21 EXECUTIVE OFFICER THAYER: My understanding is

22 that -- well, there's two other issues on the calendar.

23 One of them is a renewal of the lease for the pipeline

24 that serves Platform Irene.

25 Do you want to take a short break while we let

1 the --

2 CHAIRPERSON GARAMENDI: No, I want to move
3 forward.

4 Are you good enough? Because we're going to
5 finish in five minutes.

6 EXECUTIVE OFFICER THAYER: My understanding is
7 that PXP would like --

8 CHAIRPERSON GARAMENDI: Okay, folks. Please
9 leave quietly.

10 We have an issue before us, which is the renewal
11 of the existing pipeline lease for Irene.

12 COMMISSIONER CHIANG: Move staff recommendation.

13 EXECUTIVE OFFICER THAYER: At PXP's request,
14 we're pulling Item 40, which is a renewal of --

15 CHAIRPERSON GARAMENDI: Okay. Very Good. We've
16 pulled Item 40, the renewal, from the file.

17 EXECUTIVE OFFICER THAYER: Right.

18 The last remaining open session item is 41.
19 Mario will present this.

20 This has to do with a legislative program and the
21 need to secure the Commission's concurrence.

22 CHAIRPERSON GARAMENDI: Have the Commissioners
23 been briefed on the legislative program?

24 ACTING COMMISSIONER SHEEHY: I haven't.

25 CHAIRPERSON GARAMENDI: Mario.

1 The first category is vessel and snag removal;
2 second, mineral leases; third, invasive species; four,
3 land patents; and the fifth is the Port of San Diego
4 legislation.

5 You can look at the legislative summary.

6 --o0o--

7 LEGISLATIVE LIAISON De BERNARDO: Okay. This
8 Commission has brought up the issue of vessel and snag --
9 or hazards to navigation in the State's waterways. Staff
10 proposes a two-bill approach this session to begin
11 addressing this problem.

12 --o0o--

13 LEGISLATIVE LIAISON De BERNARDO: The first
14 approach involves administrative authority. It involves
15 giving the Commission the administrative authority to
16 dispose, sell, and remove abandoned vessels, trespassing
17 vessels, trespassing ground tackle. We believe that --
18 first of all, this is authority that the Commission
19 already has. They have to go through court, litigation to
20 do it though. And we believe by doing this through an
21 administrative process, we'll save money and time, because
22 no litigation will be required.

23 The proposal protects the boat owner's due
24 process rights by providing a notice and hearing
25 requirement.

1 ACTING COMMISSIONER SHEEHY: Oh, thank you, Mr.
2 Lieutenant Governor.

3 And I apologize to staff. I realize now that
4 Mario had briefed me on some of this. I was so delirious
5 after six hours of Tranquillon Ridge to struggle on, it
6 had slipped my mind for a minute. So I'm prepared to vote
7 on your motion, Mr. Lieutenant Governor.

8 LEGISLATIVE LIAISON De BERNARDO: One point I'd
9 like to make is, that I believe you guys are okay with
10 most of the stuff that I've presented, except for Mr.
11 Sheehy has suggested or has hinted towards the abstaining
12 from supporting the Port of San Diego legislation, which
13 is the post-Prop B legislation. So if you're going to
14 vote on this as a whole --

15 ACTING COMMISSIONER SHEEHY: Well, just separate
16 the question then. Separate the question and I'll just
17 abstain. I wasn't going to vote "no" on it. I just
18 wanted to abstain.

19 Separate the question.

20 CHAIRPERSON GARAMENDI: Okay. We have two
21 votes -- we have two motions before us. The first motion
22 is on the package absent the San Diego.

23 COMMISSIONER CHIANG: So moved.

24 ACTING COMMISSIONER SHEEHY: I'll second.

25 CHAIRPERSON GARAMENDI: We have a motion and

1 second; and we have three positive votes.

2 The second motion is on the San Diego proposal.

3 COMMISSIONER CHIANG: So moved.

4 CHAIRPERSON GARAMENDI: We have a motion.

5 ACTING COMMISSIONER SHEEHY: I'll give a courtesy
6 second.

7 CHAIRPERSON GARAMENDI: I'll take care of that.

8 I'll do the courtesy second -- do the second.

9 And Tom abstains; and John and I vote positive.

10 LEGISLATIVE LIAISON De BERNARDO: Thank you.

11 EXECUTIVE OFFICER THAYER: That concludes --

12 LEGISLATIVE LIAISON De BERNARDO: I'd like to
13 also recognize that there are members of the port staff --
14 Port of San Diego staff that stayed through all of this
15 and --

16 (Applause.)

17 CHAIRPERSON GARAMENDI: The meeting is adjourned.

18 (Thereupon the State Lands Commission
19 meeting adjourned at 5:39 p.m.)

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1 CERTIFICATE OF REPORTER

2 I, JAMES F. PETERS, a Certified Shorthand
3 Reporter of the State of California, and Registered
4 Professional Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing California State Lands Commission meeting was
7 reported in shorthand by me, James F. Peters, a Certified
8 Shorthand Reporter of the State of California, and
9 thereafter transcribed into typewriting.

10 I further certify that I am not of counsel or
11 attorney for any of the parties to said meeting nor in any
12 way interested in the outcome of said meeting.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 10th day of February, 2009.

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JAMES F. PETERS, CSR, RPR

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